



TAMIM

# AUSTRALIAN EQUITIES WEBINAR

PRESENTED BY RON SHAMGAR

Head of Australian Equity Strategy

NOVEMBER 2024



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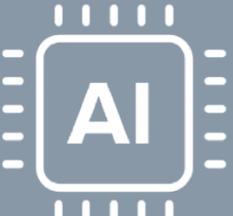
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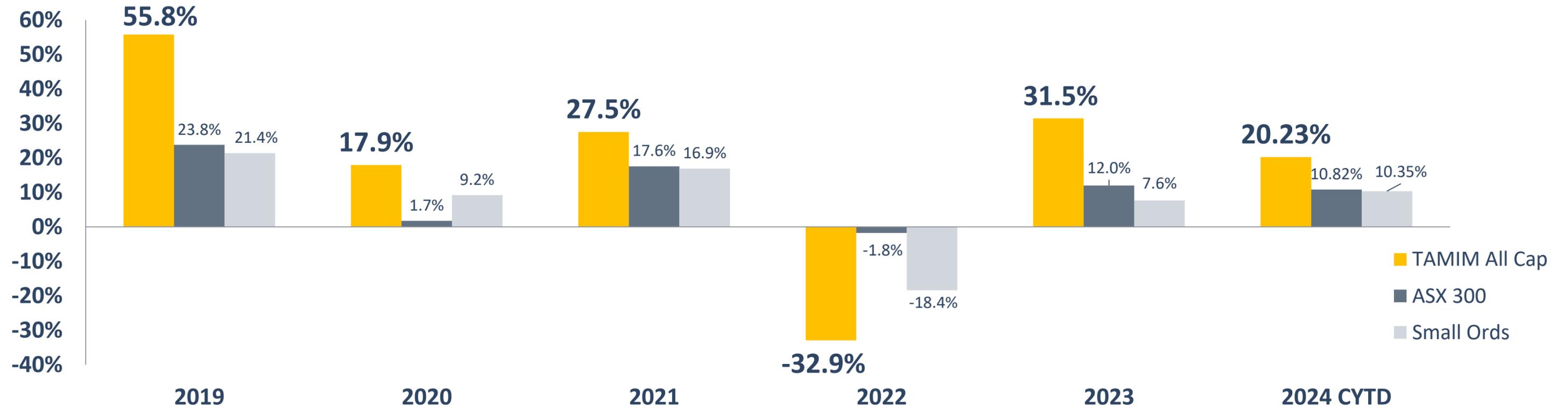


# Our Investment Platform

EQUITIES				OTHER ASSET CLASSES		
AUSTRALIAN		GLOBAL		PROPERTY		PRIVATE DEBT
 AUSTRALIA ALL CAP	 SMALL CAP INCOME	 GLOBAL HIGH CONVICTION	 GLOBAL TECH AND INNOVATION	 TAMIM PROPERTY	 LISTED PROPERTY	 TAMIM CREDIT FUND



# Our Track Record – Calendar Year Returns

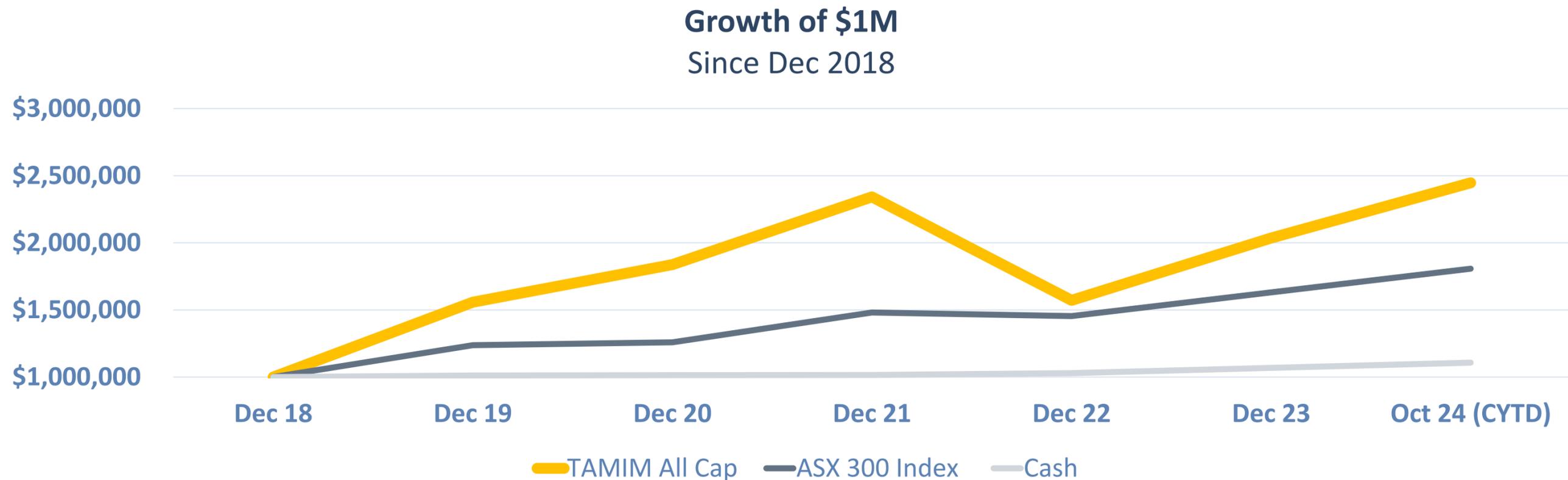


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# Our Track Record – Growth of \$1M

If you had invested \$1 million in the TAMIM Australia All Cap fund when Ron Shamgar took over management in December 2018, your investment would have grown to \$2,446,868 by 31 October 2024. The table below illustrates the returns across key market indicators and TAMIM All Cap over a period of 5+ years.



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1. Why we are Optimistic for 2025 and Beyond
  2. Equity Market Valuations
  3. What We Look For in a Company
  4. Takeover Insights & Potential Targets
  5. Portfolio Stock Insights

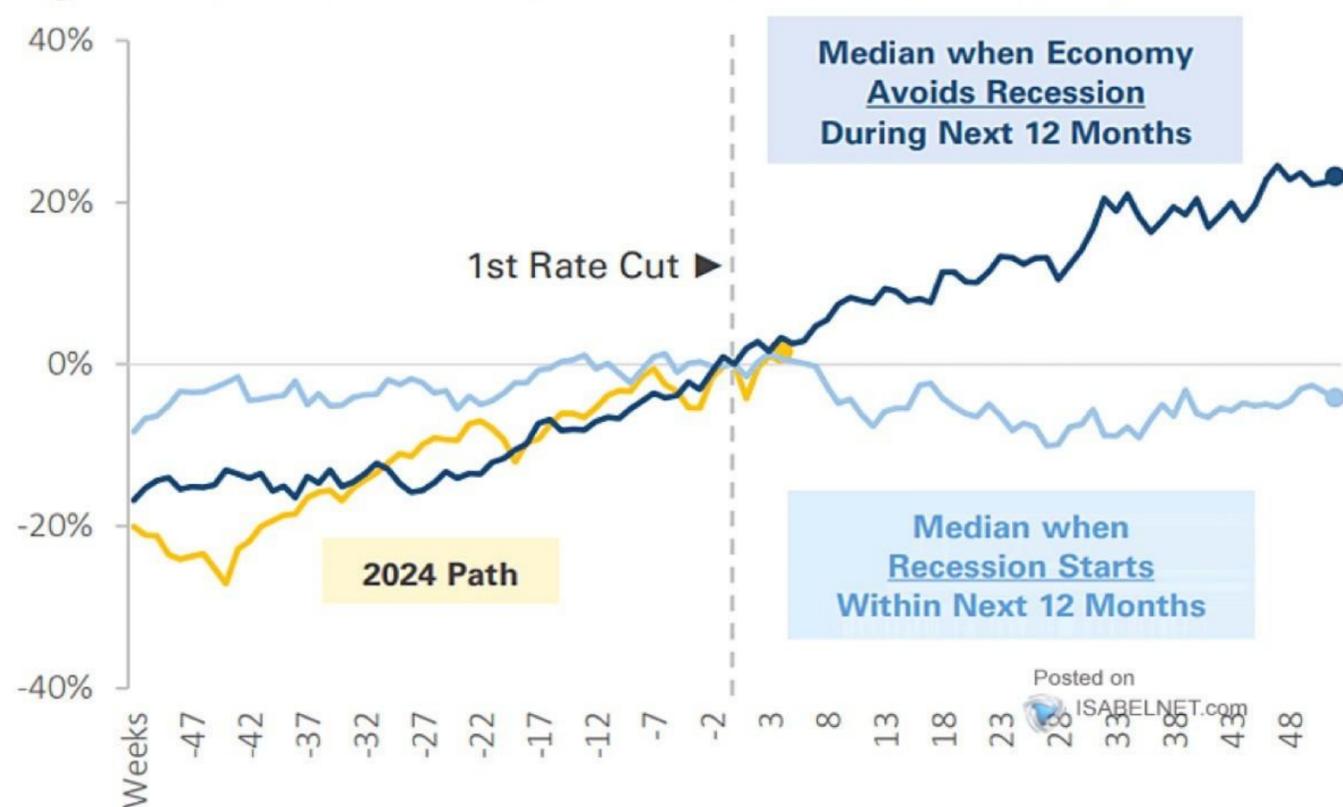
# Discussion Points

# Why we are Optimistic for 2025 and Beyond

Risks that drove markets down – inflation/rates – are now subsiding. The Fed's preferred measure of inflation (Core PCE) moved down to circa 3.00% in October. Economists now expecting the Fed to keep cutting rates in 2025.

Historically, Small Caps tend to outperform during rate cut cycles and markets tend to perform well if a recession is avoided following the first rate cut. New Trump administration focus on cutting regulations/tax to unleash GDP growth.

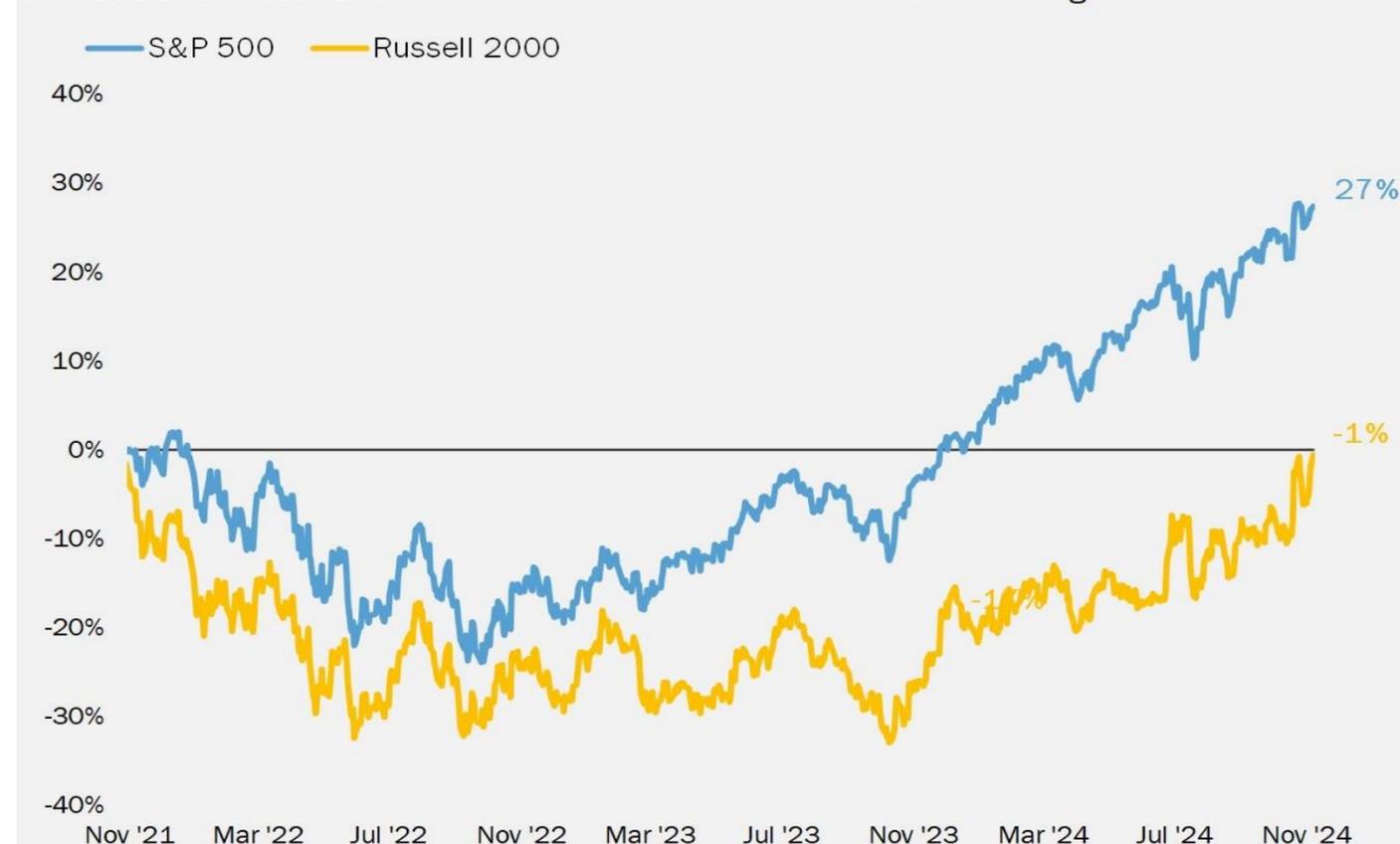
**Figure 4: S&P 500 Returns After First Interest Rate Cut**



Source: MarketDesk. Previous cycles include June 1989, July 1990, July 1995, September 1998, January 2001, September 2007, and July 2019.

**The little stocks that could**

S&P 500 and Russell 2000 returns since the Russell 2000's last record high

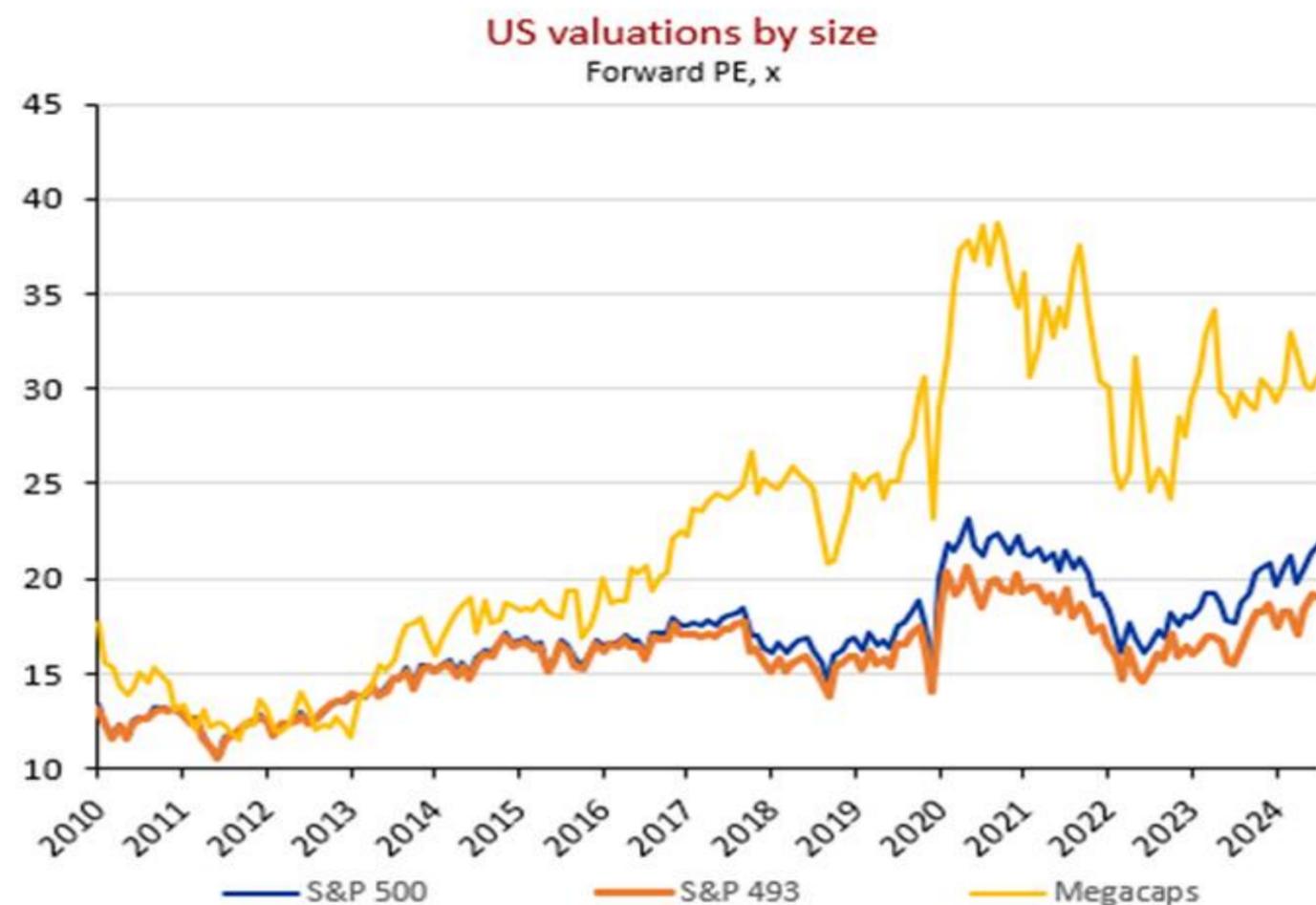


Source: Callie Cox Media LLC, YCharts

# Is The Market Overvalued?

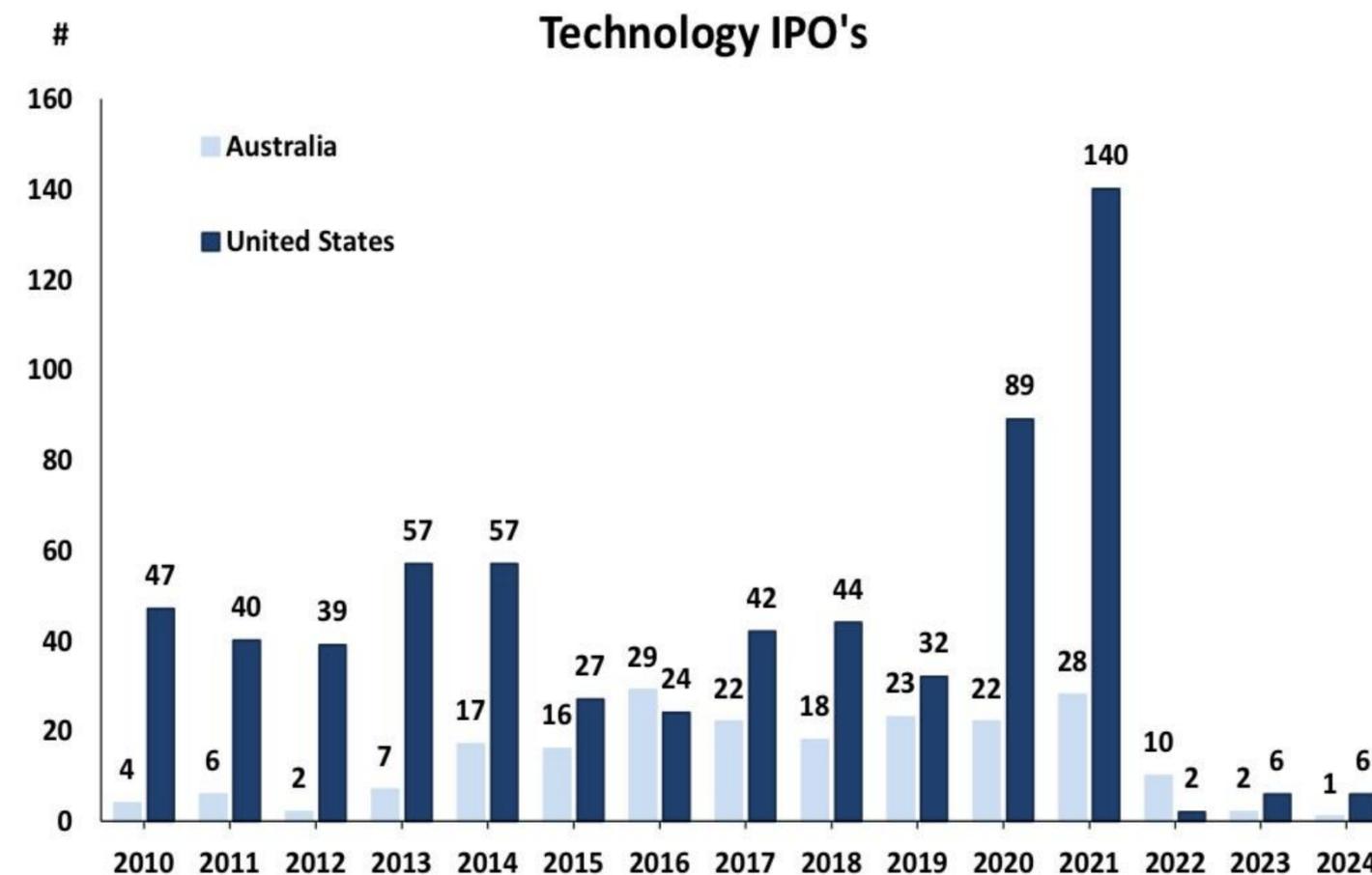
In the US markets been driven by strong performance of the Mag7 profit growth and multiple expansion. Excluding those, the S&P500 is trading at its long term PE of 19x which we see as not expensive.

Another measure of market sentiment is measured by IPO activity which has been the lowest this year in over 20 years. These are NOT signs of market exuberance but rather early stages of a bull market.



Source: Refinitiv, Evans & Partners

\*Facebook, Amazon, Apple, Netflix, Alphabet, Microsoft

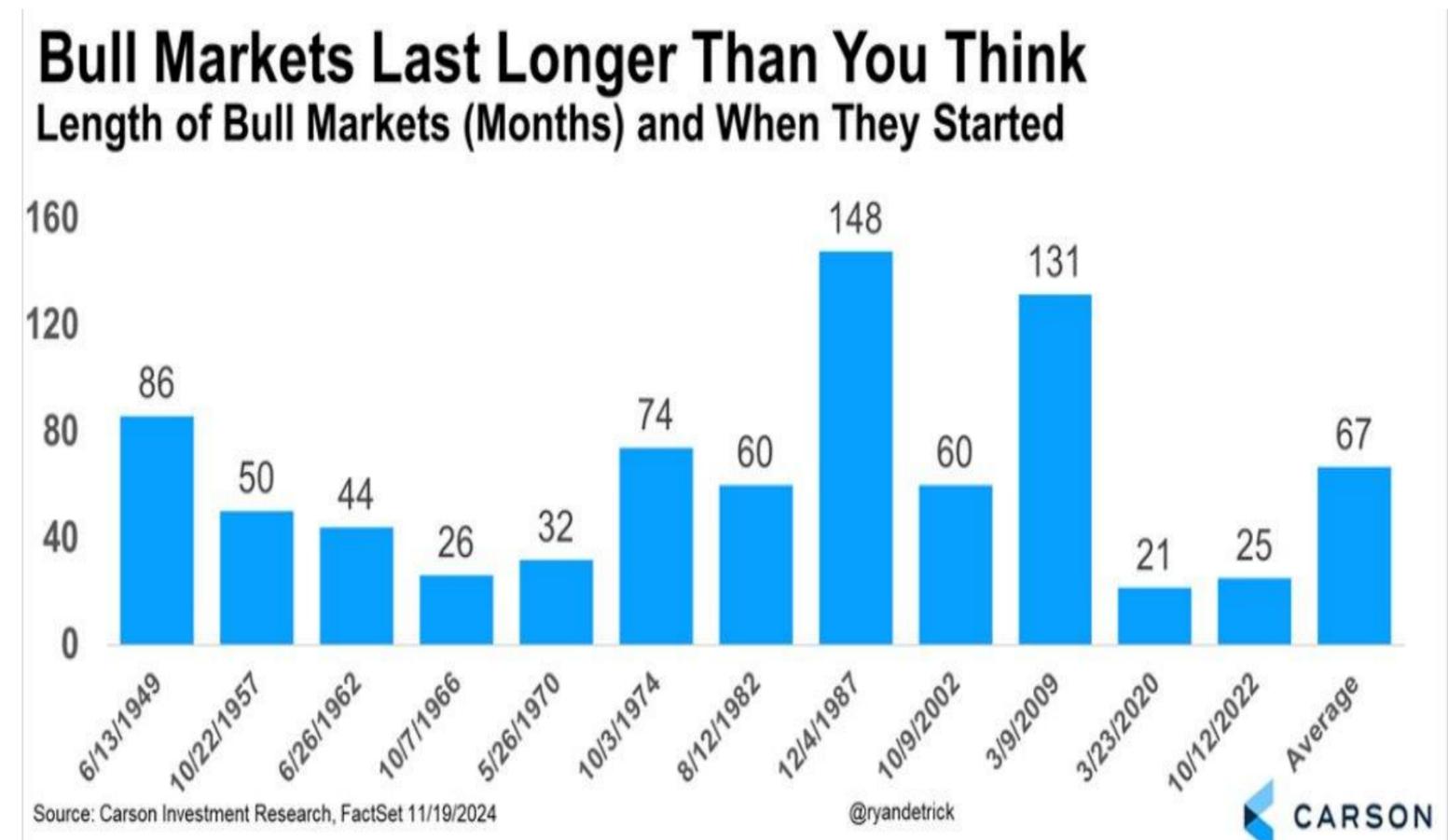
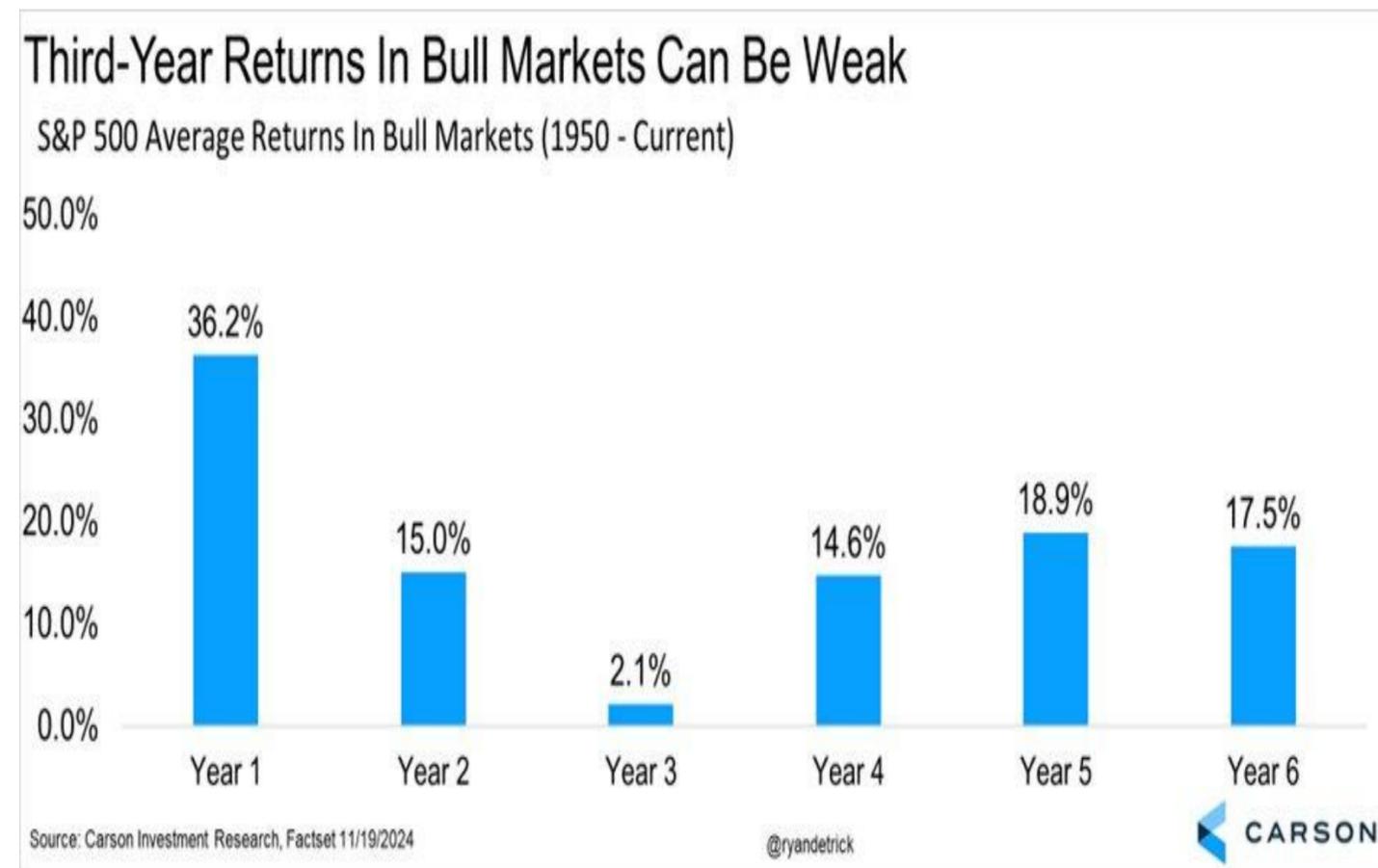


Source: Dealogic

# This Bull Market Is Still Young

Going back 50 years, if a bull market makes it past its 2nd birthday (like this one) that is a great sign many more years could be left in the tank. Five bull markets made it this far and the shortest was at least 5 years old when it ended.

This bull market is 25 months old. That isn't very old when looking at past bull markets. In fact, the avg bull market lasts more than five years. We are in the third year of this bull market and it is worth noting these years can be on the weaker side of things. Good news is if the bull continues (as we expect) years 4-6 are all quite strong.



# Best Time to Invest? – All the Time

Investors always worry when markets get close to all time highs, yet we expect markets to continue rallying. Historical US data shows that investing on days of all-time highs can produce better returns than otherwise.

Over 80 years of share market history tells us that markets go up over long period of times with drawdowns generally short and brief in nature. Without market new all-time highs – markets cannot rally.

“Don’t time the market – just be in the market”



# WHAT WE LOOK FOR IN A COMPANY

We are looking for the following characteristics in our target companies:

## INDUSTRY LEADER



Industry leading position, Strategic asset or a disruptor

## FOUNDER LED



Founder led businesses or management/board with large shareholding, aligns company interests with minority shareholders

## PROFITABLE



Revenue growth and profitability are important attributes

## STRONG BALANCE SHEET



Strong balance sheet or low debt levels

## LOW MARKET EXPECTATIONS



Preferably low market expectations lead to cheap valuations

## CATALYSTS



Identifiable near-term catalysts – industry consolidation, strategic review, M&A, Trading updates

These attributes in many cases lead to takeover offers:

**35+ portfolio companies receiving takeover offers in the last 6 years**

# Small Caps – Takeover Premiums At Historical Highs

A clear sign of under-valuations in the market (especially small caps) is shown by recent takeover premiums being paid. Historical long run premiums for takeovers are +30-40%. In 2023 and 2024 the median takeover premium was +76% and the average was +100%.

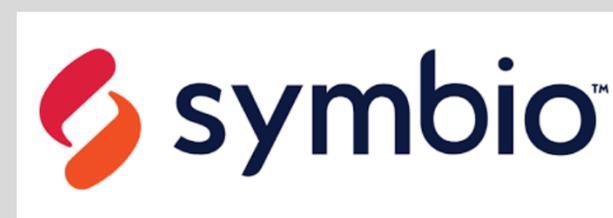
The chart below shows premiums paid last 2 years and many of these stocks were part of the Fund’s portfolio holdings. We expect M&A activity to accelerate. (Source: Pure Asset Management)



# Case Study – Identifying Takeover Targets



- SLA 2nd largest skin care clinic network (124 clinics)
- **Founder led biz – MD owned 8%**
- Health & Beauty category resilient
- **Strong balance sheet**, dividends, cash flow, \$22m ebitda
- Late 2022 negative sentiment to retail/discretionary sector created a strong buying opportunity (FY23 Ev/Ebitda 4.5x)
- **Takeover offer** from Wesfarmers (WES) \$3.25 vs \$1.75 avg entry



- SYM is a leading Tier 1 telco software provider (phone numbers)
- **Founder led biz – MD/Board owned 22%**
- 75% of gross margins is recurring
- **Strong balance sheet (\$40m net cash), dividends, cash flow, \$34m Ebitda**
- Late 2022 downgrade created a strong buying opportunity (FY23 Ev/Ebitda 3x)
- **Takeover offer** from Aussie Broadband \$3.15 vs \$1.60 avg entry



- PSQ 2nd largest dental center network (130 centers)
- Founder (10%) led strategy change towards profitability
- Defensive industry
- **Strong balance sheet (\$14m net cash), reinstated dividends, cash flow, \$28m Ebitda**
- Late 2023 derate and large funds exiting created a strong buying opportunity (FY24 Ev/Ebitda 5x)
- **takeover offer** from National Dental care \$2.05 vs avg entry \$1.06

# Takeover Targets – Who Could Be Next?



- EML is 2nd largest non-bank card issuer in Aus/Nz & one of the largest global gift card issuer (malls)
- **Refreshed board & management led turnaround** – resolved regulatory issues, divested non-core loss making divisions
- **Net cash balance sheet.** FY25 \$210m revenue & \$55-60m of Ebitda – **Ev/Ebitda 5x**
- **Takeover target** – EML 2.0 Strategy forecast FY28 \$95m Ebitda, 13c EPS



- CCG is a telco, IT managed services and global voice provider in APAC. Strategic Asian voice network.
- **MD/Board own 23%**
- **FY25 inflection point** – \$55m recurring revenue, \$7m+ Ebitda, \$3.3m FCF, dividends, strong balance sheet
- Global voice wins news flow as Telstra exits market – opportunity pipeline (Tata/Vodafone reseller partners)
- **Industry M&A heating up** – CCG 4x Ebitda, 8x PE, 4% div yield vs recent transactions 8x

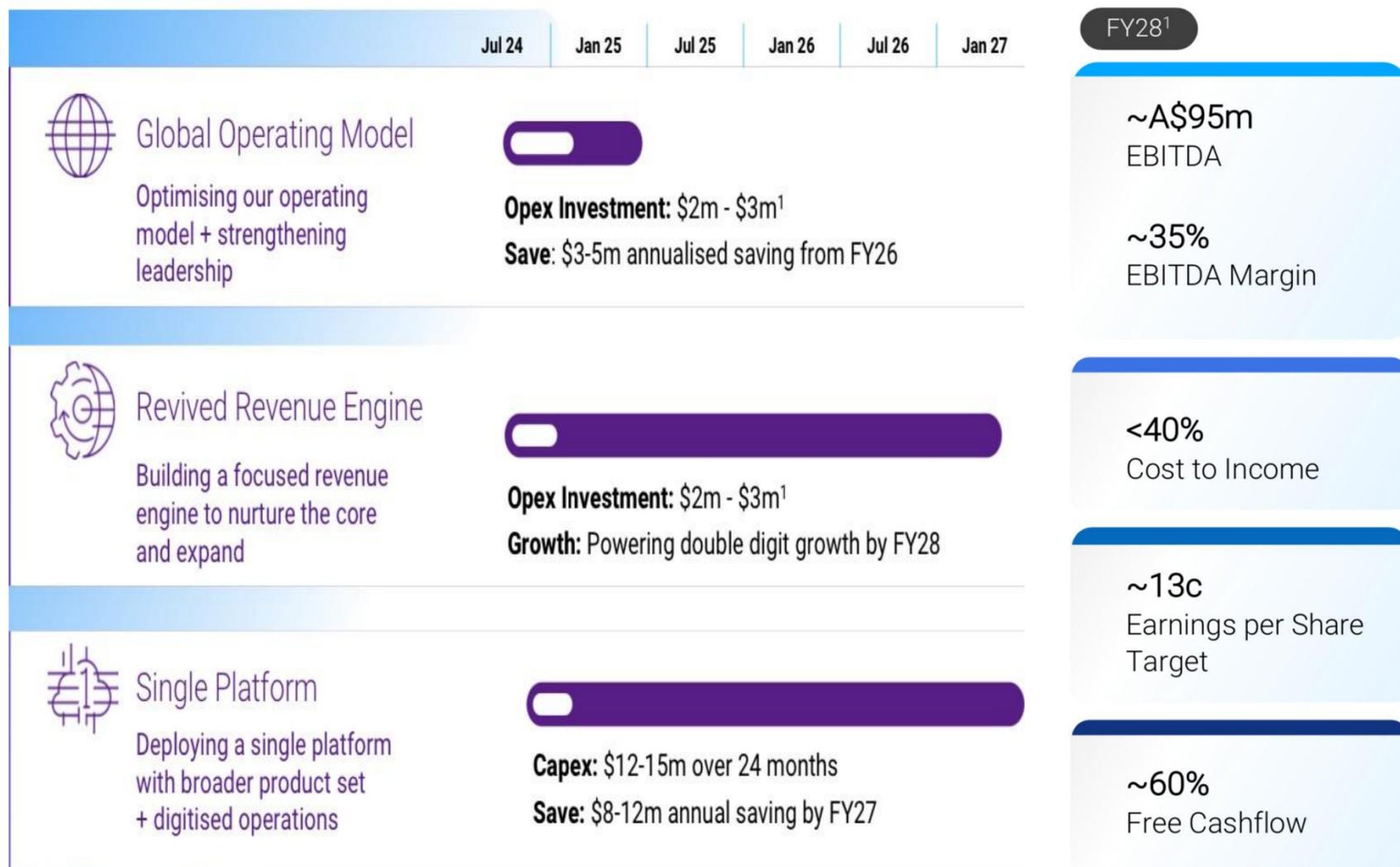


- CVW is Leading mid-tier life insurance provider (**approx. 3.3% market share**)
- **Strong Balance sheet:** 71 cents asset backed and embedded value (EV) of 91.2 cents.
- **Attractive valuation** – FY26 Aspirational target implies – 7 cents EPS, 4 cents ff dividends vs **current price PE of 5x**
- Recent bad claims led downgrade – short term impact on NPAT but no impact on Embedded value

# Portfolio Stocks | EML Payments (EML.ASX)



(\$325m market cap)



- **EML is 2nd largest non-bank card issuer** in Aus/Nz & one of the largest global gift card issuer. Diverse market/products - employee benefits, government, gaming, travel, financial services
- **Refreshed board & management led turnaround** – resolved regulatory issues, divested non-core loss making divisions, focus on growth and margins
- **Net cash balance sheet.** FY25 forecast reaffirmed \$210m revenue & \$55-60m Ebitda. Interest income float an annuity income
- **Attractive valuation – Ev/Ebitda 5x** vs recent transactions at 10-14x
- **Takeover target** – EML 2.0 Strategy forecast FY28 \$95m Ebitda, 13c EPS and \$60m FCF.
- **Catalyst** – Contract wins, FY2 results, EML 2.0 execution

# Portfolio Stocks | Gentrack (GTK.ASX)



(\$1,200m market cap)

	FY 23	FY 24	
<b>REVENUE</b>	\$169.9M	\$213.2M	↑ 25.5%
<b>UTILITIES REVENUE</b>	\$147.9M	\$181.3M	↑ 22.6%
<b>VEOVO REVENUE</b>	\$21.9M	\$31.9M	↑ 45.5%
<b>RECURRING REVENUE</b> excl. insolvent customers	\$105.0M	\$137.5M	↑ 31.0%
<b>EBITDA</b>	\$23.2M	\$23.6M	↑ 1.7%
<b>NET CASH</b> after \$12.9m Amber Investment.	\$49.2M	\$66.7M	↑ 35.6%

- **GTK is a leading billing/CRM software provider** to global utilities (Energy/Water) & Airport enterprise solutions (Veovo)
- **Energy transition driving upgrade cycle globally** – legacy systems not fit for purpose as power generation and consumer consumption to/from grid is changing and complex. GTK solution best in class
- **GTK upgrade cycle – 5th revenue upgrade last 24 months \$130m to \$213m FY24 & \$41m underlying Ebitda, \$30m FCF**
- G2.0 Cloud platform upgrades and Amber investment driving strong pipeline of future revenues and new client wins (4 new logos FY24)
- FY25 guidance – 15-20% growth. **\$67m net cash for M&A.**
- **Management/board owns 11% of company**
- **Catalysts** – FY25 guidance, strategic acquisitions, **Large contract wins**



# Portfolio Stocks | Superloop (SLC.ASX)



**Strong nbn net add performance by Superloop**  
(nbn Wholesale Market Indicators Report) <sup>1</sup>

nbn Net Adds (Q1-Q4 FY24)



- **Leading disruptive and high growth telco** in consumer (7% share of NBN), business (low cost to serve) and wholesale markets (100k kms of Fibre network).
- Strong organic & acquisitive growth - FY24 \$420m revenue and \$54m Ebitda (45% growth). **Forecasting 80%+ Ebitda growth FY25 to \$85m**
- Recent Origin contract win game changer - 130k NBN subs adding \$19m Ebitda (**every incremental 50k sub \$7m Ebitda**). ORG FY26 target 600k.
- **Challenger brands at 20% share – 30%+ target.** NBN 100mbp speed plans driving share to challenger lower priced brands
- Strong balance sheet & cashflows provides M&A upside (net cash)
- **Takeover target** - ABB rejected bid & Origin 10% (option to go to 19.9%)
- Trading on circa 12x EV/Ebitda FY25, **valuation \$2.40+**
- **Catalysts:** Further M&A, Origin subs growth, Exceeding FY25 guidance

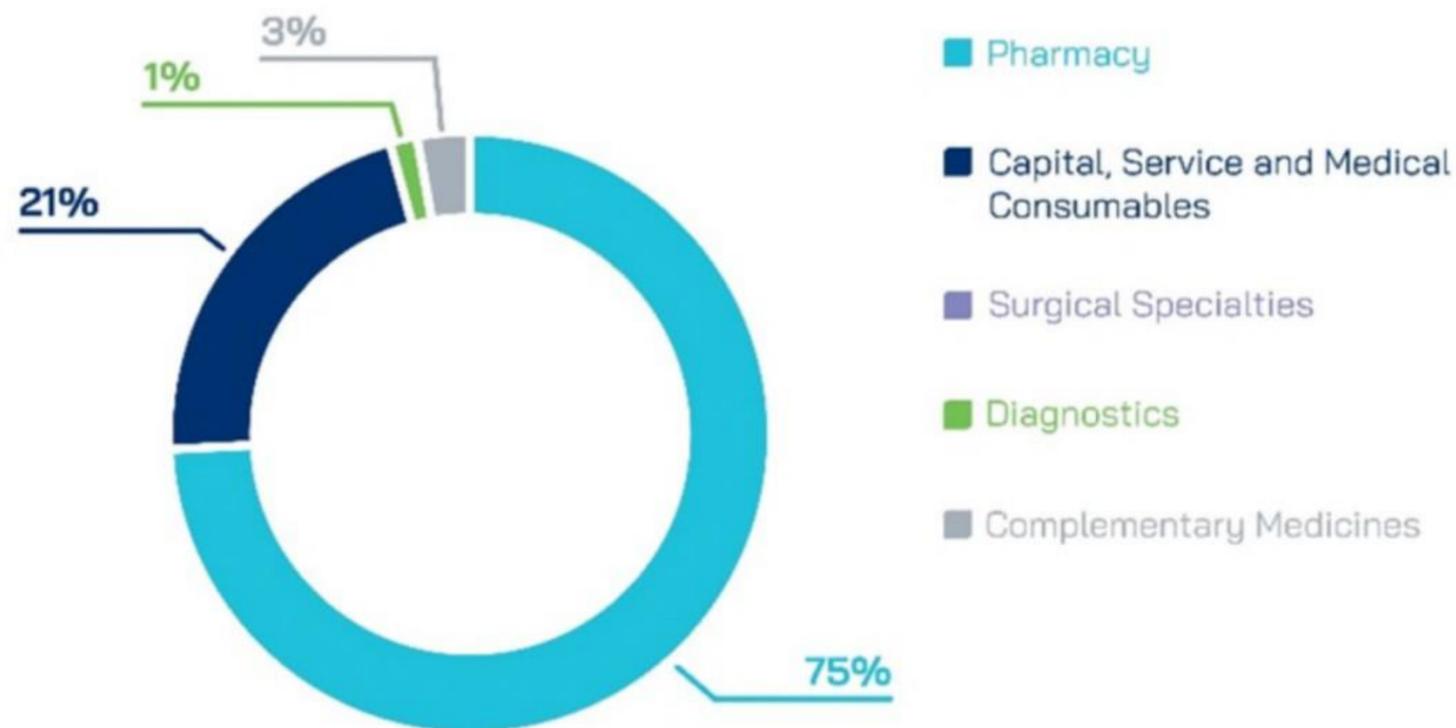


# Portfolio Stocks | Paragon Care (PGC.ASX)



(\$800m market cap)

Proforma Revenue



- **Diversified distributor in healthcare across APAC** – Pharmacy, Medical consumables & Devices, Blood Diagnostics.
- Paragon/CH2 merger to create cost synergies – \$6m FY25 & \$12m FY26
- **Growing market share** – Pharmacy distribution tailwinds as competitors distracted (WES/Priceline/API) & CW/SIG ACCC undertakings
- **Founder led MD/Board – 3 Founding directors own 67%.**
- **FY25 Strong AGM trading update** – \$3.7B turnover, \$330m GM, Ebitda \$100m estimate. 1.6x Net debt/Ebitda. Strong cash generation.
- Current valuation is 9.5x Ev/Ebitda vs SIG/CW at 32x.
- **Our valuation is 70+ cents** excluding M&A.
- **Catalysts:** Exceed FY25/26 consensus forecasts. M&A, Synergies upgrade



# Portfolio Stocks | Bravura Solutions (BVS.ASX)



(\$665m market cap)



- **Leading software provider** to wealth management and financial advice firms & Superannuation industry in Aus/UK. Super regulations driving funds to look for better tech solutions to service members.
- **New Board/Management March 2023** - simplified business strategy, cut \$65m costs, returned to profitability (15% cash Ebit margin FY25)
- Board/Management - **own 30% (strong pedigree/Ex-Constellation software)**
- **Profitable momentum** - FY25 \$235-240m revenue & \$28-32m Cash Ebit. Strong Balance sheet - **\$150m net cash (25% of market cap)**
- **Board targeting 25-30% Cash Ebit margins by FY26**
- **Capital Management Initiatives** - \$75m capital return (Feb 25), \$20m buyback, dividend resumption (March 25)
- **Attractive valuation** - 10x Ebitda vs peers on >14x
- **Catalysts** - New logo contract win, Ebitda margin improvement, M&A



# PORTFOLIO MANAGER

RON SHAMGAR



Ron Shamgar has managed the Australian All Cap portfolio for 6 years. Under his stewardship, the portfolio has achieved an impressive average annualised return of +16.87% since January 2019.\*

Prior to TAMIM, Ron was the co-founder of TBF Investment Management and was Portfolio Manager of the TBF Small Cap Value Growth Fund from 2013 to 2018. At TBF, Ron was responsible for research, company analysis, portfolio construction and marketing the Fund.

Ron has a passion for value investing and believes in a systematic approach to researching and evaluating businesses with a strong bias on assessing management teams. He has been investing actively on the ASX for over 21 years.

\*Disclaimer: Past performance is not a guarantee of future returns. This is general information, please ensure you do your own research before making any investment decisions. Information is current at 31 October 2024.





# TAMIM

[www.tamim.com.au](http://www.tamim.com.au)

## INVESTOR ENQUIRIES – CONTACT DETAILS

### **Darren Katz**

Managing Director

M: +61 405 147 230

E: [darren@tamim.com.au](mailto:darren@tamim.com.au)

### **Ben Narcyz**

Director of Distribution

M: +61 403 360 850

E: [ben@tamim.com.au](mailto:ben@tamim.com.au)

### **Michael Kloeckner**

Director of Distribution

M: +61 478 064 930

E: [michael@tamim.com.au](mailto:michael@tamim.com.au)

### **Sid Ruttala**

Client Executive

M: +61 482 097 758

E: [sid@tamim.com.au](mailto:sid@tamim.com.au)