INVESTMENT UPDATE AND NTA REPORT FEBRUARY 2024

THORNEY
OPPORTUNITIES
TOP

PORTFOLIO SNAPSHOT: NET TANGIBLE ASSET BACKING PER SHARE (NTA)

NTA Current Month	Before Tax[1]	After Tax[1]
29-Feb-24	**82.5 cents**	**78.6 cents**

NTA Previous Month	Before Tax[1]	After Tax[1]
31-Jan-24	82.3 cents	78.6 cents

[1] Figures are unaudited and approximate.

KEY ASX INFORMATION (AS AT 29 FEBRUARY 2024)

ASX Code	TOP
Structure	Listed Investment Company
Inception date	January 2014
Market Capitalisation	$102.3 million
Share Price	55 cents
Shares on Issue	186,017,988
Dividends	Half yearly
Management Fee	0.75% half yearly
Performance Fee	20% of net NTA increase over pcp, high watermark
Manager	Thorney Investment Group

INVESTMENT PERFORMANCE*

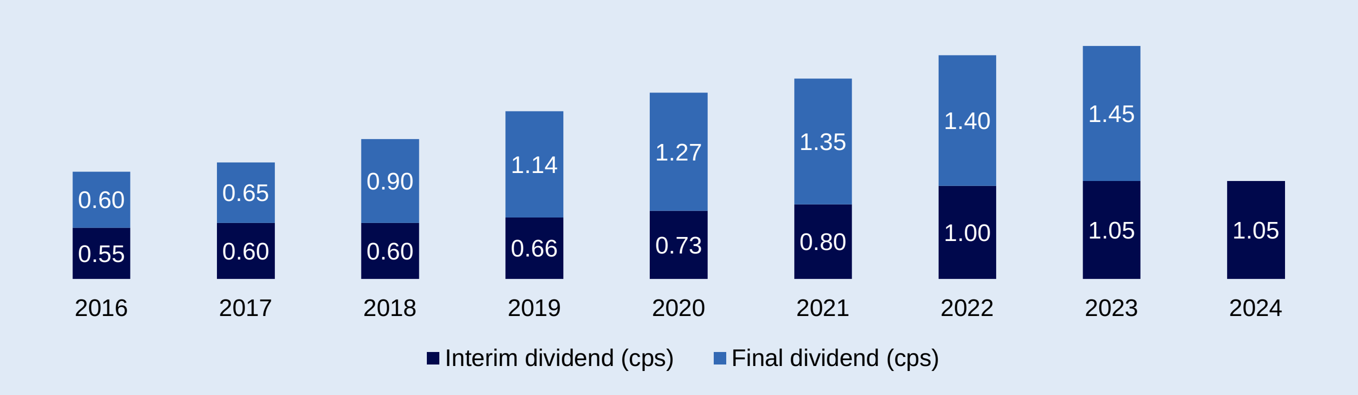
As at 29 February 2024	3 Months	6 Months	1 Year	Since Inception
TOP investment portfolio	10.44%	14.05%	8.35%	10.71%
S&P Small Ordinaries Accum. Index	10.05%	6.88%	7.84%	8.84%
Performance versus Index	0.39%	7.17%	0.51%	1.87%

*Investment performance is calculated on a pre-tax NTA plus dividends basis.

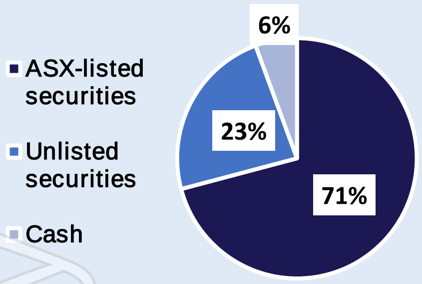
TOP SECURITIES

Rank	Company	% of Portfolio
1	20 Cashews	22.7
2	MMA Offshore	21.8
3	Austin Engineering	11.4
4	Southern Cross Electrical Engineering	7.9
5	Service Stream	5.9
6	Solvar	5.7
7	Decmil Group	5.0
8	COG Financial Services	3.8
9	Retail Food Group	3.5
10	Cooper Energy	1.4

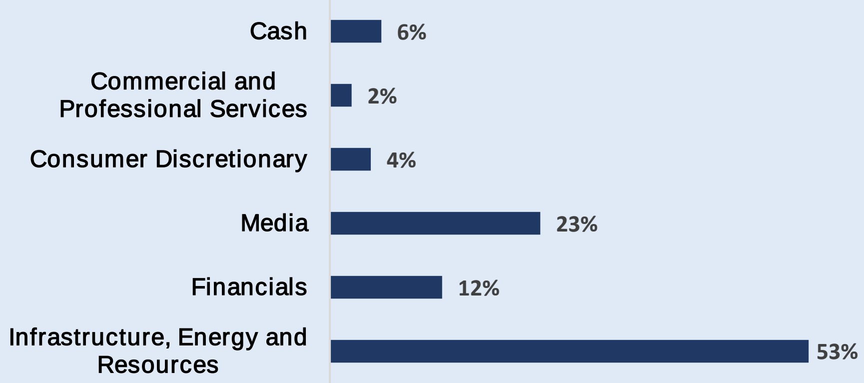
TOP FULLY FRANKED DIVIDEND HISTORY



ALLOCATION OF INVESTMENTS



PORTFOLIO SECTORS



CASH BALANCE AND AVAILABLE FACILITIES

- Cash held short-term with the major banks $9.1 million
- Prime broker and margin lending facilities available: undrawn as at 29 February 2024

OVERVIEW

- The TOP portfolio saw a modest increase between 31 January and 29 February 2024 as the companies in the investment portfolio generally reported inline with market expectations.

INVESTEE COMPANY UPDATES

MMA OFFSHORE LIMITED

- MMA Offshore Limited (ASX.MRM) reported strong results for 1H FY2024 with positive market conditions and strong demand for its vessels and services driving a 97% increase in EBITDA to $63.3 million as compared to the first half of FY2023.
- Revenue was $204.3 million, up 28% on the previous corresponding period (pcp) and MRM generated Net Profit after Tax of $62.5 million which included an impairment reversal of $23.0 million. MRM said that the reversal unwinds all remaining vessel impairments recorded in previous financial years. Underlying NPAT was up 339% on the pcp excluding the impacts of impairment reversals and asset sales.
- The Company said that the medium-term outlook for offshore activity remains strong with over US$500 billion in greenfield oil and gas projects forecast to be sanctioned globally over the next five years including over US$180 billion in its key operating regions. The offshore wind sector is also seeing unprecedented growth in MRM’s operating regions with more than 5,000 turbines expected to be installed in the Asia Pacific alone between 2024 and 2031.
- MRM Managing Director, Mr. David Ross said: “Our diversification strategy continues to progress very well, with the Company generating more than 50% of first half revenue from outside of our traditional oil and gas markets, including approximately 25% from Offshore Wind, 10% from Government & Defence and 14% from decommissioning services. We are also geographically diversified with approximately 50% of first half revenue generated from outside of Australia/ New Zealand.”
- **Thorney view: Very favourable macro-economic influences combined with unprecedented vessel and vessel services demand as well as a record low of new vessel builds has seen rates and utilisation at or near peak levels. These factors have the company positioned for a strong FY2025, and thus we remain of the view that there is further earnings and share price upside over the medium term.**

AUSTIN ENGINEERING LIMITED

- Austin Engineering Limited’s (ASX.ANG) 1H FY2024 revenue increased by 26% pcp to $143.6 million, driven by continued order book strength enabled by the expansion of some of ANG’s manufacturing facilities.
- ANG said higher revenues and improved operational efficiency – achieved through the Austin 2.0 strategy – resulted in a 70% increase in EBITDA to $20.8 million, with an EBITDA margin of 14.5%, up 35% from 10.7% in the pcp and an improvement on FY23’s full year EBITDA margin of 12.1%.
- NPAT was $15.0 million, which was 2.8 times higher than the pcp as a result of revenue improvement and strong control of operational costs as the business grew. Statutory NPAT was adjusted by $0.24 million due to a net FX loss.
- Operating cashflow was positive $6.9 million, and Austin expects this to strengthen significantly in H2 following strong order intake (customer deposits) and sales in the last two months of the first half, especially in Australia.
- Austin CEO and Managing Director, David Singleton, said: “We are pleased with the step up in performance over the last two years. Group EBITDA margins are edging closer to our 18%-20% target range, and revenue growth is equally strong on the back of increased orders across all product lines. These are trends we see continuing.”
- **Thorney view: We believe ANG’s strong performance will continue into the medium term due to its leverage to the resources market, expanded capacity and product offering along with operational efficiencies.**

SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

- Southern Cross Electrical Engineering Limited (ASX.SXE) maintained its FY2024 guidance of revenue of over $500 million and similar EBITDA to FY2023 following its 1H FY2024 results.
- SXE reported 1H FY2024 revenue of $255.6 million, in line with the pcp and NPAT of $9.6 million in line with 1H FY2023's record result of $9.7 million. The Company's order book as at 31 December was $550 million, up 4.8% on the pcp, with the infrastructure sector contributing over half of the order book. Infrastructure is expected to remain the largest sector in the second half, the Company said.
- SXE added that the electrification and decarbonisation of the Australian and global economies present it with opportunities across all the markets in which it operates. The Company is exposed to these opportunities through three avenues, being supporting the decarbonisation of resources operations, assisting in meeting the demand for commodities required for decarbonisation, and offering services across a diverse and growing range of initiatives including green buildings, solar farms, refrigeration power and electric vehicle charging systems.
- SXE said growth is anticipated in FY2025 and beyond.
- **Thorney view: SXE operates in a very favourable macro environment driven by investment in renewable energy, electrification, data centre growth and infrastructure spend. In addition, SXE has flagged further acquisitions, supported by a strong balance sheet, hence we believe the company is well-positioned for growth in FY2025 and beyond.**

SOLVAR LIMITED

- Solvar Limited (ASX.SVR) reported 1H FY2024 group revenue of $109.7 million, a 5.9% increase over the pcp, with underlying NPAT of $14.6 million.
- The Company posted a 13.5% increase in the Group loan book to $941.5 million compared to the pcp, and a 3.5% increase on 30 June 2023. The Australian loan book now represents 81.8% of the Group's overall loan book, growing a significant 23.3% over pcp. SVR also had a strong balance sheet at the end of the half, with $127.0 million of cash and the Group declared a 5 cent fully franked interim dividend for the period.
- SVR reiterated its FY2024 guidance of normalised NPAT of $25 million-$30 million, with the Group focusing on simplifying its funding, new lending risk appetite, and organisational structure, with the intention of lowering the overall credit risk profile of the Group's loan book.
- SVR expects this focus on loan book quality to translate into lower bad debts and improved funding costs over time.
- **Thorney view: Whilst there have been some headwinds to contend with, the Company delivered on its H1 FY2025 expectations and has confirmed that it expects earnings to revert to historical levels and for dividends to increase over time.**

SERVICE STREAM LIMITED

- Service Stream Limited (ASX.SSM) reported 1H FY2024 Underlying EBITDA from Operations of $63.3 million, up 14.9% on 1H FY2023 and NPATA of $25.2 million, up 46.9% on 1H FY2023. The result was tempered by an additional provision, created as a result of severe weather conditions in December/ January, relating to the completion of the Queensland Pipeline Project. Revenue for the half was $1.17 billion, up 18.1% on the pcp.
- The Company declared an interim dividend for the half-year of 2.0 cents per share fully franked, reflecting a 300% increase on the interim dividend on the pcp.
- SSM Managing Director, Leigh Mackender said: "SSM's standout first half result was driven by significant work volumes, improved operating margins, diligent management of costs in the inflationary environment and further improvements across the Group's profit to cash work cycles. Headlined by double digit improvements in Underlying EBITDA and NPATA, and a transition back to a net cash balance sheet, this result demonstrates further positive progress in executing against the Group's strategy."
- SSM expects the strong financial performance delivered in the first half to continue and support a comparable level of underlying earnings in the second half of FY2024.
- **Thorney view: Strong industry tailwinds and performance in the Telco division combined with the now fully integrated lend Lease Services acquisition provides the company with a sound platform to pursue further earnings growth.**

DECMIL GROUP LIMITED

- Decmil Group Limited (ASX.DCG) released FY2024 EBITDA guidance of $15 million- $20 million and reaffirmed its FY2024 revenue forecast of $440 million - $480 million, following a lumpy 1H FY2024 results with an EBITDA profit of $2.6 million negatively impacted by a $6.5 million loss on a single project.
- DCG said it is positioned to efficiently deliver on its orderbook and target further contract awards in the remainder of FY2024 due to favourable market conditions and a strong cash balance.
- It is expecting a further increase in its cash position during 2H FY2024 and its focus in the period will be translating its revenue base into underlying earnings growth and a return to profitability.
- **Thorney view: DCG's outlook remains promising, despite the disappointing 1H FY2024 result which was negatively impacted by a loss on a single project. Favourable market conditions across DCG's core operating sectors of resources, infrastructure and renewables combined with improving occupancy trends at its Homeground Village, position DCG for future revenue and earnings growth.**

EARLYPAY LIMITED

- Earlypay Limited (ASX.EPY) reported 1H FY2024 net revenue of $18.2 million, down 19% on the pcp and a Reported Profit After Tax of $2.0 million versus a loss of $5.4 million with the result including costs associated with the resolution of RevRoof process and the Timelio acquisition.
- EPY reaffirmed FY2024 guidance with Underlying proforma NPAT expected to exceed FY2023's Underlying proforma NPAT of $4.8 million.
- It said upside to FY2024 guidance was based on delivering growth in Invoice Finance funds in use, Net Revenue margin expansion and significant opex savings.
- Following the acquisition of Timelio and new warehouse refinancing, EPY expects to have c.$10 million of cash available for corporate management initiatives and continues to consider EPS-accretive capital management initiatives that may include additional bolt-on acquisitions, repayment of corporate debt, and / or a share buy-back.
- The Board also intends to reinstate the Company's Ordinary Dividend in FY2024 as retained earnings are rebuilt.
- **Thorney view: We have a positive outlook for EPY's earnings, driven by a reduction in funding costs and credit losses in FY2024, refinancing of its debt facilities and completion of the Timelio acquisition. In addition, we are optimistic about the company recommencing the payment of dividends.**

CHAIRMAN'S COMMENTS

Alex Waislitz said: *"We are very pleased to see strong first half earnings results for our core holdings, especially our our infrastructure, mining and resources services names, which underlines our conviction for the sector. More broadly, we expect local small and microcap stocks to start to recover over the months ahead given receding expectations for a global recession and potentially, the commencement of an interest rate easing cycle given recent inflation prints. We expect that earnings across our core names will continue to be strong for the remainder of 2024 due to strong orders books and buoyant market conditions. At the Company's 2023 AGM, I announced the proposed introduction of a high watermark for TOP, commencing 1 July 2023. The high watermark is an additional initiative designed to address the share price discount to NTA. We also continue with our on-market buyback program for TOP shares, which commenced 9 March 2023 and will remain in place for a period of 12 months to 8 March 2024.* ”

INVESTMENT PHILOSOPHY

TOP undertakes thorough due diligence to identify fundamentally mispriced or undervalued companies and combine that with constructive advocacy with boards and management to implement change when required.

INVESTMENT OBJECTIVES

- Producing absolute returns for shareholders over the medium- to long-term
- Delivering a strong fully franked dividend stream to shareholders

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ABOUT THORNEY OPPORTUNITIES LTD

Thorney Opportunities Ltd (TOP) is an ASX-listed investment company that invests in listed and unlisted equities and financial assets, in a variety of sectors, including media, automotive, energy, engineering and mining services and financial services.

Our primary focus is on the careful selection of investments which enables us to be a constructive catalyst towards unlocking the value in the companies identified. TOP is managed by the privately owned Thorney Investment Group pursuant to a long-term investment management agreement.

You can invest in TOP by purchasing shares on the Australian Securities Exchange (ASX).

For more information visit: https://thorney.com.au/thorney-opportunities/