



STRAIGHT BAT

PRIVATE EQUITY  
GENERATION 1 TRUST

**QUARTERLY INVESTOR SCORE CARD**

Quarter Ending December 31, 2021

# GENERAL UPDATE Q2 FY22

Welcome to our 6<sup>th</sup> investor scorecard for Q2 FY22 for the Straight Bat Private Equity Generation 1 Trust (Generation 1 Fund or Fund). As at 31 Dec 2021, we have deployed \$48.1m of our \$100m total commitments and agreed to deploy an additional \$7.2m into Toner Plumbing. The fund distributed a total return of 4.1% (including franking credits and after fees) in H1 FY22 and continues to be on track to deliver a total return for FY22 greater than ~10%.

## Portfolio Update

### RPM Hire

Maintaining the pace from Q1, RPM again exceeded forecasts for revenue Q2. The business also has a record pipeline of potential projects in its sales funnel. Key achievements in Q2 were:

- The excellent performance in Q2 was underpinned by the Monash Freeway project as well as a number of small wins and paid out target quarterly dividends for H1
- Implementation and initial success of the SBPE post-investment business improvement plan with key hires hitting the ground running

### HPS Tech

- HPS has commenced works on the ProviCo lactoferrin plant, with the majority of the equipment orders placed and civil works now on the critical path. This project progress has a direct impact on FY22 performance and so being on time and budget is pleasing
- Achieved two significant project wins in new industry segments with East Coast Juice (juice) and MARS Australia (confectionery), enhancing our revenue diversification strategy
- On track for its FY22 budget and has paid out target dividends in H1 FY22.

### New Investment – Toner Plumbing (February 2022 completion)

- Prior to Christmas we signed Heads of Agreement for our next investment - a 50% stake in Toner Plumbing, Drainage and Maintenance Group for \$7.2m. Toner is a leading Melbourne-based maintenance services provider with particular strength in plumbing and drainage

## Fund Operations and Capital Raising

- We are delighted to welcome Sean Lyon (Analyst) and Caleb Shaw (Intern) to the investment team in Q3. Sean and Caleb are both extremely talented and bright young professionals who we expect to be valuable additions to the team.

## Investment Origination

- In Q2 FY22, Straight Bat identified, screened and engaged with a number of businesses, including the following still under consideration:

| # | Business  | Status            |
|---|---|-------------------|
| 1 | National Reputed Specialist Law Firm  | NBIO submitted    |
| 2 | NSW-based transport business  | NBIO submitted    |
| 3 | AU-founded Global infrastructure engineering services and software business | NBIO submitted    |
| 4 | VIC-based lifting solutions business  | Pre-NBIO analysis |

Unless stated otherwise all figures are based on financial year-to-date (YTD) results, 01 July 2021 – 30 Sept 2021.

\*Past performance is not a reliable indicator of future performance.

Target returns are not guaranteed and may be above or below the target range.



## Managing Partner Quarterly Update

## Gen 1 Fund Overview

Total Commitments<sup>1</sup>

\$100m

Funds Under Management

\$95.9m

Fully Paid Units Issued<sup>2</sup>

\$48.1m

Portfolio Investments<sup>3</sup>

2

<sup>1</sup> Total Commitments = Funds Under Management + Soft Commitments.

<sup>2</sup> Fully Paid Units is the sum of units issued to fund Capital Invested and to fund Management Fees (2% of Funds Under Management) during the phase of fund deployment.

<sup>3</sup> As of Dec 31 2021.

# PERFORMANCE UPDATE Q2 FY22

## Dividend Policy

- It is the fund's policy to distribute quarterly income distributions, in line with portfolio company operations and tax return timings.
- Our approach is for our portfolio businesses to pay a proportion (~80% average) of quarterly distributable profits at the end of each quarter, and then a final top-up (~20% on average) at the end of the financial year.

## FY22 Q2 Total Income Returns

- The Generation 1 Fund generated a cash yield of 1.8% and a total yield including franking credits of 2.0% for the quarter ended December 31, 2021.
- Year to date the fund has distributed 4.1% total yield in FY22 (including franking credits and after fees)
- This keeps the Fund on track to deliver a forecast total yield of ~10% in FY22.

## Portfolio

| Asset                       | Date of Initial Investment | Ownership Stake | Capital Invested (\$m) | Q2 FY22 Total Income Yield (%) | YTD FY22 Total Income Yield (%) | Total Income Yield after fees, since Investment (%) |
|-----------------------------|----------------------------|-----------------|------------------------|--------------------------------|---------------------------------|---|
| HPS Tech                    | July '20                   | 50.0%           | \$25.216               | 1.7%                           | 3.4%                            | 12.7%   |
| RPM Hire                    | July '21                   | 38.4%           | \$20.259               | 2.6%                           | 5.6%                            | 5.6%  |
| Capitalised Management Fees |                            |                 | \$2.581                | -                              | -                               | -   |
| <b>Total</b>                |                            |                 | <b>\$48.056</b>        | <b>2.0%</b>                    | <b>4.1%</b>                     | <b>13.4%</b>  |

## Unit Price

\$

Value at inception

\$1.000

Value as of 31 Dec 2021

\$1.000

## Generation 1 Fund Returns after Fees

Q2 Cash Yield, after fees <sup>1</sup>

1.8%

Q2 Total Income Yield, incl franking credits, after fees <sup>2</sup>

2.0%

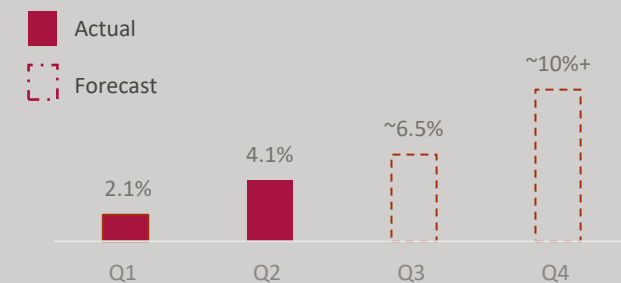
YTD Total Income Yield, incl franking credits, after fees <sup>2</sup>

4.1%

Total Income Yield, after fees since inception

13.4%

## Forecast FY22 Total Yields (Cumulative)



1. **Cash Yield** = Cash distributions after fees / Weighted Average Units on Issue throughout the period
2. **Total Income Yield** = (Cash distributions + Franking Credits, after fees) / Weighted Average Units on Issue throughout the period

# HPS TECH



HPS Tech delivers process engineering services and manufacturing engineering technology to the dairy, beverage and food industries. Specialists in liquid processing, including protein fractionation and chemical recovery.

The business was established in 2009, has c. 30 employees and is based in Geelong, Victoria.

|                        |  |
|------------------------|--|
| <b>Investment Date</b> | July-20  |
| <b>Sector</b>          | Engineering Consulting                                     |
| <b>Website</b>         | <a href="http://www.hpstech.com.au">www.hpstech.com.au</a> |

## BUSINESS UPDATE

### Major Contracts Won and Pipeline

- In Q2 FY22, HPS made progress on the ProviCo Lactoferrin Plant project with majority of the equipment orders having been placed and civil works now on the critical path.
- HPS won a contract with East Coast Juices and works on this project are underway.
- HPS also landed a major project with MARS Australia (confectionary) in December 2021
- HPS has also tendered for and is in active discussions for significant dairy processing projects in South America, Middle East, Netherlands and Lithuania – management estimates there is a reasonable probability that at least one (but unlikely more than one) of these projects is won

### General Business

- In Q2, HPS focused on enhancing resourcing and productivity capabilities, which involved an expansion of sales team and a number of new engineering hires
- In December 2021, the business appointed a new CFO, Greg Minter, who is an experienced finance executive who is well known and respected by the Straight Bat business family

## FINANCIAL UPDATE

While HPS appears to be behind budget on revenue and EBITDA for 1H22, this is due to financial recognition timing. All budgeted revenue and profit is still expected within the financial year.

HPS is on track for its annual budget of \$5.7m in EBITDA subject to project timelines not slipping significantly.

HPS' has a substantially positive working capital cycle and its balance sheet is strong with \$6.9m in Cash and \$3.9m in accounts receivable.

HPS distributions for H1 FY22 have been in line with budget and the outlook for the rest of the year remains positive, with much of the earnings underpinned by recent project wins and the ProviCo project proceeding on time and budget.

| Q2 FY22 \$m | Actual | Budget | Variance |
|-------------|--------|--------|----------|
| Revenue     | \$3.4  | \$6.6  | (50%)    |
| EBITDA      | \$0.6  | \$2.4  | (75%)    |

| Year to Date \$m | Actual | Budget | Variance |
|------------------|--------|--------|----------|
| Revenue          | \$7.0  | \$8.6  | (19%)    |
| EBITDA           | \$1.7  | \$2.4  | (28%)    |

| FY22 Budget \$m<br>(01 Jul '21- 30 June '22) | Budget |
|--|--------|
| Revenue                                      | \$18.8 |
| EBITDA                                       | \$5.7  |

Capital Invested

\$25.3m

Fund Shareholding

50%

Q2 Cash Yield <sup>1</sup>

1.3%

Q2 Total Yield <sup>2</sup>

1.7%

Total Yield – Year to Date

3.4%

Total Yield – Last 12 Months

6.9%

1. **Cash Yield** = Cash distributions post fees / Weighted Average Units on Issue throughout the period
2. **Total Yield** = (Cash distributions + Franking Credits, after fees) / Weighted Average Units on Issue throughout the period

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# RPM HIRE

Established 2011, based in Keilor Park, Melbourne, RPM Hire provides hire of traffic management equipment, with a premium 'full-service' offering.

Range of products include electronic variable message signs, traffic barriers, lighting and other traffic equipment. They have a leading position in VMS board rental in Victoria, and are rapidly expanding into barrier hire and interstate.

|                        |  |
|------------------------|--|
| <b>Investment Date</b> | July-21  |
| <b>Sector</b>          | Equipment Hire   |
| <b>Website</b>         | <a href="http://www.rpmhire.com.au">www.rpmhire.com.au</a> |

## BUSINESS UPDATE

### Business Update

- RPM continues to progress ahead of budgeted revenue, underpinned by the ongoing Monash Freeway project and smaller project wins.
- The business has expanded its operations to Queensland and is currently hiring for a number of roles for the same.
- In H1, the business appointed an experienced Chartered Accountant as Financial Controller and a WHS solution expert, with recruitment underway for two additional key roles: a QLD-based sales manager and an Operations Manager to support the expansion.

### Project Pipeline

- The business is participating in tenders for two major projects – North East Link and Fleurieu Peninsula, which are estimated could generate ~\$5.0m in EBITDA each. These projects are expected to use HighwayGuard barrier technology; for which RPM and Straight Bat are in positive discussions with Ingal (supplier) to secure an exclusive supply contract.
- The business continues to assess financing options should it win one or both of these projects.
- RPM currently has unprecedented ~\$40 million of tenders outstanding; anticipating a highly positive long-term outlook.

## FINANCIAL UPDATE

RPM has significantly outperformed its revenue budget for H1 FY22; driven by several medium-sized project wins.

A significant proportion of revenue was underpinned by the Monash Freeway contract which ends in early 2022. Management have begun a process of re-hiring the equipment utilised by the Monash Freeway project and will have an update on the success of this sales and tendering effort by the end of 3Q22.

While RPM exceeded its sales budget significantly, there was a slight underperformance on an EBITDA level as RPM incurred additional cross-hiring expenses. Cross hires were due to equipment supply delays due to global supply chain issues.

The business paid out target dividends in H1 FY22 and remains on track to achieve an ambitious FY22 budget, while facing some COVID related obstacles.

| Q2 FY22 | Actual | Budget | Variance |
|---------|--------|--------|----------|
| Revenue | 5.7    | 4.9    | 16.6%    |
| EBITDA  | 2.9    | 3.1    | (6.5%)   |

| Year to Date (\$m) | Actual | Budget | Variance |
|--------------------|--------|--------|----------|
| Revenue            | 10.1   | 9.4    | 7.4%     |
| EBITDA             | 5.6    | 5.9    | (5.1%)   |

| FY22 Budget (\$m) | Budget |
|-------------------|--------|
| Revenue           | 16.9   |
| EBITDA            | 12.2   |

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RPM  
HIRE

Capital Invested

\$20.2m

Fund Shareholding

38.4%

Q2 Cash Yield <sup>1</sup>

2.6%

Q2 Total Income Yield <sup>2</sup>

2.6%

Total Income Yield –  
Year to Date

5.6%

Total Income Yield –  
Last 12 Months

5.6%

1. **Cash Yield** = Cash distributions post fees / Weighted Average Units on Issue throughout the period

2. **Total Income Yield** = (Cash distributions + Franking Credits, after fees) / Weighted Average Units on Issue throughout the period

# TONER PLUMBING

Toner Plumbing is a leading Melbourne-based maintenance services provider with particular strength in plumbing and drainage, for construction clients like Porter Davis, Mirvac and building maintenance for clients including Johns Lyng Group.

The business has been operating for over 20 years, has c. 80 employees and is based in Narre Warren, Victoria.

|                                    |  |
|------------------------------------|--|
| <b>Anticipated Investment Date</b> | Jan/Feb-22   |
| <b>Sector</b>                      | Maintenance Services   |
| <b>Website</b>                     | <a href="http://tonerplumbing.com.au">tonerplumbing.com.au</a> |

## BUSINESS UPDATE

### Transaction Progress

- Prior to Christmas we signed Heads of Agreement for our next investment - a 50% stake in Toner Plumbing, Drainage and Maintenance Group for \$7.2m.
- This will be the third and smallest investment in the Straight Bat Generation 1 Fund. The business is being purchased at 4.0x EBITDA and we anticipate will deliver the highest Total Income Return in the portfolio to this point.
- We are excited to partner with the Toner family, who are highly values-aligned and committed to 'play the long game'.

## FINANCIAL UPDATE

We anticipate receiving a ~20% p.a. total dividend yield from this investment in the first 12 months of ownership.

The business has been effected by Covid19 lockdowns and disruption in the construction industry do to material shortages. While the business has not met budget in December and January we are confident the medium and long term outlook remains very strong.

These factors have been reflected in the deal structure, which incorporates a preference shareholding that affords Straight Bat a 20% p.a. total yield for the first two years of investment, in preference to other shareholders.

From February 2024 Straight Bat's shareholding converts to ordinary shares (50% stake).

The deal is anticipated to be settled at the end of January early February 2022.

| Deal Terms                      | CY22<br>\$ millions |
|---------------------------------|---------------------|
| EBITDA                          | ~\$3.6              |
| EV / EBITDA (x)                 | 4.0                 |
| <b>Enterprise Value</b>         | <b>\$14.4</b>       |
| SBPE Ownership %                | 50%                 |
| <b>Equity cheque</b>            | <b>\$7.2</b>        |
| Required yield %                | 20%                 |
| <b>SBPE yield preference \$</b> | <b>\$1.4</b>        |



Capital To be Invested

\$7.2m

Fund Shareholding

50%

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# GLOSSARY

|                               |  |
|-------------------------------|--|
| <b>1-Page Strategic Plan</b>  | An organisational strategy and planning tool that concisely aligns short, medium and long term objectives, creating focus and momentum within a business. Read more about the 1PSP on the News & Articles section of our website or by clicking <a href="#">here</a> |
| <b>Generation 1 Units</b>     | The total value of fully paid units in the fund which reflects Capital Invested and units issued to fund the 2% management fee paid 6 months in advance to Straight Bat to identify, transact and manage investment opportunities                                    |
| <b>Capital Invested</b>       | The amount of money the Fund has invested in a portfolio company   |
| <b>Equity</b>                 | The Fund's ownership interest in a portfolio company, represented as a percentage  |
| <b>Funds Under Management</b> | The amount of money committed to the Fund. This is comprised of both 'Fully Paid Ordinary Units' and 'Firm Commitments' and is subject to management fees payable to Straight Bat  |
| <b>Cash Yield</b>             | Cash yield refers to the total of cash distributed as a percentage of the fully paid units invested, post deducting Straight Bat performance fees.   |
| <b>Total Yield</b>            | Total yield refers to the total of cash and franking credits distributed as a percentage of the fully paid units invested, post deducting Straight Bat performance fees.   |
| <b>Capital Value</b>          | The current value of the Fund's shareholdings  |

**DISCLAIMER:** This Quarterly Investor Scorecard has been prepared by Straight Bat Private Equity Pty Ltd ACN 149 520 918 (Investment Manager), a corporate authorised representative (number 1280685) of Specialised Investment and Lending Corporation Pty Ltd ACN 149 520 918 (AFS licence number 407100) with Specialised Investment and Lending Corporation Pty Ltd ACN 149 520 918 (AFS licence number 407100) acting as Trustee. The authority of the Investment Manager is limited to general advice and deal by arranging services to wholesale clients relating to the Straight Bat Private Equity Generation 1 Trust (Fund) only.

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# PLAY THE LONG GAME

