



WENTWORTH  

---

WILLIAMSON

# Case Studies

---

Last updated: December 2024

Investor Presentation • Confidential • Aug 2024

# Fleetwood Limited

ASX: FWD



## Overview

Sector	Modular Building
Location	Australia
Current Market Cap	\$162.39M -->8/29/2024

## Catalysts to buy

- Well-credentialed and experienced management team in place
- Asset-rich balance sheet with significant net cash and property assets
- Significant franking balance along with dividend policy to pay 100% of NPATA
- Turnaround story in an attractive sector with clear demand drivers
- Low-risk route to playing the end of a resource cycle down market in Karratha, WA with an asset generating annuity income on long-term contracts. Fly-in-fly-out hotel and increased occupancy rates (constrained supply story again)

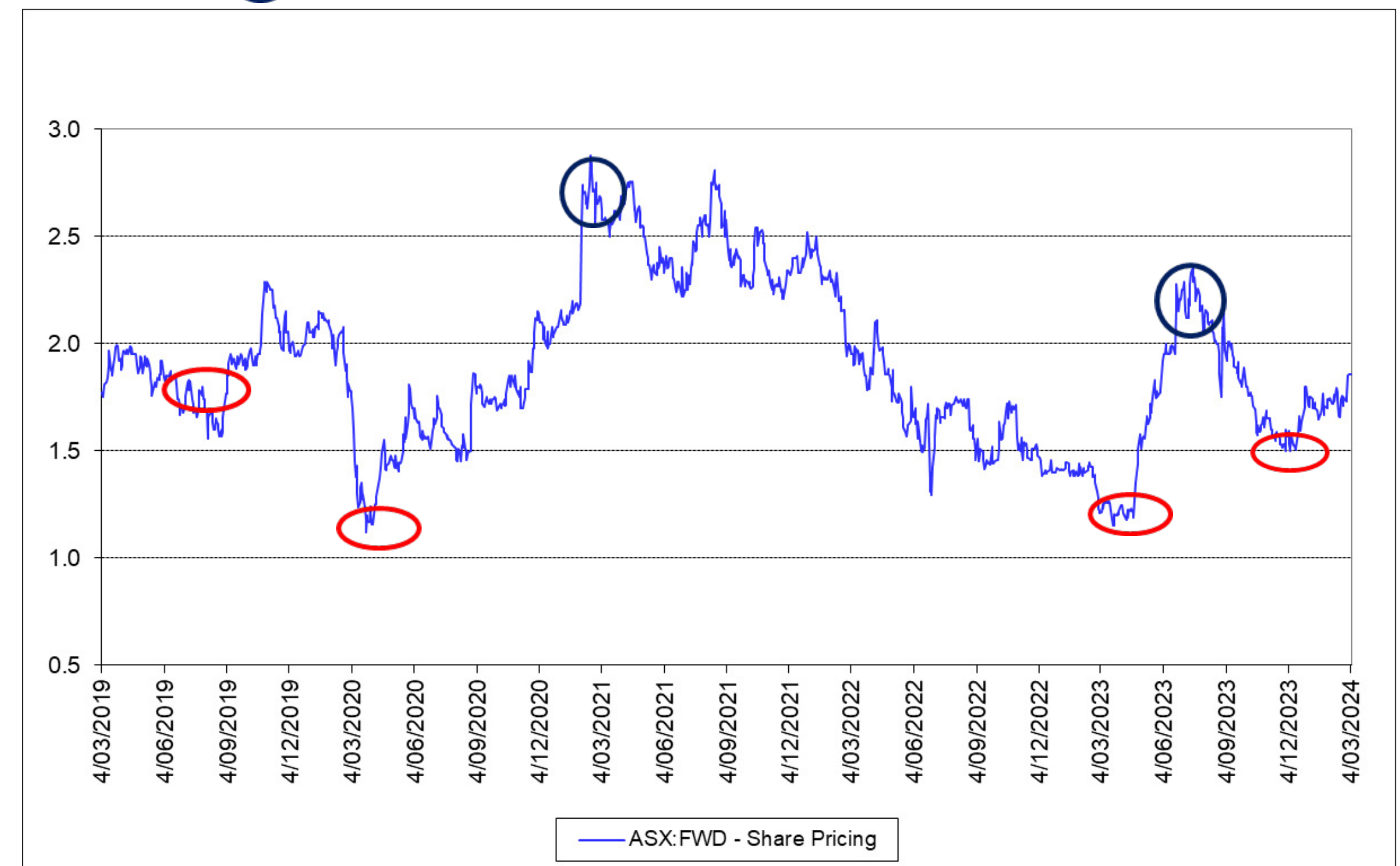
## What went wrong

- COVID pandemic extended the thesis by three years
- Our fund investments are typically asset-rich, have a history of making money but require staff to come to work
- Pandemic gyrations are finally behind us, inflation is under control along with a relatively stable interest rate outlook – macro ingredients aligning for small caps

## What went right (finally happening now)

- Modular building turnaround focusing on sectors with strong demand including social housing, schools, nursery schools, and defence sectors. Transition from builder to manufacturer
- Karratha activity thesis playing out now for fly-in-fly-out hotel occupancy levels
- Currently a substantial shareholder

Buying   
Selling 



# MMA Offshore Limited

ASX: MRM



## Overview

Sector	Offshore wind & gas
Location	Australia
Sold	\$1.06B --> 25/07/2024

## Catalysts to buy

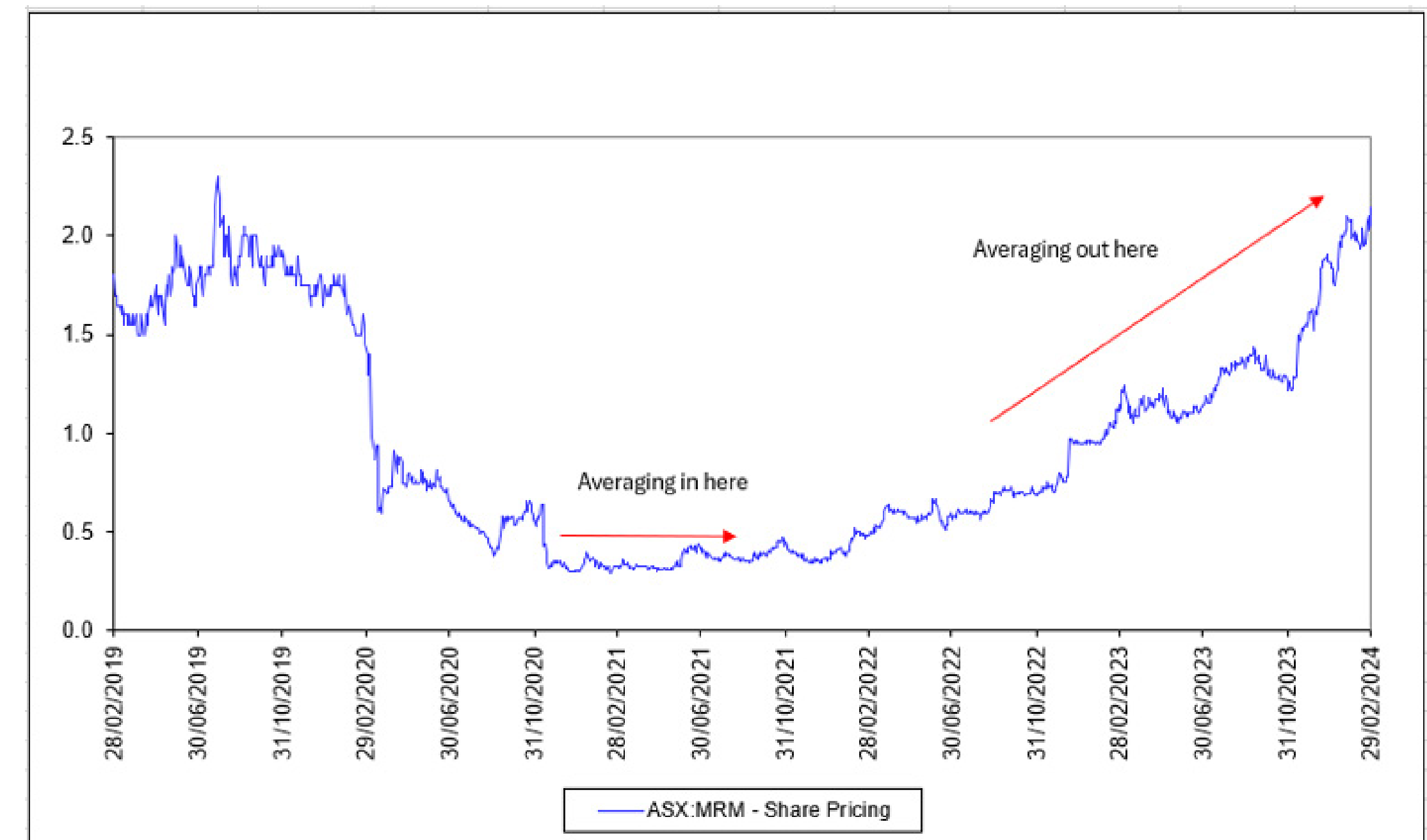
- Well-credentialed and experienced management team in place
- Incentivised management team with shares
- Capital raising in late 2020 leading to significantly reduced leverage
- Asset-rich balance sheet, even on written down values (typical pressure from auditors after a long down cycle)
- Once market darling completely ignored
- Low market expectations linked to low entry price
- Market supply structurally constrained with no new ships available for almost a decade
- Both traditional and new demand drivers evident. Strong signs exciting long down cycle

## What went wrong

- COVID waves were frightening for a time as MRM could not adequately man their ships for a time (we had no idea/timing)
- Arguably started to average out and take profits too early

## What went right (finally happening now)

- Our thesis on oil & gas and the energy mix proved key
- Even a small increase in demand led to meaningful increases in day rates due to constrained supply
- Strong growth in operating income, coupled with a flood of free cash flow generation turbo-charged the share price with further deleveraging
- Long upcycle of several years likely





# ERM Power

ASX: ERM



## Overview

Sector	Energy
Industry	Electrical retailer to the commercial and industrial market
Location	Australia
Sold	\$617 Million --> Nov 2019 Shell takeover

## Catalysts to buy

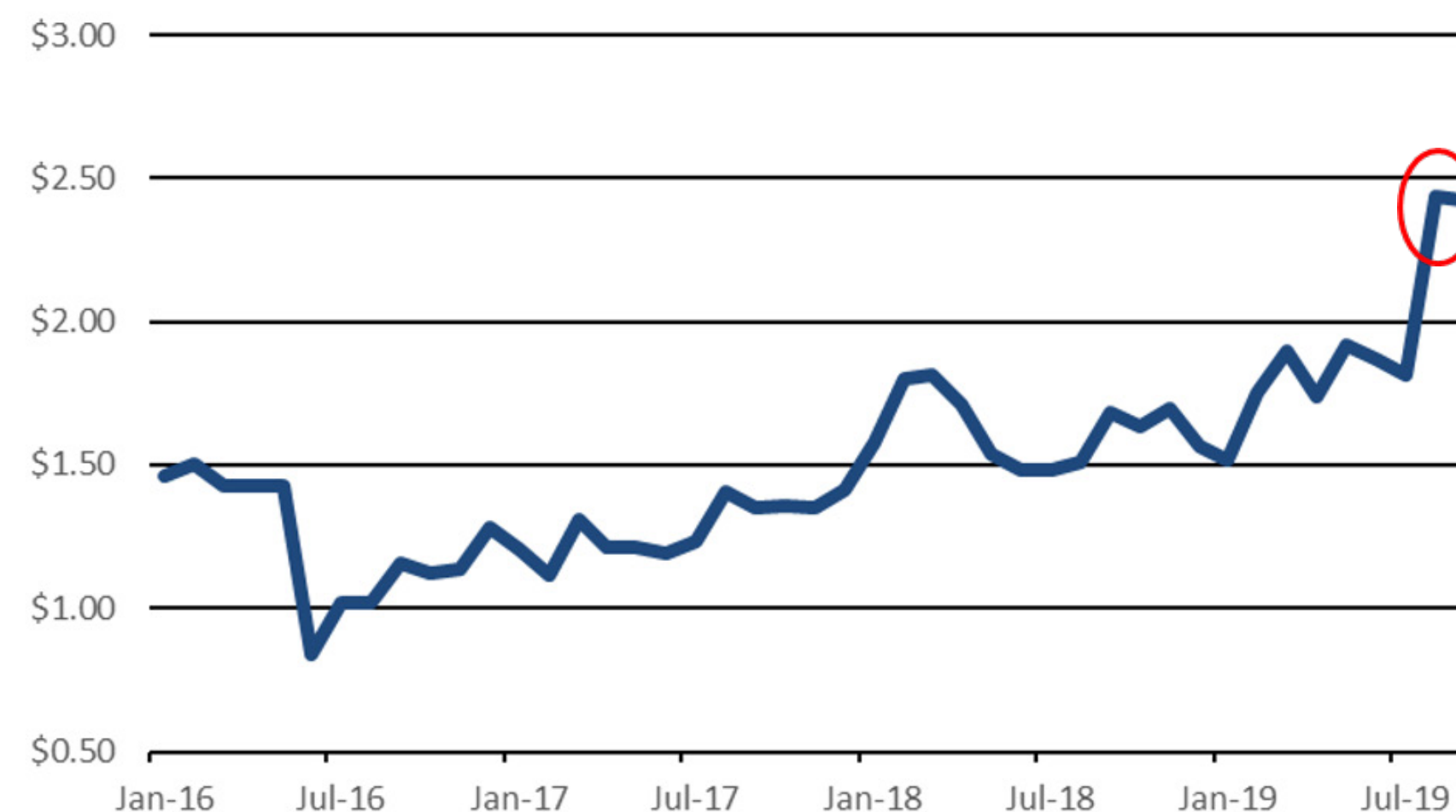
- Well-credentialed and experienced management team in place
- Second largest electricity retailer to the Commercial & Industrial market in Australia with the highest customer satisfaction rate. The division represented ~80% of Group earnings
- Traded on a below-market price to earnings multiple
- Growth driver in energy solutions initiatives
- Hidden Balance Sheet value: owned two gas-powered power stations that operate during peak times.
- The replacement value of the gas power stations exceeded the market capitalisation of the company. These assets become more valuable as renewables are adopted and were in brand new condition
- Negligible net debt

## What went wrong

- under the radar asset, patience required to unlock asset value rocky first year of ownership trading sideways
- Earnings of this type of business can be difficult to forecast as gross margins can be volatile

## What went right

In August, 2019, Shell Corporation offered an all-cash takeover bid in an effort to expand into the Australian Energy retail market, offering \$2.465 per share



# Portfolio Positioning

- We believe that we are one of the last remaining true-to-label small-cap value funds left in Australia
- Most of our peers have either exited the industry or have changed the way they invest due to the trends of the last decade
- Investors in our fund will get access to an investment that is unique and with reduced competition as we enter this new era

## Key Features

- Undemanding Valuation – PE Ratio of the Fund is ~10x compared to ASX300 of +20x
- Our portfolio companies are growing at above-market rates
- We see attractive opportunities in small companies outside of the main indices
- 2024 to 2034 looks set to be the decade for the value strategy in small caps

## Top 5 Positions

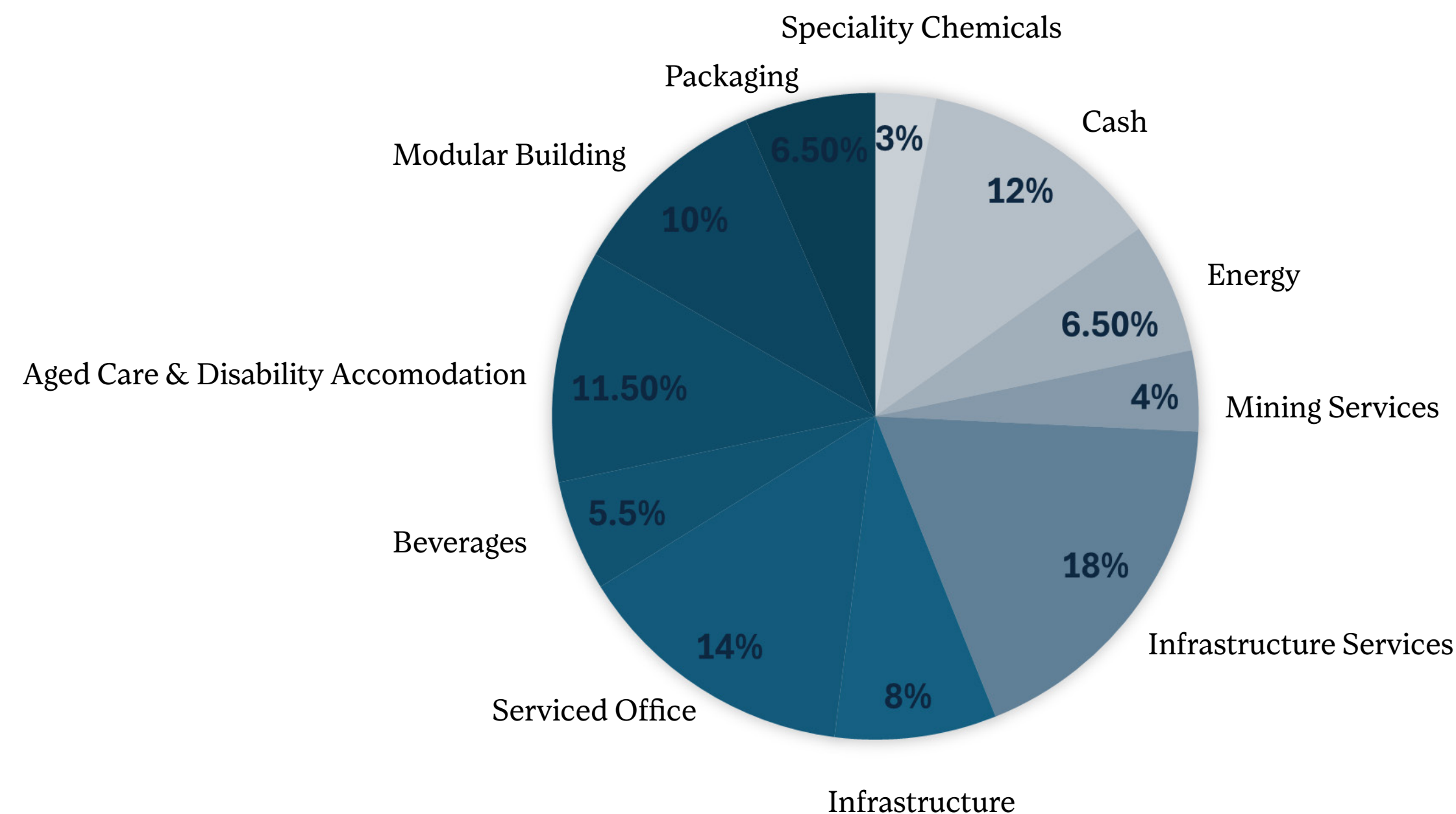
Position 1 – turnaround story, growth opportunities, large net cash balance, <10x FY25 free cash flow

Position 2– low P/E Ratio, high growth, excellent management, strong growth prospects, minimal debt, <10x FY25 free cash flow

Position 3 – low P/E, industry leader, large net cash balance, growing globally, excluding excess cash ~10x FY24 free cash flow

Position 4– asset rich, strong growth prospects, no net debt, <10x FY25 free cash flow

Position 5–branded beverage company, ~70% discount to NTA, on our estimates.





# Disclaimer

This Investor Presentation is issued by Wentworth Williamson Management Pty Limited (WW) (ACN 164 774 814) in its capacity as Trustee of the Wentworth Williamson Fund (Fund). WW is also the Investment Manager of the Fund. The Trustee is a corporate authorised representative (Australian Financial Services (AFS) Representative No.445865 of MZL Nominees Pty Ltd (ACN 642 588 627) which holds AFS Licence No. 526845). This document is only provided to Wholesale Clients as defined under the Corporations Act 2001 and the Corporations Regulations 2001 and their professional advisers in Australia. This document is not a Disclosure Document or Product Disclosure Statement (within the meaning provided in the Corporations Act 2001), nor any similar disclosure document under any applicable law (Disclosure Materials). The distribution of this presentation is not an Offer to any person who is not a Wholesale Investor Client, nor is it an Offer in any place in which or to any person to whom it would not be lawful to make such an Offer. This Investor Presentation has not been, nor is it required to be, lodged with the Australian Securities and Investments Commission under the Corporations Act 2001. This document relates to the single class of Units in the Fund offered under the Information Memorandum.

Distribution in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this presentation must seek advice on, and comply with, any such restrictions. Any person who receives a copy of this presentation in circumstances where receipt of this presentation is unlawful or unauthorised or requires the Investment Manager to take any additional steps, including registration, must not accept the copy of the presentation and must immediately return it to the Investment Manager. Any failure to comply with restrictions on receipt or distribution of this presentation may constitute a violation of applicable securities law.

Recipients of this Investor Presentation should not consider the contents of this document as advice or a recommendation to purchase Units in the Fund. Recipients should conduct their own enquiries and seek advice from their financial and other professional advisers before applying to subscribe for Units in the Fund. To the maximum extent permitted by law, neither WW nor any of its directors, officers, employees, advisers or consultants or their respective associates accept any liability or responsibility for any loss or damage (however caused including without limitation for negligence) arising from reliance placed on the information contained in this Investor Presentation.

All information in this Investor Presentation is correct as at the issue date of this document. However, this Investor Presentation includes statements based on current expectations of WW as at the date of this document. Statements of intent or expectation should not be taken to be a prediction or warranty that those events will occur. Past performance is not a reliable guide to future results. Neither of WW, its officers and any persons named in this Investor Presentation or involved in the preparation of this Investor Presentation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any statement of intent or expectation, or any events or results expected or implied in any such statement.

Each recipient is entirely responsible for all costs incurred by it or on its behalf in relation to its participation in the Offer. Under no circumstances will a recipient be entitled to receive any indemnification, refund or compensation from WW, the Custodian and/or their advisers in respect of costs incurred by it or on its behalf in relation to its participation in the Offer, even if the Offer is cancelled, varied, supplemented, superseded or replaced by WW.

Applications for investment in the Fund are not subject to any cooling-off period after an application has been submitted. Under no circumstances will a recipient be entitled to withdraw an application without the consent of WW.

Past performance of any officer, executive and/or employee of WW does not guarantee future performance.

The information in this Investor Presentation is general information only and does not take into account the individual investment objectives, financial situation and particular needs of investors. Because of this, recipients should consider the appropriateness of this Fund having regard to their individual objectives, financial situations and needs. WW recommends that recipients seek independent advice from their financial adviser before investing. This Investor Presentation must be read in conjunction with the Fund's Information Memorandum and the Fund's Constitution. Prospective investors should review the Constitution and Information Memorandum for further information regarding the rights and obligations of Unitholders in the Fund and the rights and obligations of WW as Trustee. To the extent there are any inconsistencies between this Investor Presentation, the Investor Memorandum and the Fund's Constitution document, the Constitution prevails. Unless otherwise indicated, all fees quoted in this Investor Presentation are exclusive of the effect of GST and any input tax credits and all Dollar amounts refer to Australian Dollars.