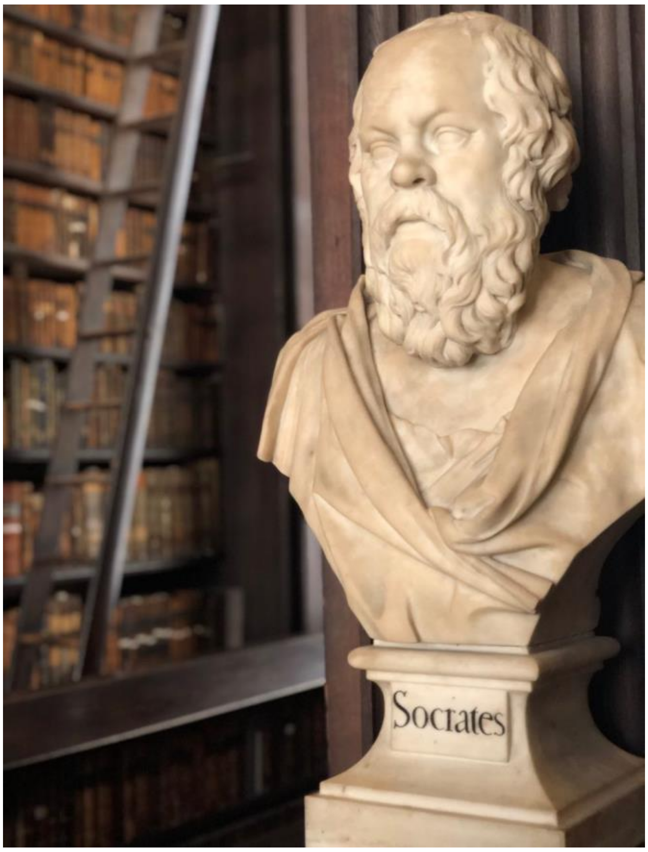
Selector High Conviction Equity Fund Quarterly Newsletter No.65

September 2019



In this quarterly edition, we review performance and attribution. We discuss reporting season, we introduce PolyNovo and profile Octopart, a business within Altium. “On the Road” follows our overseas travels during the period. We look at NPS culture and review APRA’s first Federal Court case in a decade. Photo. We visited The Long Room, Trinity College, Dublin, Ireland. In 1801, it was established as a designated legal deposit entitled to a copy of every book published on the two islands.

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selector

Selector is a Sydney based fund manager. Our team combines deep experience in financial markets with diversity of background and thought. We believe in long-term wealth creation and building lasting relationships with our investors.

We focus on stock selection, the funds are high conviction, concentrated and index unaware. As a result, the portfolios have low turnover and produce tax effective returns.

Selector has a 15-year track record of outperformance and we continue to seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets and with a focus on capital management.

CONTENTS

IN BRIEF – SEPTEMBER QUARTER

Dear Investor,

The world never seems too far away from a crisis. September's drone attacks on Saudi Arabia's oil facilities sent a chilling message that instability, whether it be economic or geopolitical, is a constant threat. Nothing focuses the mind more than an external shock and in this instance, the use of drones illustrated the vulnerabilities of newer technologies.

At a time when investors already have a lot to digest, this latest incidence is a further reminder of how new obstacles need to be navigated. In an era of pushing the blame, companies and executives should be given some credit for dealing with so many unknowns and business threats. Most investors, and for that matter industry analysts have never run a business, making light work of the inordinate level of detail required in steering a company through at times, rough waters. The steering required, when one considers the social and corporate responsibilities now thrust on our business leaders, is without precedent.

It is a moot point, but to get the balance right requires perseverance and a preparedness to invest and question the status quo. It is fast becoming apparent to many that a business' greatest asset is its people. Cultural alignment that fosters a clear path forward, but offers individuals the opportunity to operate within a framework that allows for independence of thought, action and accountability, are the hallmarks of successful organisations.

To succeed over time, businesses are needing to reinvent themselves. The ongoing shift to an online, cloud enabled world will lead to more corporate casualties, while allowing a swag of new future leaders to emerge. Within those successful, in order to avoid their own downfall in later years, the need to pivot just when things are most rosy will require enormous strength of character and resilience. Investors who are prepared to sign up as equity investors should understand that today's business leaders carry a heavy load and getting it right over the long run, does not always mean getting it right over the short-term.

The quote that we highlight in the following pages from American financier Bernard Baruch is particularly insightful and talks to the skills and mental strength required to traverse the investment landscape.

In this Quarterly Newsletter we profile many of the investments and people we are choosing to back. We apologise for its length but hopefully you gain a better perspective as to why we are heading down these paths.

We start with a brief review on the past reporting season across several business lines, focusing on specific points of interest. We have also included investment profiles on two businesses. One that is listed, PolyNovo and the other, Octopart, a wholly owned subsidiary of the listed Altium business.

We follow this up with a few notes following our travels offshore during the past quarter. We investigate the Net Promoter Score (NPS), and how its importance to long-term business success will become self-evident. We finish off with a comment on the IOOF court ruling.

For the September quarter, the Fund delivered a gross positive return of **7.07%** compared to the All Ordinaries Accumulation Index which posted a gain of **2.82%**.

We trust you find the report informative.

Regards,

Selector Investment Team

"If you are ready to give up everything else and study the whole history and background of the market and all principal companies whose stocks are on the board as carefully as a medical student studies anatomy — if you can do all that and in addition you have the cool nerves of a gambler, the sixth sense of a clairvoyant and the courage of a lion, you have a ghost of a chance."

Bernard Baruch
American Financier & Investor

"Strong minds discuss ideas, average minds discuss events, weak minds discuss people."

Socrates
Philosopher born c.470 – 399 B.C.E.

PORTFOLIO OVERVIEW

Table 1: Performance as at 30 September 2019*

	FYTD	3 Month	6 Month	1 Year	3 Year	5 Year	10 Year	Since Inception
Fund (net of fees)	6.00	6.00	15.59	14.66	16.99	17.49	14.36	11.84
Fund (gross of fees)	7.07	7.07	17.23	17.28	19.28	19.71	16.52	13.99
All Ords. Acc. Index	2.82	2.82	10.87	12.08	11.73	9.69	8.17	8.52
Difference (gross of fees)	4.25	4.25	6.36	5.20	7.55	10.02	8.35	5.47

Inception Date: 30/10/2004

**Performance figures are historical percentages. Returns are annualised and assume the reinvestment of all distributions.*

Graph 1: Gross value of $100,000 invested since inception

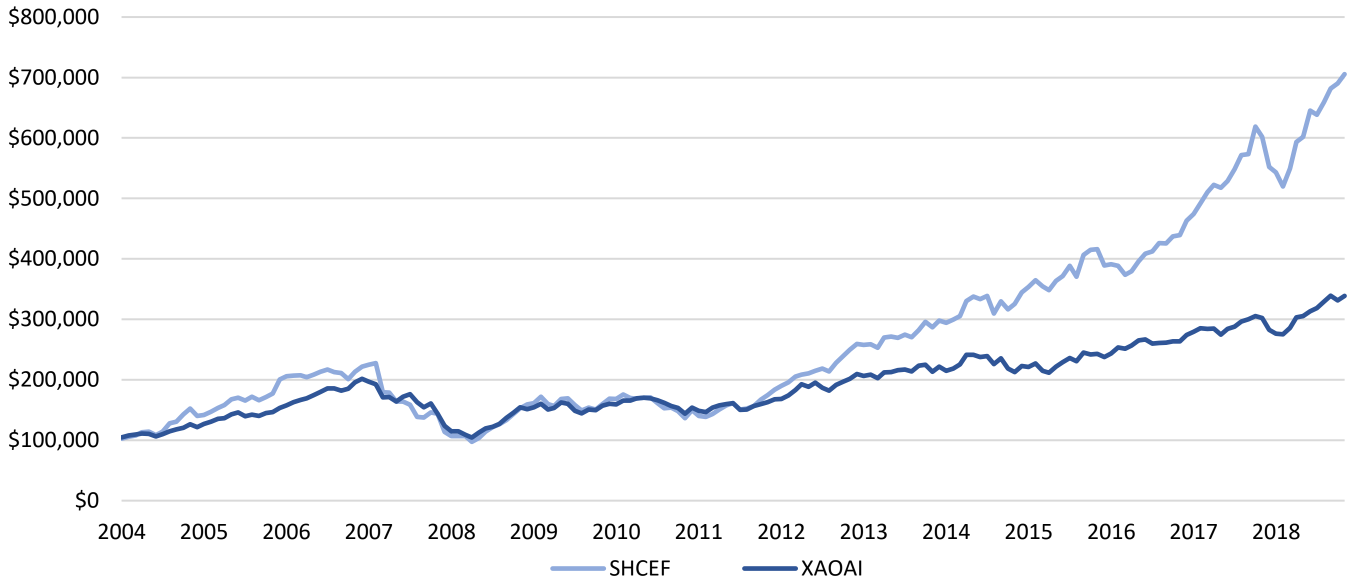


Table 2: Fund's Top 10 Holdings

Top 10 September 2019	%	Top 10 June 2019	%
Aristocrat Leisure	5.97	Jumbo Interactive	6.37
Jumbo Interactive	5.90	Aristocrat Leisure	6.30
Altium	5.00	Altium	5.49
Flight Centre Travel Group	4.98	Seek	5.11
Seek	4.93	Cochlear	4.61
James Hardie Industries	4.83	Flight Centre Travel Group	4.57
ResMed	4.57	IRESS	4.43
Infomedia	4.50	Nanosonics	4.17
Nanosonics	4.45	ResMed	4.16
Cochlear	4.41	Infomedia	3.98
Total	**49.54**	**Total**	**49.19**

Table 3: Unit prices as at 30 September 2019

Unit Prices	Entry Price	Mid Price	Exit Price
	$3.0702	$3.0625	$3.0548

Selector employs a high conviction, index unaware, stock selection investment strategy, which typically targets 15-30 stocks for the Fund. As shown above, the Fund's top 10 positions usually represent a high percentage of its equity exposure. Current and past portfolio composition has historically been very unlike that of your average "*run-of-the-mill index hugging*" fund manager. Our goal remains focused on truly differentiated broad-cap businesses rather than the closet index hugging portfolios offered by most large fund managers.

Table 4: ASX sector performance – September 2019 quarter

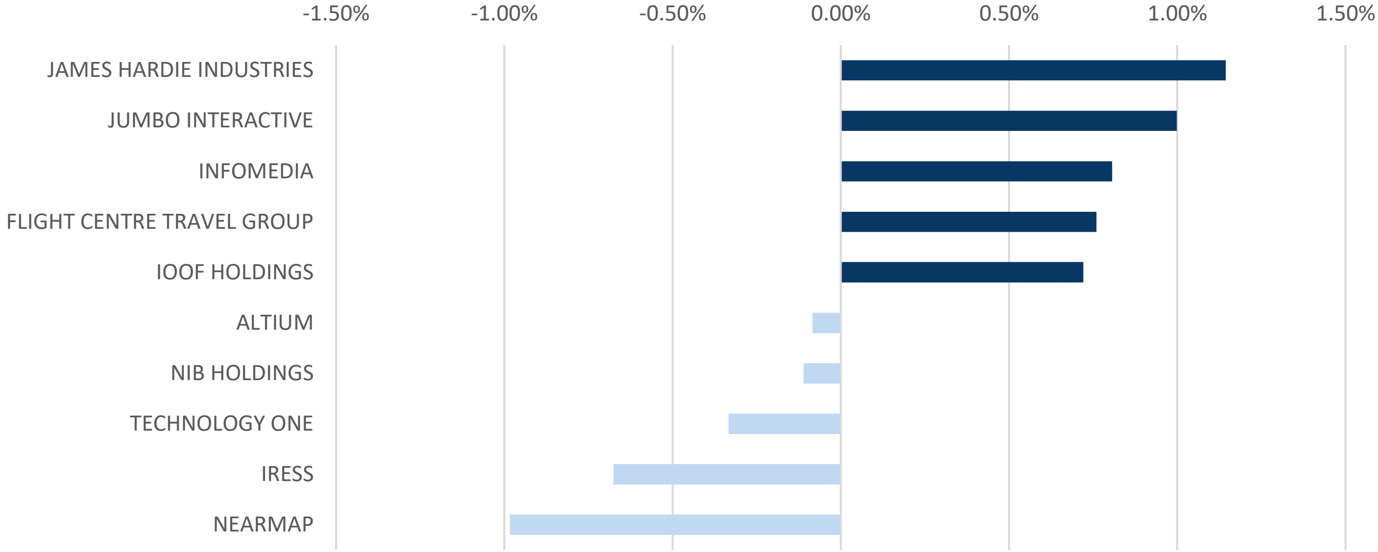
S&P ASX Industry Sectors	Quarter Performance (%)
Consumer Staples	10.04
Consumer Discretionary	6.57
Healthcare	6.18
Information Technology	3.99
Financials	1.95
A-REITS	0.31
Industrials	(0.09)
Utilities	(1.02)
Energy	(1.13)
Telecommunications	(4.96)
Materials	(5.54)

Table 5: Fund's industry weightings

Industry group	September 2019 (%)	June 2019 (%)
Consumer Services	22.57	22.45
Software & Services	20.96	19.42
Health Care Equipment & Services	15.63	14.22
Materials	6.76	6.10
Capital Goods	6.27	5.83
Diversified Financials	5.68	4.99
Commercial & Professional Services	4.93	8.28
Insurance	3.43	3.89
Pharmaceuticals, Biotechnology & Life Sciences	3.41	3.30
Energy	3.06	3.10
Household & Personal Products	3.02	2.89
Media & Entertainment	2.28	2.12
Cash & Other	1.34	2.69
Consumer Durables & Apparel	0.65	0.70

PORTFOLIO CONTRIBUTORS

Graph 2: Contributors and Detractors – September 2019 quarter



For more information on stock contributors and detractors, please refer to the Reporting Season Commentary.

REPORTING SEASON COMMENTARY

James Hardie Industries

We have spoken at length and written extensively in our quarterly newsletters about the operational and cultural progress now underway at James Hardie Industries, the global leader in fibre cement manufacturing. Under the leadership of CEO Jack Truong, the company is undertaking a bold but necessary step change in how the business is run.

Early signs are very positive with management taking a global approach towards operating at world class manufacturing standards, combined with a renewed focus on the end customer.

In the first quarter the company recorded a solid start, with group sales of US$657m, up slightly on a comparative basis, while adjusted operating profits and net profits rose 16% and 15% to US$124m and US$92m respectively.

CEO Jack Truong provided confidence that the commercial transformation and implementation of lean manufacturing were moving in the right direction. Interestingly, the introduction of lean is also earmarked for the European manufacturing plants, as the group looks to deliver on its stated intent of becoming a world class manufacturing business.

Underpinning the strategy, is the commitment on delivering organic growth in each respective market, that being the U.S., Europe and Asia Pacific. In fact, one of the most pleasing aspects of the result was the U.S. performance, in light of a subdued housing market. Here the group lifted volumes by 4%, along with a 4% lift in net sales to US$452m, while operating profits rose 6% to US$114m on operating margins of 25%. The company is making good progress and the refocus on the customer and the start of lean manufacturing is placing the business in a strong position.

In Asia Pacific, conditions are set to get tougher with Australia experiencing a slowdown in volumes. Here, James Hardie is confident in taking market share while maintaining margins.

It is still early days in Europe, as management looks to build on the Fermacell acquisition while driving greater fibre cement penetration.

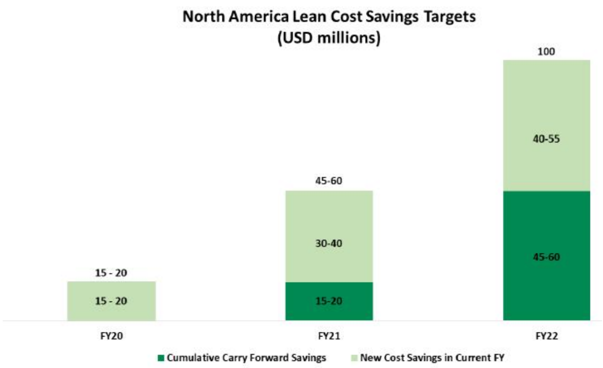
Finally, lean manufacturing in the U.S. is now underway with management pointing to cumulative savings of US$100m that are expected to be delivered over the coming three years.

The company has a current market capitalisation of US$10.8b.

Figure 1: Lean Transformation Global Update

North America

- Hardie Manufacturing Operating System (HMOS) already rolled out to 5 plants
- 2 additional plants will be implemented by 30 September 2019
- On-track to deliver US$100 million cost savings



Europe

- Team visited NA plants in July
- First European plant will implement HMOS in Q3 FY20

APAC

- Continuous improvement & execution
- Team visiting NA plants in Q3 FY20

Standard Personal Protection Equipment rolled out at all European plants

Source: James Hardie Industries Q1 FY20 Management Presentation

OFX Group

Money services bureau OFX held its annual general meeting during August. The business is making good progress across several fronts, despite challenging market conditions most evident during the latter half of the 2019 financial year.

This continued into the first quarter of 2020, although July improved, with strong trading conditions experienced across the group's global operations. Management is now forecasting positive annual operating profit growth with a continual focus on improving the company's core business metrics. These include:

1. Net Promoter Score (NPS), currently at a record high of 67, having lifted from 60 last year.
2. Improving the number of transactions per active client, reflecting the importance of the service among the company's customer base.
3. Lifting the level of recurring revenues.

Importantly, the fundamentals of the business are strong and the group continues to invest in the key building blocks to help support the development of new client partnerships, streamline the on-boarding client experience and further expand existing geographical regions.

The company's current market capitalisation of $322m, compares to the group's 2019 underlying net profit of $21m and return on invested capital of 36%. We would argue the market is significantly underappreciating the inherent value now on offer.

CSL

Global plasma leader CSL continues to deliver impressive product portfolio performance and operational excellence. The business delivered year on year growth in revenues and net profits of US$8.7b and US$2.0b, up 11% and 17% respectively. The CSL Behring division, which houses the key therapy products of Immunoglobulins, Albumin, Haemophilia and Specialty, collectively grew 10% to US$7.3b, with operating profits of US$2.3b.

The division's diversified product portfolio, comprising of long established therapies, including Privigen and Hizentra, are being well supported by newly released products. This includes Idelvion, up 40%, and Haegarda, which grew 61% over the period. Management, led by CEO Paul Perreault, remain extremely confident of the ongoing market demand, despite supply setbacks including albumin transition issues in the China market and competitive product responses.

This is reflected in the group's ongoing commitment across three main areas:

1. Plasma collection centres

The company's collection network remains the main source of plasma supply and a key competitive advantage. CSL is the market leader in sourcing plasma, operating 221 in the U.S. alone, with 30 new centres opened in the U.S. during 2019 and a further 40 earmarked for 2020. The group operates a further 16 centres in the offshore markets of Germany, Hungary and China.

2. Capital expenditure

Therapy innovation is reflected in the company's significant investment in research and development. During 2019, the company lifted this by US$150m to US$832m. This investment is fully expensed and represents 9.7% of revenues.

Investment in capital projects, including new global manufacturing capacity and ongoing collection centre openings, topped US$1.2b. The majority of the spend is earmarked for new growth initiatives.

3. Seqirus – Flu business

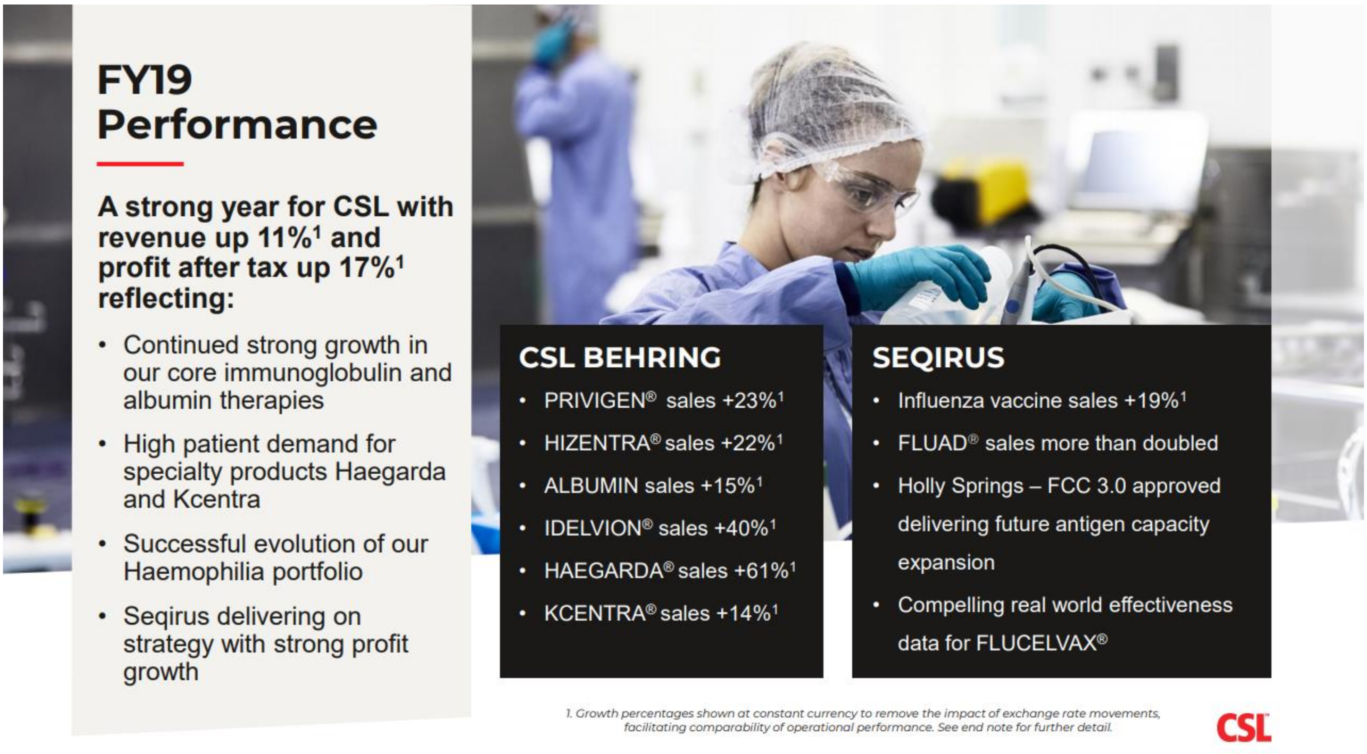
The company's flu vaccine business Seqirus, continues to hit critical operational milestones. For the year, revenues rose 12% to US$1.2b, while operating profits rose strongly, from US$52m to US$154m. Management confirmed the business remains on track to hit operating margins of 20%, as per the original business plan on acquisition, up from 12.8% in 2019.

The business delivered earnings per share of US$4.23 (A$6.13) and paid out full year dividends totalling US$1.85 (A$2.68).

The company provided a positive outlook for 2020, with net profits expected to rise 7-10%, within a range of US$2.05b to US$2.11b.

CSL has a current market capitalisation of A$108b and net debt of US$4b.

Figure 2: CSL Group Summary



Source: CSL FY19 Results Presentation

Blackmores

The Blackmores Group delivered a full year underlying net profit result at the lower end of investor expectations, down 24% to $55m. As the year has unfolded, the quarterly numbers have weakened. To be clear, some of this has been a function of the market and some the direct result of management taking prudent action to correct imbalances.

To the first point, while group net sales rose 1% to $610m, this figure fell short of management expectations. Changes in China's e-commerce laws in January dragged on sales, with China revenue falling 15% to $122m.

It is important to unpack this number a little, as the fall belies what is happening in the two distinct markets servicing this region. Through e-commerce channels in China, including Tmall and Alihealth, sales continue to grow strongly, up 22%. This was offset by direct trade from Australia to China, which was impacted by the new regulations. The changes to these laws, primarily targeted towards daigous, require any person undertaking the trading or selling of goods to be registered by the Chinese government for tax paying purposes.

While these changes are still playing out, management is confident their China in-country sales can continue to grow at a rate greater than 20% per annum. For the year, operating profits in China felt the full brunt of the sales decline, dropping from $36m to $21m.

Elsewhere, the story is not as bad. Australian sales grew modestly to $267m, with China bound trade from local daigou's purchasing on behalf of Chinese consumers, making up about $90m of this total. This figure is expected to drop with the regulatory changes outlined above impacting purchasing demand, offset by organic industry growth in the vitamins and health category of about 5% per annum.

The real highlight, overlooked by many, was the progress made in the *Other Asia* category. Comprising a host of countries, including Malaysia, Singapore, Thailand, Korea, Hong Kong and Indonesia, this group delivered 30% revenue growth to $107m and more than tripled operating profits from $2.3m to $7.4m. The business is enjoying the benefits of scale across the region, with Indonesia recording a maiden profit. Management is confident of maintaining growth at current rates, with associated margin benefits.

Blackmores executives also outlined a series of business actions. Some have already been articulated, including the three-year cumulative $60m Business Improvement Plan (BIP), while others are newer, including the significant product portfolio price rises earmarked for October.

As previously announced, the business is also taking ownership of the manufacturing operations of Catalent in October, along with the final payment of $34m to the U.S. parent. This will allow the group to undertake further rationalisation across the organisation and drive operational leverage that should be reflected by way of significantly higher operating margins.

Finally, the executive leadership team is still in transition with newly appointed CEO Alastair Symington having commenced his position on 16 September. Further appointments, including a new managing director role for ANZ and China are also pending.

While no full year earnings guidance was provided for 2020, CFO Aaron Canning noted first half profits are expected to fall below the prior corresponding period of $34m. The second half is expected to benefit from the changes being implemented.

Investors have reacted negatively to the result with some merit. However, all things considered, with the external challenges presented by the Chinese regulatory changes offset by the significant and positive internal actions currently underway, we would suggest a more prudent approach is to stay the course.

Blackmores has a current market capitalisation of $1.4b with net debt of $94m.

Cochlear

Cochlear, the global leader in implantable hearing, delivered a strong financial full year performance, despite renewed competitive responses resulting in subdued implant sales. For the year, the number of implants sold declined 3% to 34,083 units, with the company feeling the greatest impact of new competitor product releases in both the U.S. and Europe. Overall, Cochlear implant revenues rose 2% to $845m.

This flat performance was counterbalanced by the group's services division, which houses the sale of sound processor upgrades and accessory services to the existing worldwide cochlear implant recipient base of circa 550,000. Underscoring the powerful nature of this revenue base, sales lifted 20% to $427m over the course of the year.

Finally, the group's third business base, Acoustic Bone Conduction implants, rose a modest 5% to $174m. In total, group sales and net profit both lifted 7% to $1.4b and $266m respectively. While the latter profit number would suggest the company is making little progress at the bottom line, a closer inspection of the expense lines would suggest otherwise. These are grouped into three core cost buckets:

1. Selling, marketing and general expenses

Selling, marketing and general expenses rose 14% to $451m this year, highlighting the level of forward investment the company is undertaking to lift global awareness and improve access for implant candidates. While no specific numbers were provided, our understanding is that close to 30% or some $135m of this spend is earmarked for building the future framework to support the group's extensive global referral network.

2. Research and development expenses

Research and development (R&D) is fully expensed. This rose 10% to $184m, representing 13% of group revenues and well in excess of all combined competitor spend in this field. To put this into context, the company has invested over $1.9b since listing in 1995, and now employs over 350 personnel in the field of R&D. The reason for investing is compelling, with consumer and medical awareness the biggest barrier to recipient take up. The World Health Organisation (WHO) notes that the global prevalence of hearing loss exceeds 460m people, while more than one in three adults over the age of 65 years are affected by disabling hearing loss. Cochlear estimates over 15m people could benefit from a cochlear implant, in comparison to the group's current installed base of circa 550,000.

3. Administration expenses

Despite significant growth in the business over recent history, the company has made significant inroads in streamlining operations and removing excess and duplication. This saw group expenses fall 3% to $95m for the year.

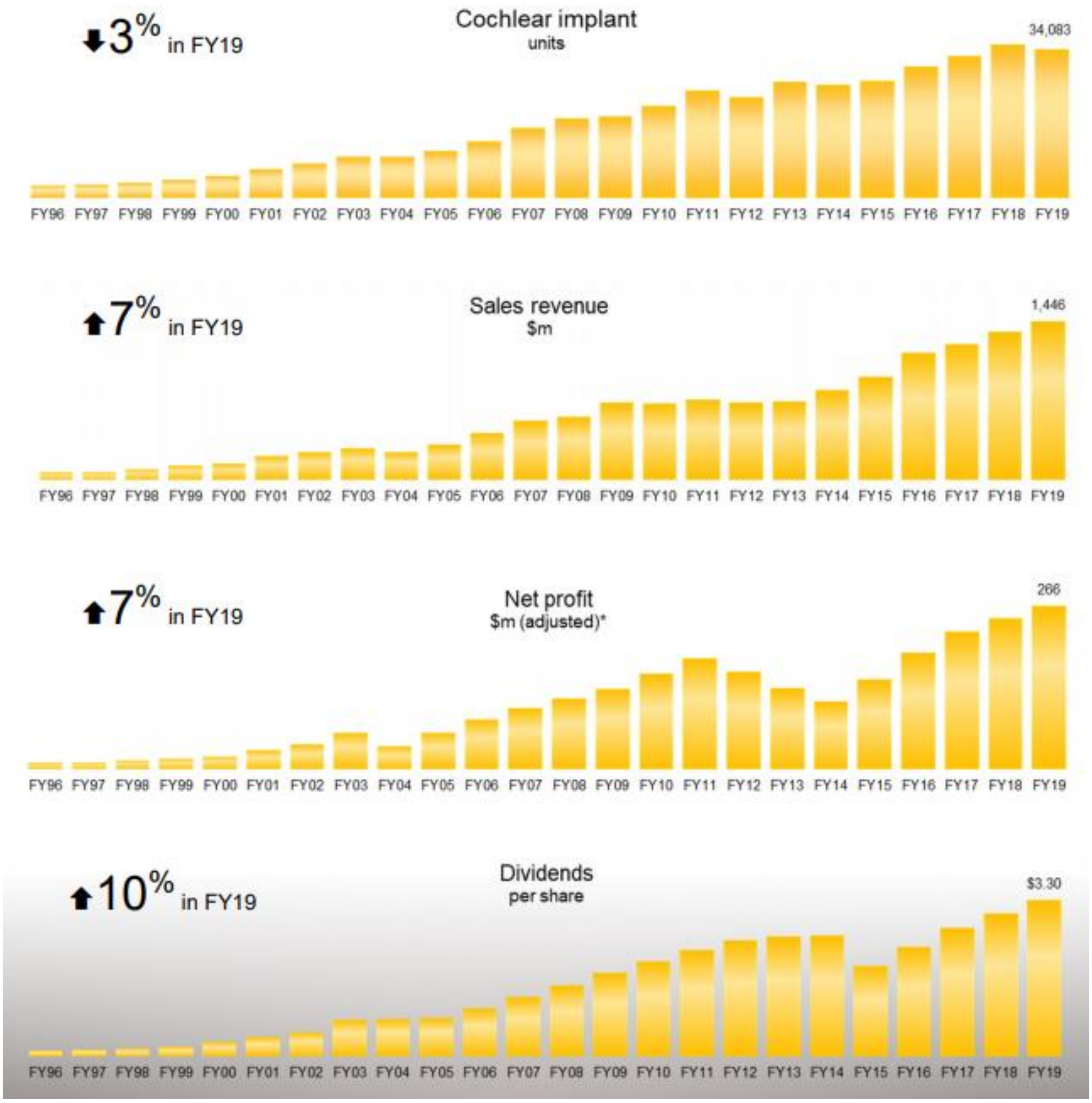
When all these factors are considered, it is very evident the company is working to achieve two things; Deliver value to shareholders today, but just as importantly, invest aggressively to build and expand future revenue streams. Management have made no apologies on their aim to reinvest excess earnings back into the business, by maintaining a consistent operating margin.

For the 2019 financial year, the company recorded operating profits of $370m and margins of 26%, while net profits came in at $266m on margins of 18%. The company finished the year with just $103m in net debt, despite the significant forward investment. Return on capital employed remains an impressive 45%, while fully franked dividends of $3.30 per share are up 10% and representing a 70% payout ratio. This compares to the $2.50 per share issue price at listing in 1995.

For the 2020 financial year, the company is providing net profit earnings guidance of $290m-$300m, a lift of 9-13% over the 2019 year. Note that while services revenue was the star performer during 2019, the company is forecasting a return to strong growth in the sale of cochlear implants in 2020. This follows the release of new product features and the natural ebb and flow of industry demand in both developed and developing countries. Importantly, the significant investment in capital projects is set to peak at $180m, along with the expected launch of a new portfolio of products over the coming 18 months.

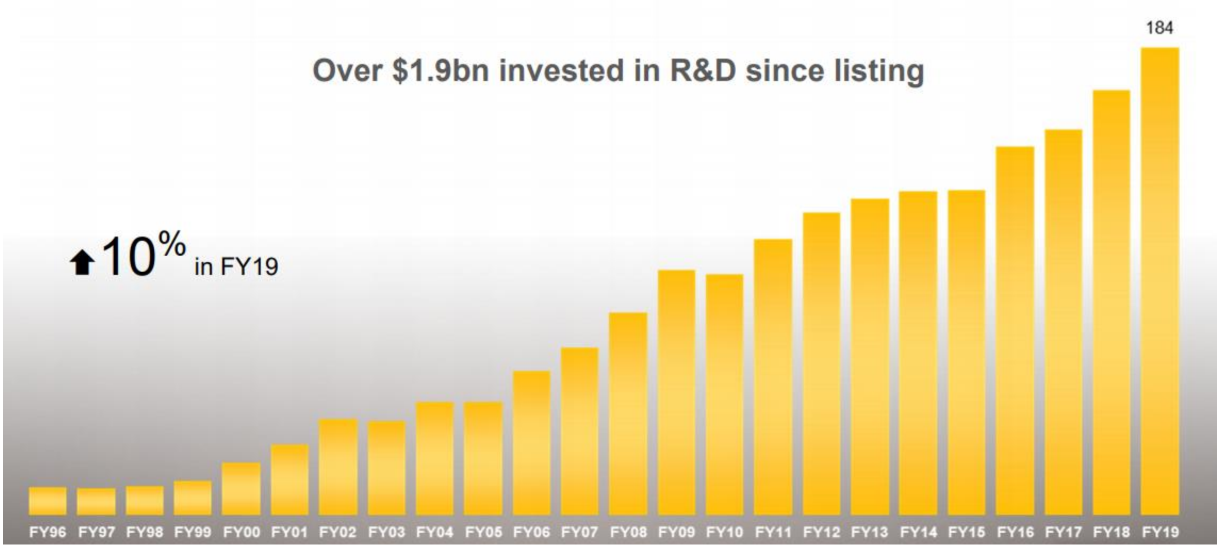
Cochlear has a current market capitalisation of $12b.

Figure 3: Key Metrics since listing



Source: Cochlear FY19 Strategy Overview

Figure 4: R&D since listing



Source: Cochlear FY19 Strategy Overview

The Star Entertainment Group

Casino operator, The Star Entertainment Group, delivered a high-quality full year result during a period of high media scrutiny on the sector. The fallout of fellow operator Crown Resorts, who are now under a government integrity commission investigation concerning its casino operations, continues to have negative implications for other operators, including The Star.

Concerning junket operators and the servicing of the VIP high roller market, CEO Matt Bekier expressed confidence that the group's operations remained compliant with the regulatory guidelines. While this may be the case, investors should continue to brace for potential negative regulatory outcomes.

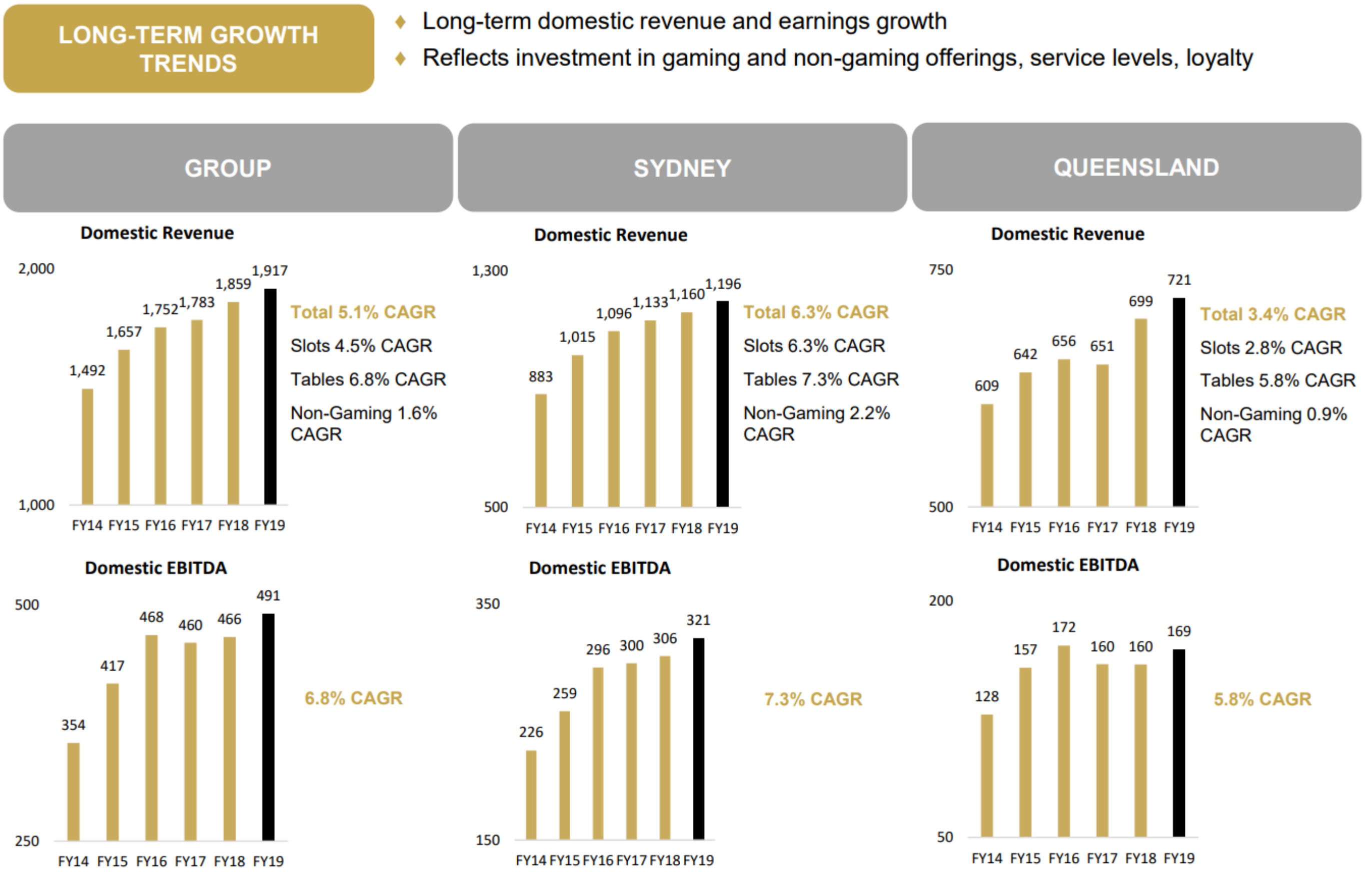
Operationally, the business has withstood a softer local consumer market to post positive top and bottom-line performance. Revenue rose 4% to $2.2b, while net profit lifted 17% to $216m. This followed an internal restructure, which resulted in over $40m of annualised costs benefits being achieved. Further cost initiatives are planned, illustrating management's ongoing pursuit of a lean and efficient operation.

Capital expenditure programs are also under review, leading to better operational outcomes and lower capital outlays. To that end, management confirmed a $140m reduction in capital expenditure across both 2020-2021. The company is now nearing the completion of major capital expenditure for the Sydney casino, while the Brisbane Wharf Project is on schedule with 60% of the project under a lump sum contract, a figure that is expected to hit 88% by the end of 2020.

Perhaps the most pleasing aspect of the result was the increasing financial transparency provided. Operating costs were held flat at $1.1b, while the bulk of the $553m of operating profits flowed from the domestic market. Here, management reported for the first time that the domestic contribution to profits was circa $486m or 88%, while the International VIP business delivered the balance of $66m.

The VIP part of the business generates a high return on the approximate $400m of capital employed but is also highly volatile. Management are supportive of this segment of the market, however, the primary focus remains on the domestic market and the high premium local players.

Figure 5: The Star Entertainment Group's Domestic Performance



Source: The Star Entertainment Group FY19 Results Presentation

Trading conditions in 2020 have begun cautiously but there has been an improvement on second half 2019 levels. The company also confirmed managerial changes with Chief Financial Officer Chad Barton stepping down and replaced by current Chief Commercial Officer, Harry Theodore.

The Star has a current market capitalisation of $3.9b and net debt of $975m. This has the business trading on an enterprise valuation of 8.2x EBITDA and a fully franked dividend yield of 5.3%.

Jumbo Interactive

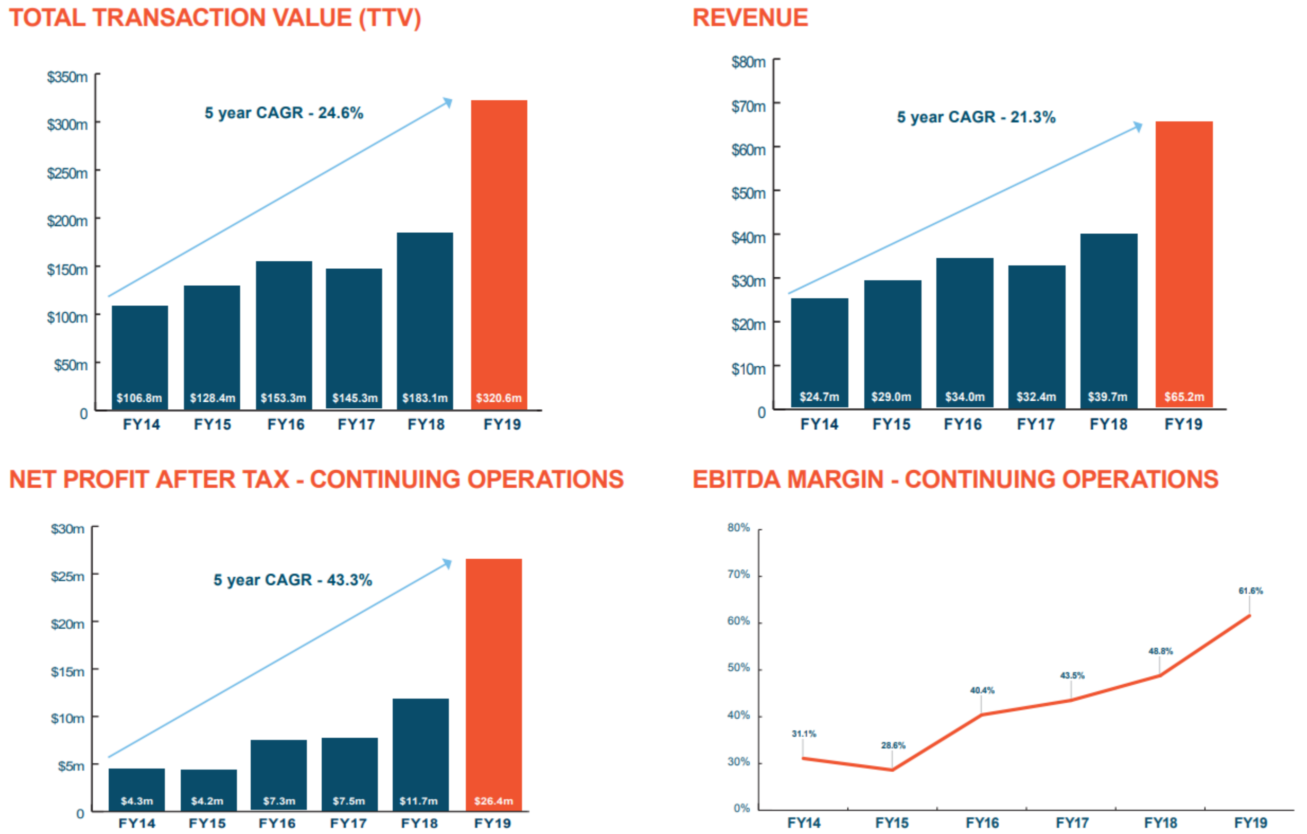
Online lottery operator Jumbo Interactive recorded a strong full year performance, as ticket sales increasingly move online. The strength of the business lies in the fact that its offer is relatively straightforward and highly scalable. Along with Tabcorp, Jumbo is successfully migrating the lotteries market further from the traditional sellers (newsagencies). This year, online sales represented circa 24% of all ticket sales, up from 17% last year. Management estimates the company is generating 25% of online sales, with Tabcorp owning the remaining balance due to its size and scale.

The full year results are evident of a group in rude health, with all the key metrics pointing north:

- Total transaction value (tickets sold) up 75% to $321m.
- Revenue (Jumbo's share of tickets sold) up 64% to $65m.
- Gross profit up 67% to $63m.
- Operating profit margins at 62%, compared to 49% in 2018.
- Net profit up 125% to $26m.
- Dividend per share is 36.5 cents, up 97%.
- Net cash, excluding client cash held, up 84% to $74m.

Operationally, the business continues to reap the benefits of the group's redesigned software platform, undertaken some two years ago. Not only is the online offering contemporary in aesthetics and feel, it also has the capability to be updated in real time.

Figure 6: Jumbo Interactive's Key Financial Trends



Source: Jumbo Interactive FY19 Results Presentation

Customers have responded positively, with new accounts doubling to 444,044 over the year. Active customer accounts have also grown, now totalling 761,863, compared to the circa 333,000 back in 2015. This provides the company with a significant database of active customers to interact with during the course of the year, augmented by large jackpot events that are becoming more frequent in nature.

During 2019, following the release of the new Powerball format some twelve months earlier, a total of 49 jackpots exceeded $15m while two surpassed the $100m level.

The company is confident the online trend and growth trajectory of lottery sales will continue. Their product offering has also expanded into the charitable lotteries market, with two customers already signed to its software-as-a-service offering. Total transaction values (TTV) were $8m for the year, up 28%, with management pointing to a circa $450m TTV opportunity looking out to 2022.

In total, management have set a vision targeting TTV of $1b by 2022, encompassing both the online lottery and charity market segments. While still early days, opportunities also exist to export the platform offering to other jurisdictions, including the U.K. and the U.S. online lotteries markets.

The business is well positioned, and management is executing to plan. The company has a market capitalisation of $1.65b.

NIB Holdings

While market commentators point to Medibank Private as an example of a business pivoting to remain relevant, few have acknowledged the work undertaken at rival healthcare insurer NIB Holdings. Under the dual leadership of CEO Mark Fitzgibbon and CFO Michelle McPherson, NIB has delivered for both owners and customers, evolving new lines of business that are focused squarely on the healthcare segment. Figure 7 and Figure 8 highlight the profit contribution from each and the supporting customer data points, all of which illustrates the extent to which management has successfully steered the group since first listing on the exchange in 2007.

While Australian Residents Health Insurance (ARHI) remains the dominant profit contributor, delivering

$150m of the $202m of underlying operating profit (UOP), the opportunity set residing in all business segments remains substantial. CEO Fitzgibbon is unashamedly positive of providing better health solutions and customer outcomes. Personalised healthcare will become a key enabler, while the need for healthcare cost transparency will dictate greater customer engagement.

Today, NIB provides health insurance cover to over 889,000 policyholders, comprising over 1.1m individuals. This covers traditional health cover in Australia, as well as student and workers insurance housed in the group's International business segment and New Zealand. In NIB travel, the segment of the business that CEO Fitzgibbon calls out as having the greatest long-term upside, over 730,000 policyholder sales were completed during 2019, split evenly across a domestic and international customer base.

Net Promoter Score (NPS), an important and leading indicator of customer satisfaction and relevancy, also continues to point in the right direction. These results are published in the company's Sustainability Report and explained in one of the following article's, *"The NPS Culture"*. Amidst a flurry of media reporting that continues to lambast the health insurance industry, the numbers are impressive. They also reinforce the need for health insurance providers, with over 40% of all Australian hospital admissions and 60% of all elective surgeries funded by the private insurance sector in 2019.

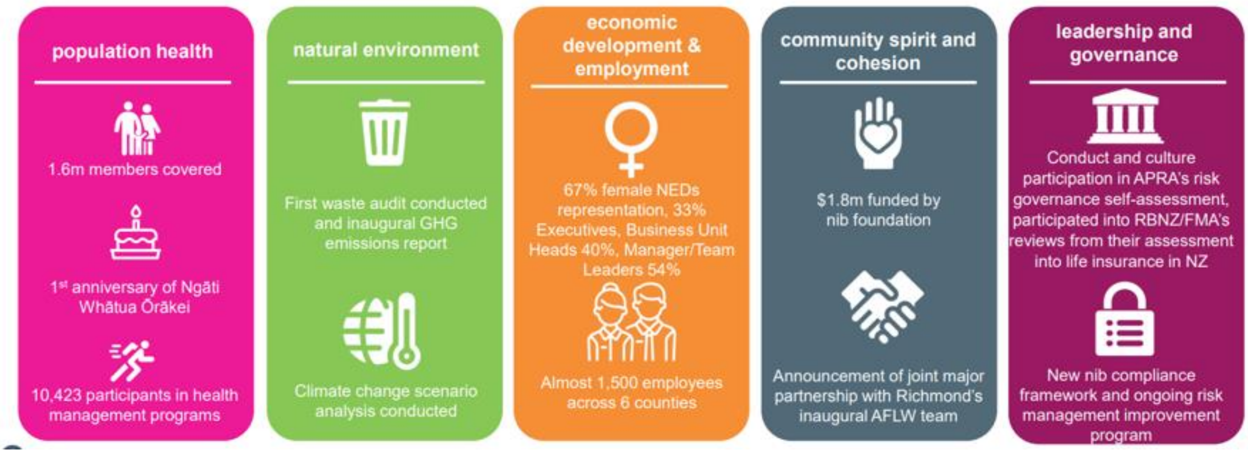
For 2020, management is guiding to a similar profit outcome to that achieved in 2019. This is as much a reflection of the strong growth achieved during 2019 and the conservatism that underpins management's approach. The group continues to fly under the radar of most investors despite a track record that would demand otherwise.

NIB has a market capitalisation of $3.1b and a 9% market share of the Australian health insurance sector.

Figure 7: NIB Holding's Group Revenue and Underlying Operating Profit

Source: NIB Holdings FY19 Results Presentation

Figure 8: Environmental, Social and Governance Achievements



Source: NIB Holdings FY19 Results Presentation

Altium

Electronic Printed Circuit board (PCB) designer Altium maintained its long-term financial and strategic direction, unveiling a strong full year result. The raw numbers are impressive with revenues up 23% to US$172m. This is on the back of strong subscriber growth, up 13% to 43,698, which was underpinned by recurring revenue now running at 56%. This drove net earnings of US$53m, up 41% alongside a debt free balance sheet with net cash of US$81m.

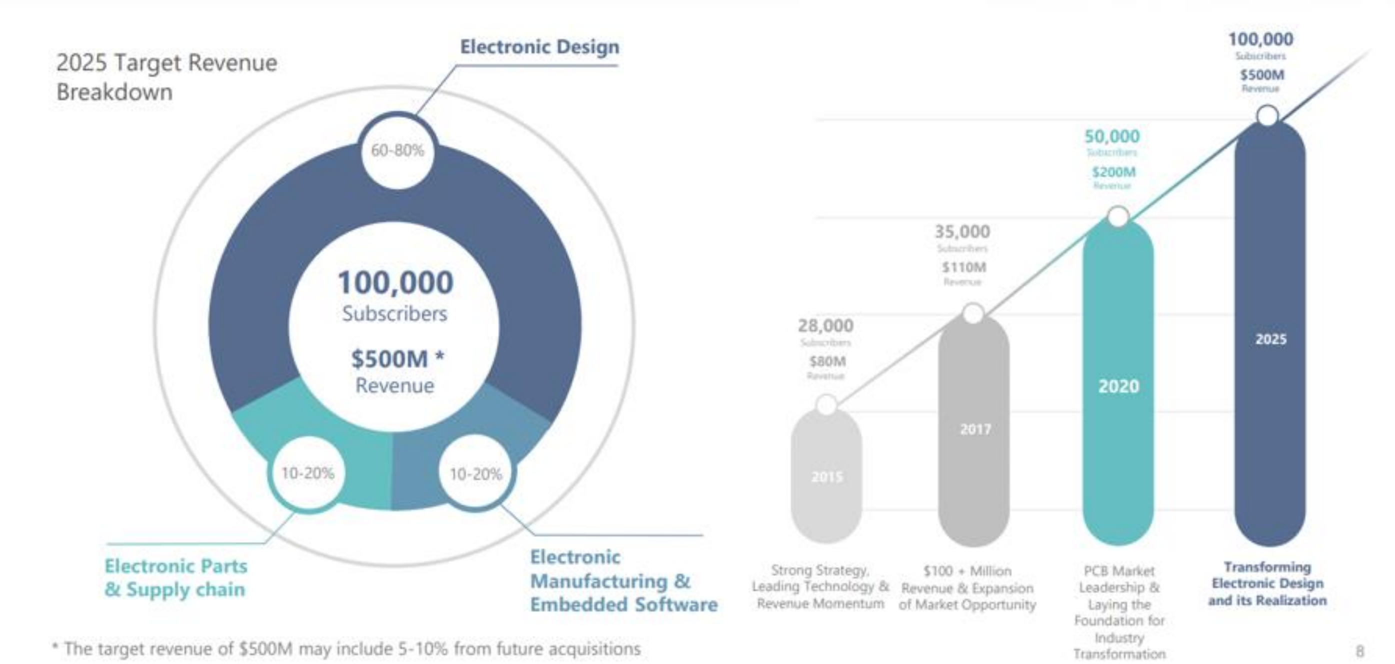
The business is advancing on multiple fronts, aiming to lead the PCB market while driving transformation in the industry. To this end, CEO Aram Mirkazemi is working to provide an end-to-end solution that connects the entire supply chain, from linking the electrical and mechanical elements with embedded software delivered over the cloud, right down to the end customer using it.

The upcoming launch of its new cloud platform, Altium 365, is an important step in this evolution. Further, the relationship formed with French and global 3D design and engineering giant Dassault Systemes is reaching an important inflection point.

Management have set clear markers to gauge business progress. For 2020, sights are now focused on 50,000 subscribers and revenues of US$200m. By 2025, CEO Mirkazemi is committed to 100,000 subscribers and an aspirational revenue target of US$500m, with operating profit margins of at least 37%.

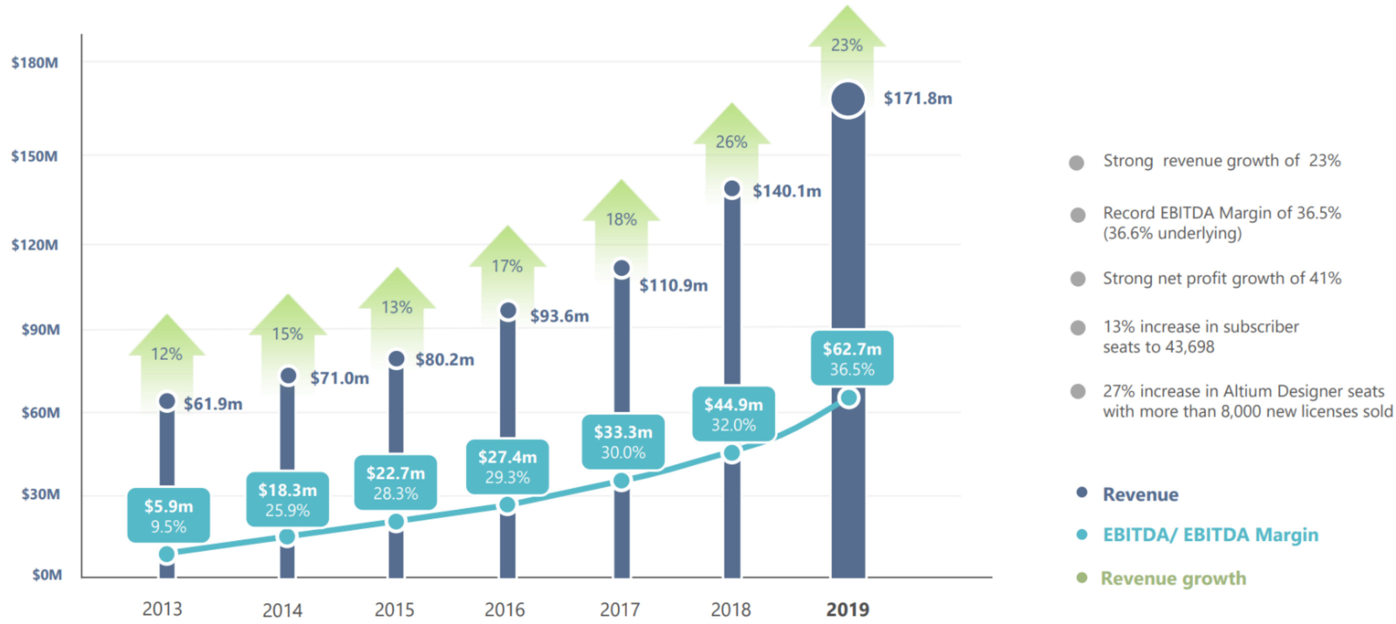
The company's current market capitalisation of A$4.2b is supportive of the long-term opportunity.

Figure 9: 2025 Vision



Source: Altium FY19 Results Presentation

Figure 10: FY19 Highlights



Source: Altium FY19 Results Presentation

Infomedia

Infomedia, a leading automotive electronic parts catalogue (EPC) software provider, released a strong operational result for the full year. This was underpinned by continued investment ahead of the curve and the pursuit of a disruptive offering, which saw revenues increase by 16% to $84.6m over the last financial year. The company's investment thesis was articulated by CEO Jonathan Rubinsztein, *"We will continue to invest to capitalise on the emerging opportunities that will arise from significant disruption. We are investing to differentiate Infomedia to be the leading software solution provider to the parts and service sectors of the global automotive industry"*.

Infomedia's flagship product, Microcat Live, is the industry's leading EPC product and continued to drive sustained growth over the 2019 financial year. At a base level, Microcat offers an electronic library, providing dealers with data on all relevant parts for their manufacturers' vehicles. Dealers search and filter by VIN, license plate or vehicle model and as a browser-based solution, users can access new parts data in real time. The expansion of their core offering has helped provide greater value to their customers, with revenues increasing 12% to $51.5m.

The company's SuperService product which allows service desks to accurately quote on work undertaken during scheduled car servicing, also experienced strong growth with revenues increasing 24% to $30.8m. With modules relating to all parts of the service journey, this product helps dealers manage and improve the overall experience for the customer.

During 2019, the company expanded its data offering with the acquisition of Nidasu, the leading provider of critical automotive data analytics to automakers and dealerships throughout Australia and the Asia Pacific. The acquisition complements the existing core business, adding more value to customers, and has provided Infomedia with a number of promising opportunities going into the 2020 financial year.

Outside of data analytics, the company is investing in a range of business-related opportunities targeting fragmented markets, including Collison and Independent Repairs. Infomedia continues to maintain a positive outlook on the year ahead, noting they *"enter FY20 with strong global customer relationships and good momentum, and expect to deliver continued double-digit growth in both revenue and earnings"*.

For those investors interested, our article on the company in the March 2019 Quarterly Newsletter provides further insight.

Figure 11: Company Description

Source: Infomedia FY19 Results Presentation

Flight Centre Travel Group

In our March 2019 Quarterly Newsletter, we spoke of the long road; companies that have ventured offshore to build their business. In this article, we profiled Flight Centre Travel Group, with specific attention on their U.S. operations. Some twelve years after first entering the market, the group's earnings diversity is now providing a path for growth, offsetting tougher domestic conditions.

For 2019 the business delivered a record $23.8b of total transacted value (TTV), with pre-tax profit of $343m falling short of the group's 2018 record profit of $385m. Much of the profit shortfall was due to the Australian leisure business, which suffered from a softer customer demand profile and a host of internal matters, including a lift in staff wages and the rationalisation of store brands.

In contrast to the domestic softness, offshore operations have maintained impressive growth rates. As Figure 12 highlights, the majority of the 9% growth in TTV is courtesy of offshore regions, and specifically the U.S. Figure 13 and Figure 14 profile how the corporate travel business is driving operating profits. In 2019, the Americas' earnings exceeded $100m for the first time, up 44% over the year. In contrast, ANZ earnings fell 27% to $179m, highlighting the importance of these offshore businesses to the group's profits.

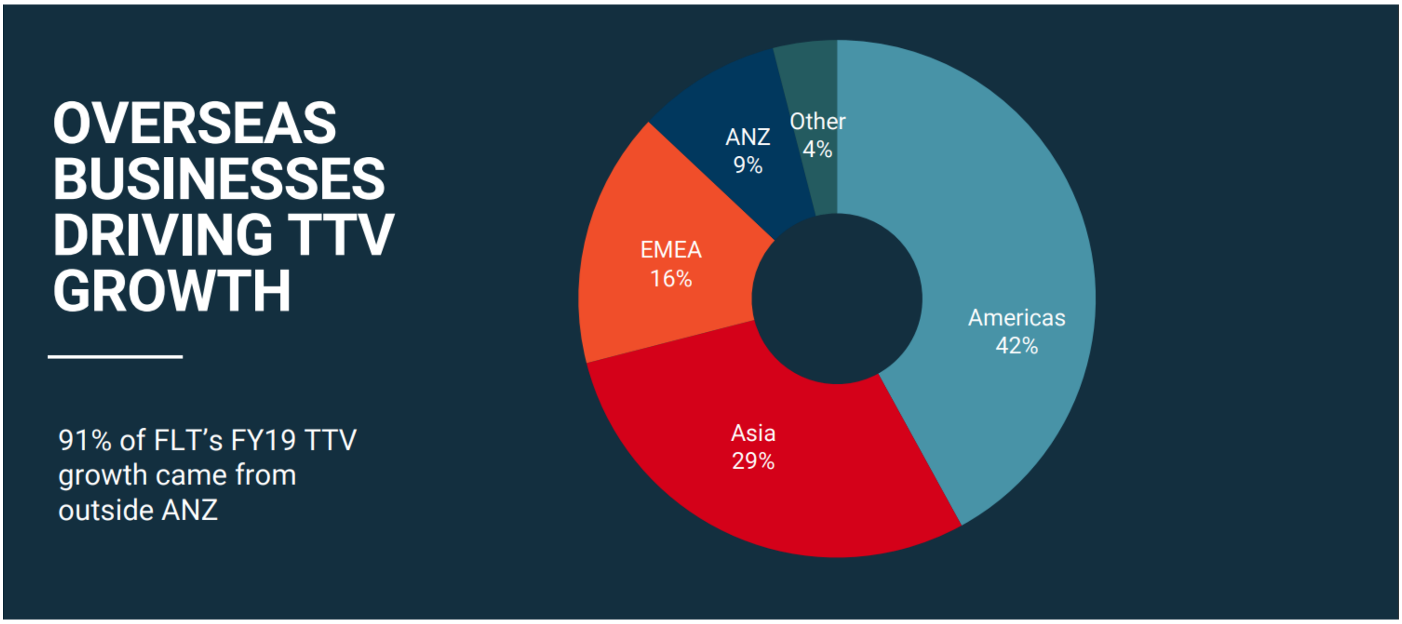
Importantly, management led by co-founder and CEO Graham Turner are pointing to this trajectory continuing, *"Our overseas businesses have become strong and consistent performers and, for the first time, generated the majority of our profit during FY19. We expect this trend to continue, given our success and relatively small share of the very large markets overseas."*

To put this into perspective, during the year the corporate travel side of the business delivered some $9b of TTV from the total of $23b recorded, up 15.2% from last year's $7.7b. The company is placed as a top four global corporate player, specifically servicing the small to medium sized corporations. In the U.S., the corporate business' TTV was $3b in a market estimated to be valued at $150b. With just 2% of a highly fragmented business, the group's blend of personalised service and digital offering is resonating among the customer base, with the group's core corporate brand FCM enjoying a 98% retention rate during 2019.

The company will provide an update on the 2020 outlook at the upcoming annual general meeting. Flight Centre paid a full franked ordinary dividend of $2.47 per share plus a special of 60 cents. The balance sheet is debt free, with a net cash position of $152m.

Flight Centre Travel Group's current market capitalisation sits at $4.2b.

Figure 12: TTV growth split

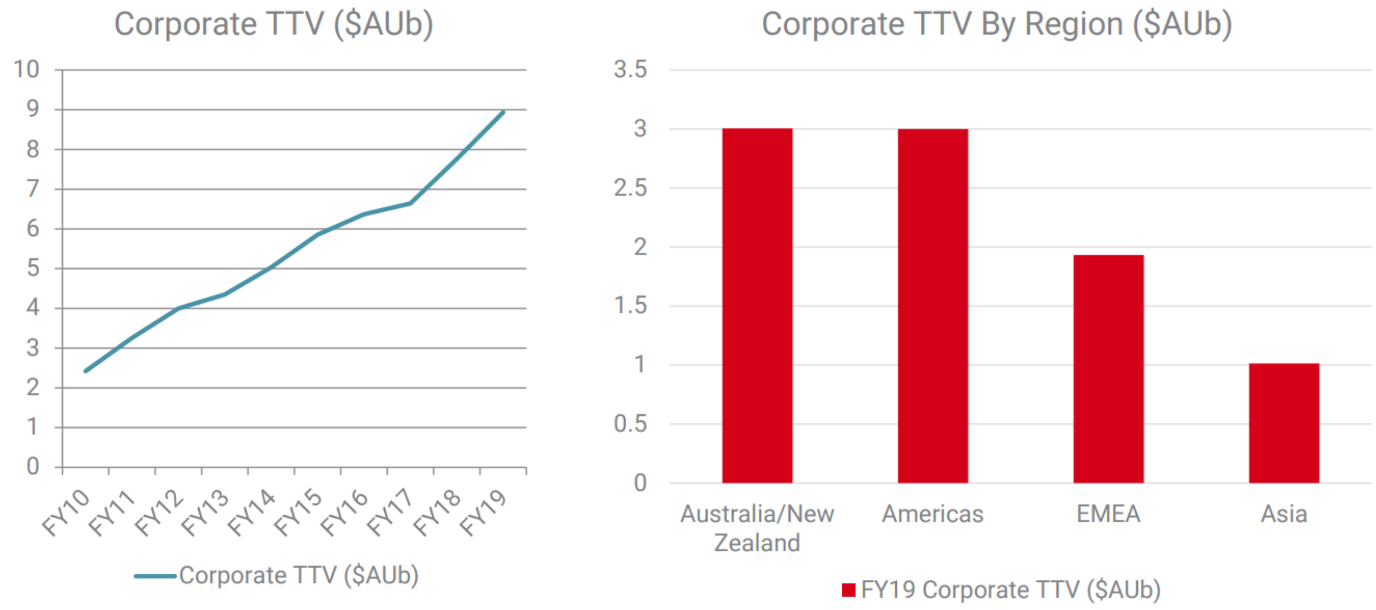


Source: Flight Centre Travel Group FY19 Results Presentation

Figure 13: Corporate Brands

Source: Flight Centre Travel Group FY19 Results Presentation

Figure 14: Global Corporate Growth



Source: Flight Centre Travel Group FY19 Results Presentation

SEEK

Seek's management have been vocal and consistent in their message to the market, stating upfront investment will take precedence over the delivery of profits in the short run. Figure 15 provides a high-level view of Seek and the operations driving the group towards their aspirational goal of $5b in revenue by 2025. This compares to the $1.5b of revenue generated in 2019 and the 20% compound annual growth rate required over the coming years to achieve such a target.

The five business segments, as depicted in Figure 15, are all benefiting from management's pursuit of aggressive upfront investment. This can be seen in the results delivered by Seek's local online employment business and its China online equivalent Zhaopin.

In Australia, despite a slowing employment market, aggressive and sustained investment in developing new depth (higher valued) products is gaining traction. This saw ANZ revenues grow 7% to $438m, driving operating profits up 8% to $270m on operating margins of 62%. The growth in depth revenue of 6% is a key leading indicator that this investment-led approach is delivering, with just 26% of current revenues linked to depth compared to other online peers that generate upwards of 50-75%.

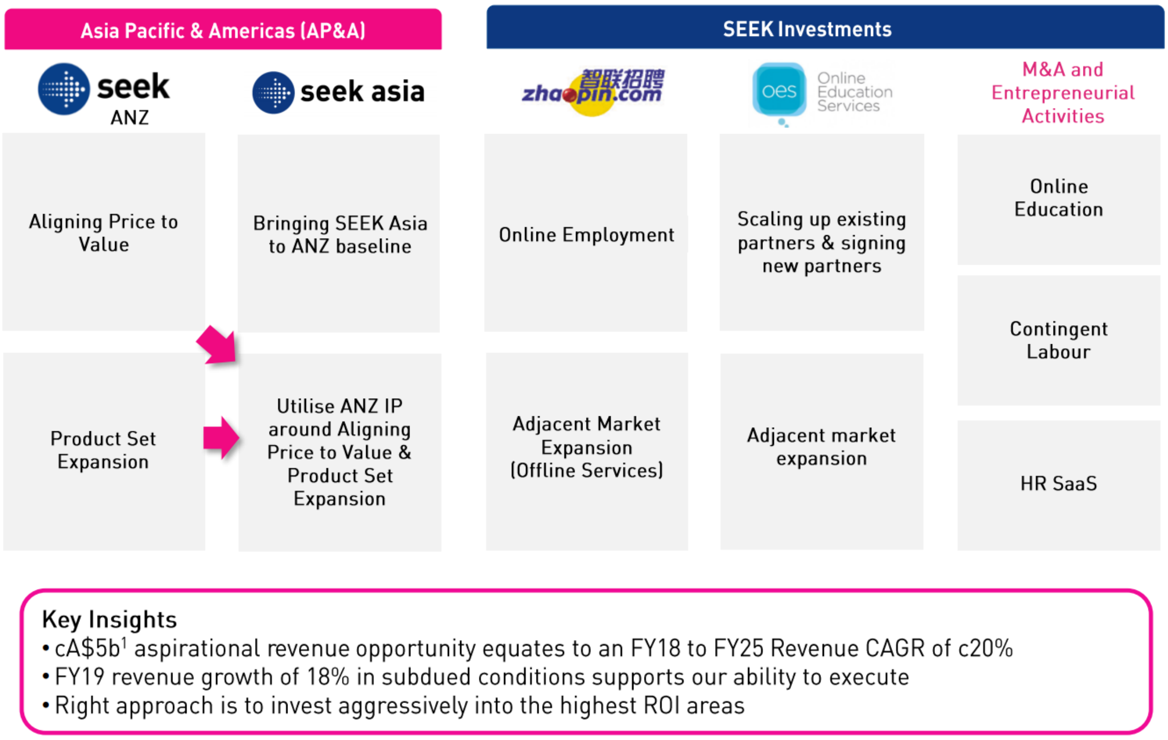
To this end, Seek are working towards two key growth drivers over the coming years. The first is to better align price to value, noting that the company has historically not sought to maximise profits. Secondly, ongoing investment in new technologies and data analytics is giving rise to an expansion of new products.

In China, the group's bold decision to pivot its employment offering has been met with market acceptance. Originally providing a typical pay per use model, the company has moved to a freemium offering, whereby hirers pay nothing to initially list and only incur fees if subsequent changes or additions are made. While management are reluctant to call victory, Zhaopin is now the leading online market operator with 2.2x more hirers over its nearest rival, 51Job. The group also enjoys a lead on key candidate metrics but more needs to be done to secure overall leadership. This is reflected in revenues, which are up 34% to $643m, while operating profits grew by a lesser rate of 18% to $99m.

In 2019, the company delivered reported net profits of $180m, having spent over $44m in new investment opportunities. Accounting standards dictate that losses are recognised but with no reciprocal value reflected for assets generated. As such, it is difficult to accurately gauge the progress being made. Management remain steadfast that the opportunity set remains vast and further large and ongoing investments remain on the horizon. For 2020, the company has guided investors to expect reported net profits within the range of $145m-$155m, while investment losses in the group's Early Stage Ventures (ESV) is set to peak at $70m.

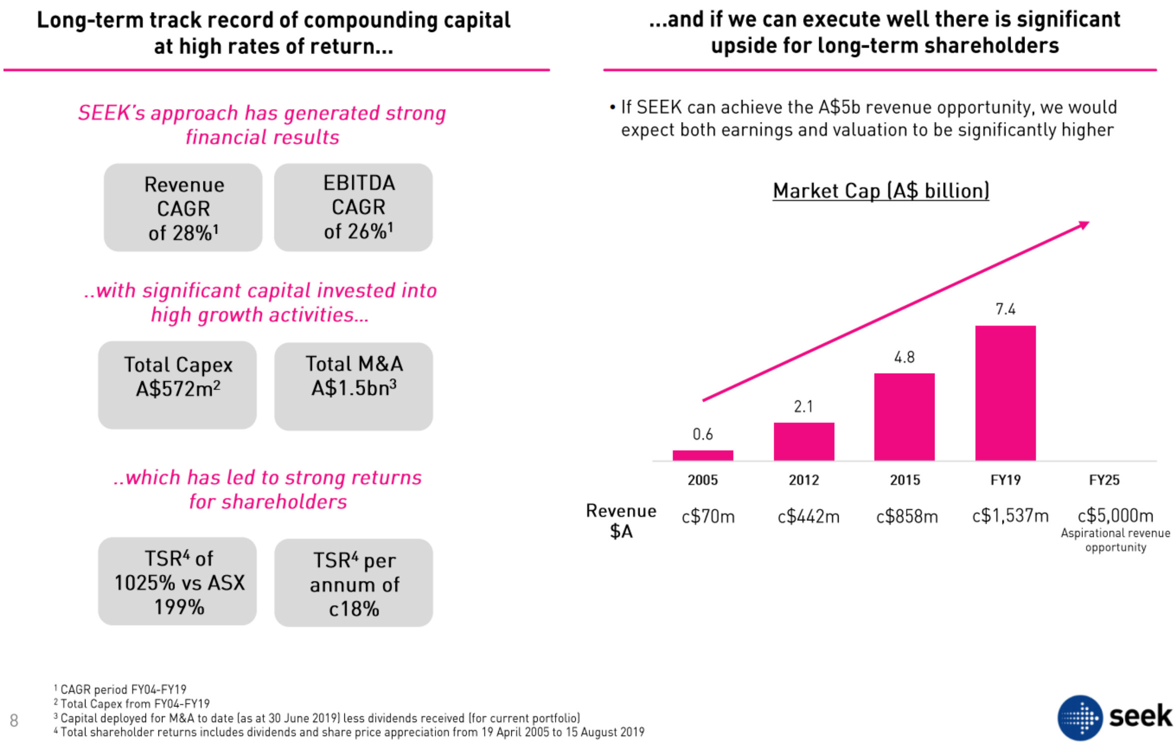
As such, the reported profit numbers would suggest a business in decline. Management also point to a change in the group's dividend payout ratio from a 50-60% payout of the group cash profits to a more conservative range of 30-50%. We would counter that while some caution is warranted on the quantum of investment being undertaken, under the leadership of co-founder and major shareholder Andrew Bassat, the group's track record on long-term value delivery, as depicted in Figure 16, is excellent.

Figure 15: $5b revenue opportunity by FY25



Source: Seek FY19 Results Presentation

Figure 16: Strategic approach and long-term focus has created significant shareholder value



Source: Seek FY19 Results Presentation

Carsales.com

Leading online automotive site, Carsales.com delivered a solid performance in an otherwise softer local market. The group has withstood online rivals and industry dynamics to report higher domestic revenues of $300m and flat operating profits of $158m.

The international arena is where the business stood out, with the Korean and Brazilian operations posting standout performances. Reflecting the group's first full year full ownership of SK Encar Korea, revenues rose 96% to $36.3m, while operating profits rose at a similar rate of 98% to $26.1m.

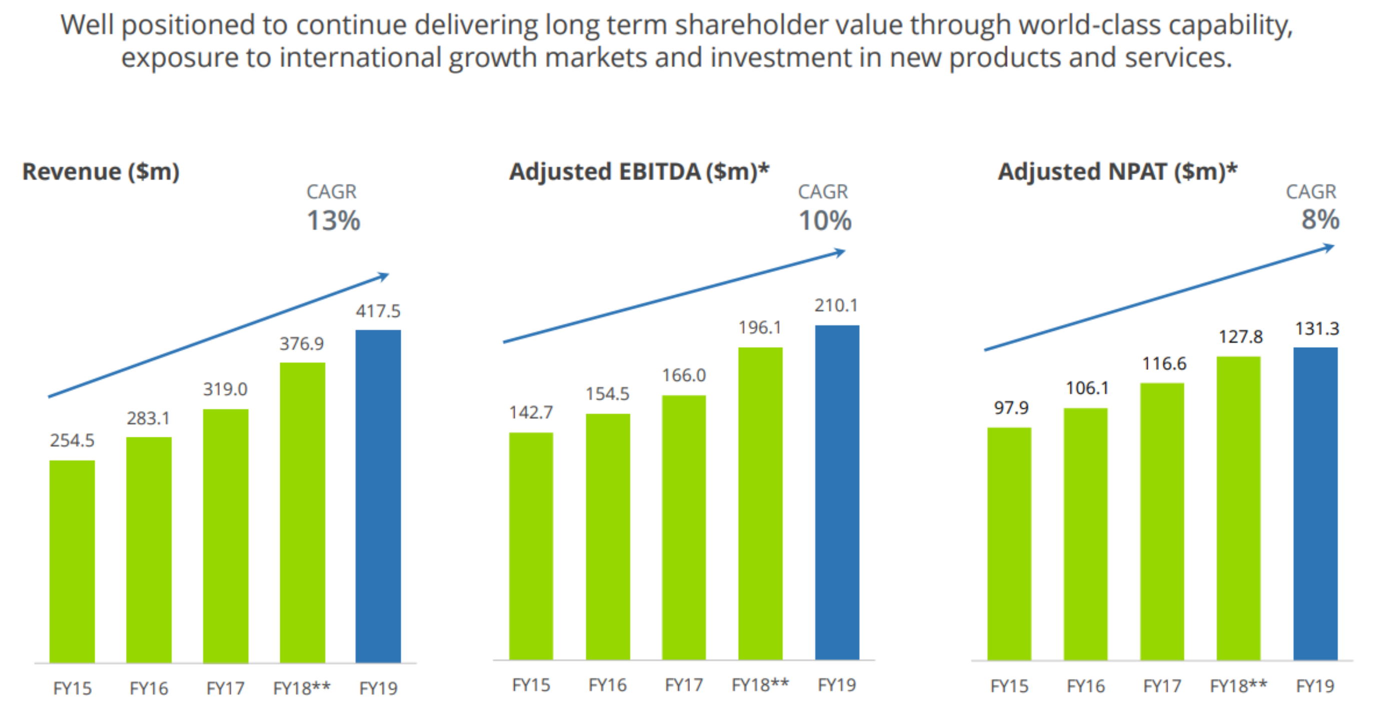
Along with Webmotors Brazil, where the company has a 30% interest, the group reported total look-through revenues based on ownership interests of $424m, up 8%, alongside look-through operating profits up 5% to $216m.

The offshore operations are in the very early stages of online penetration, with a long runway of product and service development to follow. As depicted in Figure 18, Carsales manages the leading websites in four of the five country operations, with addressable markets ranging from seven to 266 times the local market.

For 2020 the company anticipates the key metrics of sales and net profits to show solid growth over the 2019 year.

Carsales has a current market capitalisation of $3.7b and a net debt of $398m.

Figure 17: Track Record of Sustained Growth

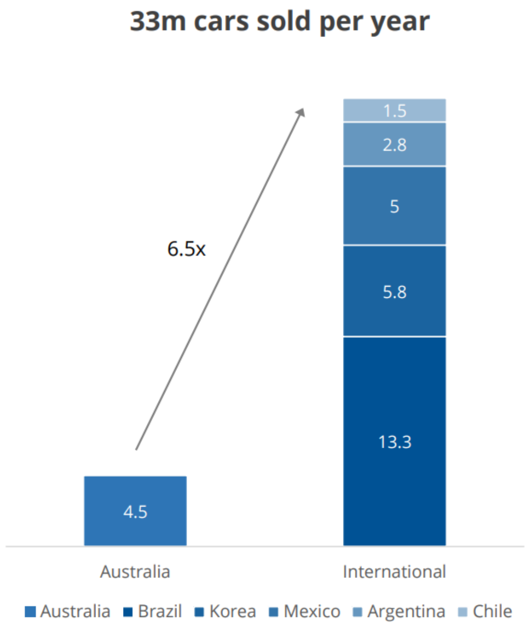


Source: Carsales.com FY19 Results Presentation

Figure 18: International Opportunity

The international opportunity is significant for carsales.
We have market-leading websites in countries with large addressable markets.

Site	carsales	SK encar	demotores.com	webmotors	chileautos.cl	soloautos.mx
carsales position	#1	#1	#1	#1	#1	#2
GDP (AUD trillion)[1]	2.20	2.38	0.76	2.76	0.44	1.81
Population (m)[1]	25	51	44	209	18	129
Annual car sales (m)[2]	4.5	5.8	2.8	13.3	1.5	5.0
Implied market opportunity (A$m)[3]		388	124	446	72	293
Potential revenue opportunity vs FY19		7 x	56 x	9 x	15 x	266 x



Source: Carsales.com FY19 Results Presentation

Nanosonics

Global leader in infection control solutions Nanosonics unveiled a strong financial report card for 2019. We profiled the business in our September 2018 Quarterly Newsletter and would encourage those investors interested to visit our website. Back then we openly acknowledged that many years had flowed under the bridge, as we followed the company's progress, before finally taking the plunge. We don't mind taking our time as long as we can ensure the fundamentals of a much bigger business are in place.

Led by CEO Michael Kavanagh, Nanosonics is continuing to lay the foundations of a long duration business, underpinned by its focus on the infection control solutions market. Currently, the business is supported by the global rollout of Trophon2, an automated high-level disinfection (HLD) unit for ultrasound probes. Since its market release, the Trophon technology has become the standard of care for HLD in the healthcare environment, with over 20,000 units installed globally. This compares to a market opportunity estimated at 120,000 units. In the largest region, the U.S. market, Nanosonics already commands a 46% market share, with more than 18,500 units installed in over 5,000 hospitals. The business strategy of going *"wide and deep"*, is focused on extending the market footprint while penetrating deeper into each hospital setting. Management continues to point to the Australian market, where it currently enjoys a 75% share and has a handy longer-term reference point for the U.S. market.

Elsewhere, management continues to make the necessary investment in order to extend the company's global footprint. It's still early days though, with only 2,300 units installed outside the U.S. That said, the healthcare industry is renowned for being slow on approvals and while there is always a level of frustration on the pace of change, the need for HLD adoption is being driven by regulatory reform.

During 2019, the company's global presence extended to 21 countries, with new European agreements established with GE Healthcare for distribution in Denmark, Finland, Spain and Portugal. Regulatory approval was also received in Japan, with GE Healthcare again joining as a key distributor.

Most importantly the company has made a number of significant personnel appointments over recent years, including Steven Farrugia as Chief Technology Officer, Rod Lopez as Chief Operating Officer, Renee Salaberry as Chief Marketing Officer and David Morris as Chief Strategy Officer. In total, the company added 62 new positions during 2019, bringing the total workforce to 286 employees.

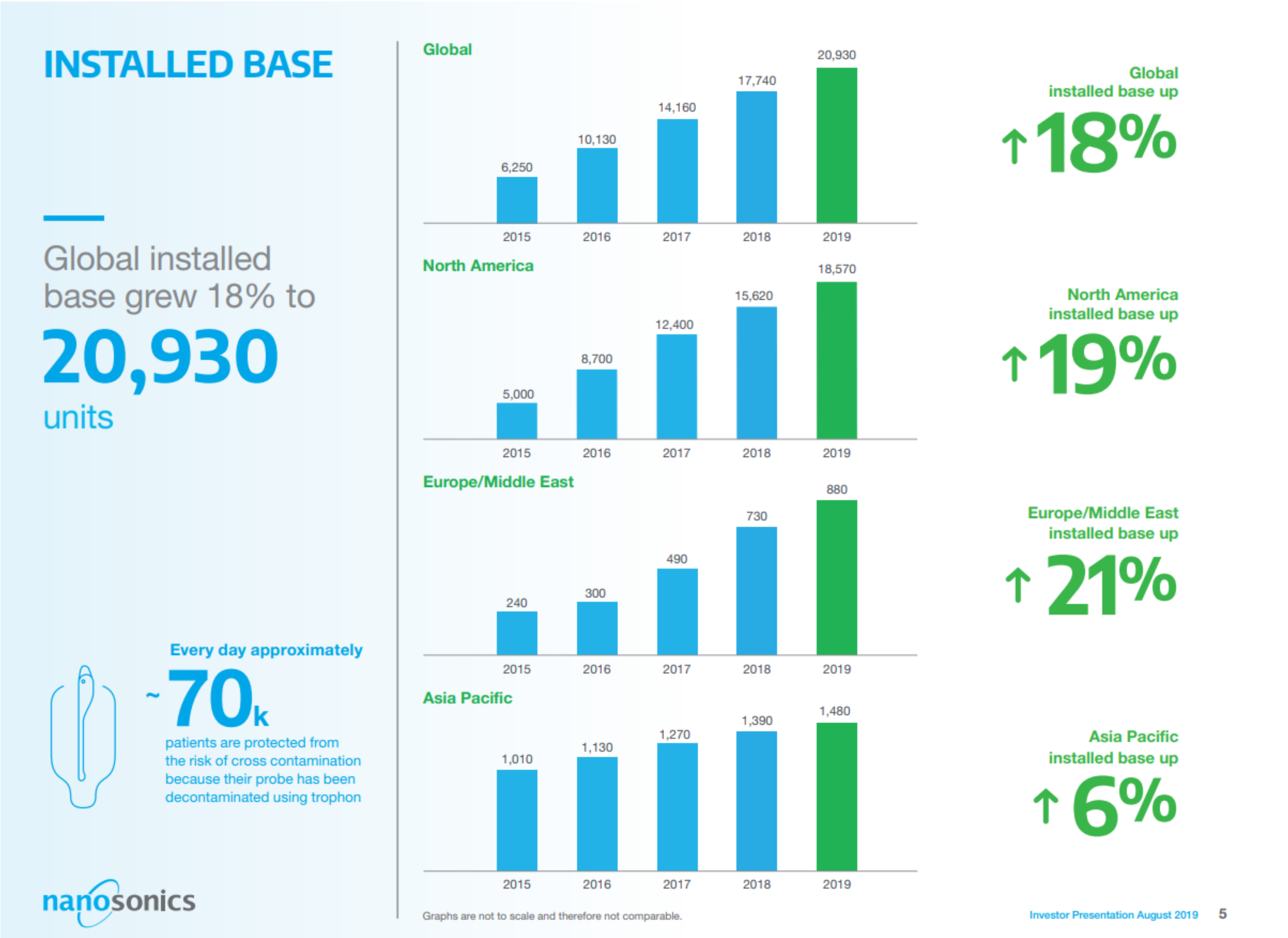
For the year, the company delivered total group revenues of $84.3m up 39%, with the lion share coming from the group's sale of consumables. For 2019, consumable revenues totalled $51.5m, while the sale of 3,190 Trophon units delivered the balance of $32.8m in revenues. The company recorded an operating profit before tax of $16.8m, up 201% from 2018, after having fully expensed research and development (R&D) costs of $11.4m.

The company is lifting R&D spend in 2020 to $15m, along with its next scheduled product release. Management have provided little in the way of additional information, other than to acknowledge that the new product is subject to regulatory approval.

For 2020, management are guiding investors to expect growth in the installed base in the U.S. to continue at similar rates to those experienced in 2019, with adoption in Europe and elsewhere to accelerate. With a heavy level of investment, profitability for 2020 is expected to be weighted to the second half.

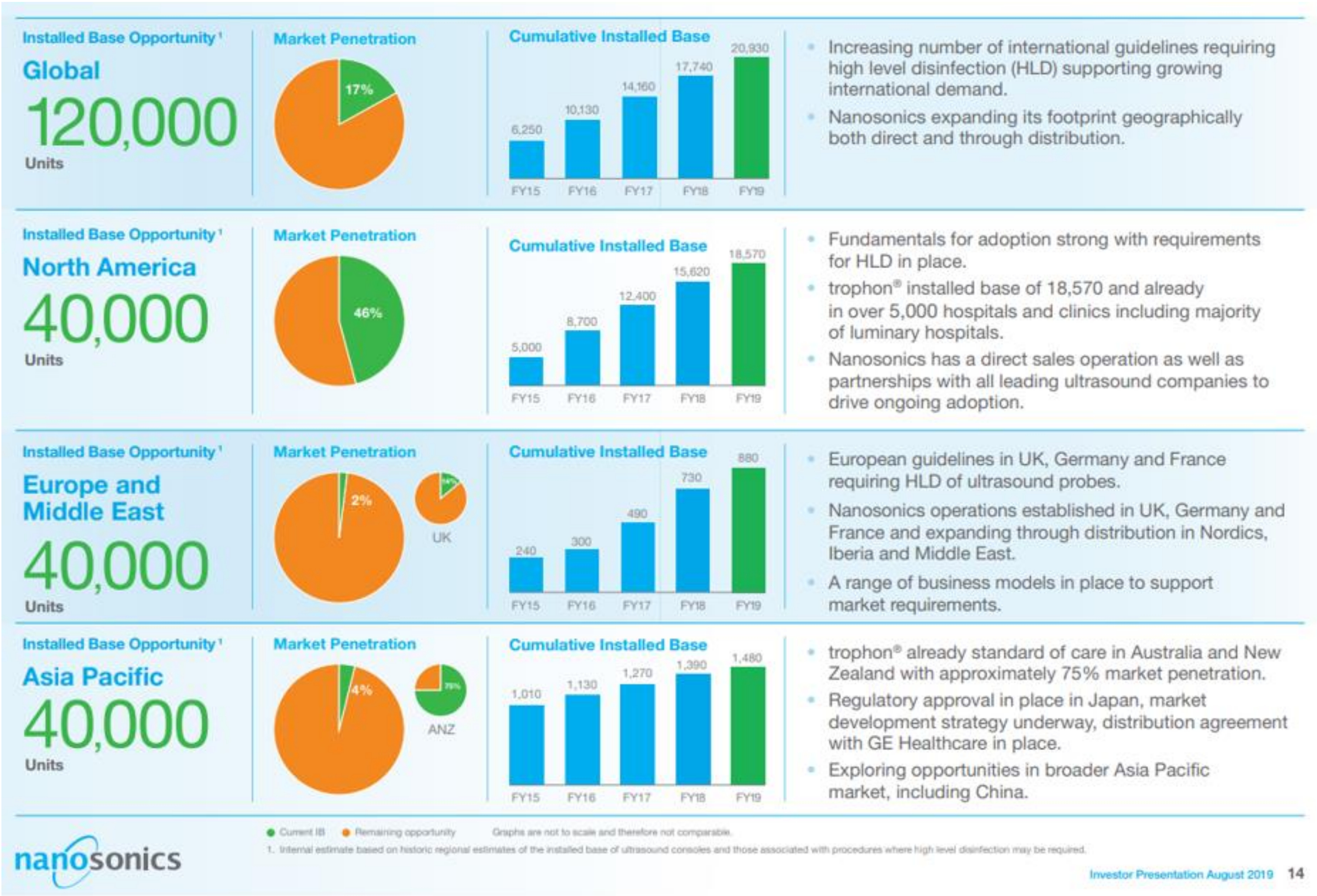
The company ended the year with no debt and a cash balance of $72m. Nanosonics has a current market capitalisation of $1.9b.

Figure 19: Global Installed Base



Source: Nanosonics FY19 Results Presentation

Figure 20: Global Market Opportunity



Source: Nanosonics FY19 Results Presentation

Sims Metal Management

Sims Metal Management, a global leader in metal and electronics recycling and an emerging leader in municipal recycling and renewable energy, faced challenging market conditions over the past year. This was mainly driven by a softer Turkish market, challenging trading conditions created by the volatility of ferrous prices, and disruptions from the continuing China-U.S. trade war. The Group CEO and Managing Director of Sims, Alistair Field, responded to this by noting that *"while it is disappointing to present results where underlying EBIT and profit are both down between 14% and 16%, I believe in the context of a challenging market, it shows the businesses' resilience to poor trading conditions has definitely improved over prior years."*

This resilience is attributable to ongoing investment in initiatives, which are transitioning Sims into a market leader in processing *"new world"* scrap. As the company outlined in their Strategic Growth Plan in April, Sims is focusing heavily on recycling data storage centres, aiming to recycle 10% of this market by FY25. As technology continues to develop, the hardware underpinning the cloud along with consumer electronics are becoming obsolete at a rapid pace. To close the loop in hardware recycling programs, Sims provides customised recycling solutions to several of the world's leading electronic manufacturers as shown in Figure 22.

The company is also working towards extracting more than just metal from the material they collect. The Waste-to-Energy (WTE) initiative intends to use the non-metallic residue, produced from the metal shredding process, to generate electricity. This is achieved through gasification, a process whereby waste is incinerated in a white-hot chamber releasing a gas that drives turbines to generate electricity. While this is still being proven, if development progresses as expected, the company will have gasification processors at its major scrap yard sites with sufficient tonnage. As Sims currently incurs costs in sending residue scrap to landfill, the benefit is expected to be in the order of $100m in cost savings.

In addition to its planned WTE endeavour, Sims are also teaming up with LMS Energy, the leading landfill energy company in Australia. In collaboration with LMS, Sims is intending to install and operate seven power generating plants within 10 years. As waste in landfill decomposes over time, it releases a gas which can be processed into a fuel used for energy production.

We view these investments as integral to driving Sims beyond their traditional metal management business. Any progress made towards reducing or better utilising landfill through innovative recycling efforts will be both beneficial to the environment and to shareholders in the long-term.

Figure 21: Strategy Target Measures

Good progress in FY19 and strong position to further advance strategy in FY20

	FY18	FY19	FY20	FY25
Expand metal volumes in favourable geographies	**NAM Ferrous Volumes** ('000 tonnes)			
	4,725	4,731	5,000	6,500
Grow non-ferrous business	**NAM Non-Ferrous Retail Volumes** ('000 tonnes)			
	140	155	170	300
Enter waste to energy	**Waste to Energy Status**			
		Pre-feasibility commenced	Selection of technology and EPC	WtE capacity 290k ASR tonne
Recycle the cloud	**Tonnes of cloud material recycled**			
	14,000	15,200	20,000	200,000
Take the LMS Energy business model overseas	**Landfill energy outside Australia** (MW)			
	0	0	8	50

Source: Sims Metal Management FY19 Results Presentation

Figure 22: Sustainability

Sims integral role in the circular economy

- Recycles ~10 million tonnes of metal (ferrous, aluminium, copper, etc) each year
- Helps OEMs close the loop in their manufacturing process. For example, operating HP closed loop hardware recycling program
- Recycles ~500k tonnes of municipal material (plastic, metal and paper) each year
- Worked with the World Business Council of Sustainable Development on developing metrics to measure circularity of an organisation

HP closed-loop hardware recycling program

Source: Sims Metal Management FY19 Results Presentation

Nearmap

Aerial imagery leader Nearmap reported a solid financial year result, spurred by geographical and product expansion alongside strong organic growth. The company's key growth metric of Annualised Contract Value (ACV) rose 36% from $66.2m to $90.2m for the year. This result was underpinned by consistent growth in the local market, which lifted 19% to $57.9m. Continued investment in North America is justified as revenue growth in this region has ramped up significantly faster than in Australia, as shown in Figure 24.

Despite the consistent growth Nearmap has experienced, the ANZ result reflects fundamentally sound progress. Over the last financial year, customer churn has been reduced from 7.3% to 5.6%, the sales contribution ratio has been maintained above 100% and gross margins have remained above 90% in the ANZ segment. It's an impressive result to say the least.

While the company is less established in the U.S., it experienced strong growth over the last financial year. In the North American segment, Nearmap halved churn to 4.4%, achieved a sales contribution ratio above 100% and a marked improvement in gross margin. At a group level, the increasing ACV, decreasing customer churn and improved gross margins has resulted in a 114% increase in the company's Portfolio Lifetime Value from $548m to $1,175m as shown in Figure 24.

Given the size and competitive landscape of the North American market, the sales approach in the U.S. has been more targeted. Management have identified key cities and commercial business verticals as a focus to prove out their model. This has led to the opening of its second North American sales office, located in New York. The Canadian capture program has been well received by U.S. customers who have operations there, with initial sales of Canadian content already covering the capture costs incurred to date.

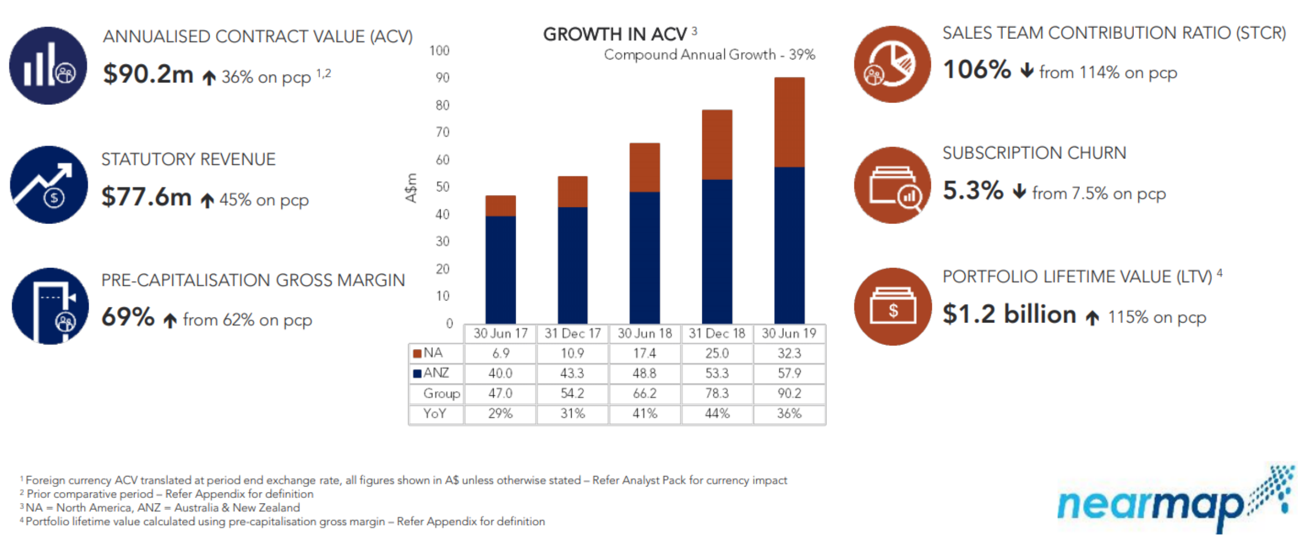
The company's successful launch of the online 3D and Artificial Intelligence content is driving deeper customer penetration, particularly in the U.S. where the aerial imagery sector is more mature. Management believes that up to 50% of the current customer base could benefit significantly from the use of their 3D product.

The company also flagged accounting changes relating to the amortisation treatment of capture costs. Historically the group has capitalised these costs and amortised them on a straight-line basis over five years. Effective from January 2019, these costs will be amortised over a more conservative time frame of two years.

Despite the significant progress the company has made, it is important to remember that Nearmap is not yet profitable. Management has articulated a clear intention to ramp up investment into the North American market with losses expected to continue into FY20 as a result.

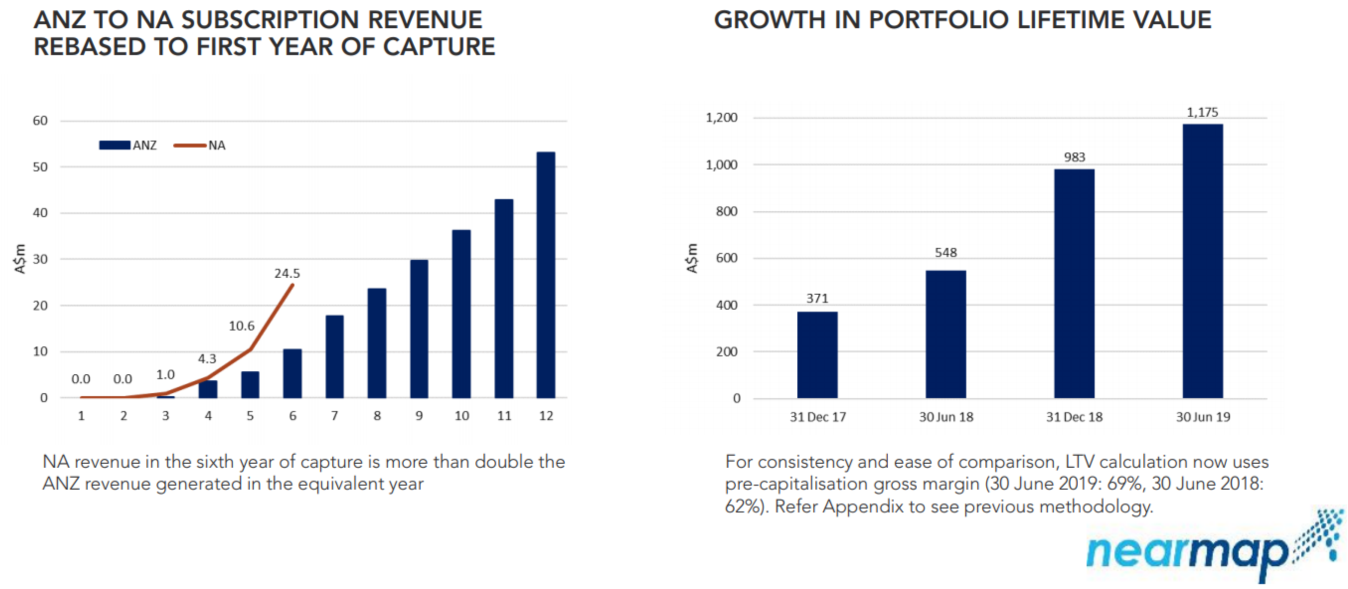
Nearmap has a current market capitalisation of $1.2b and cash of $76m.

Figure 23: Record ACV Portfolio Growth Driven by Strong Performance Across All Key Metrics



Source: Nearmap FY19 Results Presentation

Figure 24: NA Revenue Accelerating Ahead of ANZ



Source: Nearmap FY19 Results Presentation

Domino's Pizza Enterprises

In a performance not dissimilar to Flight Centre Travel Group, global pizza operator Domino's Pizza Enterprises, relied on offshore operations to offset a more subdued performance at home. While total network sales grew 11% to $2.9b, operating profits lifted just 7% to $221m due to a 4% lower contribution from the Australian store segment. This was offset by the excellent Japanese performance, which posted operating profits up 42% to $73m. The company's international operations now contribute more earnings to the group than the local ANZ business, accounting for 55% of group underlying operating profits of $282m.

First stepping offshore in 2007, today the business is operating at critical mass in all regions, following a period of extensive investment. In total, Domino's now services a combined market audience of 340m people located across three continents.

Domino's ended the year with a 2,522 store footprint, stretching over nine countries and a long-term goal of running a global network comprising of over 5,000 stores.

The company generates healthy returns of 25% on the capital invested, along with operating margins of 15%. The business is capital light and the opportunity to grow the store footprint remains an attractive sustainable generator of strong returns.

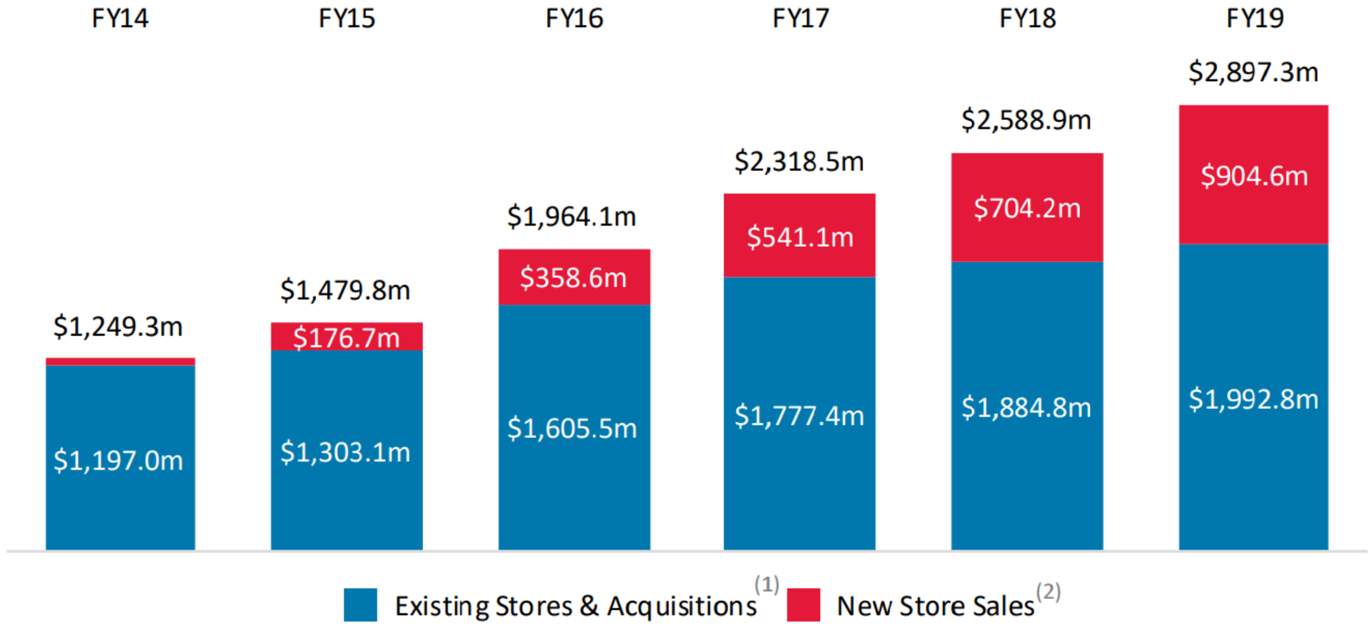
Over the course of the year, the business has had its fair share of public scrutiny and exited with positive action covering a multitude of operational issues.

For 2020, the company continues to invest aggressively in all business segments, including new digital technology offerings, such as Pizza Checker, and upgrades to their mobile app. With 67% of all sales completed online, Domino's has maintained its relevance despite the emergence of aggregators, including Uber Eats and Deliveroo.

While no formal earnings guidance was provided, management continues to point to ongoing sales store growth of 3-6% over a three to five-year outlook, along with annual store growth of 7-9%. Achievement of these growth targets would see the business close to doubling over the period to 2025.

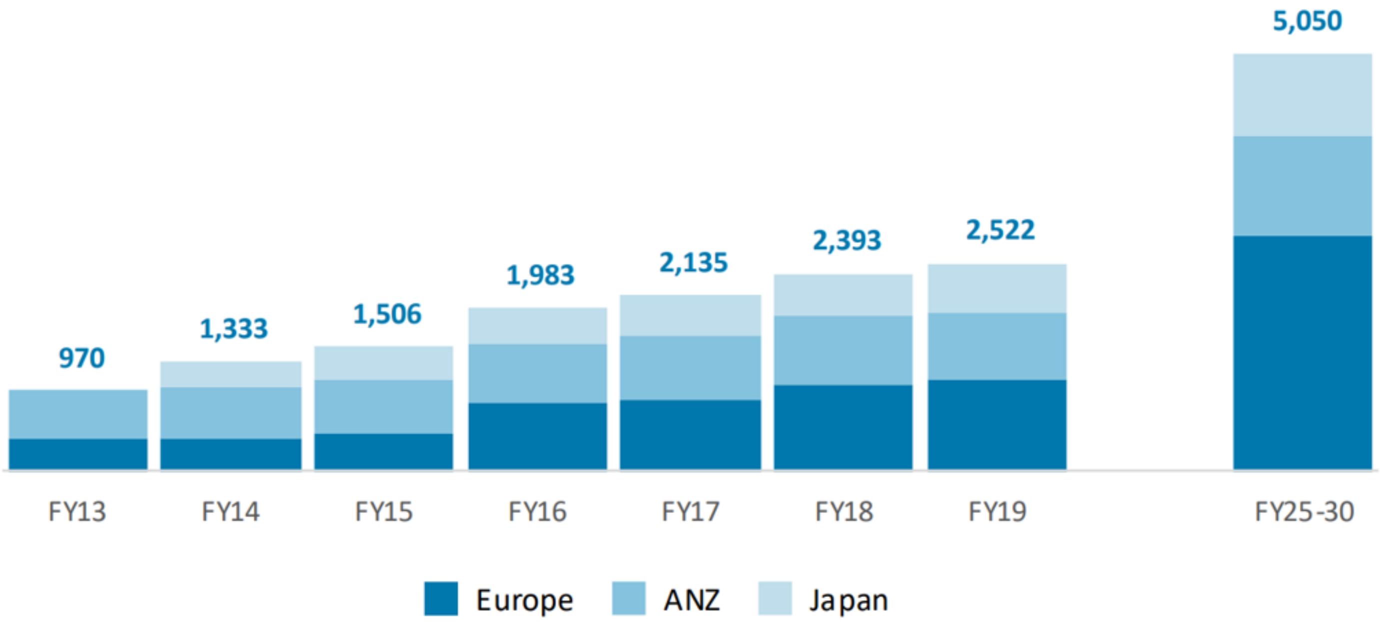
Domino's has a market capitalisation of $4.1b and net debt of $514m.

Figure 25: Existing and New Network Sales



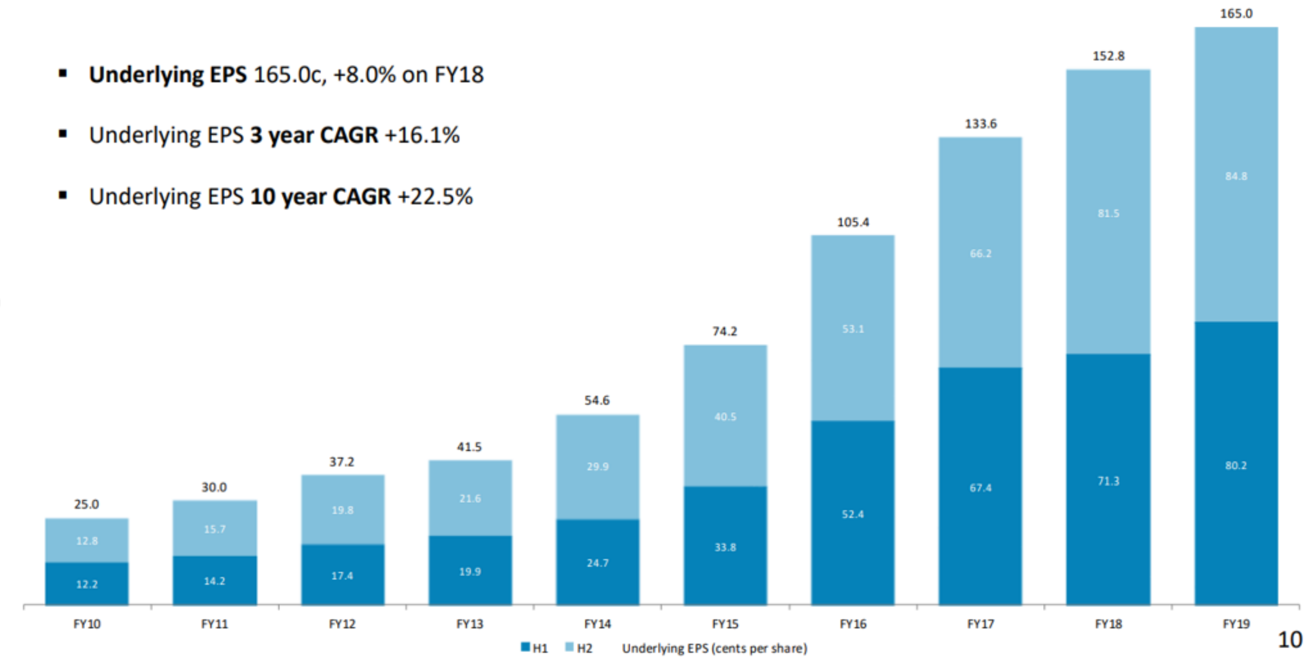
Source: Domino's Pizza Enterprises FY19 Results Presentation

Figure 26: Historical Store Count and Target



Source: Domino's Pizza Enterprises FY19 Results Presentation

Figure 27: Group Underling Earnings Per Share



Source: Domino's Pizza Enterprises FY19 Results Presentation

ResMed

Sleep apnea global leader ResMed, delivered its fourth quarter earnings release during July. The company, profiled in our June quarterly newsletter, completed a frantic year of strong organic growth coupled with acquisitions, including MatrixCare and HEALTHCAREfirst.

Financially, the business generated a strong final quarter, underpinned by the group's U.S. region, with both devices and masks growing solidly. This saw total sleep and respiratory care operations rise 11% to US$385m while Rest of World grew 4% on a constant currency basis to US$234m. The company's Software as a Service (SaaS) division recorded revenues totalling US$85.2m for the final quarter.

For the 2019 year, total sleep and respiratory revenues rose 7% to US$2.33b while SaaS revenues grew to US$275m. All up, revenues hit the US$2.6b mark while underlying operating profits (EBITA) lifted to US$711m, up 17%, with margins improving from 25.9% to 27.3%. A highlight has been the company's strong performance in the mask category, reporting market share gains on the back of strong top line group growth of 10% to US$969m. Devices grew 4% to US$1.4b, with softer Rest of World growth, offsetting solid gains in the U.S.

The business is focused on providing an end to end solution, combining medical equipment with market leading digital health technology solutions. While the offering is still in its infancy, the acquisitions noted above are addressing industry needs to provide a more streamlined, accurate record of patient engagement and treatment adherence.

ResMed has a current market capitalisation of US$19b and net debt of US$1.1b. ***SFM***

POLYNOVO

Table 6: Company timeline

Date	Event
2004	CSIRO forms PolyNovo Biomaterials to commercialise the NovoSorb Polymer Technology that was developed in-house. The new entity was a joint venture between Xceed and CSIRO with key researchers including Dr Thilak Gunatillake joining the company.
18-Jul-08	Xceed announce the sale of its 64% shareholding in PolyNovo Biomaterials to Metabolic Pharmaceuticals, (MBP) a wholly owned subsidiary of Calzada, in exchange for shares in MBP. CSIRO agree to sell their interest of 36%, giving MBP 100% interest in PolyNovo.
27-Nov-08	MBP shareholders vote against resolutions proposing acquisition of PolyNovo. Proposed sale to MBP terminated.
18-Dec-08	MBP invest $3.5m, acquiring 60% of PolyNovo following a shareholder vote opposing the original acquisition. Xceed and CSIRO retain their 25.5% and 14.5% interests respectively.
23-Dec-09	Calzada reaches agreement to acquire the balance of Xceed's interest in PolyNovo for scrip and also offers similar terms to CSIRO for their holding, thereby acquiring full ownership of PolyNovo. PolyNovo announces new *"NovoSorb"* feasibility study with major U.S. medical device company.
4-Mar-09	NovoSorb patent granted in Australia.
3-Mar-11	PolyNovo announces successful completion of the animal study comparing the NovoSkin Biodegradable Temporising Matrix (BTM) with current leading dermal replacement product. The study was carried out by NovoSkin, a joint venture between PolyNovo (80%) and Skin Pty Ltd (20%), an entity owned by Professor John Greenwood.
1-Feb-12	PolyNovo's feasibility study with U.S. device company ends.
6-Feb-12	PolyNovo commences first human trial for NovoSorb, sponsored by Professor John Greenwood.
3-Apr-12	PolyNovo commences second human trial to repair full thickness wounds (third-degree), designed more specifically for burns victims.
7-Aug-12	U.S. patent for PolyNovo Biomaterials entitled, *"Biodegradable Polyurethane/Urea Compositions"* is granted.
1-Jan-14	Start of NovoSorb BTM Clinical burns trial.
28-Feb-14	David Williams joins the board, appointed as Chairman March 2014.
6-Mar-14	PolyNovo granted 510(k) clearance from U.S. Food and Drug Administration (FDA) for its Topical Negative Pressure (TNP) foam dressing, NovoPore.
14-May-14	New board members, Max Johnston and Phillip Powell appointed.
12-Aug-14	Company seeks 510(k) registration of NovoSorb BTM with the U.S. FDA.
13-Nov-14	Appointment of Paul Brennan as CEO.
21-Nov-14	Calzada to divest interest in Metabolic Pharmaceuticals.
28-Nov-14	Shareholders approve name change to PolyNovo.
13-Feb-15	Ive Cheng appointed as Regulatory Affairs and Clinical Compliance Manager.
17-Feb-15	Guidance for loss of $1.5m for half year to December 2014.
8-May-15	Patient recruitment granted for Biodegradable Temporising Matrix (BTM) trial with CE Mark sought on successful completion.
2-Jul-15	Company sought delay to FDA 510(K) application, to allow for more data to be provided.
14-Aug-15	Full year loss of $1.5m expected, compared to 2014 year loss of $2.9m. Cash on hand $3.5m.
29-Sep-15	U.S. based Biomedical Advanced Research and Development Authority (BARDA), a division of U.S. Dept of Health and Human Services, agrees to fund company's BTM technology. Base contract of US$8.2m for 10 patient clinical trials. Additional US$18m funding for 150 patient trial. Successful completion of BARDA contract results in fully funded PMA pathway for FDA valued at US$26m.

20-Oct-15	Final patient recruited in clinical burns trial.
12-Nov-15	Associate Professor John Greenwood awarded South Australia's Australian of the Year for treatment of 450 acute burns patients.
25-Nov-15	Placement to raise $8.5m at 13.5 cents per share. With share purchase plans total raising of $12.9m.
25-Nov-15	Company acquires 20% minority interest in subsidiary companies, NovoSkin and NovoWound, from entities associated with Prof. John Greenwood and Julian Burton. Consideration 32m shares and $2.5m in cash.
29-Dec-15	FDA 510(K) approval received for BTM, for use in reconstructive and surgical wounds. U.S. market for these applications is valued at US$800m. FDA determined that PolyNovo BTM was substantially equivalent to Integra and Suprathel. Reimbursement of the dermal matrixes in hospitals is an established process, with prices determined by surface area.
2-May-16	Principal Investigators meeting in U.S., conducting burn feasibility study. Dr Marcus Wagstaff from Royal Adelaide Hospital contracted to act as PolyNovo's Principal Investigator and Medical Director overseeing the CE Mark Trial.
8-Aug-16	Full year revenue of $3.36m expected. Cash balance $10.7m.
3-Oct-16	Company decides to enter U.S. market with own distribution team. Company aims to emulate success of MiMedx, which entered the U.S. wound allografts market with a sales team of 5, growing into a US$300m revenue business. The decision to go direct was based on the BTM market being concentrated in 25 major city centres and high product margins. Will begin with 3 sales representatives, led by Jay Bodet based in Alabama having worked at Integra, ConvaTec and Smith & Nephew.
8-Dec-16	Company signs Surgical Innovations as its distributor for its BTM in South Africa.
17-Feb-17	First South African order received for BTM.
23-Feb-17	First U.S. patient treated with the company's BTM.
2-Jun-17	Professor John Greenwood's 2016 paper outlining evolution of burn care using BTM can be viewed at: https://doi.org/10.1308/rcsann.2017.0110
1-Sep-17	First sale to major U.S. hospital, deemed by Chairman David Williams as a *"Red letter day"* in the company's history.
25-Sep-17	Company undertakes institutional capital raising of $7m, priced at 27 cents per share. In combination with the share purchase plan the company raised a total of $23m of new capital.
4-Oct-17	Company appoints AMI Medical Technologies as distributor for company's BTM in Israel.
16-Oct-17	Company announces Memorandum of Understanding (MOU) with undisclosed global medical company, for development of a range of breast devices based on NovoSorb polymer technology. This is the first extension of the NovoSorb platform technology.
18-Jan-18	Company confirms signing heads of agreement with Establishment Labs, focused on breast aesthetics and reconstruction technologies.
23-Jan-18	Company appoints CFO Greg Lewis to expanded role of Chief Operating Officer and Company Secretary.
1-Feb-18	U.S. Surgeon's present at 40th Boswick Burn and Wound Symposium, citing experiences using BTM.
3-Apr-18	Company announces breast device development program with Establishment Labs.
22-May-18	First patient enrolled in NovoSorb BTM Full Thickness Burn CE Mark clinical trial. In total, 30 patients across five study sites have been enrolled. A follow up period of 12 months is required.
27-Jul-18	NovoSorb BTM approved for sale in Saudi Arabia.
2-Aug-18	Last patient enrolled in 10 patient trial for BARDA Feasibility Burn Trial being conducted in the U.S. A follow up period of 12 months is required, before the company can proceed for a Pre-Market Approval (PMA) with U.S. FDA. If approved it will be the only synthetic dermal scaffold on the market.
14-Aug-18	NovoSorb BTM achieves registration approval with Therapeutic Goods Administration (TGA) in Australia.
1-Nov-18	NovoSorb BTM approved for sale in India.

7-Nov-18	CFO Greg Lewis resigns.
28-Nov-18	Financial update indicates company would be operating on a breakeven basis once sales approach $1m per month.
10-Dec-18	Company appoints Jan-Marcel Gielen as Chief Financial Officer. Prior to PolyNovo, Gielen worked at CardioScan for six years.
7-Jan-19	First half sales of $3.75m expected.
18-Jan-19	NovoSorb BTM receives regulatory approval in Malaysia.
18-Jan-19	Company announces purchase of additional production facilities to meet expected increased U.S. sales and the anticipated introduction of Hernia product demand in 2020.
26-Apr-19	Appointment of Kevin Whiteley as Vice President of PolyNovo North America. This follows recent role as VP Marketing and Business Development with the Danaher Corporation and a career spanning 30 years in the medical industry.
29-Apr-19	PolyMedics Innovations (PMI) appointed as distributor for NovoSorb BTM in Austria, Germany, Luxemburg and Switzerland.
2-May-19	Company achieves revenues of more than $1m for the month of April, pointing to a critical milestone in achieving breakeven status.
6-May-19	Company announces appointment of Ashok Srinivasan to the position of Chief Operating Officer, with experience in manufacturing and industrial engineering spanning 25 years.
31-May-19	Company announces second consecutive month of greater than $1m in sales.
22-Aug-19	Full year results, confirming 435% increase in sales of NovoSorb BTM to $9.3m and on track for financial breakeven in 2020.
20-Sep-19	Selector visits U.S. Carlsbad operations of PolyNovo

Background

Most Australians would be familiar with the name CSIRO, yet the role it plays within our community is perhaps not so well understood. The Commonwealth Scientific and Industrial Research Organisation (CSIRO) is the name given to our independent Australian federal government agency responsible for scientific research.

The group was established in 1916 and is federally funded, with its headquarters in Canberra. Over the course of its 103-year history, the organisation has grown considerably and now operates in more than 59 sites across Australia and offshore, with an employee base of over 5,000.

Notable CSIRO achievements, which may surprise some, include the first commercially successful polymer banknote, the insect repellent Aerogard and the essential components of Wi-Fi technology.

As an aside, when pushed on the issue of patent ownership, the CSIRO has been prepared to take matters to the courts. The most high-profile case involved its Wi-Fi development. As the organisation notes, CSIRO didn't invent the wireless local area network that is now become commonplace in our lives, but it did invent the best way of delivering it at high speeds. This was an important breakthrough that others failed to address and led to the group patenting its discovery and its subsequent granting in the U.S. (patent number 5,487,069), in January 1996.

In 2005, with the CSIRO struggling to get the world's big technology companies to acknowledge the patent and enforce its ownership, it decided to seek redress through the U.S. courts. The trial began in 2009 and following just four days of testimony the parties settled.

In the end, the court and jury never decided on the matter and despite CSIRO never selling a Wi-Fi device, its patent was instrumental in the ultimate performance of the technology. For its persistence, the CSIRO reaped a total payment of $430m, while the patent covering the technology expired in 2013.

CSIRO purpose

The role of the CSIRO is not necessarily to produce things but to undertake scientific research that can ultimately be commercialised. To that end, CSIRO turns to partnerships and collaborations to on-sell its inventions and discoveries, so that it can deliver benefits to the community. To date, the organisation has been involved in more than 150 spin-off companies.

PolyNovo

Commercialising a technology can take years, sometimes even decades. It's not overly surprising then that the CSIRO would choose to partner, in the hope that a standalone, properly funded entity can ultimately deliver commercial success. The technology underpinning the company under discussion, PolyNovo, originated from the CSIRO.

Since joining in 1988, CSIRO's Chief Research Scientist Dr Thilak Gunatillake focused his research on the design and synthesis (mixing) of polymers for biomedical applications. In 2004, the agency chose to spinoff some of these workings into a new corporate entity, PolyNovo Biomaterials. Dr Gunatillake was appointed as its Chief Scientific Officer, a position he retained until returning to the CSIRO in 2009.

Originally joint ventured into the listed business Xceed, majority ownership moved to another entity, Metabolic Pharmaceuticals, a wholly owned subsidiary of Calzada, in 2008. A year later Calzada successfully offered to buy the balance of the 36% minority interest held by Xceed and CSIRO by way of scrip consideration.

Later that same year, the company's flagship product NovoSorb was granted patent protection in Australia.

The technology – NovoSorb Biodegradable Temporising Matrix (BTM)

The NovoSorb BTM is a wound dressing designed to aid human tissue regeneration where the dermal structure of the skin has been damaged.

The layer of the skin, otherwise known as the dermis, houses all the blood vessels, elastin and cellular structure. Whenever the underlying structure of this is lost, regeneration is made possible with the use of polymer technology.

The BTM technology is based on a proprietary polyurethane foam (PolyNovo) material that is fully biodegradable. As a result, the polymer is able to break down into natural and non-toxic by-products, which are cleared from the body by normal renal discharge.

Figure 28: Polymer solution

Source: https://csiropedia.csiro.au/novosorb-biodegradable-polymer/

Important to note, and unlike competitor products, the NovoSorb polymer is a purely synthetic compound and free of any animal by-products. This is a unique feature, since it eliminates the risk of rejection and is more cost efficient . Available in film sheets, typically 10cm by 20cm in size and 2mm thick, the NovoSorb is applied as a base layer directly to the wound without any need for preparation.

Figure 29: NovoSorb BTM film sheet

Source: PolyNovo Investor's Update – 2019

The result is minimal scarring, positive cosmetic outcomes and excellent functional movement. While it is currently approved for the treatment of chronic wounds, such as burns, as a platform technology its application extends far wider.

Professor John Greenwood – Royal Adelaide Hospital

The evolution of burn treatment and its ultimate use in patient care through the development of NovoSorb BTM was largely assisted by Professor John Greenwood.

Following the horrific injuries that followed the Bali bombings in 2002, Prof. Greenwood sought an alternative treatment option for burn victims, teaming up with the CSIRO and PolyNovo to develop the synthetic NovoSkin BTM.

In 2017, the Royal College of Surgeons published Prof. Greenwood's 2016 Hunterian Lecture. The paper provides a valuable reference point in the advancement of acute burn care. As the paper highlights, the first fresh skin graft took place in 1869, benefiting from the earlier wound healing works carried out by John Hunter.

The use of the graft remained relatively unchanged since this time, leaving many extensive burn injury patients with little option. While the skin graft was beneficial for wound repair, it did little for the *"big burn patient, who deserves an elastic, mobile and robust outcome"*, as stated by Prof. Greenwood. Further, *"Negating the need for a skin graft requires an autologous composite cultured skin (CCS) and a material capable of temporising the burn wound for four weeks until the composite is produced. A novel, biodegradable polyurethane chemistry has been used to create two such products…. Used serially, the products offer robust and elastic healing in deep burns of any size within 6 weeks of injury."*

As such, the onus of research shifted from mere survival to rapid wound closure and the replacement of the autograft. This can be depicted in Figure 29.

Figure 30: NovoSorb composition

Composition

The BTM Wound Dressing is composed of three layers

Foam

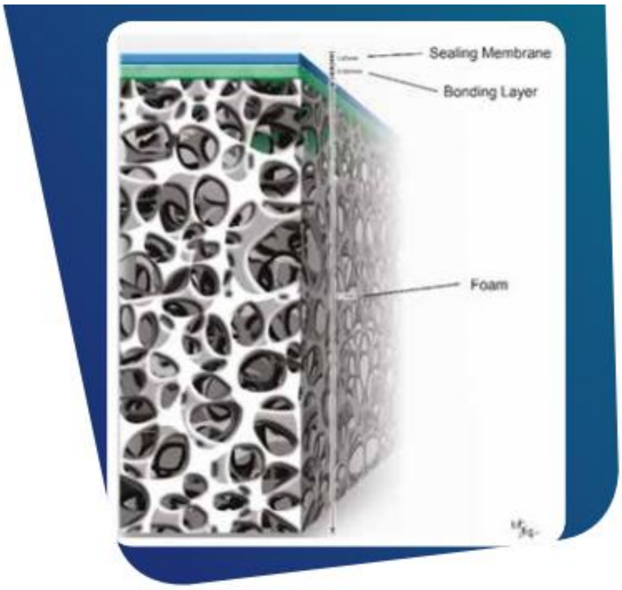
A wound-facing, 2mm thick, white, open cell foam with a high degree of porosity (>90%) designed to subsequently biodegrade. The foam is a biocompatible, biodegradable polyurethane material.

Bonding layer

A polyurethane adhesive layer which bonds the Foam and Sealing Membrane together.

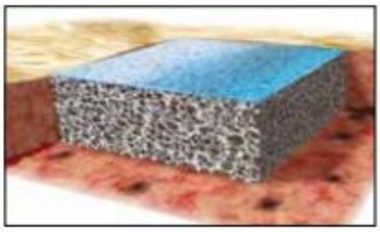
Sealing Membrane

A temporary, transparent polyurethane membrane designed to physiologically close the wound and limit evaporative water loss. The sealing membrane is designed to remain attached to the dermal foam, if required, for at least 30 days in vivo.



Source: PolyNovo NovoSorb BTM Product Brochure

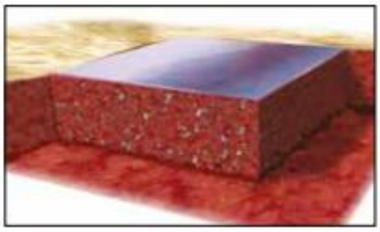
Figure 31: NovoSorb process



1

The BTM is designed to be surgically implanted into a fully debrided, clean, surgical wound. All necrotic and non-viable tissue must be removed before the BTM is implanted.

Ensure the edge of the BTM abuts the wound margin but does not overlap the surrounding skin. Staple or suture into place. The BTM should be tailored to fit the wound and body contours with a gentle tension to avoid pleats and wrinkles.



2

Full integration of the dermal layer into the BTM can be assessed by blanching the BTM area with your fingers. Once you have a rapid re-profusion of the area you have blanched the BTM can be delaminated.

3

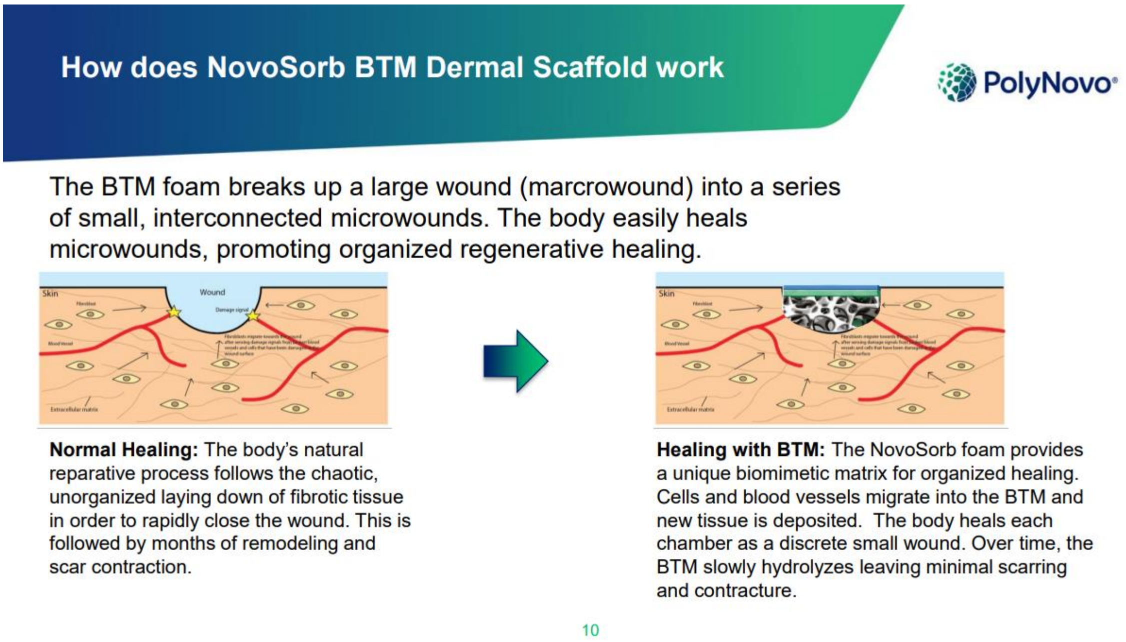
When ready to delaminate remove the sutures/staples and lift a corner of the seal using a forcep. Maintain a 30 degree angle to the dermal area and peel the film away in a smooth motion.

4

Small to medium Wounds: can be closed through secondary intention using moist wound healing products to cover and protect the new dermis. Large surgical wounds or Burns: may require closure with split skin graft (SSG).

Source: PolyNovo NovoSorb BTM Product Brochure

Figure 32: NovoSorb BTM healing process



Source: PolyNovo Investor's Update – 2019 Macquarie Emerging Leaders Forum
Operation: The BTM device comprises PolyNovo's biodegradable NovoSorb foam bonded to a non-biodegradable transparent sealing membrane: the laminated foam implant is placed in patients with deep surgical wounds, forming a temporary 'dermal scaffold', which fosters tissue regeneration and subsequent skin grafting.

In 2014 and 2015 a pilot human clinical burns trial was undertaken. Five adults were involved in the trial, with their injuries ranging between 21% and 46% of their total body surface area for full-thickness burns (third-degree). The use of NovoSorb BTM proved successful in all cases.

This reinforces Greenwood's conclusions highlighted in the paper, *"Using this two-stage strategy (immediate burn excision on arrival with BTM application and biopsy harvest for CCS (composite cultured skin) production, followed by BTM delamination and CCS application at 28 days) should allow burns of any size to be definitely closed by six weeks after injury."*

Prof. John Greenwood was named South Australia's 2016 Australian of the Year and is credited for helping over 450 acute burn patients each year.

The PolyNovo business

Our timeline of events depicted in Table 6 highlights the group's progression. Some worthy points to note include; the appointment of new chairman David Williams and CEO Paul Brennan in 2014, NovoSorb BTM achieving U.S. Food and Drug Administration (FDA) 510(k) regulatory approval in 2015 and the first U.S. patient treated with NovoSorb BTM in 2017.

The business began recording revenues exceeding $1m per month during the latter half of financial year 2019, levels which now has the business on track towards breakeven financial status. Along with a net cash position, the business is now positioned to expand more aggressively.

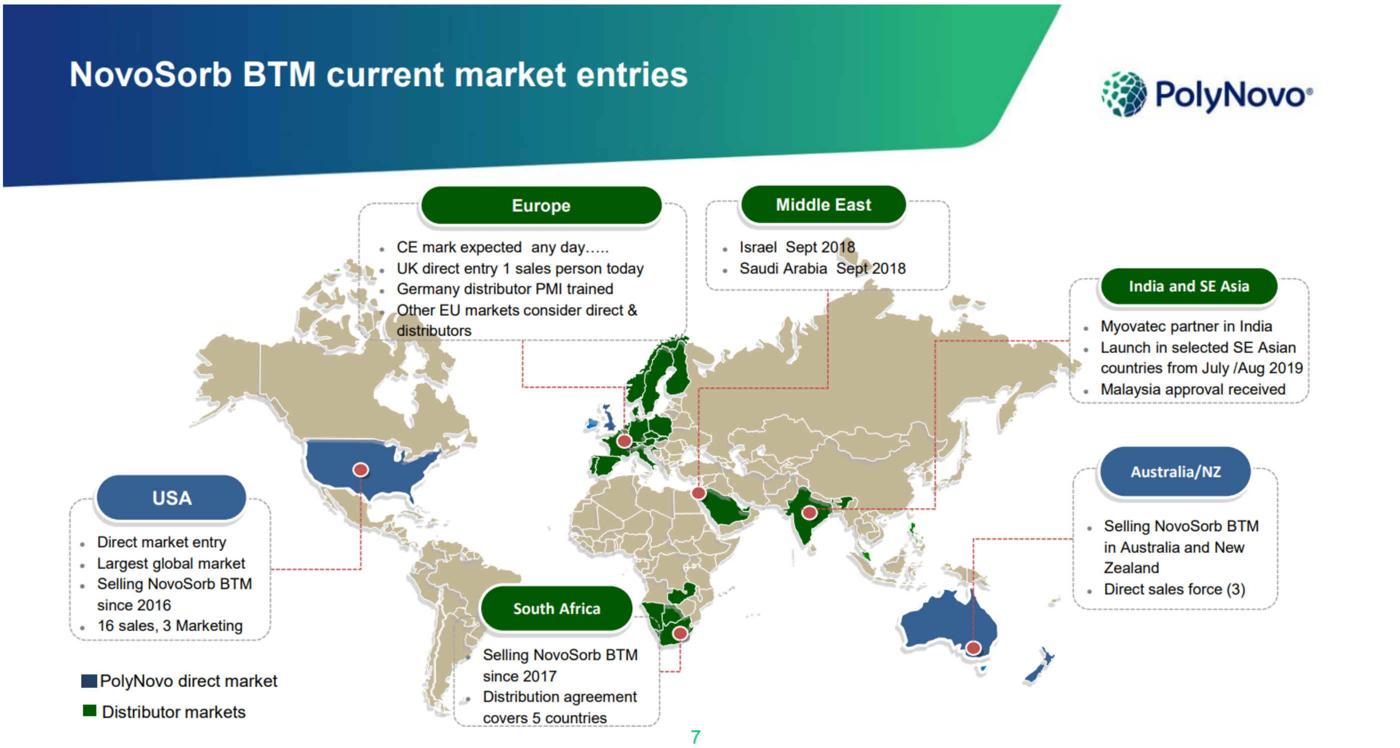
Global markets

NovoSorb BTM is currently approved in Australia under the Therapeutic Goods Administration (TGA), in the U.S. with the FDA and awaiting European CE Mark status. While these are considered the most lucrative markets, there remains significant scope in other global jurisdictions, including Russia, China and India.

To date, the focus remains on the U.S. market, where the company has chosen to build a direct marketing presence. The reasoning behind this is relatively straightforward and sensible; demand for the product is centred around 25 major U.S. regions and dependent on key opinion leaders within the surgeon community. Word of mouth is also incredibly important and effective, which the company aims to exploit by expanding its current sales team of eight to around 50.

Elsewhere, PolyNovo has chosen to go direct in Australia, the U.K. and Ireland, while appointing distributors for Germany, Austria, Switzerland, South Africa, Saudi Arabia and Israel.

Figure 33: PolyNovo global operations



Source: PolyNovo Investor's Update – 2019 Macquarie Emerging Leaders Forum

PolyNovo addressable market

The company's NovoSorb BTM platform technology provides the business with considerable scope to exploit multiple health markets. Attention is currently centred on the global wound care market, with an addressable opportunity valued at $1.2b. Of this, acute care is valued at $700m, which the company can exploit through its current regulatory status. The remaining $500m chronic wounds market is subject to the company undertaking clinical trials and achieving regulatory approval.

The group also has their eyes set on two additional markets in the near future, including hernia reconstruction, with a market value of $2b, and breast reconstruction valued at $3b. Subject to regulatory clearance, the company is guiding investors to expect product approval release for these two procedures in 2020 and 2023-2024 respectively.

U.S wound care market

Acute

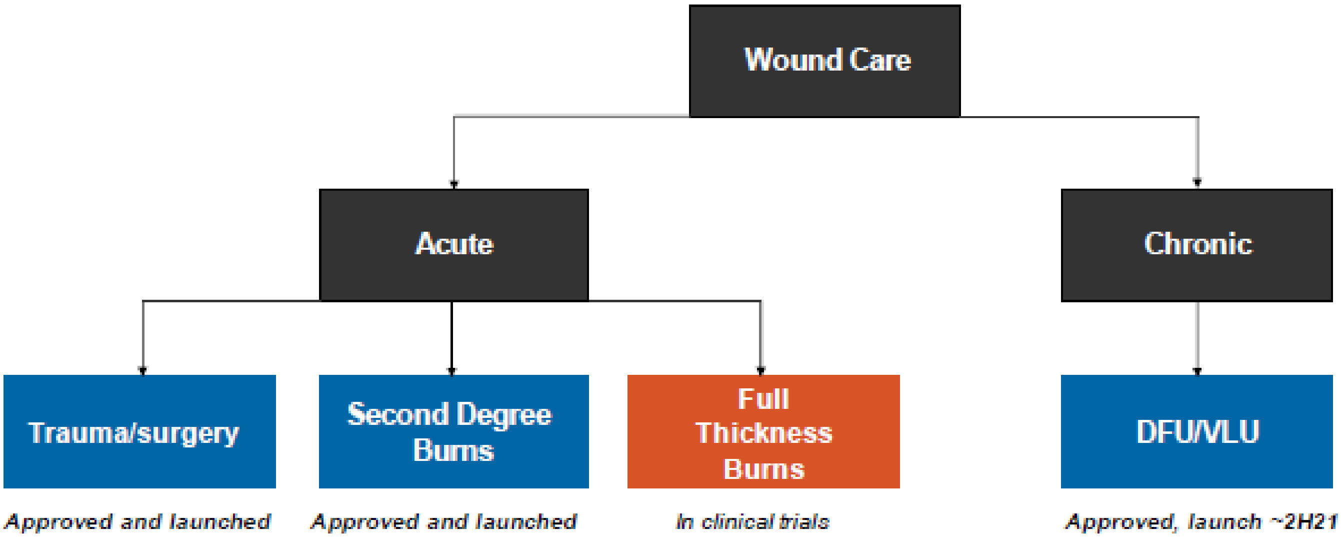
In December 2015, the company successfully achieved FDA approval for NovoSorb BTM and in October 2016, it was launched. Thereby opening up the acute wound care market, as previously discussed. Further, the U.S. Government's aim to deal with mass disaster events, has given rise to the Biomedical Advanced Research and Development Authority (BARDA), an organisation looking to seek out solutions to help protect against human disasters.

BARDA

PolyNovo has been endorsed by BARDA to carry out clinical trials justifying the use of NovoSorb in treating full thickness burns. BARDA's funding approval was received in 2015, with the company accepting US$8.2m to complete a 10-patient feasibility study into major burns.

The feasibility study is earmarked for completion in late 2019. Subject to attaining positive health endpoints, BARDA would provide additional funding of $18.2m to complete a larger 150 patient pivotal clinical trial. This would be required to meet U.S. regulatory clearance, with the company seeking Pre-Marketing Approval (PMA) and a forecast 2023 market launch, should the trials prove successful.

Figure 34: Wound care market



Source: Company data, Macquarie Research

Chronic

While the company is able to sell into the U.S. via its FDA approved status, this remains largely restricted to acute wounds, similar to second degree burns. In order for the product to be reimbursed in the chronic setting with illnesses that are often a symptom of an underlying disease, including foot and leg ulcers, PolyNovo is required to complete further clinical and health economics trials. As previously mentioned, the U.S. chronic wound opportunity is estimated to be valued at $500m and reimbursement is provided so long as comparable levels of efficacy can be demonstrated.

Competition

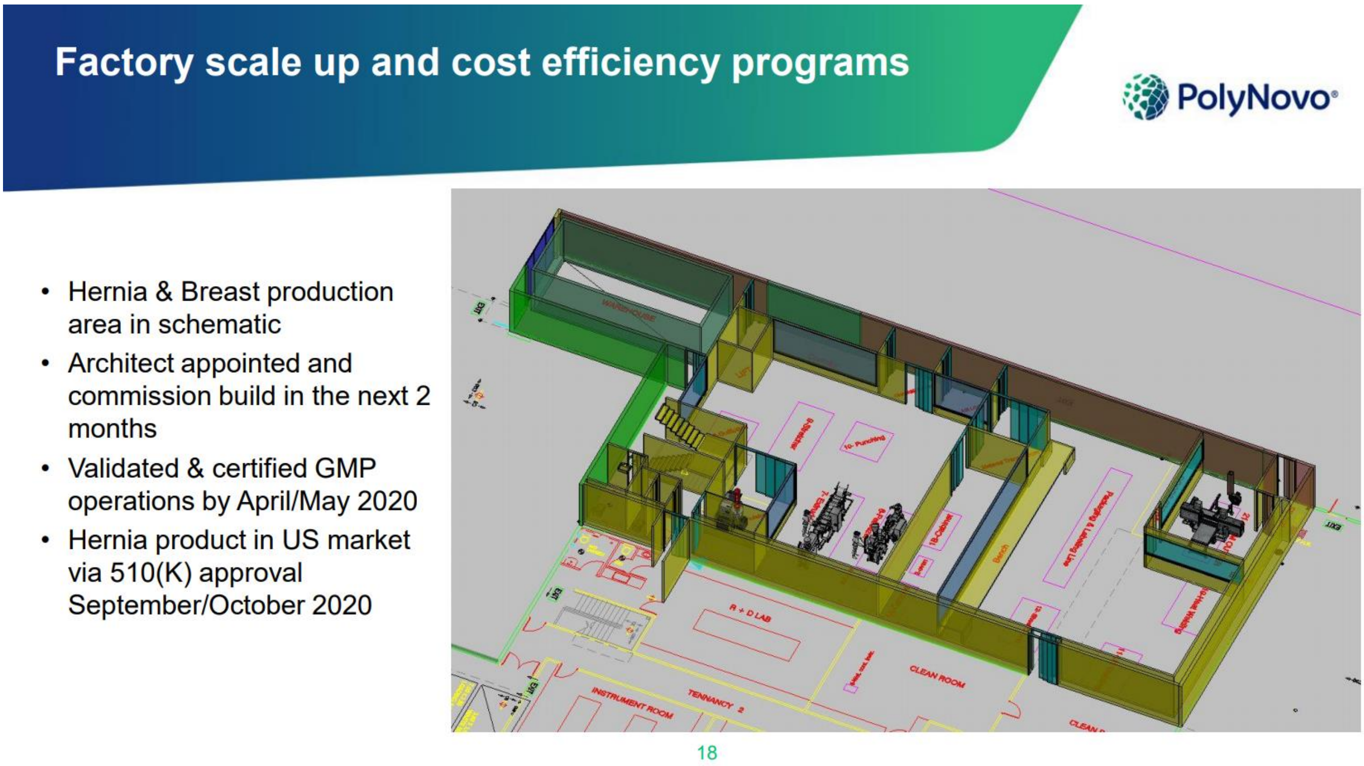
The key approved products in the acute wound market competing directly with PolyNovo, are supplied by the US$4.7b Nasdaq listed Integra Lifesciences Holdings group. With the wound care business just one part of Integra's operations, accessing information is limited. That said, there are a number of differentiating aspects between the two offerings.

The Integra product was first approved in 1996 and unlike PolyNovo's NovoSorb BTM, the dermal layer uses animal products, namely bovine tendon collagen and shark cartilage. This offers PolyNovo a distinct advantage over its longer established rival; being a synthetic product, it is free of potential infection and dermal inflammation.

Further, PolyNovo enjoys a manufacturing cost advantage. BTM's main raw material item, polyurethane, is readily available and inexpensive compared to Integra's higher cost and less accessible animal materials. PolyNovo quotes a sale price of circa US$8 per cm^2 (10cm x 20cm = US$1,600), while Integra's suggested price point sits at US$18 per cm^2 (10cm x 20cm = US$3,600). Offering what appears to be a superior product, at a greater than 50% discount to its nearest alternative, places PolyNovo in a strong position to build brand awareness and product uptake.

NovoSorb BTM requires no preparation before use and can be stored for three years at room temperature, in comparison to Integra's 20-minute saline rinsing process and two-year storage limitation. Although taking on an incumbent is not without risk, the flipside of an established market like the U.S. is that reimbursement is an established process. FDA approval means PolyNovo now has access to the largest reimbursed dermal matrix market in the world.

Figure 35: Proposed manufacturing expansion



Source: PolyNovo Investor's Update – 2019 Macquarie Emerging Leaders Forum

Manufacturing

From a manufacturing perspective, polymer production is relatively simple and scalable. That said, PolyNovo is yet to build sufficient capacity into its operation, with systems and processes requiring expansion to meet future demand. In February 2019, the Board acquired adjacent property to the group's existing operations in response to this challenge. Expansion of the new clean room production facility is expected to be completed by 2019 calendar year-end, while Good Manufacturing Practice (GMP) certification is earmarked for approval in May 2020.

Under the leadership of newly recruited Chief Operating Officer (COO) Ashok Srinivasan, this investment will provide two main benefits. Firstly, enabling PolyNovo to incorporate manufacturing capacity for future new product uses, including those targeting breast and hernia. Secondly, it will allow the business to drive greater efficiency benefits through higher volumes and the internal extrusion of NovoSorb film. Currently, the company maintains inventories three months ahead to meet future demand, while the production profile typically involves a five week end-to-end process. COO Srinivasan is working to reduce this timeline to three weeks, with obvious positive financial outcomes.

People

Since the appointment of Chairman David Williams and CEO Paul Brennan in 2014, the company's progress has been centred on building a commercial business structure, in order to take advantage of a superior wound healing product suite founded on world leading technology platform. While still in its infancy, PolyNovo has proven the case for adoption of NovoSorb BTM in the market.

The company now finds itself at an important juncture requiring a lift in professionalism across all aspects of the business; from manufacturing excellence, personnel experience and skills and its continued commitment to research and development.

This shift from investment to commercialisation is not without its challenges. The business is undergoing significant expansion, as witnessed with a workforce that is likely to double to 80 by 2020. This will see increases across the board, with a specific focus on sales particularly in the U.S., along with Australia and Europe, including the direct operations set for the U.K. and Ireland.

Figure 36: Key PolyNovo Executives

Mr Paul Brennan was appointed Chief Executive Officer (CEO) of PolyNovo Ltd on 13 February 2015. Mr Brennan has extensive knowledge, exposure and understanding of the health system through his clinical background and commercial exposure with various multinational companies. He has coordinated the marketing, global strategy development, new product development and regulatory processes for the Asia-Pacific region for industry-leading organisations in relation to medical products and devices. Mr Brennan has an intimate knowledge of the manufacturing and production processes. Previously he was Marketing Director Australia and New Zealand and Sales Director New Zealand for Smith & Nephew Healthcare from 2008 to his commencement with PolyNovo in February 2015. Mr Brennan holds a MBA from Swinburne University, a Bachelor of Science (Nursing) from the University of New England in NSW, Certificate in Midwifery Central Coast Area Health Service NSW, and General Nursing certificate from St Vincent's Hospital Darlinghurst NSW.

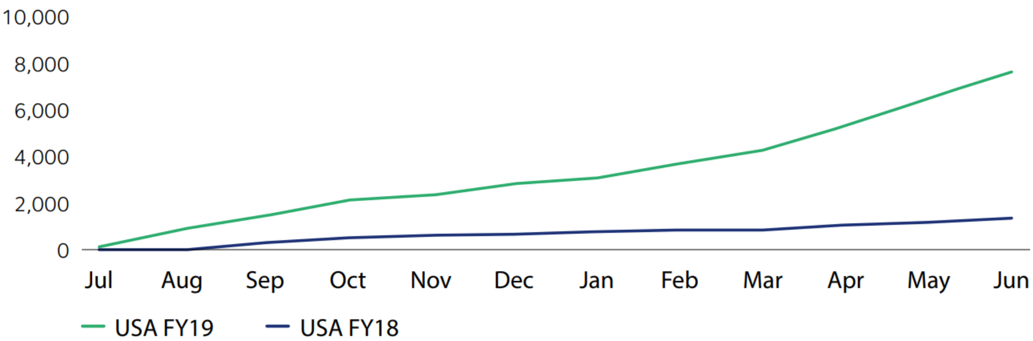
Mr Jan-Marcel Gielen was appointed CFO and Company Secretary of PolyNovo Ltd on the 12th December 2018. Jan holds a Bachelor of Business (Acc) degree from Monash University, is a member of the Institute of Chartered Accountants and commenced his career with Pitcher Partners. Since then Jan has held senior finance roles for various businesses across a range of industries such as retail, ICT, logistics (3PL) & medical, both locally & internationally. Jan has extensive experience in CFO and Finance Director roles for fast growing PE and VC backed businesses and played an important part in expanding these businesses globally, both from a financial and operational perspective. Jan's most recent role was CFO of CardioScan for 6 years, Australia's largest cardiac reporting provider, which during his tenure the business expanded to HK, Singapore & North America.

Dr. Tim Moore completed a Bachelor of Applied Science (Chemistry) degree at Swinburne University of Technology, followed by an honours degree and PhD degree. Dr. Moore's PhD dissertation was in the field of biodegradable polyurethanes; the title was 'Design and Synthesis of Biodegradable Thermoplastic Polyurethanes for Tissue Engineering'. Dr. Moore has been involved with PolyNovo since its inception and is a co-inventor of some of the variants of NovoSorb™. He has been working on the development of biodegradable polymers for medical devices for over ten years. His main area of expertise is in polyurethanes and the development of biomaterials for use in medical devices. He developed a novel range of biodegradable chain extenders which is included in several of PolyNovo's patent applications. Dr. Moore is involved in project management and product development in PolyNovo's leading applications. Dr. Moore is also responsible for the maintenance of PolyNovo's extensive Intellectual Property Portfolio. He is co-author on a number of peer-reviewed papers and patent applications. He was a co-recipient of the CSIRO Molecular Science Divisional Strategic Action Plan Award for Innovation (2004) and of the CSIRO medal in Research Achievement category (2005).

Mr Ashok Srinivasan was appointed COO of PolyNovo Ltd on the 6th of May 2019. Ashok holds a Master's degree in Engineering from Tennessee Technological University, USA. He has extensive background in Operations, Manufacturing and supply chain in the medical device field having worked with Biomet (now Zimmer Biomet) as their Vice President of Operations for over 14 years. During his tenure, Ashok spent multiple years as the head of their Asian operations based out Shanghai and then their European operations based out of the Netherlands. He was one of the key leaders responsible for the integration of Biomet and Zimmer in Europe. Since his time with Biomet, Ashok served as a consultant for Linden Capital partners out of USA and held a role as COO of Merical one of their portfolio companies involved in nutritional and OTC pharma industry.

Source: PolyNovo Investor's Update – 2019 Macquarie Emerging Leaders Forum

Figure 37: NovoSorb BTM USA Sales



Source: PolyNovo 2019 Annual Report

Current financial status

The company is only now beginning to benefit from the ramp up in sales activities across its U.S. and Australian operations. Having achieved first product sales in October 2016 and August 2018 respectively, business infrastructure and manufacturing capability has been added in a stepped process.

For the 2019 financial year the company recorded total revenues of $13.3m, of which NovoSorb contributed $9.3m, up from $1.7m in 2018. The business recorded a loss of $3.2m and finished the year with $13.9m in the bank, which compares to the $23.6m starting point.

The difference points to the $3.3m cash flow operating loss as well as the company's ongoing investment in property expansion and research and development, totalling $6.5m and $3.3m respectively.

Importantly, despite significant ongoing investment, PolyNovo is now expected to breakeven during 2020. The company points to strong traction in the key market of the U.S. as depicted in Figure 37**.** From a standing start, the NovoSorb BTM is becoming the standard dermal scaffold of choice in some hospitals.

The group's direct to market expansion has stepped up considerably, with total employee headcount moving from 36 to 47 during the year, and in August stands at 60. This is mostly reflected in the U.S., where the sales team has increased from 5 to 12, with overall employee numbers totalling 21.

In Australia, the sales team has tripled to three while importantly in the U.K., the company is poised to significantly expand operations in anticipation of European CE Mark regulatory approval.

Shareholders

Management and founders of the business remain substantial shareholders, as listed here in no particular order: Chairman David Williams retains 16.6m shares (2.5%), CEO Paul Brennan holds 12m shares (1.8%), Prof. John Greenwood has 13.4m shares (2.04%) and the CSIRO maintains a current holding of 4.1m shares (0.6%).

Summary

PolyNovo has taken significant steps over the past five years. With its unique patented polymer technology and a growing regulatory healthcare approval rating in multiple jurisdictions, the company's lead product, NovoSorb BTM, is enjoying increasing adoption among surgeons operating in the wound care market.

With very few alternative offerings, the business is well placed to offer a compelling, cost effective solution to a global market audience. The executive skill set within the company is growing, as is the manufacturing capability. Our site visit and subsequent meetings with both the board and management team, not only highlighted the opportunity available in the acute wound care market but the longer-term indications for the use of BTM. ***SFM***

Figure 38: PolyNovo Carlsbad Office

Source: SFML U.S. trip

OCTOPART – BUSINESS WITHIN A BUSINESS

The Altium story is a collection of individuals, businesses and the pursuit of aligned endeavours. Chief Operating Officer (COO) Ted Pawela joined the company in 2016, having previously worked at technology software companies, including BIOVIA (subsidiary company of Dassault Systemes) and ANSYS. His membership in the leadership team reflects the shared pursuit and execution of the company's corporate product strategy.

In a recent podcast interview COO Pawela was asked about Altium's mission to transform the electronics design industry.

Q. "From your perspective, what is it that Altium stands for?"

A. *"We've refined this thinking in the way that we articulate it internally, but if you were to look at the things that we present externally, like when we do go to shareholder meetings, and in particular, we do a technology day to our Investor Community and we've done it the last several years in Australia. And you can see the presentations on the web and so forth, but that's a real clue for anybody who really wants to know where Altium is going.*

If you'd look at those things directionally that gives you a lot of guidance and the thing that we say over and over and over again is that it's our mission to transform the electronics industry.

And specifically, what I mean by that, is that creating electronics is more than just about the design process and the design tools and so there's what I would – kind of call it a value chain – that's involved right, you have people who think about the product and what's the intent of the product and that kind of breaks down into requirements for mechanical systems, for electronic systems, and all of that.

But even then, the job's not over, because there have to be components that are supplied to that or that are selected from that and then found and acquired. There has to be a board that gets manufactured; the bare board. There has to be the assembly and fabrication of the full, system level board and everything and sometimes it's multiple boards, and then it's all got to be put together and so the job's not really done until everybody does that and the thing that is sort of striking about the electronics industry, is that it's a really discontinuous process, we kind of like, all think within our sort of domains with our blinders on and we believe that it's our...it's going to sound a little silly – but it's our self-directed destiny to kind of change that.

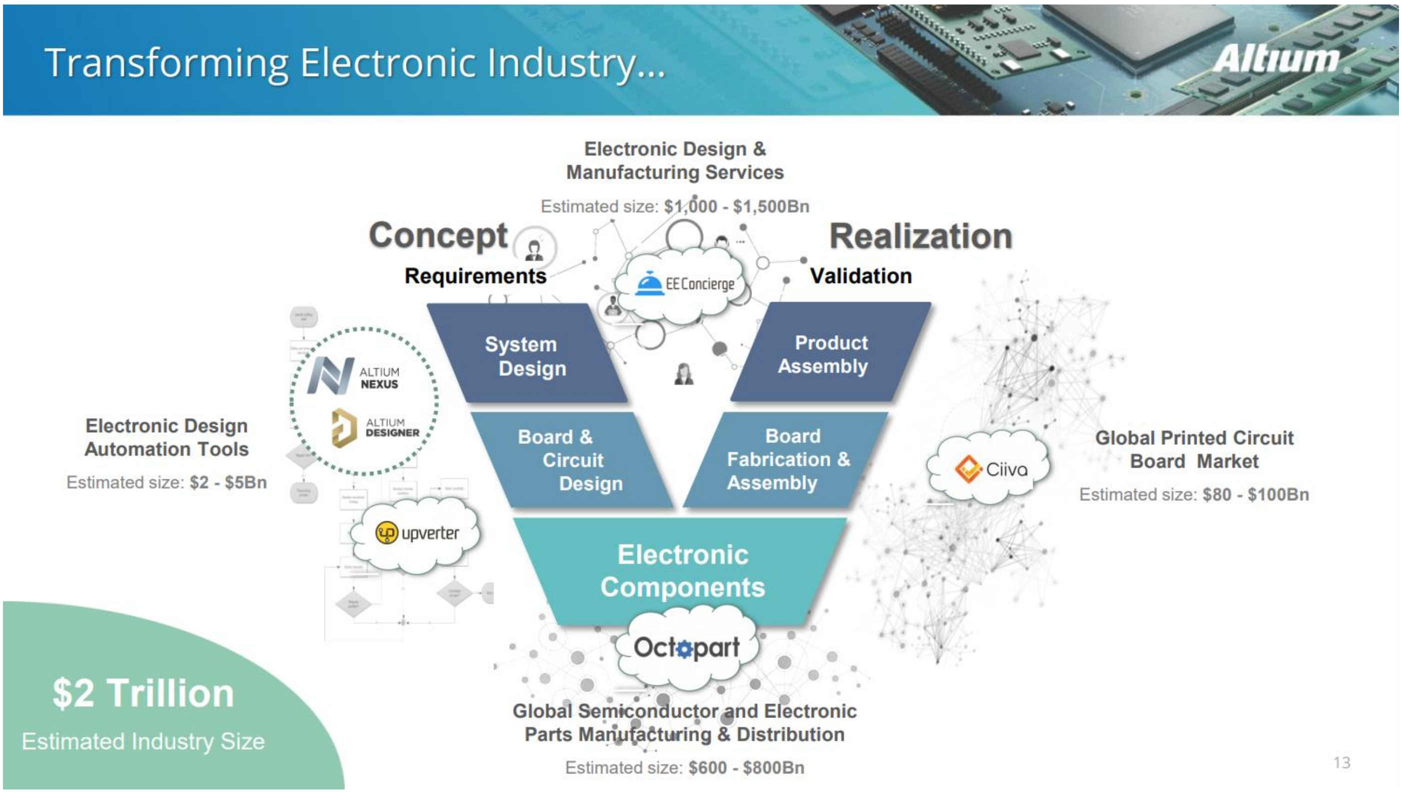
That's what we want to do, so the mission of the company is to really change, to transform the way that electronics are conceived, designed, manufactured and delivered to the world, and we think there's lots of opportunities to do that a lot better."

In keeping with COO Pawela's description of the industry as a *"value chain"*, Altium has been filling in the operational gaps. In doing so, it has sought to integrate as well as broaden the engineering ecosystem to allow engagement between all parties, notably electrical design and mechanical design. As Pawela highlights, while the electronics industry has been known for its *"discontinuous process"*, the vision to offer a more seamless collaboration amongst all engineers and their requirements still remains.

To that end, Altium has assembled a series of businesses, undertaken strategically important acquisitions and inputted a technological knowhow, all with the vision of delivering an end-to-end solution for the electronics industry. From system concept, to board and circuit design, to sourcing of electronic components, to board and fabrication assembly, and ultimately product assembly. Collectively, this is a US$2t industry opportunity.

The story of Octopart forms just one piece of the Altium *"value chain"*. Octopart is in fact a business operating within a business and as a result is not well understood or appreciated by investors. The following aims to shed some light on what we would consider a significant opportunity residing with the Altium corporate entity.

Figure 39: Electronics industry *"value chain"*



Source: Altium Tech Day Presentation FY18

Table 7: Octopart – Business timeline

Date	Milestone
2005	Sam Wurzel reads Paul Graham's essay *"How to start a Startup"*, influencing his views to start a technology company.
2006	Sam Wurzel and Harish Agarwal, two college physics students, begin writing code and learning about web technologies.
2006	The pair team up with Y Combinator (named after a mathematical function) founders Paul Graham and Jessica Livingston for seed funding.
2006	Octopart, incorporated later that same year.
2007	Octopart site launched in March. Named Octopart to reflect an octopus reaching out with its tentacles to grab different things.
2007	Andres Morey, the third physics partner, joins Octopart.
2008	Additional funds of circa US$300,000 provided by external investors. Personnel numbers kept at three.
2008	New line of US$800,000 funding from venture capitalist falls over during global financial crisis. Salaries cut to zero, monthly expenses maintained at US$700.
2008	Octopart data incorporated into Google search results.
Jan-2011	Parts industry heavyweight Digi-Key reached agreement to display their parts on Octopart.
Sep-2011	Texas Instruments joins the Verified Manufacturer Program providing Octopart with a complete data feed.
Oct-2011	Site receives over 500,000 unique visitors every month and represents over 50 distributors.
Nov-2011	Octopart iPhone app available.

Dec-2011	John Vernaleo (Data Analytics) and Chris Calvi (Business Development) join the team as first and second new employees since launch date.
2012	New international distributors added to site including Canada, U.K., Germany, China, Japan, Hong Kong, Malaysia and Israel.
Jan-2013	Octopart iPad application released.
Apr-2013	Octopart App for Autodesk PLM 360 integrated and launched.
Aug-2013	Rutronik, the third largest distributor in Europe joins Octopart site.
Mar-2014	Octopart announces partnership with Altium.
Aug-2015	Octopart becomes wholly owned subsidiary of Altium, remains independently run and based in New York City.
Sep-2015	Altium's Circuit Maker printed circuit board (PCB) design tool incorporates Octopart's database.
2016	Key statistics on Octopart database – 650,000 visitors per month, 247 distributors, 8,143 manufacturers.
2016	Octopart's two founders Sam Wurzel and Andres Morey join with parent company Altium.
2016	Octopart delivers revenues of US$4.5m, operating profits of US$1.6m.
Dec-2016	Altium Designer 17 released incorporating Octopart database search function.
Mar-2017	Octopart celebrates 10 year anniversary.
Jun-2017	Electronics industry veteran Dan Schoenfelder joins Octopart as VP Business Development.
2017	Octopart delivers revenues of US$7.7m. Operating profits of US$4.4m.
Sep-2017	Upverter, one of the world's first cloud-based collaborative electronic design systems is acquired by Altium, allowing for real time collaboration.
Feb-2018	Computer Aided Designs (CAD) models, including Altium Designer, EAGLE, Upverter, Cadence OrCad available on Octopart.
Aug-2018	Appoints Rebecca Lovering as Data Analyst, specifically focused on informing product direction and business priorities.
2018	Octopart delivers revenues of US$12m, operating profits of US$8.1m.
Jan-2019	Melissa Witt joins Octopart as Senior Product Designer.
Mar-2019	Geof Lipman joins as Director of Operations for Part Data, focused on organising, consolidating and expanding electronic part data initiatives.
Apr-2019	Release of most requested features, up to the minute pricing and availability from select distributors, now live.
2019	Site receives in excess of 900,000 unique visitors per month, providing a catalogue of parts from over 200 distributors.

Background

Frustrated by the process of locating electronic parts to complete physics experiments, in 2006 two grad school dropouts, Sam Wurzel and Harish Agarwal, set out to find a new solution. A year later, a third physics colleague Andres Morley joined their team. At the time Andres Morley blogged, *"We are a couple of nobody's trying to build something from nothing and the odds are we will fail. However, in order to even have a chance at succeeding, we need to have everything staked on this. I gave up a PhD. in physics today and I did it because I had to."*

Put simply, their motivation was to solve the problem of electronic parts search on the web. With seed funding in place, the three founders were on their way. They built the business from the ground up, making slow but incremental improvements to their online market directory. Following the 2008 move into the Google search results page, its appeal grew and by 2011 industry parts heavyweight Digi-Key agreed to display their parts catalogue on Octopart. It took the business four years before hiring its first employee, which says a great deal of the founders' persistence.

Having partnered with Altium in 2014, an offer to acquire Octopart was made in 2015, comprising cash of US$12m, with additional performance based earn-out payments extending over the next three financial years.

Headquartered in New York City, Octopart is an online search engine for electronic parts, which aggregates components from distributors and manufacturers to streamline the process of finding and purchasing parts. Before Octopart, users would have to search through phonebook-size catalogues and fill out purchase orders to get parts. Fast forward to today and the story is very different. Now it's a simpler task of searching the inventories of electronics parts sellers to find the best deal, before ordering them online.

Importantly, while the business is now housed within Altium, it has maintained its operational independence. We first met with the Octopart team in 2015 when we travelled to the U.S. and caught up with co-founder Sam Wurzel. Even at that early stage, CEO Aram Mirkazemi's vision for the group, as outlined earlier by COO Pawela, was taking shape.

Perhaps the Octopart acquisition was always meant to be. In 2014, one year before joining Altium, Wurzel updated users on its company progress through a blog post, *"If we had a penny for how many Octopart users we've talked to who use Altium, we'd have a lot of pennies. Many thanks to a handful of very patient beta testers from our community – we couldn't have done it without you! We love working with the excellent Altium team and are excited to get started working on the next thing (this is just the beginning!)."*

At the time of acquisition, Wurzel outlined the reasoning for joining Altium, *"We're joining forces with Altium because we think we can innovate and grow Octopart more quickly together than apart. We live in a time when electrical engineers, makers, and hackers have high expectations for their design tools and for component search. Octopart users expect rich content like CAD models and reference designs at their fingertips when doing component selection. Users of PCB design software expect supply chain intelligence at hand when they are designing new products.*

Bringing Octopart together with Altium will make this possible, and more. We envision a future where going from prototyping to production is a seamless experience and we're going to work together to make that vision a reality."

Octopart – Revenue model

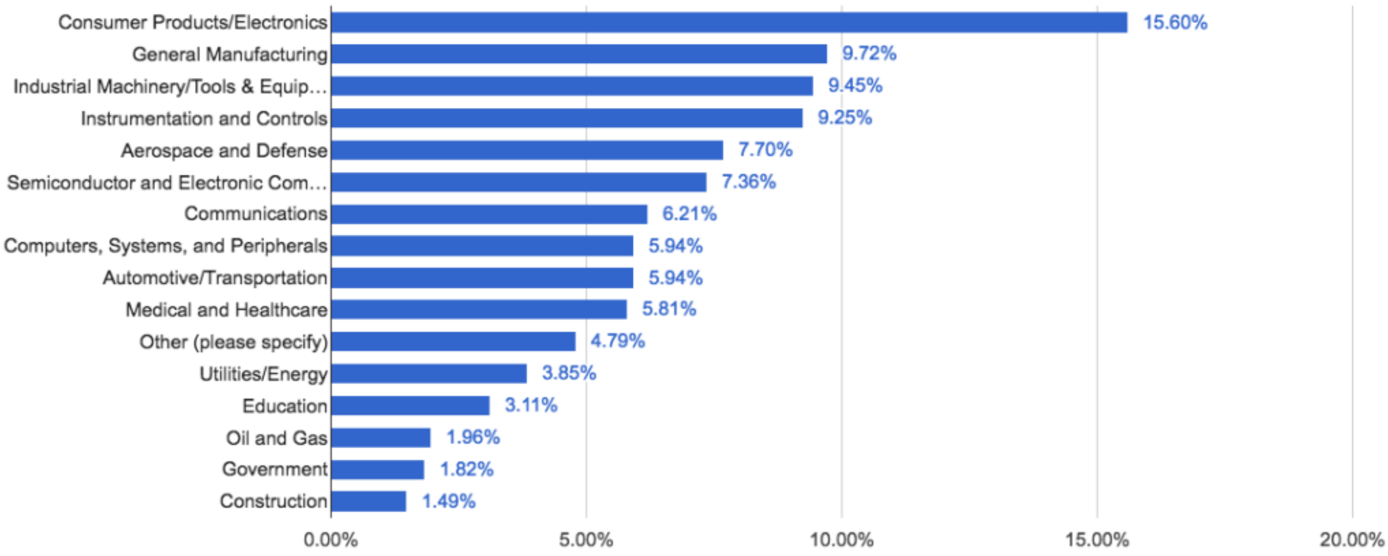
As mentioned earlier, the Octopart site aggregates content from a number of distributor sites into a single coherent view. All the electronic distributors send data directly to Octopart, which is then incorporated into the company's database for easy access.

When a person searching for parts information chooses to click from Octopart's search engine to a distributor's website, the company earns a small fee from that distributor for sending them traffic, with all orders processed online. The bulk of revenues generated by the company are earned from distributor referrals, with a small component flowing from banner advertising on the site. No fee is charged to the end user, typically the engineer.

Head of Octopart, Chris Calvi describes the group's vision as being a mix of both the Google and Wikipedia of the parts industry. Firstly, it is aiming to be the primary source of search for parts. Secondly, in the spirit of Wikipedia, it aims to be the independent source of truth, confirming and verifying part search, offered free.

The site is currently receiving over 900,000 unique visitors per month, with a searchable catalogue of over 30m electronic components. Octopart is seen as the industry's most powerful search engine and spans a diverse group of people, across a variety of industries and job functions. In 2017, the company surveyed users to indicate their profession. The responses, displayed in Figure 40, illustrate the depth and diversity of those that use Octopart.

Figure 40: Octopart survey of users best describing industry



Source: Octopart website; https://octopart.com/blog/archives/2017/05/who-uses-octopart

Financials

While it is still early days, the Octopart financials are reflecting the significant business progress and visitor growth experienced over the past decade. Reported revenues have risen from US$5.1m in the full year 2016 to US$17.9m in 2019, a lift of 49% over the past year alone. Operating profits have accelerated, lifting from US$1.6m to US$10.8m, with margins improving from 35% to 60%.

With 22 dedicated staff, the business is now enjoying the benefits of scale, reflected in the group's expanding operating margins. Importantly, the trajectory of visitors using the site, up from 650,000 to over 900,000 per month since 2016, adds weight to Calvi's vision of creating a one stop shop for the sourcing of electronic and industrial parts.

In September, we met with Calvi and some of the Octopart team members in the group's New York head office.

U.S. Octopart site visit

This was an enjoyable visit, allowing us to meet some of the key Octopart team in their home environment. As we have highlighted, the business has been on a steep financial trajectory, delivering strong revenue and profit growth. This has been made possible because of what Octopart has chosen to do, which is to provide an online platform for the search of electronic parts, for a market desperately in need of such a service.

This is no easy feat, considering the magnitude of parts available, numbering over 750,000 units and the more than 200 individual distributors in the industry. Octopart aims to remain neutral in providing this service, despite being owned by Altium, an established industry leader in the electronic printed circuit board software design market.

The company does not charge the end user in conducting a search for the parts, rather the distributor ends up paying Octopart a click fee, each time a user registers an interest in a part. The model is not dissimilar to the Google ranking search engine and its importance and relevance can be considered alongside the fact that over 900,000 active monthly users conduct a parts search.

Culturally, the business appears to be in good hands. Altium, provides a guiding hand and while its engagement is growing, the day to day running of operations is left to the Octopart team. Here, our assessment is equally positive. Those we met were engaged, bright and aligned. The team is expanding, and further skills are necessary. A new office move is on the cards providing further positive motivation for the team and a business gaining momentum.

Alongside new product and service developments, management are investing to establish the Octopart brand as the search engine of choice for all electronic parts inquiries. The outlook is positive and there is more to do but the Octopart team, ably supported by Altium, are up for the challenge.

Figure 41: Octopart's Chris Calvi with Corey Vincent

Source: SFML U.S. trip

Summary - Altium

The Octopart acquisition has been a strategically important step for Altium, forming a key component of CEO Mikazemi's end-to-end *"value chain"* offering. For the 2019 financial year, Altium posted a strong result, lifting revenues by 23% to US$172m and net profits up 41% to US$53m. The performance across all key metrics including, subscriber numbers, cash flow and operating margins were impressive and in keeping with management's pursuit of driving towards market leadership.

When measured against financial targets set some years ago the company is closing in on its 2020 target of 50,000 subscribers and revenues exceeding US$200m. Beyond the near term, the bolder vision of 100,000 subscribers and revenues of $500m are now in sight.

Within this figure, electronic parts and supply chain revenues, derived from Octopart are expected to contribute upwards of 20%, or US$100m. CFO Joe Bedewi noted in the results update that, *"Octopart is moving towards dominance in electronic parts search.."*.

The fact that Octopart is housed within the larger Altium business shouldn't diminish or hide its importance. Our U.S. visit provided confidence that the strategy and those shaping the organisation are aligned to the end goal. ***SFM***

ON THE ROAD

This September, our travels took us north to the U.K. and Ireland, across to Germany and over to the U.S. Some of our meetings were planned and formed part of company investor tours, others were one-on-one meetings with businesses of interest held in the portfolio. Starting off in the U.K., we visited the London operations of OFX Group, IRESS, John Guest (which forms part of Reliance Worldwide) and Flight Centre Travel Group. In Ireland, we caught up with recently listed business Fineos and then headed to Düsseldorf, Germany, where we visited the manufacturing operations of James Hardie's recently acquired fibre gypsum business, Fermacell.

We started our U.S. leg of the trip in New York City, where we continued our James Hardie investor tour, with company management providing a full review of business operations. We followed up with a one-on-one meeting with the team at Octopart, now within Altium. Before leaving New York, we visited Dean Smith, President of Flight Centre Travel Group's U.S. operations at the company's New Jersey offices.

We then headed to Birmingham, Alabama for our next investor tour. Here we caught up with the Reliance Worldwide management team. A visit to the group's Cullman manufacturing operations was accompanied by a management presentation overview. Next, we went west to San Diego and met with the Altium management team. We took a short detour before our final meetings, visiting one of the Todd, Pipe and Supply plumbing stores that Reece acquired during September. Lastly, we met up with one of our newest investments, PolyNovo and Ed Graubart who heads sales and marketing in the U.S. and the Impedimed team based in Carlsbad, San Diego.

Below we provide a few observations from our visits.

OFX Group

The money services bureau's U.K. business is led by Sarah Webb, an executive who has more than 20 years of global payments industry experience with the likes of Barclays and American Express. OFX has been operating in the U.K. since 2005 and while the business has established a solid position, it has yet to experience the level of growth that it is capable of delivering. By way of example, the Australian operations recorded net income and segment operating profits of $64m and $21m respectively during 2019. In comparison, the U.K. operations delivered net income and segment operating profits of $23m and $6.4m.

Our meeting with executives Sarah Webb and Rael Novos (Head of Commercial Finance) provided us with a greater understanding of the potential that now exists in building out the U.K. and European opportunity. While price is often touted as the reason why customers choose one provider over another, what is not as well appreciated is the importance service plays in the decision making process. Here, OFX is making a strong statement that price and human touch are a winning combination. CEO Skander Malcolm noted the U.K. operations have *"cracked the code"* in hiring the right staff, successfully onboarding new clients and generating an adequate return. The business has a strong, culturally aligned executive team, matched by an engaged workforce.

In particular, the company appears well positioned to exploit the opportunities across the burgeoning corporate segment. All indications now point to a period of sustained growth, complementing the group's other global operations.

IRESS

Financial services provider IRESS has scaled the U.K. business following the $360m purchase of leading wealth provider, Avelo, in 2013. Over the past six years, management have successfully executed across a number of business verticals, covering wealth management, capital market trading platforms and mortgages. Our meeting with the executive team in the U.K. included CEO Andrew Walsh and CFO John Harris, allowing us to hear directly about the numerous opportunities that continue to open up across all business lines.

While regulatory changes continue to be a powerful and ongoing driver of demand in the wealth management arena, IRESS is also benefiting from competitive disruptions in the trading platform segment of the market. By way of example, the purchase of leading trading platform operator Fidessa by private equity has not been well received, opening up the opportunity for rival providers including IRESS. This is a market opportunity valued in the tens of millions of pounds with IRESS now working to provide the necessary full-service requirements in order to dislodge Fidessa.

The IRESS business has been built steadily over time, with revenues highly recurring in nature. The U.K. opportunity continues to grow, and CEO Walsh and the executive team continue to add the necessary building blocks to assist the group in maintaining a sustainable level of solid and profitable growth.

Flight Centre Travel Group

Our U.K. discussions with Managing Director for the region, Chris Galanty were kept relatively short due to his travel commitments. Nevertheless, the message was one of confidence, with indications that the group was very well positioned to sustain its pace of growth. Even more prevalent was the significant investment the company was making in digital technology. This is an area of discussion we also raised with the group's President of U.S. operations, Dean Smith in our meeting later in the week. However, suffice to say the Flight Centre group has undertaken extensive due diligence in this field and backed it up with serious investment in both personnel, resources and capital commitment.

Galanty has been with the group since 1997 and has steered the U.K. region, as well as growing the European and South African markets into strong contributors. For 2019, the Europe, Middle East and Africa (EMEA) region posted 10% growth in travel ticket sales to $3.4b, representing 14% of overall group sales, while operating profits rose 9% to $87m. This was achieved despite the impost of Brexit and just as importantly, profit before tax margins rose to 3.15%, sitting well ahead of the group's overall internal target of 2%.

Despite these numbers, the U.K. operations still hold a relatively small 5% market share, a level that Galanty aims to grow significantly. Instrumental to the strategy is the rollout of disruptive digital technology solutions, with a particular emphasis on the lucrative corporate market that currently represents 43% of regional sales. During 2019, the retention rate in this market segment stood at 96%, illustrating the company's solid relationship with customers. Entering into 2020, a number of important regional acquisitions coupled with solid organic growth, has the business well placed to maintain its upward earnings trajectory.

In the U.S., our meeting with Dean Smith at the company's Montvale New Jersey headquarters reaffirmed earlier comments on the company's digital progress. Housing over 300 staff, the offices are impressive and display the company's evolution, including its entry into the U.S. market in 2007. Our focus of discussion centred on the recently acquired 25% interest in technology disruptor Upside Travel.

Upside Travel was launched in 2017 by Jay Walker, previous founder of Priceline.com travel business, with the aim to reinvent how business clients would book their trips. Through a one-stop shop housed online, those engaging in business travel can create individual packages, with the added bonus of earning loyalty recognition.

At a cost of $56m, the purchase values the business at over $200m, leading us to explore further the rationale behind the move. It is clear the airline travel industry, like all industries, continues to experience significant disruption.

From Flight Centre's perspective, this investment allows the group to further expand its corporate travel offering and cover off on both customer spectrums. Servicing those corporate customers that still require personal service, while allowing others to take personal control of their travels, with a leading edge online offering that allows for straight through processing.

Upside Travel remains on track to launch its online app in early 2020, providing Flight Centre's Corporate Travel brand exclusivity to service a U.S. market segment valued in excess of $350b. This compares to the group's current Corporate Travel business run rate of $1b. Flight Centre's strong balance sheet and management's forward thinking is allowing the company to make some considered bets in an evolving travel landscape. Success cannot be guaranteed but we applaud management's preparedness to partner with proven talent in positioning for change.

Fineos

Fortune sometimes favours the brave. In this case our side trip to Fineos' headquarters in Dublin, Ireland was not part of our original travel plan. Under the leadership of founder and company CEO Michael Kelly, the business selected the Australian Stock Exchange for its listing location. We followed its progress and participated in the offering, confident that the key metrics around people and business were in place. Next, we sought the opportunity to visit the operations and engage with staff on their home turf, at the start of their listed journey or chapter one as we like to call it.

As things would have it, the company were accommodating and off we went, in pursuit of a new corporate journey. In Fineos we believe CEO Kelly has built a long duration business, which is at an important business inflection point. Our time with key executives on the company's campus, housing 360 of the group's total workforce of 700, went a long way to confirm that the business momentum is strong and that the engaged staff are ready for the challenge of a listed entity. Below, we provide a brief overview of the business.

Life, Accident and Health (LA&H) insurance software vendor Fineos listed on the ASX during August, with a market capitalisation of $660m. The Irish based company has a free float of approximately 31%, with the funds raised totalling $211m. This is spread between a vendor selldown comprising $111m, loan repayment of $26m, offer costs of $17M and the $57m balance held within the company for working capital purposes.

CEO Michael Kelly, who founded the business in 1993, controls around 64% of the issued capital. The shift from in-house developed systems to outsourced, contemporary, cloud-based modules is undergoing rapid change to meet the growing regulatory needs of the LA&H industry. Fineos estimates the total annual spend on external core systems software by LA&H insurers applicable is circa US$10b.

In 2003, Fineos identified the need to redesign the core system software that LA&H clients were reliant upon. This led to the development of the group's flagship Claims module, which manages insurance claims from intake to closure, offering an end-to-end software solution. Since 2013 the company has invested heavily, to the tune of $150m, in developing the software modules used within the LA&H industry.

Fineos Claims is now used by 20% of the insurance players globally. This is equivalent to 48 LA&H clients in eight countries, including the six largest insurance players in both the U.S. and Australia, providing the group with market leadership.

The company's service platform is offered over the cloud, with the company transitioning clients from the legacy on-premise solution to the more contemporary Software-as-a-Solution (SaaS) offering. Claims is also just one of six modules in the group's broader Fineos AdminSuite, and sits alongside newer additional service modules, Fineos Engage and Fineos Insight. Headquartered in Dublin, Ireland, the company employs 700 staff and invests extensively in research and development, totalling 36% of group revenues.

Importantly, while the business is currently loss making at the net profit line to the tune of $3m, it is growing operating profits as client's transition onto the cloud. The company is debt free and is focused solely on organic growth within the LA&H industry, offering an all-encompassing global technology platform solution.

Our interaction with the CEO and management team thus far, provides us with confidence that the company is very well placed to grow cloud revenues over the foreseeable future. The business metrics are healthy and improving, with management forecasting revenues of circa $120m and operating profits of $14m during 2020. To date, the subscription style recurring nature of the SaaS offering has the business well on track to hitting this target, with 89% of forecast revenues already committed.

Reliance Worldwide Corporation

The benefit of visiting operations on the ground, is gauging first-hand the corporate pulse of a business. Twelve months ago, we visited the John Guest manufacturing operations based in West Drayton, London. It was our first visit following Reliance Worldwide's decision to outlay $1.2b to acquire this 57-year-old private U.K. business. While long on history, under the ownership of the Reliance team led by CEO Heath Sharp, a merging of the two cultures was required. This is always a delicate process, particularly if the business is private and set in its ways.

One year on and our second visit to the site showed significant progress. While little has changed with respects to the physical aspects of the business, operationally the business has moved to a much better place. Our guide Tony Adams, Operations Manager for the John Guest operations, was illustrative of the progress underway. The introduction of lean manufacturing principles and the measurement of health and safety among workers has culminated in open dialogue with staff progress as displayed on the continuous improvement board. These changes may appear subtle but employees like Adams have fully embraced the shift in ownership and demonstrated a desire to take charge and be accountable.

The John Guest business has retained its leadership in product quality and market leadership, but what it has gained from Reliance's input is a management team committed to driving efficiency and doing things better. This includes lifting production consistency and manufacturing utilisation, so that customer fill rates, which sat at circa 75% prior to the ownership change, can continue to improve from current levels of 90%.

Reliance Worldwide has begun the process of enabling positive change, a point not lost on us during our visit.

The second leg of our tour took us to Reliance's U.S. manufacturing hub in Cullman, Alabama. With the U.S. management team present, CEO Sharp is rightly proud of an exceptionally strong executive team that has three clear priorities:

1. Accelerate the core business
2. Expand into product adjacencies
3. Access entry into selected European, Asian and South American markets.

Underpinning these priorities are the group's core values:

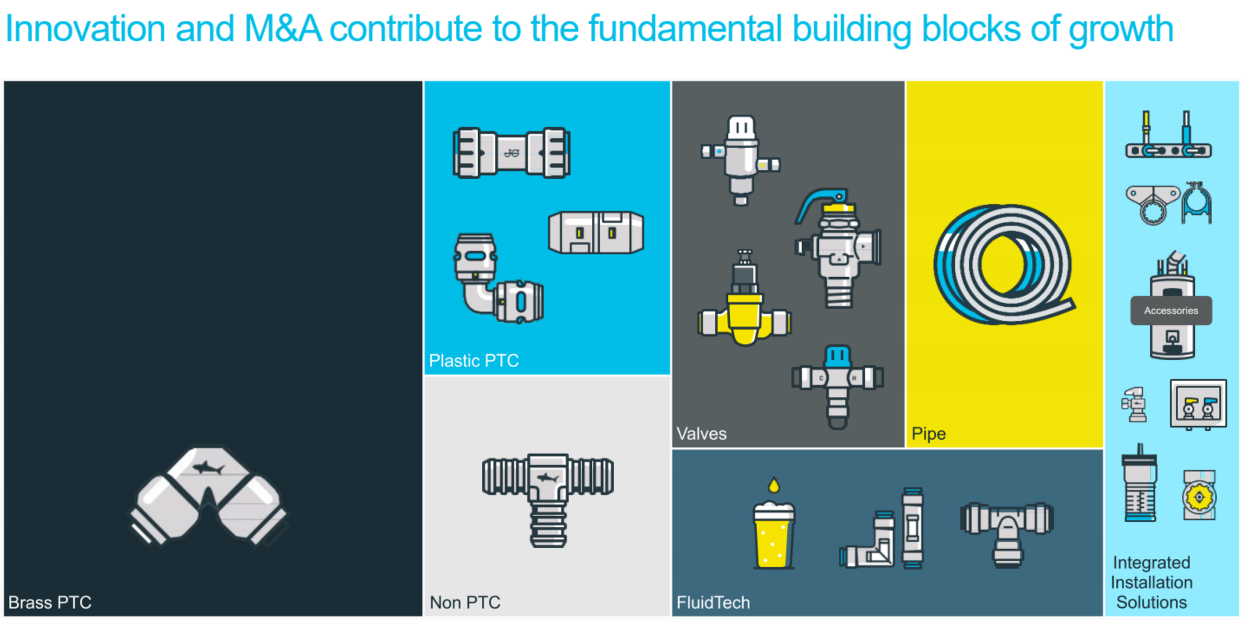
1. **Innovation** – to disrupt and do things better than others
2. **Passion** – genuine care about those around us
3. **Reliability** – engineer lasting quality in every product undertaken
4. **Integrity** – do what's right, accountable and responsible
5. **Simplicity** – creating time-saving solutions, by removing product complexity

The company's focus on creating a portfolio of leading products for the plumbing sector is underway. The core brand, SharkBite, is now joined by equally strong and emerging plumbing product brands including, John Guest's Speedfit and HoldRite. During 2019, the company embarked on a significant rebranding campaign across the group's entire product and service offering. Most evident has been the cultural integration that has followed as a result.

When asked to call out the achievements he is most proud of, CEO Sharp highlighted the substantial progress the team has made to engage, be accountable and execute on the business plan.

Our discussions with executives throughout the two day investor tour certainly confirmed a team that has clearly aligned priorities and enormous respect for its CEO.

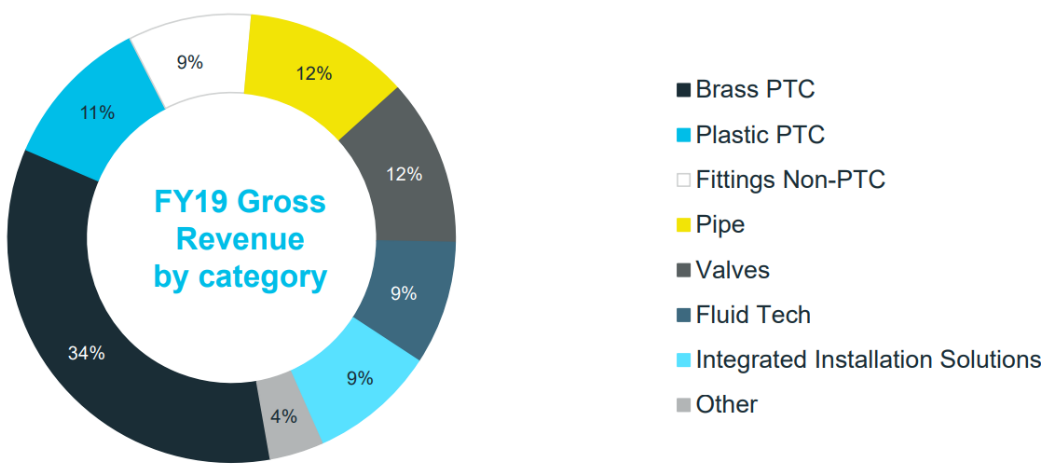
Figure 42: Product, the building blocks



Source: Reliance Worldwide Corporation FY19 Investor Day Presentation

Figure 43: Revenue by category

While PTC fittings are a large part of our business, we have a growing, diverse range of related solutions transforming productivity and efficiency for our end users



Source: Reliance Worldwide Corporation FY19 Investor Day Presentation

James Hardie Industries

Dusseldorf is headquarters for James Hardie's European operations, encompassing Fermacell. Our two-part investor tour included meeting with management at the group's German head office and a site visit to the Wijchen plant located in the Netherlands. The second leg of the tour was in the U.S., to attend management's investor presentation review of the American region.

These events not only provide great insight into the people and culture, but also offer on the ground market perspectives. This represented the group's first European investor tour, one that was well attended by external investors and the group's board. More importantly, the local team comprising the Fermacell executive team, presented on the business status quo. Under the leadership of group CEO Jack Truong, the European strategy is a long duration opportunity. Currently dominated by the Fibre Gypsum interior product offering, the aim of management is to complement this with the group's global winning Fibre Cement products.

The company has set financial targets to 2029, aiming to lift revenues from the current €320m to €1.0b, while improving operating margins from 11% to at least 20%, a rate more familiar with the company's other operations. These targets appear ambitious, but management have undertaken significant due diligence on the market opportunity and the company's combined product and service offerings.

Not wanting to oversimplify the task at hand, the strategy consists of growing the core Fermacell fibre gypsum at historical rates, targeting €500m in sales. The balance of €500m is forecast to flow from existing fibre cement products within the existing James Hardie range and the balance from new fibre cement product offerings specifically tailored for the European market.

What makes compelling logic is the company's ability to deliver an all encompassing interior and exterior product offering, to customers seeking a complete building solution. As the leading fibre gypsum player in all key European markets, the group's significant 300 strong sales team is well placed to expand fibre cement's current market, valued at €700m, of which James Hardie's share is just 5%.

Lean manufacturing techniques are also poised for rollout in the six manufacturing plants, enabling better utilisation outcomes and lower operating costs. This focus is consistent with what is currently underway in other plants in the U.S. and Asia Pacific, and underpins CEO Truong's intention to build a world class manufacturing business. Based on what was on show, the company is well on its way in building a significantly larger business over the coming decade.

Our second leg took us to New York City with representations from senior management, accompanied by board members. Since taking on the role some eight months earlier, CEO Truong's message has remained consistent; James Hardie is open for business, with a specific focus on engaging all market participants. A push-pull strategy best illustrates this, whereby the company not only works with the end builders to promote demand for the product (pull), but also closely aligns with the suppliers of Hardie products to the market, being the channel partners or dealers (push). As such, the company aims to cover both ends rather than its historical approach that solely relied on the pull strategy.

Complementing the go-to-market approach, is the ongoing rollout of best manufacturing practices throughout the group's 10 U.S. manufacturing plants. Whilst very early days in the LEAN implementation program, the signs are already positive. Better standardisation across the plants is giving rise to better yield output, greater manufacturing utilisation and its eventual delivery of lower costs.

The takeaway from our investor tour is one of an aligned management team, focused and energised on building out the capabilities of becoming a best in class manufacturing organisation. The end goals have been established, providing shareholders with a clear financial pathway to measure the firm's ongoing progress.

Reece

In September, Australia's leading plumbing group Reece announced the acquisition of Todd Pipe & Supply, a Southern Californian plumbing supply wholesaler. Following on from the strategically significant MORSCO acquisition last year, the purchase of Todd Pipe further progresses the company's long-term strategic intent in the fragmented U.S. market.

With operations since the 1960's and a focus on strong relationships, Todd Pipe brings with it a loyal customer base and a team of experienced leaders.

Todd Pipe's management team will join MORSCO to help direct and shape growth across Southern California. The acquisition complements MORSCO's existing presence, with six branches across Southern California, increasing the total number of locations in the region to 23.

Todd Pipe delivered an adjusted EBITDA of US$16.4m for the last twelve months to March 2019. The acquisition consists of upfront consideration of US$122m with an earnout of US$38m, which will be deferred until 31 December 2021 and subject to achieving specific milestones. The acquisition is expected to be funded from existing cash reserves and debt.

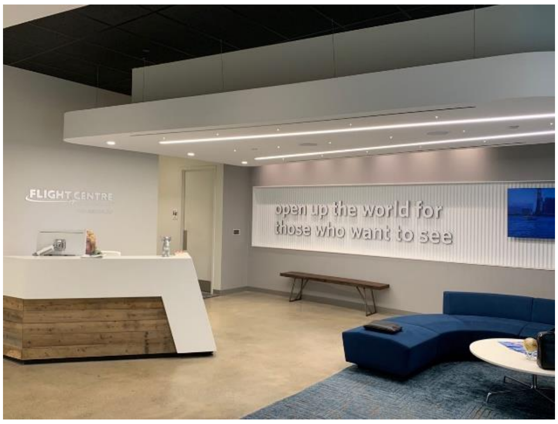
In late September we visited the operations of Todd Pipe and Supply in San Diego. Customer service remains a high priority and this was most evident on our visit. While it is early days, Reece and the Todd management team appear well aligned to work on furthering the opportunities for organic expansion.

Summary

As much as we try to convey our visits in words, what is harder to communicate are the intangibles. We attend these site visits to learn about the people behind each business, and to build a mud map of where our individual investments are in their respective life cycles and where they may be heading to. This is important because when we invest, we do so with a long-term time frame in mind. We are not easily put off by short-term business factors.

Getting to know a business and its people is the glue. We work very hard to understand why we hold what we do, so that when circumstances change, as they often do in business, we can execute with confidence. ***SFM***

Various photos from the trip



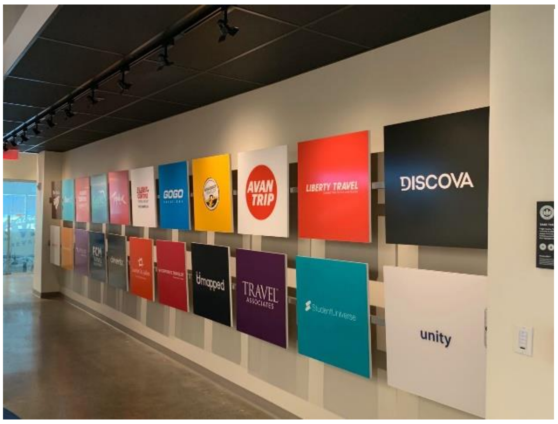


Photo 1: Flight Centre U.S. Head office, Montvale New Jersey

Photo 2: Flight Centre brands

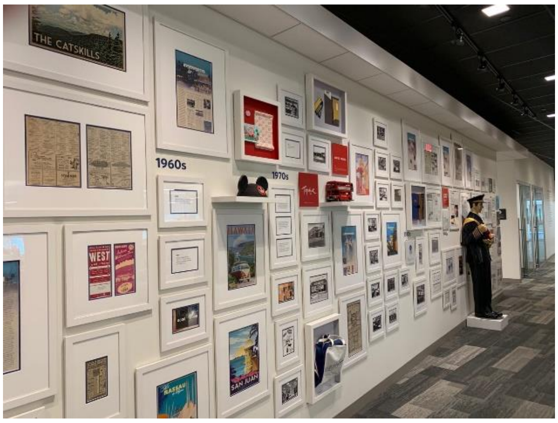


Photo 3: Flight Centre history wall

Photo 4: James Hardie truck, Fermacell plant Wijchen Netherlands

Photo 5: James Hardie Executive Team & CEO Düsseldorf headquarters

Photo 6: Fineos' Dublin, Ireland headquarters

Photo 7: Todd Pipe & Supply Branch San Diego

Photo 8: Todd Pipe & Supply San Diego plumbing store

Photo 9: Delivery bay for Todd Pipe & Supply

THE NPS CULTURE

We recently attended a talk presented by co-founder of Netflix, Mitch Lowe. His two key takeaways were:

1. Companies need to use Net Promoter Scores (NPS), properly.
2. Companies (executives) should always listen to the youngest guys (or girls) in the room.

In his first takeaway, Lowe was referring to the methodology employed by Andy Taylor of Enterprise Rent-A-Car.

"The CEOs in the room knew all about the power of loyalty. They had already transformed their companies into industry leaders, largely by building intensely loyal relationships with customers and employees. Now the chief executives—from Vanguard, State Farm, Chick-fil-A, and a half-dozen other leading companies—had gathered at a daylong forum to swap insights that would help them further enhance their loyalty efforts. And what they were hearing from Andy Taylor, the CEO of Enterprise Rent-A-Car, was riveting.

Taylor and his senior team had figured out a way to measure and manage customer loyalty without the complexity of traditional customer surveys. Every month, Enterprise polled its customers using just two simple questions, one about the quality of their rental experience and the other about the likelihood that they would rent from the company again. Because the process was so simple, it was fast. That allowed the company to publish ranked results for its 5,000 U.S. branches within days, giving the offices real-time feedback on how they were doing and the opportunity to learn from successful peers.

The survey was different in another important way. In ranking the branches, the company counted only the customers who gave the experience the highest possible rating. That narrow focus on enthusiastic customers surprised the CEOs in the room. Hands shot up. What about the rest of Enterprise's customers, the marginally satisfied who continued to rent from Enterprise and were necessary to its business? Wouldn't it be better to track, in a more sophisticated way, mean or median statistics? No, Taylor said. By concentrating solely on those most enthusiastic about their rental experience, the company could focus on a key driver of profitable growth: customers who not only return to rent again but also recommend Enterprise to their friends.

Enterprise's approach surprised me, too. Most customer satisfaction surveys aren't very useful. They tend to be long and complicated, yielding low response rates and ambiguous implications that are difficult for operating managers to act on. Furthermore, they are rarely challenged or audited because most senior executives, board members, and investors don't take them very seriously. That's because their results don't correlate tightly with profits or growth.

But Enterprise's method—and its ability to generate profitable growth through what appeared to be quite a simple tool—got me thinking that the company might be on to something. Could you get similar results in other industries—including those seemingly more complex than car rentals—by focusing only on customers who provided the most enthusiastic responses to a short list of questions designed to assess their loyalty to a company? Could the list be reduced to a single question? If so, what would that question be?

It took me two years of research to figure that out, research that linked survey responses with actual customer behaviour—purchasing patterns and referrals—and ultimately with company growth. The results were clear yet counterintuitive. It turned out that a single survey question can, in fact, serve as a useful predictor of growth. But that question isn't about customer satisfaction or even loyalty—at least in so many words. Rather, it's about customers' willingness to recommend a product or service to someone else. In fact, in most of the industries that I studied, the percentage of customers who were enthusiastic enough to refer a friend or colleague—perhaps the strongest sign of customer loyalty—correlated directly with differences in growth rates among competitors."

The above extract is from a piece written by Frederick F. Reichheld in December 2003 for *Harvard Business Review* titled, *"NPS, The One Number You Need to Grow"*.

Reichheld's research into this area is accredited with the development of Net Promoter Scoring.

Mitch Lowe's second point, while not the focus of this article, provides some interesting food for thought also. It is a *"play on words"*, that references the documentary film based on the 2003 best-selling book, *Enron: the smartest guys in the room*.

While experience is coveted in business, it can also be baggage. At its worst, experience or entrenched thinking drives biases. While there is no simple solution to bias, engaging with youth can offer some balance.

Company reporting season is important. It only occurs twice a year and at these two distinct points you get the truth from management.

In between reporting season some material developments occur per individual business, but by and large the macro takes over. This *"intra reporting season"* period is dominated by headlines and tweets, which are short-term in nature and generally don't add much value to long-term investors.

In the August 2019 reporting season, we held one-on-one meetings with each company in the portfolio that posted audited accounts during the period. In the short window we have with management, we seek to understand broad issues relating to the people, the business, the balance sheet, capital management and then we try to gain new insights into the big picture opportunities and threats.

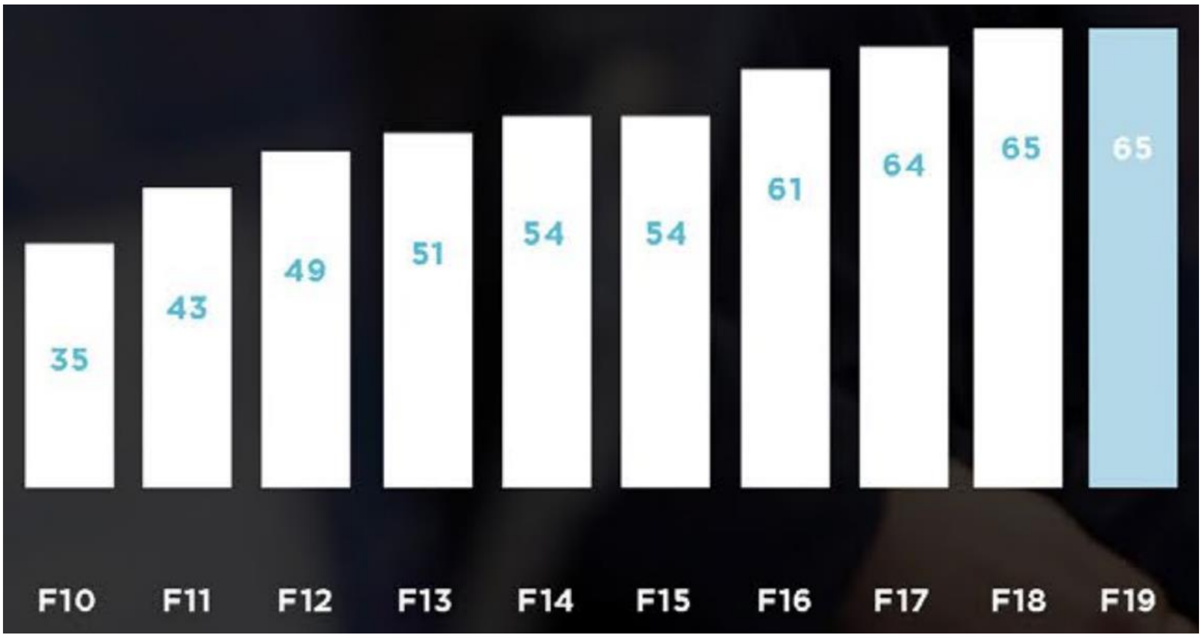
Regular readers of our newsletter will recognise that the structure of these meetings reflect the four pillars of our investment process. This consistent approach is designed to provide insights that add to our knowledge.

Our focus on people is a cultural dive into the lifeblood of the business. In our experience, outside structural change, cultural issues are the biggest drivers of lost years in a business. Failed execution eventually sees existing management transitioned out and new leadership sought, which can often be a multi-year process as a business seeks to reset. This was the case at Infomedia three years ago and is the case at Blackmores today.

On the other hand, a healthy culture is a business enabler. Execution succeeds when teams work together to solve issues and ensure milestones are met or exceeded. In this environment a business thrives. Under these conditions the outcomes that can be generated over the long run surprise all stakeholders, even the insiders. For us, these types of businesses represent the opportunity to harness the power of compound growth over the long-term.

Measuring culture can take many forms. The Net Promoter Score (NPS) can be viewed as a direct and indirect proxy for culture. Reece, for example, have a history of using NPS and were the only company during reporting season to publish a 5-year history. They also report an employee net promoter score.

Figure 44: Reece's NPS History



Source: Reece FY19 Investor Presentation

What is the Net Promoter Score?

The Net Promoter Score is a customer loyalty metric, developed in 2003 by management consultant Fred Reichheld of Bain & Company, in collaboration with the company Satmetrix.

The objective was to determine a clear and easily interpretable customer satisfaction score, which can be compared over time or between different industries.

It took Reichheld and his team two years of research to figure out the one question that linked survey responses with actual customer behaviour—purchasing patterns and referrals—and ultimately with company growth. The results were clear yet counterintuitive. It turned out that a single survey question can, in fact, serve as a useful predictor of growth.

The NPS assesses to what extent a respondent would recommend a certain company, product or service to his friends, relatives or colleagues. The idea behind it is simple; if you like using a certain product or doing business with a company, you like to share this experience with others. Specifically, the respondent is asked the following *"ultimate"* question:

"How likely are you to recommend company or brand or product X to a friend or colleague or relative?"

This can be answered on an 11-point rating scale, ranging from 0 (not at all likely) to 10 (extremely likely).

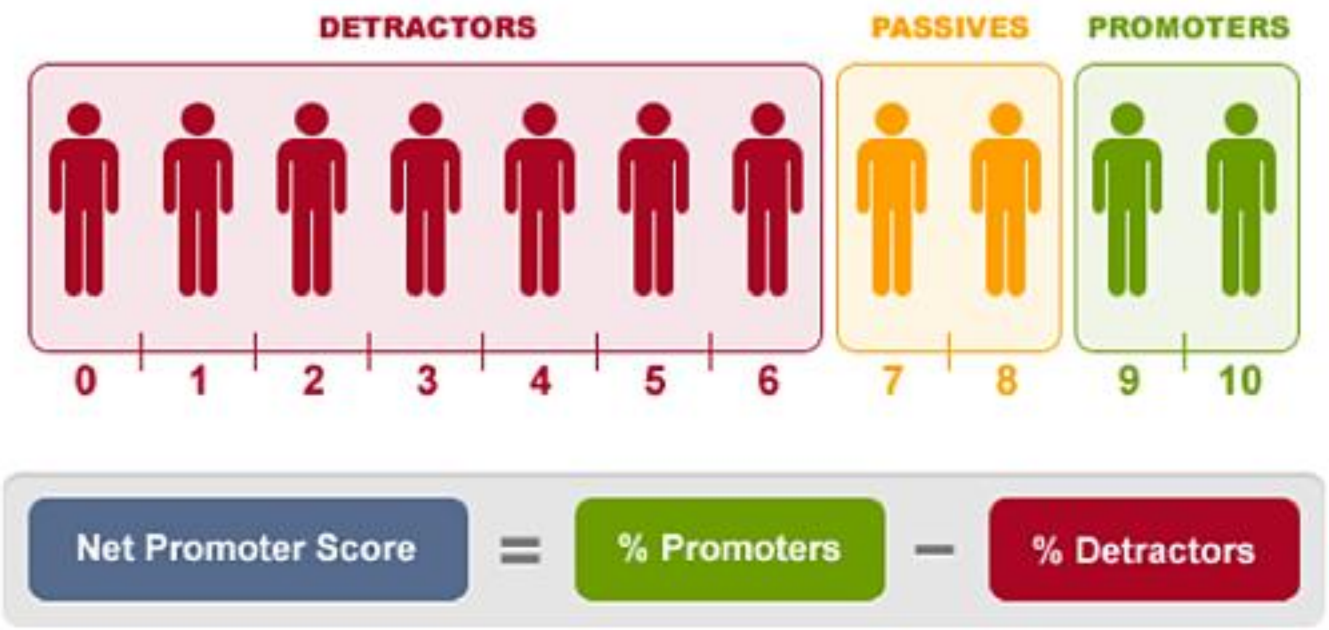
Calculation

Depending on the score provided, respondents can be defined as one of three categories:

- **Promoter** (9 or 10 score) – customers are enthusiastic and loyal, continually buy from the company and *'promote'* the company to their friends and family.
- **Passive** (7 or 8 score) – customers are happy but can easily be tempted to leave by an attractive competitor deal. Passive customers may become promoters if you improve your product, service or customer experience.

  Detractor (0 to 6 score) – customers are unhappy, feel mistreated and their experience is likely to reduce the amount they purchase from you. Detractor customers not only have an increased likelihood of switching to a competitor, but also of warning potential customers to stay away from your company.

Figure 45: How NPS works



Source: https://blog.cleanslatecenters.com/warriors/would-you-recommend-cleanslate

NPS is calculated as the difference between the percentage of promoters and detractors, expressed not as a percentage but as an absolute number lying between -100 and +100.

For instance, if you have 25% promoters, 55% passives and 20% detractors, the NPS will be +5. A positive NPS (>0) is generally considered as a good score.

What's the average Net Promoter Score?

Nowadays, NPS is used by many large companies as a customer feedback tool. It gives the organisation an unambiguous number that is easy for all employees to understand and useful as input for managers to steer the company. The NPS also gives a good indication of growth potential and customer loyalty for a company or product. It enables observers to track the evolution of the NPS over time or compare it with a predetermined target.

According to Reichheld, the average American company has an NPS of less than +10, while the highest performing organisations are situated between +50 and +80. However, these values may vary considerably from sector to sector and from culture to culture.

To understand the motives of promoters and detractors it is recommended to accompany the NPS question by one or more open questions that probe the underlying reasons behind the given score. This allows a business to make the appropriate adjustments to increase the future NPS, by boosting the percentage of promoters and in turn, reducing the proportion of passives and detractors.

Some critical remarks

From a scientific perspective and in certain market research circles there is some scepticism about the NPS. Opponents of the NPS concept argue there is insufficient scientific base for the outcome and the model is too simple. They claim customer loyalty and satisfaction is not only about numbers and percentages, but also about causes, consequences and correlations.

It has also been suggested that the NPS method cannot accurately measure customer behaviour. Customers can claim they will recommend a company or product in a greater or lesser extent, but it is not proven they will actually do that in practice. To add, the recommendation of one customer is not always as valuable as that of another one. It is also a fact that NPS is more useful in markets with a lot of competition, where potential buyers have a greater tendency to ask friends or acquaintances for advice before deciding on a purchase.

Another limitation of NPS is that it only takes into account customers. While non-customers can also act as detractors and generate bad word-of-mouth publicity.

Lastly, the NPS disregards important differences in the answer score distribution; no distinction is made between a score of 0 and 6, while there is obviously a substantial discrepancy between those two. Furthermore, there is no distinction between a ratio of 70% promoters and 30% detractors, or 40% promoters and 0% detractors, as both result in an NPS of +40, which doesn't seem very logical.

The Growth Connection

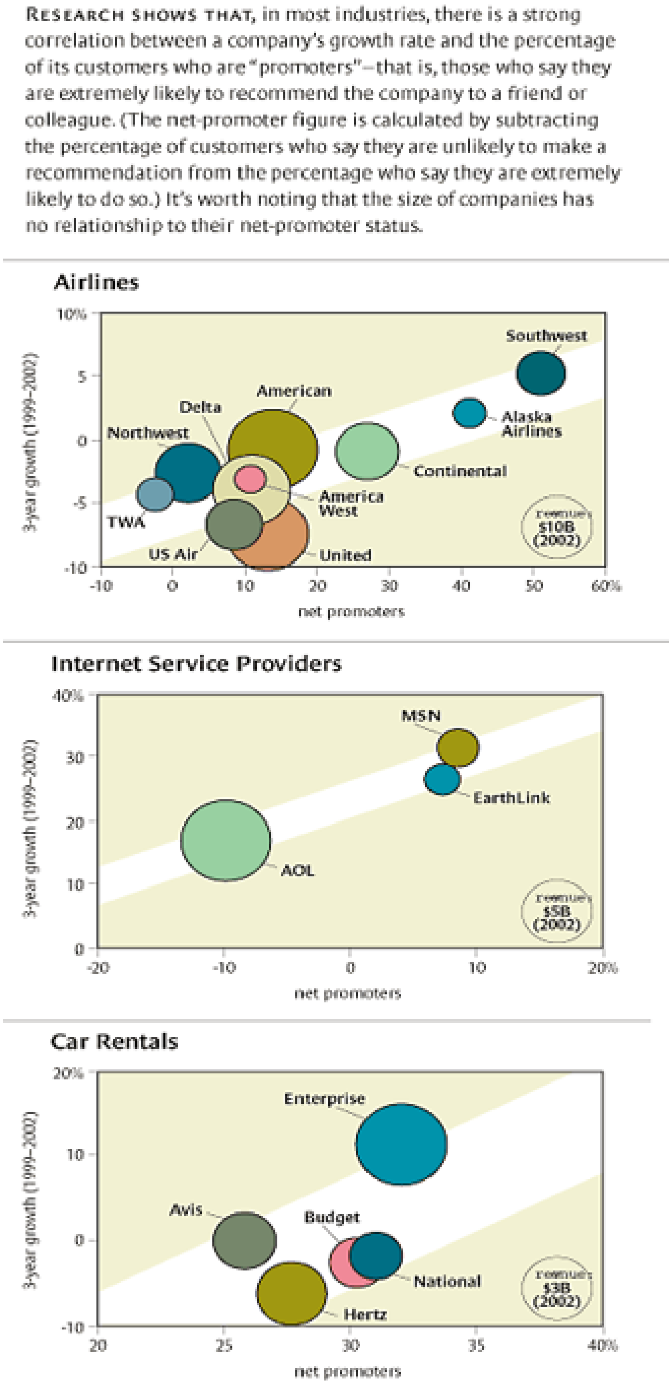
Whilst these limitations have merit, Reichheld and others evidently see NPS in a different light, or more specifically as *"the growth connection"*.

"All of our analysis to this point has focused on customer survey responses and how well those linked to customers' referral and repurchase behaviour at 14 companies in six industries. But the real test would be how well this approach explained relative growth rates for all competitors in an industry—and across a broader range of industry sectors.

In the first quarter of 2001, Satmetrix began tracking the "would recommend" scores of a new universe of customers, many thousands of them from more than 400 companies in more than a dozen industries. In each subsequent quarter, they then gathered 10,000 to 15,000 responses to a very brief e-mail survey that asked respondents (drawn again from public sources, not Satmetrix's internal client customer lists) to rate one or two companies with which they were familiar. Where we could obtain comparable and reliable revenue-growth data for a range of competitors, and where there were sufficient consumer responses, we plotted each firm's net promoters—the percentage of promoters minus the percentage of detractors—against the company's revenue growth rate.

The results were striking. In airlines, for example, a strong correlation existed between net-promoter figures and a company's average growth rate over the three-year period from 1999 to 2002. Remarkably, this one simple statistic seemed to explain the relative growth

Figure 46: Growth by Word of Mouth



Source: Harvard Business Review, https://hbr.org/2003/12/the-one-number-you-need-to-grow

rates across the entire industry; that is, no airline has found a way to increase growth without improving its ratio of promoters to detractors. That result was reflected, to a greater or lesser degree, in most of the industries we examined—including rental cars, where Enterprise enjoys both the highest rate of growth and the highest net-promoter percentage among its competitors."[1] (See Figure 46: Growth by Word of Mouth)

Using NPS properly – the Netflix way

In our view, the beauty of NPS is in its simplicity. A business asks a simple question on a consistent basis and monitors responses over time. Underlying business simplicity may also play a role. We examine this concept below, by considering the NPS results of some of the biggest names in the U.S. public markets.

Based on possible NPS responses 0-10 seen in Figure 45, we previously considered detractors 0-6, passives 7-8 and promoters 9-10. Somewhat surprisingly, co-founder of Netflix Mitch Lowe believes the bulk of the NPS respondent's views should be ignored if a business is to create brand loyalty. This concept is summarised below.

Firstly, Lowe was adamant that responses ranging from 0-5/10 should be ignored. His premise is that they are too hard to recover. A business or brand requires focus and has limited resources.

In a similar vein, Lowe advises a business should continue to improve its offering through continuous forward-looking investment, but it should not pander to all the whims of respondents in the range of 8-10/10. These individuals are already happy and are converted customers.

Lowe believes the real value derived from NPS comes when a business is focused on 6-7/10 only. This is the subset you can swing successfully and convert over time. To break this down further, Lowe suggests a follow-up question directed specifically at the 'passive' brand advocate.

"What is the single biggest dislike of this group?". Lowe believes that solving for this is the key to long-term customer satisfaction and growth. If this single issue is

[1] *Extract from Frederick F. Reichheld's piece "NPS, The One Number You Need to Grow" for Harvard Business Review in December 2003.*

addressed, it drives three potential outcomes each of equal significance.

1. Some passives become promoters
2. Existing promoters, who probably have this gripe, are more satisfied
3. Some detractors will become passive and open minded to brand engagement

Dose NPS represent reality?

According to the data from various sources, the following scores have been generated:

1. Amazon's NPS is pretty high, sitting at 62
2. Netflix's NPS is 68, well above their competition
3. Starbucks' NPS is a decent 77
4. Tesla's NPS is an astounding 96

Given that an NPS score averages between -100 and 100, it's clear the NPS scores of these top companies match their brands' level of popularity. So, what do those high scores translate into, specifically?

High Customer Retention and Growth

A high NPS score means high customer retention. Essentially comprising of a high number of loyal customers, who are so content with the brand that they are much more likely to stick around with it simply because they like the company, alongside its products and its services.

Amazon Customer Retention

Research has shown 73% of people who try out Amazon Prime become paid members. What's more, after the first year 91% of the members renew their subscription for a second year, and 96% of those members continue for a third year.

Even today, Amazon is actually boasting amazing customer loyalty, at least according to Forbes; however, the company isn't quite ready to share exact customer numbers. Still, Amazon did state they signed up more paid members in 2017 than any other year.

Netflix Customer Retention

Compared to its competitors, Netflix has an amazing retention rate. According to research, while a lot of Hulu (61%) and HBO Now (62%) subscribers pay for other streaming services, 80% of the Netflix subscribers don't. In fact, the Hulu and HBO Now subscribers in question actually pay for Netflix on the side!

To add, the average Netflix subscriber will stay with the company for 25 months, giving Netflix enough time to earn back the money they spend on acquiring new customers.

Starbucks Customer Retention

Consumers love Starbucks – even more since the company implemented its rewards program. Apparently, customer loyalty was so high that Starbucks' program ended up holding more money than some banks.

Around 48% of app users are also regular users of the Starbucks' app, showcasing the kind of customer loyalty the brand enjoys.

Tesla Customer Retention

Approximately 91% of Tesla owners say *"they would buy again"* from this brand, indicating the impact a huge NPS score can have on customer retention. Moreover, this was a 6% increase from 2015. At the same time, 25% of Tesla owners said they're not even considering buying a different vehicle or doing business with another brand.

Tesla was also ranked number #1 in the 2016 Annual Owner Satisfaction Survey.

What Do Netflix and Amazon Have in Common?

1. Simple, Reliable Services & Products

The number of promoters these market giants enjoy comes down to two key elements: Ease and reliability of their services and products.

In the case of Netflix, the biggest initial selling point was its simplicity; a great online entertainment service that saved you time. That trend continues to this day. In a similar vein, Amazon has invested plenty of resources into ensuring its sales, shipping and return processes are as simple and reliable as possible.

2. Fast, Straightforward, Quality Services

Having reliable, easy-to-use services and products will do wonders for a company's customer retention rate. However, to ensure this is maintained, the offering also needs to be fast and convenient, so they can save consumers time and effort.

Netflix is succeeding in this regard, with an accessible toll-free number and an extensive *"knowledge base"*, where users can usually find the solution they seek on their own. Their live chat is also known to be quite speedy, helpful, and accessible.

3. *Customer Service Focus*

The commonality amongst all these companies with high NPS scores is a personalised, convenient, and satisfaction-oriented customer experience. People would go so far to say they are some of the companies with the best customer service in the world.

Amazon employs large customer representative teams, ensures the return process is simple for consumers and goes above and beyond to offer true customer satisfaction – whether it's by letting their customers keep the items they accidentally ordered and shipping the right ones free of charge, or refunding small balances of 16 cents to customers when the price of an item they've previously ordered decreases.

Similarly, when Netflix subscribers run into an issue, they know they will be talking to a real person on the other end – their employees are allowed to make their chats less scripted and more engaging, making it a more memorable experience for customers. Even Netflix's CEO, Reed Hastings is known to have taken calls every once in a while.

4. *Unique, Innovative Products and Offers*

Companies offering their consumers a unique value proposition, are often the ones who stand out from their competition, and have a high NPS score as a result. After all, when you can provide something distinctive in your industry, you're no longer *"another"* choice — you're the only choice many people will consider.

Netflix is a good example of what can go wrong if you don't take customer satisfaction surveys seriously. CEO Reed Hastings wanted to change the existing subscription service, which offered access to DVD rentals and unlimited on-demand streaming, by splitting it into two different services that would be priced separately.

The result would be a 60% price hike for customers. When asked how customers might react to this, Hastings said there'd be minor backlash. That was a baseless claim, as no customer satisfaction surveys were performed prior to the decision.

After the price hike was introduced, Netflix lost around 800,000 subscribers, and its stock price dropped by approximately 77%. The company obviously recovered, but that mistake almost cost them their business.

5. *High Customer Loyalty and Word of Mouth Advertising*

If customer success is the process of orchestrating your customers toward their desired outcome, brand loyalty is the end-result.

Brand loyalty enables you to eliminate price sensitivity, beat the competition and mitigate exorbitant marketing expenses. After all, why spend money on advertising when you can turn your customer's social capital into your economic capital?

This isn't speculation either. It seems that increasing customer retention by just 5% can boost your profits by up to 25-90%.

NPS is the measuring scale of customer success, with brand loyalty as the measurement unit. The reason these brands have high NPS scores is because they have succeeded in building immense brand loyalty:

- Tesla has an almost cult-like following
- Netflix has the most loyal customers
- Amazon's loyalty rates are so good they eat into competitors

Not only do these brands have a loyal customer base, theoretically speaking their customers are more than willing to recommend them to their friends and family, essentially turning into advocates for the brand.

NPS works in Australia

Australian companies who are targeting leadership positions in their given sectors are increasingly adopting NPS as a measurement tool. Some have been on this pathway for several years. Below we review the use of NPS by several businesses held within the portfolio.

Reece

Reece is a clear leader in domestic plumbing supply, heating ventilation and cooling (HVAC) and waterworks. In Australia, Reece has a track record of excellent customer service in-store and across its growing digital offering. From a financial perspective it has global best in class earnings before interest and tax (EBIT) margins.

Reece is well ahead of the curve in terms of customer service levels and the use of NPS. It is extremely well positioned to replicate this process and integrate its offering across the U.S. operations of MORSCO, where margins are half of those experienced in ANZ, and the more recently acquired six Todd Pipe outlets, where customer service is already industry leading.

NIB Holdings

Amongst intense competitive activity, NIB has a history of industry leading growth in its Australian Residents Health Insurance (ARHI) business. Further, whilst health insurance is a grudge purchase, NIB's customer service is excellent, with claims handled in person, coupled with a strong digital experience. Call centres also provide fast and efficient advice on the appropriateness of cover when a cheaper or better policy is available.

NIB has a strong focus on NPS across all its business units. Not surprisingly, we believe the ARHI NPS score of 32.5 in 2019, which is up from 28.7, is an impressive result in this space. New Zealand's NPS continued its positive trajectory, increasing from 21.1 to 34 in 2019.

The ARHI NPS result is also used as a criterion for achieving short term incentives (STI) for both the CEO Mark Fitzgibbon, where ARHI NPS makes up 20% of his hurdle, and 10% for CFO Michelle McPherson.

While not reported directly, additional members of the executive team have a similar customer service hurdle for STI's.

Currently ARHI represents just under 75% of NIB's underlying operating profit, and as result ARHI NPS is considered the best proxy for customer service. In future years the board may consider group NPS as a more appropriate measure.

Table 8: 2019 Member Satisfaction

	FY19	FY18
Net promoter score		
Australian Residents Health Insurance	32.5	28.7
International Students Health Insurance	34.6	30.5
International Workers Health Insurance	41.5	42.7
New Zealand	34.0	21.1
nib Travel[1]	61.2	62.6
GU Health[2]	15.9	22.6

Source: NIB Holdings 2019 Sustainability report

Table 9: 2018 Member Satisfaction

Net Promoter Score (NPS)	FY18	FY17	CHANGE
Australian Residents Health Insurance	28.7	23.2	▲550bps
International Students Health Insurance	30.5	16.7	▲1380bps
International Workers Health Insurance	42.7	23.8	▲1890bps
nib New Zealand	21.1	12.2	▲890bps
World Nomads Group[4]	62.6	60.3	▲230bps
GU Health[5]	30.9	N/A	N/A

Source: NIB Holdings 2018 Sustainability data report

OFX Group

OFX CEO Skander Malcolm has been in his role for almost three years. At the recent full year results he stated, *"Our customers love us"*. This statement is a source of his underlying confidence in the business and is also one based on fact. The 2019 annual report discloses that the company's NPS has increased from 59.8 in 2018 to 67.3 in 2019. This suggests that the active clients become dormant, rather than switching to competing services and are transacting on an as per needs basis. Importantly they are also prepared to recommend OFX's services to friends and family.

The significance of NPS outcomes and employee engagement scores at OFX is reflected in its 2019 inclusion as a criterion for achieving short-term incentives (STI) of Key Management Personnel (KMP).

IOOF Holdings

IOOF has had a horror run in recent years. IOOF was singled out in the banking Royal Commission as a poster child for poor governance by APRA and Mr Michael Hodge QC. The company's CEO, Chris Kelaher who stood his ground during the Royal Commission, after strong legal advice in relation to the use of Operational Risk Reserves in remediating unitholders, was hung, drawn and quartered by a poorly informed financial press. All five alleged breaches raised by QC Hodge and pursued in the Federal Court by APRA were summarily thrown out of court by Justice Jayne Jagot. Her review of the evidence was a damning indictment.

IOOF has had cultural issues that require redress, we have no doubt on this front. We believe a process of change had been well underway prior to QC Hodge's very public, powerful and misguided assertions during a sometimes-bullying performance. Shareholders came off second best in this one-sided affair.

In the 2018 Annual Report, IOOF disclosed that the Managing Director's short-term incentive (STI) was subject to a NPS hurdle. IOOF determined that a 10% weighting would be applied to an improving NPS outcome. The key performance indicator (KPI) for *"clients of IOOF"* was determined by an NPS based on advisor's willingness to recommend IOOF. In March 2018 IOOF was the top retail superannuation fund for satisfaction with financial performance[2].

In their 2019 full year presentation, IOOF disclosed that the advisor net promoter score of +17 was achieved vs an industry average of -30. In the 2019 Annual report, NPS as a hurdle for the award of STI's has been extended to each individual Key Management Person (KMP).

Domino's Pizza Enterprises

Domino's have been under pressure on many fronts, including cultural concerns, store splits (Fortressing) and franchisee profitability amongst others. Increased disclosures at a recent investor day, including a look into local and European NPS ratings, is aimed at countering some of these criticisms.

One interesting disclosure was the average labour unit cost in Australia. At 50c per minute, this compares with a global profit of US$1.50-US$3 per delivery. Fortressing can have a material impact on this ratio.

Splitting a store or fortressing reduces the local household catchment, or number of addresses, serviced by delivery drivers. This means each driver is doing shorter, safer and more efficient delivery runs. Applying a two-minute time saving (say AUD$1) per run to the average global delivery profit (US$2.25) sees a material uplift of 30%.

Two other benefits flow from this fortressing process. Firstly, customer satisfaction, as shown by improved NPS, correlates to higher Same Store Sales.

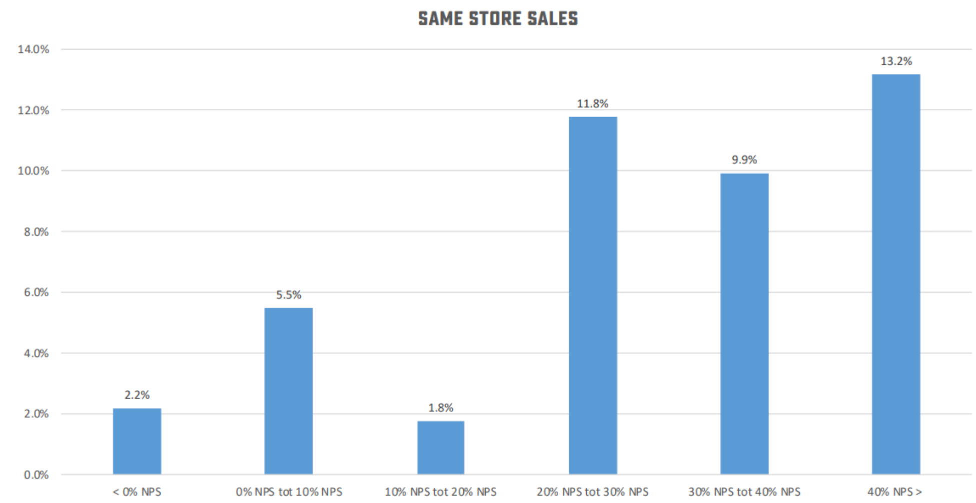
Secondly, highly profitable pickup orders increase as local customers consider the store more convenient. NPS improvement reflects the faster delivery times which results in a hotter, higher quality product.

Scale is key at Domino's and customer satisfaction improvement, directly related to hot, higher quality deliveries is the driver of increased scale. Fortressing delivers this. Franchisees who can execute this strategy benefit from hirer EBITDA per store.

[2] *Source: Roy Morgan*

Figure 47: There is a strong correlation between NPS and SSS

A RELATIVELY HIGH NPS TRANSLATES INTO RELATIVELY HIGH SAME STORE SALES

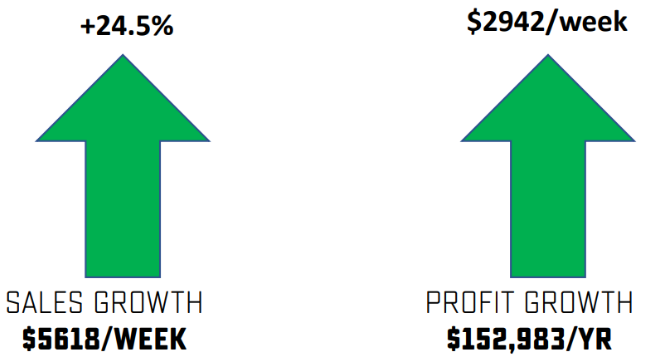


Source: Domino's 2019 Investor Day Presentation

Figure 48: Fortressing with High Quality Franchisees

FRANCHISEE "F"	NEW FRANCHISEE "B"
55.5%	78.3%
28.10 minutes	23.16 minutes
-21.2%	28.8%

ONE DRIVER, ONE DELIVERY ✓
FASTER DELIVERIES ✓
SATISFIED CUSTOMERS ✓



Source: Domino's 2019 Investor Day Presentation

Domino's today is acutely aware that high quality managers are the limiting step to growth. As a result, they are targeting higher store ownership by a smaller *"A"* or at least *"B"* rated quality franchisees. Better quality franchisees and managers who drive higher profitability per store are also the custodians of better culture.

In addition, Domino's Pizza Enterprises have improved the relationship with its U.S. parent Dominos Inc. This counts for a lot. Firstly, it means Domino's Pizza Enterprises are focused on being a single brand that can grow globally. Secondly, the improved relationship means Domino's Pizza Enterprises are free to expand into other Domino's Inc territories on an opportunistic basis. In a business that is reliant on scale these two elements coming together are key. Finally, more trust between these two groups results in cross sharing technology innovations, adopting globally best business practice, improved procurement opportunities and more.

Taking NPS to the next level

As we noted above, the beauty of NPS lies in its simplicity. However, this can also be its greatest limitation. The NPS scale accounts for only three types of customers; promoters, passives, and detractors, and is based on a simple survey question.

Not only does this calculation fail to provide the necessary information for understanding the full breadth of opinion held by customers, but its lack of detail also prevents organisations from actioning feedback in real-time. By failing to alert an organisation of customer experience (CX) failures before they occur, it means only reactive measures can be taken.

As it is very difficult to understand a customer's digital journey from the inside, organisations need to be investing in measurement tools that enable them to gain an outside-in perspective — to really find out where their CX is failing.

So, how will we ever know if we don't ask customers?

By automating the measurement of CX across channels, organisations can avoid having to involve customers in the feedback process, while still receiving objective, accurate, real-time insights into their CX at an operational level.

As we detailed in our March 2019 Quarterly Newsletter, *A Texan Road Trip,* Altium is taking the customer experience to the next level. The *"cyberpod and man out of loop"* is today winning CX through an automated measurement of customer journey.

The Operational Customer Experience (OCX) measurement, which assesses an organisation's customer service technology using synthetic customer interactions, can provide far more insight into the customer's digital journey than NPS, and without any customer effort.

Key insights include quality of experience, effectiveness and timeliness with which their problem was solved, the responsiveness of customer service, and the level of reliability of the service received. In the case of Altium, this is designed to ensure an engineer is getting the full benefits of the software in their workflows. This is a key driver of reduced churn rates and subscription renewal rates. ***SFM***

Table 10: NPS for some of the companies in our portfolio

Company	NPS Score
OFX Group	2019 – High of 67.3 2018 – 59.8 2017 – 51 individual, 56 corporates
Fisher & Paykel	2019 Group – 74 2019 HR engagement over 80%
NIB Holdings	**ARHI** 2019 – 32.5 2018 – 28.7 **NZ** 2019 – 34 2018 – 21.1 2013 – -29 **Travel** 2019 – 61.2 2018 – 62.6 2019 – 65
Reece	**USA** Employee NPS – 13 to 34 Customer NPS – 34 to 60 Conducted externally by PWC

Source: Various sources

APRA – CLASS ACTION?

"Unpersuasive"

This is how Federal Court Justice Jayne Jagot described APRA's case against IOOF, identifying it as a *"systemic weakness"* and being *"fundamentally inadequate"* in parts.

Shareholders have had to endure ten months of misery as regulators, the media and investigative journalists painted a picture of dishonest conduct at superannuation operator, IOOF.

In their haste to wield a big stick, APRA forgot to do their homework. As we wrote in our December 2018 Quarterly Newsletter titled *Regulatory Unrest*, APRA launched legal proceedings against IOOF and five executives, seeking disqualification for failing to act in the best interests of clients.

This was APRA's first legal action against an organisation and its individuals in a decade. Stung by criticism at the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, APRA set its sights on IOOF for its landmark case. It came with little warning, catching executives off-guard and exposed shareholders to unintended financial consequences.

We have no qualms with regulators doing their job. Laws need to be followed and upheld but from the outset this one just didn't stack up based on the evidence provided. APRA accused executives of having conflicted interests and using reserves that should have been for the benefit of members. Having attended a number of sitting days during the court case, the basis of such accusations, even to the untrained, seemed to lack substance or legal standing.

Justice Jagot noted, *"APRA has not established the necessary factual foundation to support the conclusion that any actual conflict of interest existed".* In a 308-page detailed response Justice Jagot also noted, *"The inescapable conclusion is that the evidence on which APRA relied is an insufficient foundation from which to infer anything about liability for the CMT (cash management trust) overpayment"* and *"For the reasons given, APRA has failed to prove any of the contraventions of the SIS Act (Superannuation Industry Supervision Act) alleged against the respondents."*

Rather apparent, Justice Jagot was unconvinced. However for the accused, the damage was done from the outset. CEO Chris Kelaher, who had spent many years building a strong and independently run financial group, stepped down almost immediately following APRA's aggressive stance. For the other members of the executive team, as well as the Chairman also named in the case, there is vindication, but that too has come at a price.

Fronting the media following the decision, APRA Deputy Chair, Helen Rowell put on a brave face, *"This case examined a range of legal questions relating to superannuation law and regulation that had not previously been tested in court, relating to the management of conflicts of interest, the appropriate use of super funds' general reserves and the need to put members' interests above any competing priorities.*

Litigation outcomes are inherently unpredictable. However, APRA remains prepared to launch court action — where appropriate — when entities breach the law or fail to act in an open and co-operative manner."

The problem with Rowell's summation is that Justice Jagot readily disagreed that any breach of the law took place. Further, APRA's test case was undertaken without any due consideration to those affected, while using taxpayer's money.

Shareholders are now left to pick up the pieces, while the taxpayer handles the hefty legal tab.

The question that should be posed is whether APRA owes a duty of care to those who have suffered from their *"unpersuasive"* case. Surely, individuals and superannuation fund members should consider a class action against APRA. It cannot just go one way.

When court action against the company was announced in December 2018, the IOOF share price dropped 37% to a low of $4.50. Where is the recourse for shareholders?

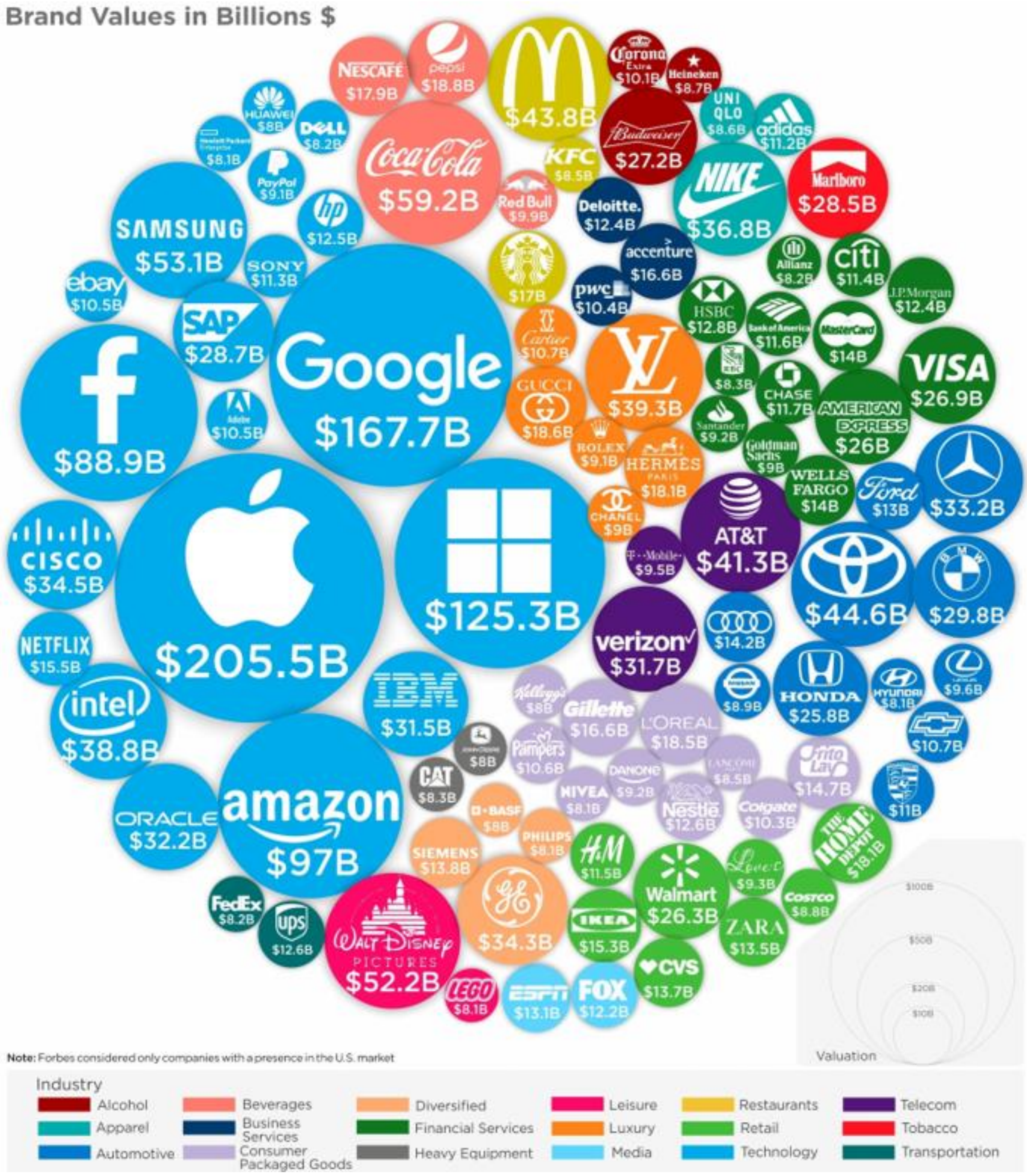
During this period, we maintained our stance that the company would be vindicated. Unlike the posse of analysts and journalists that were quick to pass judgment and condemn, we focused on the facts. It speaks to the manner in which we invest.

Much has been written about this case. Even in the wake of Justice Jagot's decision, there remains misreporting on the facts; a by-product of a media industry that is inherently biased.

We hope our investors understand the importance of taking a stance in the face of adversity, particularly when the facts justify such actions and even if it comes with short term financial pain. ***SFM***

OF INTEREST – BRAND VALUES

Figure 49: The World's Most Valuable Brands 2019



Source: Forbes, www.forbes.com

Sometimes pictures say a thousand words. Forbes in Figure 49, have presented their annual valuations of the largest global brands. Put simply, their figures are estimated by calculating a company's earnings directly attributed from the brand and then multiplying this by the firm's 3-year rolling average price to earnings ratio. Forbes use both quantitative and qualitative measures to reach their valuations.

Of interest, is how the value of brands have been depicted, with the hypergrowth technology players occupying the largest circles. It is interesting to see how the world has evolved with the likes of McDonald's, Coca-Cola and Disney now being trumped by the Google's, Apple's and Microsoft's of this world. ***SFM***

COMPANY VISIT DIARY – SEPTEMBER 2019 QUARTER

Date	Company	Description
8-Jul	IPD	Impedimed SFML Conference Call
9-Jul	FCL	Fineos IPO Meeting at Macquarie
10-Jul	PNV	PolyNovo SFML meeting
11-Jul	SKO	Serko SFML Management Meeting
16-Jul	OFX	OFX Group SFML meeting
17-Jul	FCL	Fineos IPO Meeting at Moelis
23-Jul	FCL	Fineos IPO Meeting at Macquarie
26-Jul	RMD	ResMed 4Q19 earnings results webcast
29-Jul	N/A	Virgin Velocity Non-deal roadshow at Macquarie
30-Jul	SKF	Skyfii Management Meeting at Taylor Collison
31-Jul	ISX	iSignthis UBS Management Meeting
31-Jul	IPD	Impedimed 4Q19 result conference call
1-Aug	FCT	Firstwave Cloud Technology Investor update conference call
6-Aug	PNI	Pinnacle Investment FY19 Results Conference Call
6-Aug	51Job.NAS	51Job 2Q19 results Conference Call
6-Aug	PNI	Pinnacle Investment Macquarie management meeting
7-Aug	OFX	OFX Group SFML Management Meeting
8-Aug	NCK	Nick Scali FY19 Results Conference Call
8-Aug	AMP	AMP HY19 Results Conference Call
8-Aug	NCK	Nick Scali Macquarie Management Meeting
9-Aug	JHX	James Hardie Industries 1Q20 Results Conference Call
9-Aug	REA	REA Group FY19 Results Conference Call
9-Aug	RMD	ResMed Credit Suisse management meeting
13-Aug	MFG	Magellan FY19 Results Conference Call
13-Aug	OFX	OFX Group Annual General Meeting
14-Aug	OFX	OFX Group Macquarie Management Meeting
14-Aug	CPU	Computershare FY19 Results Conference Call
14-Aug	CSL	CSL FY19 Results Conference Call
14-Aug	CPU	Computershare SFML Management Meeting
14-Aug	CPU	Computershare UBS Management Meeting
14-Aug	FCT	Firstwave Cloud Technology SFML Management Meeting
15-Aug	JHX	James Hardie Industries SFML Management Meeting
15-Aug	BKL	Blackmores FY19 Results Conference Call
15-Aug	ASX	ASX FY19 Results Conference Call
15-Aug	BRG	Breville FY19 Results Conference Call
15-Aug	BRG	Breville UBS Management Meeting
15-Aug	BRG	Breville Macquarie Management Meeting
15-Aug	BKL	Blackmores SFML Management Meeting

Date	Company	Description
16-Aug	SGR	The Star Entertainment FY19 Results Conference Call
16-Aug	COH	Cochlear FY19 Results Conference Call
16-Aug	JIN	Jumbo Interactive FY19 Results Conference Call
16-Aug	BKL	Blackmores Goldman Sachs Management Meeting
19-Aug	NHF	NIB Holdings FY19 Results Conference Call
19-Aug	COH	Cochlear SFML Management Meeting
19-Aug	IFM	Infomedia FY19 Results Conference Call
19-Aug	SGR	The Star Entertainment Macquarie Management Meeting
19-Aug	IFM	Infomedia UBS Management Meeting
19-Aug	CWY	Cleanaway Waste Macquarie Management Meeting
19-Aug	COH	Cochlear UBS Management Meeting
19-Aug	CSL	CSL MST Marquee Management Meeting
19-Aug	JIN	Jumbo Interactive UBS Management Meeting
19-Aug	IFM	Infomedia SFML Management Meeting
19-Aug	JIN	Jumbo Interactive Macquarie Management Meeting
19-Aug	NHF	NIB Holdings Macquarie Management Meeting
19-Aug	ALU	Altium FY19 Results Conference Call
20-Aug	JIN	Jumbo Interactive Taylor Collison Management Meeting
20-Aug	VRT	Virtus Health FY19 Results Conference Call
20-Aug	ALU	Altium SFML Management Meeting
20-Aug	OSH	Oil Search HY19 Results Conference Call
20-Aug	SEK	SEEK FY19 Results Conference Call
20-Aug	ALU	Altium UBS Management Meeting
20-Aug	VRT	Virtus Health UBS Management Meeting
20-Aug	JIN	Jumbo Interactive SFML Management Meeting
20-Aug	IFM	Infomedia Macquarie Management Meeting
20-Aug	OSH	Oil Search Group Dinner with Management
21-Aug	OSH	Oil Search UBS Management Meeting
21-Aug	CAR	Carsales.com FY19 Results Conference Call
21-Aug	NEA	Nearmap FY19 Results Conference Call
21-Aug	DMP	Domino Pizza Enterprise FY19 Results Conference Call
21-Aug	MP1	Megaport FY19 Results Conference Call
21-Aug	SOM	SomnoMed FY19 Results Conference Call
21-Aug	SEK	SEEK Macquarie Management Meeting
21-Aug	SGR	The Star Entertainment SFML Management Meeting
21-Aug	NEA	Nearmap FY19 Investors Briefing
21-Aug	SEK	SEEK SFML Management Meeting
22-Aug	WTC	Wisetech Global Macquarie Management Meeting
22-Aug	DMP	Domino Pizza Enterprise SFML Management Meeting
22-Aug	FLT	Flight Centre Travel Group FY19 Results Conference Call

Date	Company	Description
22-Aug	CAR	Carsales.com Morgan Stanley Management Meeting
22-Aug	FLT	Flight Centre Travel Group UBS Management Meeting
22-Aug	IEL	IDP Education Macquarie Management Meeting
22-Aug	CAR	Carsales.com SFML Management Meeting
22-Aug	NEA	Nearmap Macquarie Management Meeting
22-Aug	SOM	SomnoMed Taylor Collison Management Meeting
22-Aug	FLT	Flight Centre Travel Group SFML Management Meeting
22-Aug	DMP	Domino Pizza Enterprise Goldman Sachs Management Meeting
23-Aug	MP1	Megaport UBS Management Meeting
23-Aug	IRE	IRESS HY19 Results Conference Call
23-Aug	AD8	Audinate FY19 Results Conference Call
23-Aug	SGM	Sims Metal Management FY19 Results Conference Call
23-Aug	CAR	Carsales.com Goldman Sachs Management Meeting
23-Aug	NEA	Nearmap SFML Conference Call
23-Aug	CSL	CSL SFML Conference Call
26-Aug	IFL	IOOF Holdings FY19 Results Conference Call
26-Aug	SGM	Sims Metal Management Morgan Stanley Management Meeting
26-Aug	PNV	PolyNovo Macquarie Management Meeting
26-Aug	SGM	Sims Metal Management SFML Management Meeting
27-Aug	AD8	Audinate UBS Management Meeting
27-Aug	IRE	IRESS SFML Management Meeting
27-Aug	RWC	Reliance Worldwide FY19 Results Conference Call
27-Aug	IRE	IRESS UBS Management Meeting
27-Aug	NAN	Nanosonics UBS Management Meeting
27-Aug	NAN	Nanosonics FY19 Results Conference Call
27-Aug	IFL	IOOF Holdings SFML Management Meeting
27-Aug	NHF	NIB Holdings SFML Management Meeting
28-Aug	PNV	PolyNovo SFML Management Meeting
28-Aug	SYD	Sydney Airport UBS Management Meeting
28-Aug	FPH	Fisher & Paykel Healthcare Annual General Meeting
29-Aug	NAN	Nanosonics SFML Management Meeting
29-Aug	REH	Reece FY19 Results Conference Call
29-Aug	PNV	PolyNovo Taylor Collison Management Meeting
29-Aug	APX	Appen HY19 Results Conference Call
29-Aug	PNV	PolyNovo UBS Management Meeting
29-Aug	JHX	James Hardie Industries Annual General Meeting
29-Aug	FCL	Fineos FY19 Results Conference Call
30-Aug	REH	Reece SFML Management Meeting
30-Aug	RWC	Reliance Worldwide SFML Management Meeting
30-Aug	OSH	Oil Search SFML Management Meeting

Date	Company	Description
2-Sep	CSL	CSL SFML Conference Call with CFO
3-Sep	PWH	PWR Holdings UBS Management Meeting
4-Sep	PWH	PWR Holdings Morgans Management Meeting
5-Sep	JIN	Jumbo Interactive Morgans Management Meeting
9-Sep	OFX	OFX Group SFML Meeting with Management, U.K. London
9-Sep	FLT	Flight Centre Travel Group SFML conference call U.K. Management
9-Sep	IRE	IRESS SFML Management Meeting, U.K. London
10-Sep	BAL	Bellamy's Australia UBS Management Meeting
10-Sep	FCL	Fineos SFML Management Meeting, Dublin, Ireland
11-Sep	RWC	Reliance Worldwide SFML site visit John Guest, U.K. London
11-Sep	TNY	Tinybeans Group Ltd Taylor Collison Management Meeting
12-Sep	JHX	James Hardie Industries Germany, Dusseldorf Investor Tour Day 1
12-Sep	N/A	Illuminate Corporate Travel Industry Conference
12-Sep	IRE	IRESS Technology Innovation Showcase
12-Sep	PME	Pro Medicus UBS Management Meeting
13-Sep	JHX	James Hardie Industries Netherlands, Wijchen Investor Tour Day 2
15-Sep	JHX	James Hardie Industries U.S. New York City Investor Tour Day 3
16-Sep	JHX	James Hardie Industries U.S. New York City Tour Day 4
16-Sep	FLT	Flight Centre Travel Group SFML Meeting, U.S. Montvale, New Jersey
17-Sep	ALU	Altium SFML Meeting with Head of Octopart, U.S. New York City
17-Sep	RWC	Reliance Worldwide SFML Management Dinner, U.S.
18-Sep	RWC	Reliance Worldwide SFML manufacturing site visit, U.S. Alabama
19 -Sep	Todd Pipe & Supply	Reece Group wholly owned subsidiary U.S. San Diego site visit
19-Sep	ALU	Altium SFML Management Meeting U.S. Carlsbad site visit
20-Sep	PNV	PolyNovo SFML Management Meeting with U.S. Carlsbad VP Sales
20-Sep	IPD	Impedimed SFML Management Meeting with U.S. Carlsbad VP Sales
20-Sep	BKW	Brickworks Macquarie Management Meeting
26-Sep	FXL	Flexigroup Macquarie Management Meeting
26-Sep	N/A	Latitude Macquarie Management Meeting

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