

INVESTMENT UPDATE AND NTA REPORT

JUNE 2023



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

NTA Current Month	Before Tax ¹	After Tax ¹
30-Jun-23	70.9 cents	69.2 cents

NTA Previous Month	Before Tax ¹	After Tax ¹
31-May-23	70.5 cents	68.9 cents

¹ Figures are unaudited and approximate.

KEY ASX INFORMATION (AS AT 30 JUNE 2023)

ASX Code	TOP
Structure	Listed Investment Company
Inception date	January 2014
Market Capitalisation	\$91.3 million
Share Price	48.0 cents
Shares on Issue	190,199,600
Dividends	Half yearly
Management Fee	0.75% half yearly
Performance Fee	20% of net NTA increase over pcg
Manager	Thorney Investment Group

INVESTMENT PERFORMANCE*

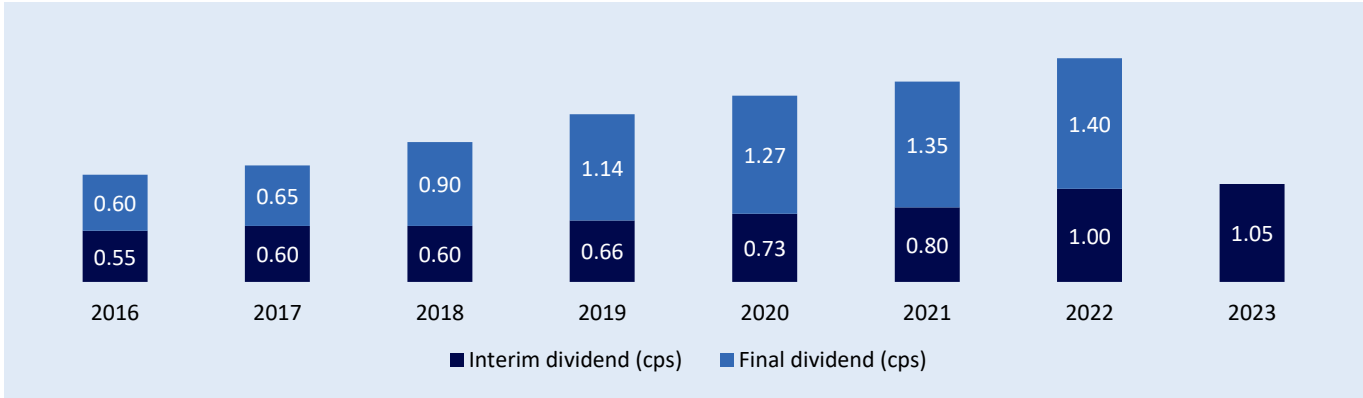
As at 30 June 2023	1 Year	3 Months	6 Months	Since Inception
TOP investment portfolio	8.96%	-5.64%	-0.59%	8.32%
S&P Small Ordinaries Accum. Index	6.07%	-2.72%	-0.89%	7.37%
Performance versus Index	2.89%	-2.92%	0.30%	0.95%

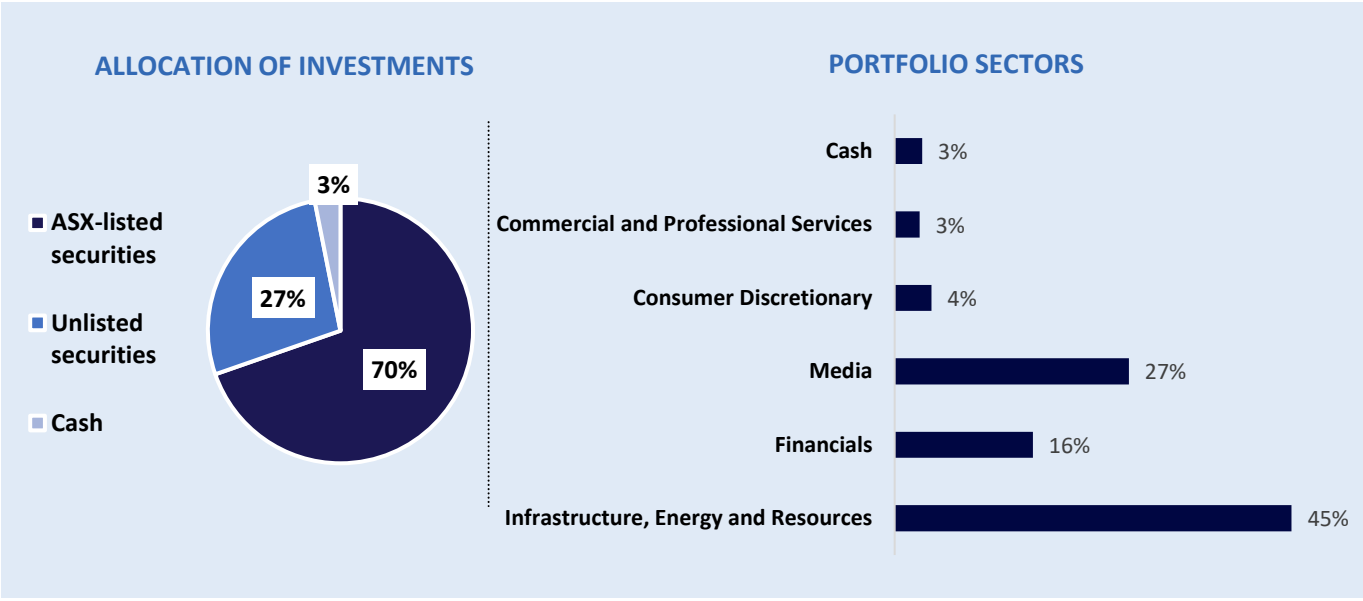
* Investment performance is calculated on a pre-tax NTA plus dividends basis.

TOP SECURITIES

Rank	Company	% of Portfolio
1	20 Cashews Pty Ltd	27.6
2	MMA Offshore	20.6
3	Austin Engineering	9.5
4	Solvar Ltd	9.0
5	Southern Cross Electrical Engineering	7.2
6	Service Stream	5.4
7	Decmil Group	4.5
8	Consolidated Operations Group	4.4
9	Retail Food Group	3.2
10	Cooper Energy	1.8

TOP FULLY FRANKED DIVIDEND HISTORY





CASH BALANCE AND AVAILABLE FACILITIES

- Cash held short-term with the major banks \$4.3m
- Prime broker facilities available: undrawn as at 30 June 2023
- Margin lending facilities available: undrawn as at 30 June 2023

OVERVIEW

- The increase in the TOP NTA as at 30 June 2023 compared to one month prior was largely attributable to share price gains in MMA Offshore Limited.

INVESTEE COMPANY UPDATES

AUSTIN ENGINEERING LIMITED

- On July 3, Austin Engineering Limited (ASX.ANG) confirmed it has received all the purchase orders expected following a successful tender process last year, plus a further 25 percent in additional orders, under a single contract for truck trays to be delivered to Western Australia. The value of the orders received to date is ~\$25 million.
- The first three trays under this order were delivered ex-works 10 days before the July 3 announcement for onward shipment to the customer site. The remaining trays are in, or scheduled for, production at ANG’s facilities in Batam, Indonesia and Perth, Western Australia.
- ANG announced in May 2023 it had received 85 percent of the outstanding purchase orders related to this contract and was awaiting receipt of the final orders, which has now occurred
- ANG also announced that it has commenced manufacture of the first truck trays at its facility in Batam Indonesia to support continued growth in its US-based business and its manufacturing facility in Casper, Wyoming. The Casper facility has seen substantial growth over the last two years and has a strong order book outlook running into FY24.
- To ensure that the business has sufficient capacity to meet the projected throughput, ANG’s manufacturing hub in Batam underwent a major upgrade, and will build haul truck trays and buckets for final delivery into the US. This aligns with ANG’s strategy to employ a ‘hub and spoke’ manufacturing approach using its Batam operations to facilitate growth in its major global markets.
- ANG also received purchase orders for four haul truck trays from a major iron ore producer in India, potentially opening up a substantial new market opportunity for its Asia Pacific business.
- The full order is for up to 165 trays across the client’s various iron ore and coal mines in India. The order for the initial four trays is expected to be completed by the end of July 2023.
- **Thorney view: ANG is well positioned to deliver strong earnings performance in FY24 due to its leverage to the buoyant resources markets, expanded capacity and product offering, operational efficiencies and a strong order book.**

SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

- Southern Cross Electrical Engineering Limited (ASX.SXE) announced that its Heyday subsidiary has been awarded three data centre projects in Sydney totalling over \$60 million and four construction awards totalling over \$50 million.
- **Thorney view: SXE’s strong order pipeline following the Company’s recent success in winning a number of new contracts and continued diversification of revenue provides the basis for Thorney’s continued optimism for the company.**

DECMIL GROUP LIMITED

- Thorney Investment Group (Tiga Trading Pty Ltd and Thorney Opportunities Ltd), is cornerstoning Decmil Group Limited's (ASX.DCG) capital raise of up to approximately \$26.3 million as announced on June 22.
 - The raise is via Redeemable Convertible Preference Shares ("RCPS") through an accelerated non-renounceable Entitlement Offer and Placement at 20 cents per RCPS, fully underwritten. Thorney's commitment is \$12 million by taking up its full rights in the Entitlement Offer and sub-underwriting the Entitlement Offer. RCPS have an initial term of 3 years, with a preferential dividend rate of 12% annually fully franked to be paid semi-annually).
 - The funds raised will enable DCG to accelerate its pursuit of increasingly profitable revenue growth and target an increased pipeline of opportunities on offer in the marketplace.
 - On June 26, DCG announced the institutional component of the raise has completed, raising \$4.60 million (before costs) and the retail component opened on June 29, which will raise a maximum of a further \$18.28 million. The Placement of a further 17 million RCPS to raise \$3.4 million remains ongoing.
 - On 4 July, DCG announced it had received a Limited Notice of Award to undertake preliminary work for a 113km road infrastructure contract for Covalent Lithium's Mount Holland Project in Western Australia, which aligns with its shift towards a more highly selective tendering strategy centred on high-quality larger-sized contracts. DCG said its orderbook (contracted and preferred) is now approximately \$475 million.
 - **Thorney view: We are optimistic that the refreshed DCG Board and Management team has 'righted the ship'. With the current industry tailwinds and strengthening balance sheet, we believe DCG is positioned to deliver a recovery in earnings.**
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RETAIL FOOD GROUP LIMITED

- Retail Food Group Limited (ASX.RFG) announced the appointment of Matthew Marshall as CEO, effective 1 July 2023 as part of the Company's longer-term succession planning. The Company also extended Executive Chairman Peter George's employment for an additional 2 years.
 - RFG said year-to-date domestic network sales have grown 8.5% to \$478 million in FY23 versus the pcg despite second half deterioration of trading conditions. The Company maintained its FY23 underlying EBITDA guidance of \$26.0 million to \$29.0 million. RFG said its turnaround phase is now concluded shifting to a growth focus in FY24 leveraging a stronger balance sheet.
 - **Thorney view: Having been patient with the Company's turnaround, we anticipate a period of potentially strong growth in earnings.**
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COOPER ENERGY LIMITED

- Cooper Energy Limited (ASX.COE) announced that the transfer of operatorship of the Orbost plant from APA Group (ASX.APA) to COE occurred on 22 May 2023, and marked the final step in acquiring the plant.
- COE said the Orbost performance improvement plan to address plant performance can now be accelerated with specific workstreams identified targeting incremental increases to average processing rates.
- COE has made changes to the organisational structure and further work is underway to streamline roles and responsibilities and other costs across the business. These changes will contribute to a minimum reduction to General & Administrative Expense in FY24 of 10%, with the objective to significantly exceed that level.
- COE also revised its FY23 production and underlying EBITDAX guidance down to 3.53-3.56 MMboe and \$106-111 million, respectively. The new production range assumes both plants perform as planned, while reflecting uncertainty of the OGPP polisher unit restart timing. The narrower underlying EBITDAX range is partly due to lower production with fewer gas volumes sold into the spot market, softer spot prices and higher operating expenses.
- On July 11, COE noted the Federal Government's release of the Competition and Consumer Regulations 2023, finalising the new mandatory gas code of conduct (Gas Code), which supports the Federal Government's commitment to "facilitate a well-functioning domestic wholesale gas market with adequate gas supply at reasonable prices and on reasonable terms for both suppliers and buyers".
- COE said it qualifies as a small domestic supplier under the Gas Code and is therefore exempt from the A\$12/GJ price cap for any sale of gas made from 2024 onwards.
- **Thorney view: The upcoming six months we see as a period of de-risking for COE following new management transition and the completion of the transfer of operations from APA at Orbost enabling other operational efficiencies to be implemented. These factors along with Government clarity that COE is deemed a "small domestic supplier" and therefore exempt from pricing provisions should provide the stock with some steady trading periods.**

SERVICE STREAM LIMITED

- Service Stream Limited (ASX.SSM) announced a material tax refund totalling \$50.2 million following the lodgement of its FY22 income tax return and the Australian Taxation Office (ATO) finalising its review of SSM’s eligibility under the temporary Loss Carry Back Tax Offset initiative (LCBT Initiative).
- The refund is higher than the initial estimate included in the FY23 December interim financial statements, which recorded a current tax receivable of \$7.9 million, due to the successful application of the LCBT initiative, it said.
- **Thorney view: We are encouraged that SSM will likely complete the troubled Utility project, fully provisioned, in the current calendar year. The NBN term extension and operational diversification from the Lend Lease Services acquisition, now fully integrated, provides a sound platform for the business to move forward.**

CHAIRMAN’S COMMENTS

Alex Waislitz said: *“The TOP investment portfolio finished the year ended 30 June 2023 up 8.96%, outperforming the S&P Small Ordinaries Index which increased 6.07%.*

The outlook remains volatile for equity markets given signs that the RBA will continue to increase interest rates and expectations for a painful full-year reporting season in Australia.

Against this backdrop, we continue to believe that our value-based investment approach will deliver strong performance for shareholders over time.

We continue to be disappointed by our share price discount to NTA, however we are striving to execute on initiatives aimed at closing the discount gap.

Our on-market buyback program for TOP shares, which commenced 9 March will continue for a period of 12 months to 8 March 2024, is one of the initiatives designed to address this.

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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

KEY CONTACTS

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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/>

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