Teaminvest Private Group

A unique investment company

Teaminvest Private Group (ASX:TIP) is a Sydney-based investment company. It is one of only a handful of investment companies listed on the ASX & arguably the most unique. TIP has gone through a substantial evolution in its more than two decades of existence, originating from an informal club of HNW individuals for education and stock-picking, before starting a private equity offering. It listed in 2019 & is now a diversified financial institution with a funds management business, private equity & investment education.

The famous value investing philosophy

Teaminvest has a Graham-and-Dodd value investment philosophy, focusing on buying undervalued companies with strong fundamentals at a price lower than their intrinsic value. It particularly seeks out 'SMaRT' companies, that is, companies with a clear Strategy, strong Moats, low Risk, with management the Teaminvest Private team can Trust. This philosophy is employed in its investing activities and is taught to clients in its Education & Advice segment. The company takes an active interest in the governance and growth of companies it directly invests in. Indeed, it seeks out companies that could grow materially with the benefit of mentorship and patient capital.

Delivering results year after year

This strategy is paying off as evidenced by its $1.6bn of funds in its Education & Advice business and a further $244m in Funds Under Management (FUM). TIP has made an 11.2% compounded annual return on its passive investments, a 16.3% gross return on its Education & Advice funds and a 2.7x Money on Invested Capital in private equity. During FY24, it made $158m in revenue and $17.8m in EBITDA. And FY25 has begun on a positive note across all segments.

Valuation of $3.09 per share, with potential for even further upside

We believe TIP is substantially undervalued. Using a conservative price/book value multiple of 1x, we think the company is worth $3.09 per share in a base case and $3.71 in our optimistic case, using a a 1.2x P/B valuation. As we outline in our valuation section, one could derive higher valuations using P/E multiples – either the multiple at the IPO price or the current market average. Moreover, the current book value may be an underestimation given that the company does not revalue its private equity holdings upwards. We see potential for the shares to re-rate as TIP continues to grow its FUM, its education businesses and racks up successes with investee businesses. Please see page 24 for more details on our valuation rationale and page 25 for the key risks of investing in this company.

Share Price: A$2.06

ASX: TIP

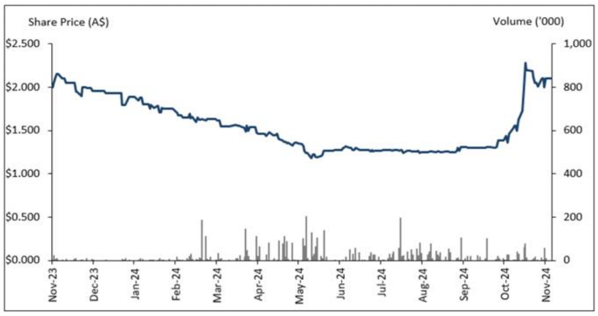
Sector: Financials

20 December 2024

Market cap. (A$ m)	55.8
# shares outstanding (m)	27.1
# shares fully diluted (m)	27.1
Market cap ful. dil. (A$ m)	55.8
Free float	100%
52-week high/low (A$)	2.28 / 1.18
Avg. 12M daily volume ('1000)	19.1
Website	https://www.tipgroup.com.au

Source: Company, Pitt Street Research

Share price (A$) and avg. daily volume (k, r.h.s.)



Source: Refinitiv Eikon, Pitt Street Research

Valuation metrics	
Methodology	Price-to-Book
Fair valuation range (A$ per share)	$3.09-3.71

Source: Pitt Street Research

Analysts: Stuart Roberts, Nick Sundich

Tel: +61 (0)4 3483 8134

Stuart.Roberts@pittstreetresearch.com

Nick.Sundich@pittstreetresearch.com

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The Investment case for TeamInvest

1) **TeamInvest's unique individual activities have a flywheel effect.** Its investing activities give it credentials and expertise in its education business as well as capital to invest in further businesses to compound its returns and so on. Additionally, its skills and experience enable it to play a 'hands on role' in companies it is invested in.
2) **TeamInvest has a unique investment strategy underpinning all its activities.** It is a Graham-and-Dodd style value investor focused on buying companies with strong fundamentals at a bargain price. This may seem obvious, but the company ensures this philosophy sticks through having all recruits read a series of books (outlined on p.__) and through a set of rules laid down in its Conscious Investors software that screens out companies.
3) **TeamInvest has made substantial returns**. Its active investments have more than doubled Money on Invested Capital, passive investments have made a 11.24% compounded net annual return on compounded invested funds since February 2024 and the education segment has achieved a gross return of 16.27% p.a. over 23 years.
4) **The company is popular with its clients as evidenced through the continual growth in the money it is entrusted to manage**. It has $1.6bn in Funds Under Advice (FUA) in its education and advice segment, and a further A$244m in Funds Under Management (FUM) in its investment management business.
5) **TIP has a highly diversified portfolio with exposure to industries resilient to economic conditions.** These include traffic control management business ECT and trailer engineering company GLT. Moreover, its education segment has exposure to a wide variety of businesses including Cochlear (ASX:COH), Technology One (ASX:TNE), JB Hi-Fi (ASX:JBH).
6) **It has pulled off the unthinkable in building a substantial investor education business.** In an era of Google, it is difficult to get people to pay for information, but this is what TeamInvest has done with its education business. Today the business has in excess of 600 members who pay around $10,000 p.a. for full membership to receive investment education and a software package called 'The Conscious Investor' that screens out companies incompatible with TIP's investment philosophy.
7) **TIP has a strong balance sheet.** It boasts $9.5m in cash and liquid investments, more than a quarter of its market capitalisation. Moreover, the company has a book value of equity of $83.9m, but trades at only 64% of this.
8) **TIP has a quality leadership team with significant 'skin in the game'.** TIP's board has an experienced team with years of experience in founding and managing companies, creating value for investors in the process. Moreover, the entire management team owns over 28% of shares (see Appendix I), and directors receive 50% of their board fees in shares, thus aligning their interests with those of their fellow shareholders.
9) **We believe Teaminvest is undervalued** at its current market value. We think as a bare minimum the company should be trading at its equity value which is $3.09 per share. One could derive further upside valuing it using a peer-based multiple approach, as we outline in our valuation section.

Overview of TeamInvest Private

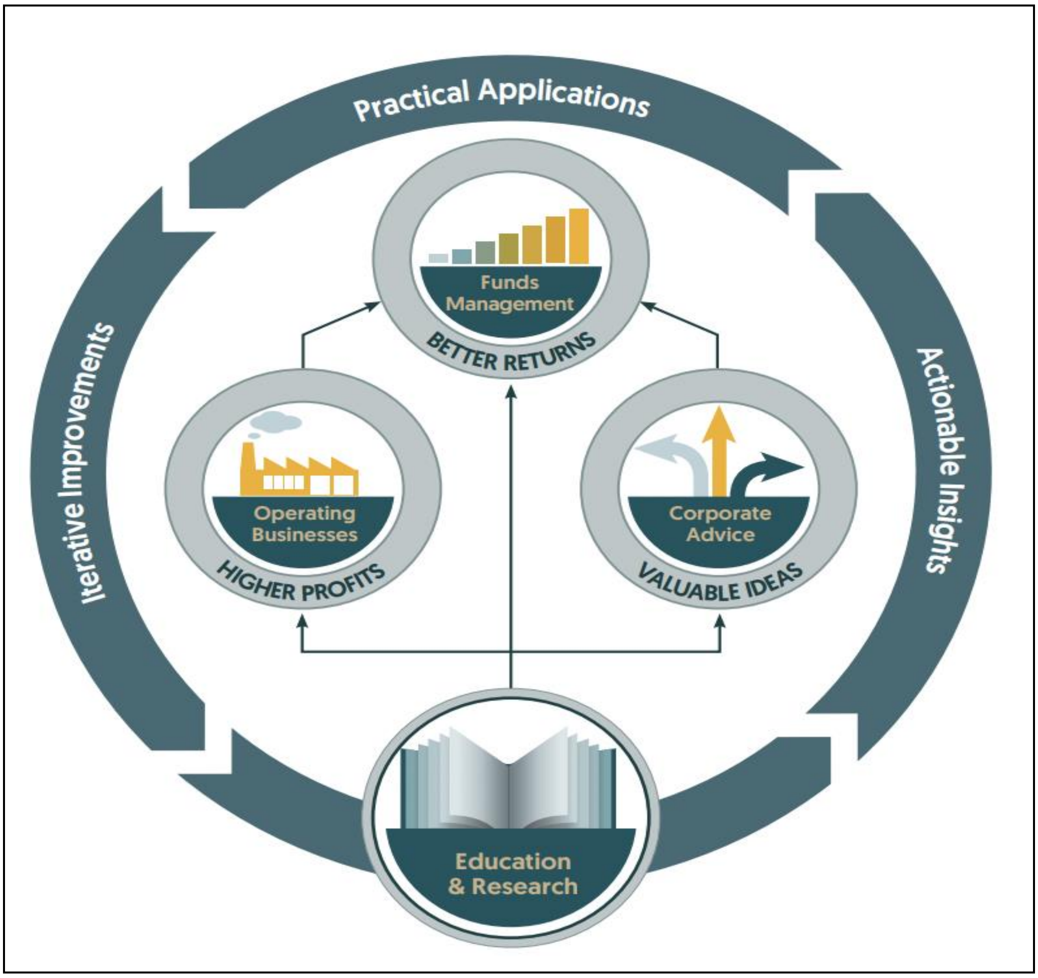
TeamInvest has 3 divisions: Wealth/Funds Management, Investor Education, Private Equity.

In this section we will provide an overview of the company, the story of its foundations and its investing philosophy. TeamInvest has 3 divisions (Figure 1) and the main body of this report will be structured around each of its 3 divisions.

- Wealth/Funds Management,
- Investor Education,
- Private Equity.

These divisions are complementary to each other. TIP uses its Insights to generate revenue through its education service and uses it to help improve business that its private equity and funds management businesses own. These lead to better returns for the companies and for TIP. This is summarised in the company's 'Noble Purpose' in compound[ing] knowledge and wealth[1]. The company's vision is to 'use proprietary, research driven, insights to create better investors and better businesspeople. Its mission is,' To build a portfolio of outstanding investments, run by talented leaders that materially improves the lives of customers, staff and those who trust [TIP] with their money'.

Figure 1: Overview of TeamInvest



Source: Company

[1] P.5 of the 2024 Annual report.

The background of TeamInvest: Aiding SMEs

Teaminvest Private originated as an informal club of wealthy individuals, mostly current and former CEOs, CFOs and business owners.

Teaminvest Private originated as an informal club of wealthy individuals, mostly current and former CEOs, CFOs and business owners, who came together to leverage the experience and wisdom of its investors. This club met informally before it formalised as Teaminvest Pty Ltd in the mid-200s with the original founding members. The original activity of Teaminvest was investor education and stock-picking.

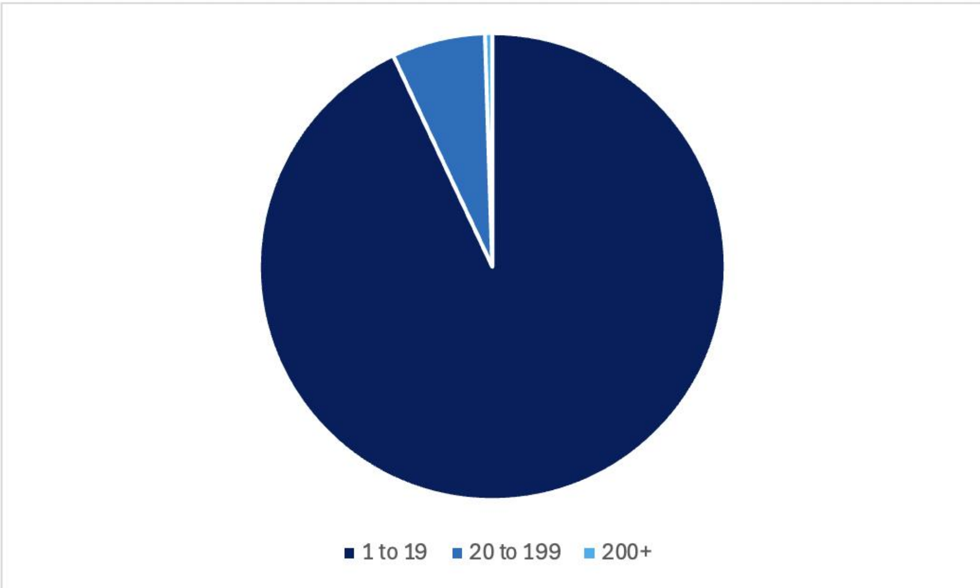
The intellectual model behind the business was based on the work of co-founder Dr John Price and subscribed to a Graham-and-Dodd value investing methodology. The original founders of Teaminvest were Dr Price, Howard Coleman, Mark Moreland and Regan Passlow. Dr Price contributed his research and filtering/valuation software while Mr Coleman in particular added significant business expertise to Dr Price’s academic rigour.

In 2012, Andrew Coleman (Howard's son), joined Teaminvest to establish a private equity offering called Teaminvest Private. Teaminvest Private was initially owned 70% by Teaminvest and 30% by management and operated a series of clubbed special purpose vehicles to enable Teaminvest members to acquire stakes in private companies.

TeamInvest Private has a focus on SMEs. Such businesses:

- Make up 99% of all businesses in Australia[2][3] (Figure 2),
- Employ two thirds of all employees (7.4m all up),
- Comprise just under 60% of all company profits and;
- Generate economic activity worth a third of Australia’s GDP[4].

Figure 2: SMEs share of Businesses in Australia as judged by Employment Size



Source: Pitt Street Research, ABS data[5]

[2] ABS data referenced by RBA Assistant Governor Brad Jones at a speech to COSBOA National Small Business Summit on 4 April 2024
[3] https://www.abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release#methodology
[4] Invoice Interchange data. https://www.invoiceinterchange.com.au/statistics-on-small-and-medium-enterprises-smes-a-2024-overview
[5] This data excludes sole traders.

Moreover, many Australian SMEs are integral to the social fabric of communities in a number of ways whether sponsoring charity events or providing a sense of community in an isolated world – consider for instance convenience stores in rural areas of Australia. They also serve as engines of innovation, using innovation to break into competitive markets and challenge large incumbents.

Indeed, RBA data shows that while overall real R&D spending by businesses has flatlined in 2 decades, it has more than doubled for SMEs and increased as a share of GDP[6]. SMEs also hold almost all trademarks and patents held by domestic firms[7]. A significant proportion of SMEs (50% of them[8]) have been in business for at least 10 years and 1 in 10 are seeking to expand at any time. And finally, we note that in some industries, SMEs account for a majority of companies in the sector – particularly construction, scientific and technical services, rental & real estate services and transport[9].

TIP believes its capabilities can help investee companies overcome three hurdles of growth that they otherwise would not be able to overcome:

1. Access to capital,
2. Access to strategic advice and,
3. How successful business leaders could continue to add value in retirement.

Where do SMEs get finance?

Between 2000 and 2017, lending from the Big 4 Banks to SMEs fell from $1 for every $1 lent out in mortgages, to just 13 cents. This is because banks see SME lending as less profitable.

Over the last few decades, banks have significantly reduced the amount of lending to small business. In 1990, lending to businesses (big and small) represented 55% of banks' non-government lending, but this had plunged to 32% by 2020. Amongst SMEs, the data paints an even more dire picture. In 2000, banks' lending to mortgages vs SMEs was nearly equal, but by 2017 the Big 4 lent just 13 cents for every dollar they lent towards residential mortgages[10]. As many as a quarter of SMEs have sought finance from the Big 4 but have been rejected[11].

This pivot has intensified even in the last 10 years. Take CBA, Australia's largest bank for example. Although it does not break down its lending to businesses by size, the conclusion that it sees SMEs as less profitable would not be unreasonable to make based on the data below. In 10 years, its mortgage book has grown by 66% and is now 70% of its loan book[12] (Figure 3). Although business lending has grown by 45%, it is now 28% of its total, a figure that is down from 30% 10 years ago. Moreover, business lending has only grown 14% ahead of inflation while home loan lending has grown 31% ahead of inflation[13]. It is little consolation to SMEs that consumer finance has gone backwards vehemently.

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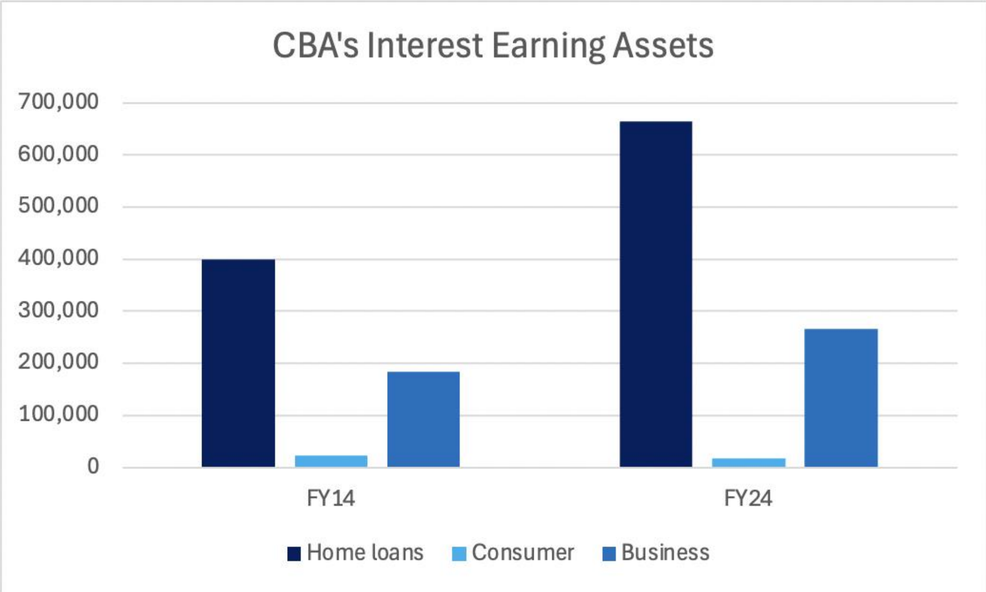
[6] ABS and RBA data – refeenced at Assistant Governor Jones' 4 April 2024 speech
[7] Data from IP Australia
[8] The Australian Small Business and Family Enterprise Ombudsman
[9] https://www.pc.gov.au/research/completed/business-finance/business-finance.pdf; p.10
[10] This was pointed out by Judo Bank founder Joseph Healy in his book *Breaking the Banks: What Went Wrong With Australian Banking?*
[11] https://www.ondeck.com.au/news/1-in-4-smes-declined-for-big-bank-finance-ondeck/
[12] Strictly speaking, its interest earning assets.
[13] In our analysis we used the RBA's inflation calculator. We calculated 26.7% since 2014 at an average annual rate of 2.7%.

Figure 3: CBA's lending book (excluding non-lending activities)



Source: Pitt Street Research, CBA annual reports[14]

Major banks are not an option for SME financing as banks do not see SME lending as profitable as residential property or secured personal lending.

The reason banks have prioritised mortgage lending is because banks no longer see SME lending as profitable as residential property or even secured personal lending. When banks lend to SMEs, they:

- Require property as a collateral (which SME owners may not have)
- Charge interest rates generally higher than they would with larger businesses – although these vary significantly dependant on the term and security (if any) for the loan, they can be anywhere from 4% to 35%[15],
- Provide extremely complex, one-sided contracts that yield maximum power to make changes whenever banks like and without borrowers' consent,
- Take a longer time to approve lending compared to larger businesses, and
- Are not transparent with conflicts of interest in dealings with third parties involved in loan processes such as valuers, investigative accountants and receivers.

And of course, possessing a reputation for bumper profits and being reliable dividend payers, possessing staff motivated (from both remuneration and general psychological standpoints) to deliver returns for their employers, not to mention facing significant regulation (with the risk of major reputational damage if they fall afoul), banks have pressure to deliver quick wins with minimal risk. SME lending does not fulfil this desire to the extent mortgage lending does. Why would a bank lend to a business that *may* be bigger in 5-10 year's time when it could sell mortgages that deliver a stable income stream (principle and interest) over 30 years with customers that would only go into default and/or sell the home as a last resort, given that land (theoretically) only goes up.

[14] P.20 of both FY14 and FY24 annual reports of CBA
[15] According to analysis by the Productivity Commission. https://www.pc.gov.au/research/completed/business-finance/business-finance.pdf

Macroeconomic disruptions since the pandemic have made finance from major banks even more difficult to come by.

The macroeconomic disruptions since the pandemic including tightening monetary policy, supply chain disruptions, labour shortages and the consequential impact on consumer demand and slowdown in economic activity have made finance from major banks even more difficult to come by. Although governments have undertaken some actions to aid SMEs, including introducing a lower corporate tax rate for companies with revenues below A$50m and some specific financing initiatives, the latter tend to be focused on certain industries (particularly technology and renewable energy). Delays in securing finance can result in delays of goods or services to customers, amongst other disruptions to operations.

There have been some fintech lenders focused on SMEs that may be reading this report and wondering 'what about us?' These fintechs do exist, they include companies such as Prospa and Judo Bank. Many of these are only focused on short-term financial relief and/or can be just as picky as the big banks in whom they do business with. And crucially, they are just as lacking as the big banks in the strategic advice department. We are not denying that businesses may need quick financing to meet operational needs or for longer-term reasons, but some would appreciate having not just another creditor but a strategic advisor that has skin in the game as TIP is for its investee companies.

The need for strategic advice

One million Baby Boomer SME owners will retire in the next 10 years.

The Baby Boomer generation is a significant driving force behind SMEs today – both as owners and employees. Their gradual retirement will be a significant loss of skills and experience. One million SME owners will retire in the next years, accounting for 40% of the total SME owners in Australia[16] – and in fact, many will in the next ten years (before 2034). Conversely, only 8% of owners are under 30, a proportion that has halved since 1976[17].

The handover of businesses to the next generation is an issue bubbling under the surface now, but it will erupt in the years to come with only 28% of businesses having a formalised succession plan[18]. The two biggest issues facing these new owners will be managing those companies (when they may not have the experience in their company's industry, or even managing companies generally) as well as access to capital. They may not have a family home to 're-mortgage' or be unwilling to take on the risk. They will almost certainly not have all skills necessary to be the CEO of a company and may not have mentors and/or colleagues at an executive level who can make up for missing strengths.

TeamInvest believes it can make a difference in providing capital, and providing the strategic assistance to help the business owners it partnered with.

TeamInvest believes it can make a difference in providing capital, but also in providing the strategic assistance to help the business owners it partnered with to create value for themselves as well as for TIP as an investor.

Although facilitating transfers can be something TIP can help investee companies with, the company recently (in November 2024) launched the Succession Lending Fund in conjunction with the Australian Wealth Advisors Group (ASX:WAG), to specifically address the need for succession planning. The fund, focused on the accounting and financial planning sectors, offers finance to appropriate companies and it is also an opportunity for sophisticated and wholesale investors who desire targeted returns and regular cash distributions.

[16] https://www.smartcompany.com.au/business-advice/smes-not-succession-planning-problem
[17] ABS data, retrieved at https://www.smartcompany.com.au/finance/jason-andrew-arbor-permanent-owners-succession-aging-entrepreneur/
[18] Pitcher Partners Business Radar 2024. https://www.pitcher.com.au/business-radar-2024/

TeamInvest listed in 2019, then undertook further evolution post-listing

Since its 2012 founding, Teaminvest Private used a combination of accumulated performance fees to buy-out other investors, and a restructure to merge the existing SPV's, to list on the ASX in May 2019 in a compliance listing. By this time, the company provided $39m of capital and provided 51 directors to small and medium enterprises. It had six 100%-owned companies (including GLT, Icon Metal and ECTC which remain in TIP's ownership to this day and are outlined later in the report) and two partially owned companies.

The 2019 IPO raised $2.3m from existing investors at $1.00 per share, which is equivalent to $5.00 today after an October 2023 five-for-one share consolidation. TIP continued to buy businesses after it listed.

In particular it:

- Bought Automation Group in July 2020
- Acquired the club's investor education business (and its former parent) Teaminvest Pty Ltd in 2021, and
- Acquired Teaminvest's fund management business (Conscious Capital) in 2022.

In effect, the listed company transitioned in 2022 from being a private equity business into being a financial institution / investment house.

TIP now refers to its investments under 'Passive' and 'Active' investments as opposed to labelling its investments as 'private equity' and 'managed', notwithstanding its active investments effectively function as a private equity arm.

Teaminvest Private's investment style and philosophy

Teaminvest Private is very much a Graham-and-Dodd style investor.

Teaminvest Private is very much a Graham-and-Dodd style investor, that is, a value investing approach originally developed by the American investors Benjamin Graham and David Dodd that focuses on buying undervalued companies with strong fundamentals at a price lower than their intrinsic value. Also guiding Teaminvest is the Conscious Investor approach developed by Dr Price which provides rules about what stocks or businesses not to buy.

Moreover, TeamInvest engages with its investments. With investee companies on the Private side, it works alongside management so that all parties can realise returns**.**

The company attributes its success largely to:

- Using a research driven approach to investing
- Not deviating from the rules laid down in TIP's proprietary Conscious Investor software in terms of what companies to screen out.
- Using the 'wisdom of crowds', to screen out false positives and access mentors
- An emphasis on investing in 'SMaRT' companies, that is, companies with:
  - i) a clear **Strengths**,
  - ii) strong **Moats**,
  - iii) low **Risk**,
  - iv) Management with a degree of **Trustworthiness** the Teaminvest Private team are satisfied with.

- A laser sharp focus on increasing earnings, believing it to be the only way share prices grow in the long term.

The philosophy of Graham-and-Dodd can be summarised in a handful of books which Andrew Coleman requires all new recruits to the company to read (outlined in Appendix II).

Private Equity/Active Investments

Starting in 2012, Teaminvest expanded its focus from investing in listed companies to acquiring private businesses.

To do so the company adopted its existing investment methodology, with an expanded role for select members called 'Selected Shareholders'. These Selected Shareholders undertook to evaluate potential opportunities, with the entire membership then given the chance to invest once that evaluation process had been completed via a traditional private equity special purpose trust structure.

Teaminvest owns up to 20 companies at a time. These tend to be $20-200m revenue companies that could benefit from mentorship and capital to go to 'the next level'.

Today the capital for private equity investing comes from the listed company's balance sheet rather than from members. The Selected Shareholder approach remained in place after the IPO and Teaminvest Private continues to add to its roster of Selected Shareholders. Teaminvest typically buys at 4x to 7x historical NPAT. The typical business is a $20-200m revenue company that could benefit from mentorship and capital to go to 'the next level'. At any one time, the portfolio comprises up to 20 assets. Teaminvest takes an active part in governance and growth of the company as opposed to just sitting back and waiting.

Then as now, the company seeks board representation as a non-negotiable condition for investing. This approach draws on how Warren Buffett and Charlie Munger engaged with Berkshire Hathaway's private businesses. The boards are selected by, and report to, the relevant head of division and group CEO. All members on a portfolio board (whether from TIP or remaining from the era pre-TIP's investment) are judged on these 5 requisites:

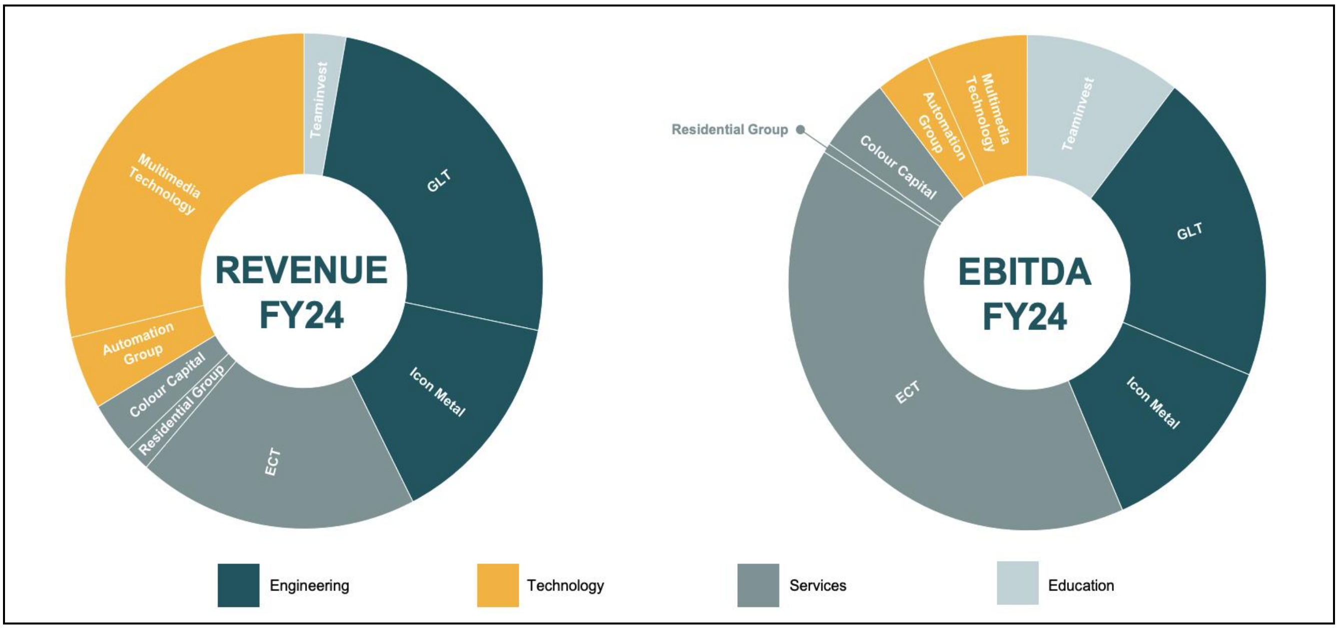
1. **Mentoring executives** as distinct from managing, which means to guide, educate and encourage executives to think differently to enhance their skillset and grow the business in a visionary manner;
2. **Allocating capital** within the business as appropriate to deliver increased value to shareholders (whether through funding organic growth, bolt-on acquisitions or returning capital to TIP via dividends);
3. **Strengthening moats and reducing risks** to ensure profits and dividends can continue to grow without undue stress, ideally through increasing the Break-Even Safety Margin (BESM);
4. **Ensuring compliance** with all laws, regulations and governance requirements; and,
5. **Delivering regular dividends** to TIP and any other shareholders, rewarding them for the use of their funds and mentorship efforts put in.

All boards report directly to a head of division at TIP and regularly meet with them to assess performance and obtain advice. Companies need to complete Traction Reports and Employee Assessments quarterly, and attend twice yearly Strategy Days.

Portfolio businesses

It is important to note that this is not an exhaustive list, but a list of the largest contributors to the group's revenue and EBITDA from so-called 'Active Investments' (Figure 4).

Figure 4: TIP's portfolio businesses and their contribution to FY24 revenue and EBITDA from 'Active Investments'



Source: Company

100% owned businesses

100% owned business include GLT, Icon Metal, Automation Group, ECT and TIP Residential Group.

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GLT Trailers (GLT) (100%) – This business, originally named after founder Graham Lusty, is a truck manufacturer that has been in business since 2006 (Figure 5). It was gradually acquired by TIP across the 2010s – the initial stake was bought in 2013 and it has been wholly owned since 2018. GLT contributes 21% of TIP's active EBITDA from Active Investments and the company has made a MOIC of 6.7x since acquisition.

Figure 5: A GLT trailer

Source: Company

GLT makes trailers with a low tare weight and with high-quality materials.

GLT manufactures trailers for a wide range of industries including mining, waste management and bulk goods transportation. The trailers are manufacturered with an industry leading low tare weight[19], allowing higher margins for the user through less trips being required to transport material and subsequent saving on fuel costs, reduced wear and tear on the equipment, and overall operational efficiency. For instance, certain B-Double trailers are as light as 9.7 tonnes, allowing a paid load of over 44 tonnes. The company makes trailers with high-quality materials and precision engineering.

In recent times, GLT has begun to pride itself on environmental sustainability, by building newer models that cause less emissions when produced as well as when operational, and that are durable. By keeping trucks on the road for as long as possible, and enabling it to carry more per trip, they maximise the return on the upfront invested capital, and aid minimising emissions from production. When transporting 50,000t of payload across 130,000km over the course of the year, a customer could save 2,400 litres of diesel when

[19] This is a term the official weight of a vehicle without any contents loaded.

compared to competing trailers[20]. GLT is also exploring the potential of low carbon materials, such as alternatives to aluminium and steel, and investigating emerging electrification technologies. It engineered 200 trailers in FY24, and the company has doubled its production capacity to a maximum of 500 trailers.

ECT offers traffic planning, management and control services in Queensland and New South Wales.

East Coast Traffic Control (ECT) (100%) – ECT offers traffic planning, management and control services in Queensland and New South Wales. This business was acquired in March 2014, having been founded in 1993. TIP has made a MOIC of 4.3x on this business, and ECT contributes 41% of active EBITDA. The company boasts 297,000+ p.a. hours worked, >300 traffic controllers and >220 vehicles (Figure 6).

Figure 6: ECT's services

Source: Company

Services offered by ECT include human traffic controllers, traffic signage (both permanent and temporary) as well as traffic management plan/traffic guidance scheme composition services. It can help in circumstances ranging from planned road maintenance to enforcing diversions during emergencies. One example of the latter was in August 2024 when a truck crash on the Bruce Highway in Central Queensland led to an explosion and the spilling of ammonium nitrate on the road. ECT went on the site and managed traffic during the clean-up efforts.

ECT boasts about being able to handle any traffic control project no matter the size or complexity, its ability to serve regional areas in New South Wales and Queensland with local depots and Area Managers, the reputable relationship it has with local councils and road authorities, as well as its quality, safety and environmental certifications. It can adapt solutions to projects' unique requirements and to resolve complex traffic challenges.

[20] https://glttrailers.au/latest-news-blog/sustainability-takes-the-wheel-creating-cost-savings-for-operators-and-reduced-carbon-emissions/

Icon Metal makes premium quality architectural metalwork and structural steel.

Icon Metal (100%) – Icon Metal makes premium quality architectural metalwork and structural steel. Icon was founded in 1996 and acquired by TIP in August 2016 after two decades of leadership from founders Michael and Stephen Pribula. The company's workshop is in Western Sydney suburb of Silverwater and it uses various techniques, including welding, to ensure strong, smooth metal seams across all shapes and thicknesses.

Employing 50+ staff, Icon offers services including architectural metalwork, structural steel, miscellaneous metalwork, glass, cladding, rigging, project management, design, fabrication, site installation and miscellaneous metal object manufacturing (such as handrails and bike racks). Icon has longstanding relationships with Tier 1 builders and government agencies. Its recent projects include the iconic spiral stairs at Quay Quarter Tower in Sydney (the new AMP building); signage frames, balustrades, louvre pods and access ladders at multiple Sydney Metro stations (Figure 7), as well as steel frames to support the louvre façade panels for High Voltage Substations at Western Sydney International Airport.

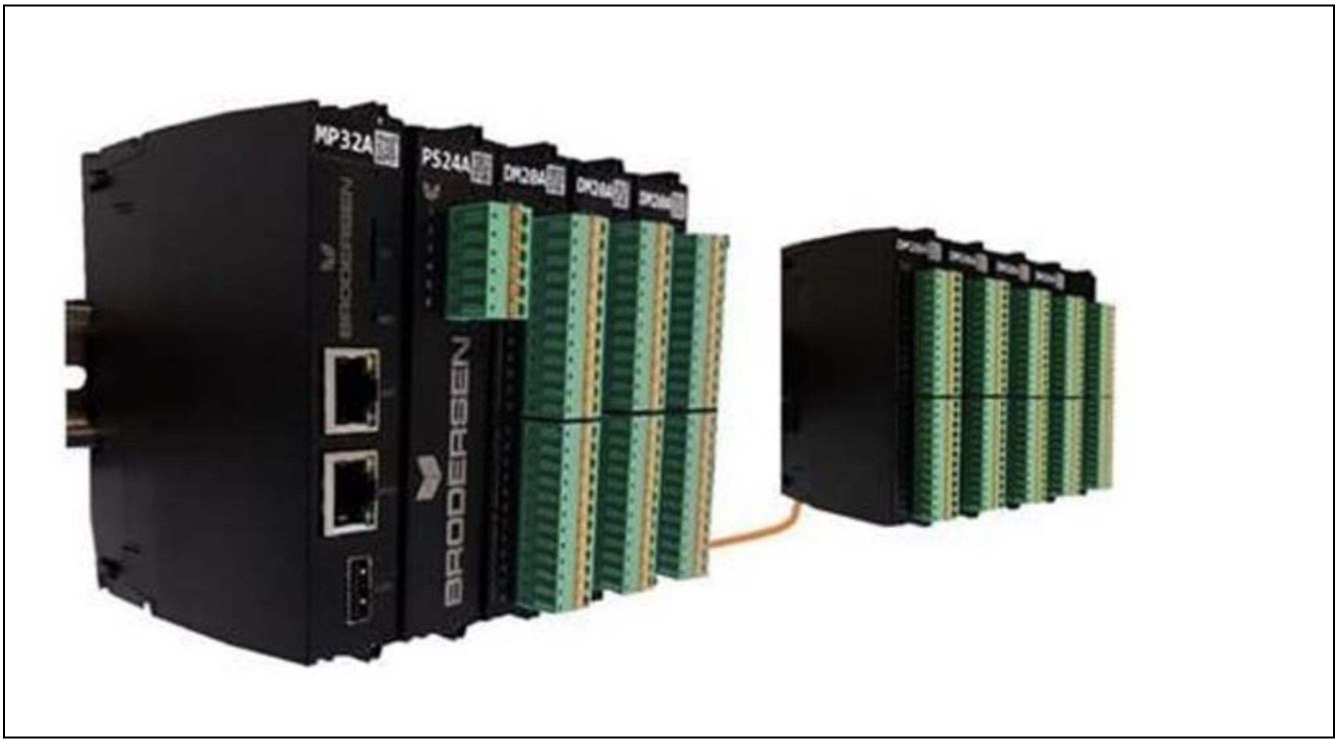
Figure 7: Icon Metals' Sydney Metro Work

Source: Icon Metal (Instagram)

Automation Group (100%) – This business was acquired in September 2020 for A$2.7m in TIP shares. Automation Group provides advanced industrial automation and radio telemetry products and services.

Automation's flagship Brodersen and Senquib control systems (Figure 8) enable remote monitoring for the water, agricultural rail and electricity industries. Examples of applications include air quality monitoring, river flow management, silo monitoring, electric fence monitoring, water quality management and wastewater management. Data can be collected seamlessly and delivered to users anywhere in the world.

Figure 8: Brodersen RTUs (Remote Terminal Units)



Source: Icon Metal (Instagram)

The company prides itself on providing superior post-sales support (including onsite or remotely delivered training courses) and the 60+ years of experience possessed by its team.

TIP Residential Group (100%) – This business represents the aggregation of various providers of residential property products and services including 100% of Kitome, a supplier of kit homes acquired in December 2014; and 20% of DecoGlaze, a supplier of kitchen 'splashbacks' which was 100% acquired in July 2013 but where 80% has since been vended back to management.

Partially-owned businesses

Colour Capital (33.33%) – This investment was made in August 2017. Colour Capital owns various master franchises including Gold's Gym (Aus & NZ), Raw Energy Cafes (Global) and, until recently G.J. Gardner Homes (NSW, ACT and WA) which the company grew to being a top 10 home builder completing over

700 homes per year in NSW. The G.J. Gardner exit was messy and involved a protracted legal battle, but TIP won a judgement of $20m plus costs

Wattle Court Homes (33.33%) – This investment was made in November 2024, with the company having begun by the team behind Colour Capital in the aftermath of the termination of the agreement between it and GJ Gardner. WattleCourt already has 3 builders operating under its brand – based in Moss Vale and Brookvale in NSW and the Sunshine Coast in Queensland. As a small business, it is able to collaborate closely with its customers, tailoring designs to their wishes, and it also prides itself on providing fixed quotes.

Multimedia Technology (30%) – This investment was made in July 2018. Multimedia Technology is one of Australia's pre-eminent IT distributors. It was founded in 1990 and has grown to a business employing 95 staff. It sells several hundred products including screens and displays, printers, speakers, audio control devices, computers, cameras and USB drives; and it makes revenue of ~$150m.

Wealth/Passive Investments

Wealth is TIP's advisory, funds management and investment banking business. It generates revenues through:

- **Advisory fees**, usually comprising of a small retainer and a much larger success fee;
- **Operation fees**, usually determined as a small proportion of Funds Under Management, paid to cover the provision of trustee, custodial and administering functions; and
- **Performance fees,** usually linked to outperformance of a particular benchmark.

Teaminvest Private had $244m in Funds Under Management by September 2024.

This division was only formally established in FY23, but its history dates back further. In February 2013 the Teaminvest club in effect went into the fund management business with the establishment of Conscious Capital Ltd. Initially this was a wholesale fund manager for club members who preferred outside management of their portfolio. Later it started accepting funds from investors outside the club membership.

In August 2022 Teaminvest Private announced the acquisition of 50% of Conscious Capital, and around that time Teaminvest Private started acquiring other fund managers such as Burman Invest in June 2022.

Earlier, in May 2020, it had acquired Valuestream Investment Management, a third-party trustee. Conscious Capital has returned 11.2% p.a. after fees since inception, 285 bps pa above its benchmark index.

$244m in FUM

Across all its managed funds, Teaminvest Private had $244m in Funds Under Management by September 2024, as follows:

- Corinthian Balanced Fund - $66m
- Conscious Investor Fund - $160m
- Future Property Fund - $0.2m
- Private Equity Fund - $6.0m
- Teaminvest Access Fund - $12m

Moreover, it has $1.6bn in Funds Under Advice (FUA). A number of these funds have generated solid returns. The Conscious Investor fund delivered an after-fee return of 15.14% and the Corinthian Balanced fund delivered 8.93%.

In November 2024, Teaminvest partnered with Australian Wealth Advisors Group (ASX:WAG) and launched the Succession Planning Fund. It is designed to address the growing need for succession planning within the accounting and financial planning sectors. A cash flow lending product **which** will facilitate ownership transfers, growth initiatives (particularly strategic acquisitions) and talent retention.

TIP's Investor education business

Today the business has in excess of 600 members who pay around $10,000 p.a. for full membership.

The investor education business was vended into Teaminvest Private in June 2021. The business involves members paying fees in order to be able to access regular investment seminars to learn about how to manage their own investments. Today the business has in excess of 600 members who pay around $10,000 p.a. for full membership to receive investment education and a software package called 'The Conscious Investor', which has the tools developed by Dr Price.

The investment philosophy, which is called the 'Teaminvest Way', was developed by Dr Price and Howard Coleman, and involves fundamentals-based systems that identify what companies not to invest in. Beyond servicing its members, this division also serves a purpose of generating intelligence to apply to TeamInvests' companies (both actively and passively owned) – both potential companies to invest in, as well as broader market and investing insights.

And so even though Education is TIP's smallest division, having generated just $4.3m of its $158m FY24 revenue, it is more important than this proportion would suggest. Indeed, Teaminvest has told investors it is 'the special sauce that allows us to drive compounding value growth year after year across all parts of our business'[21].

[21] P.18 of TIP's 2024 annual report.

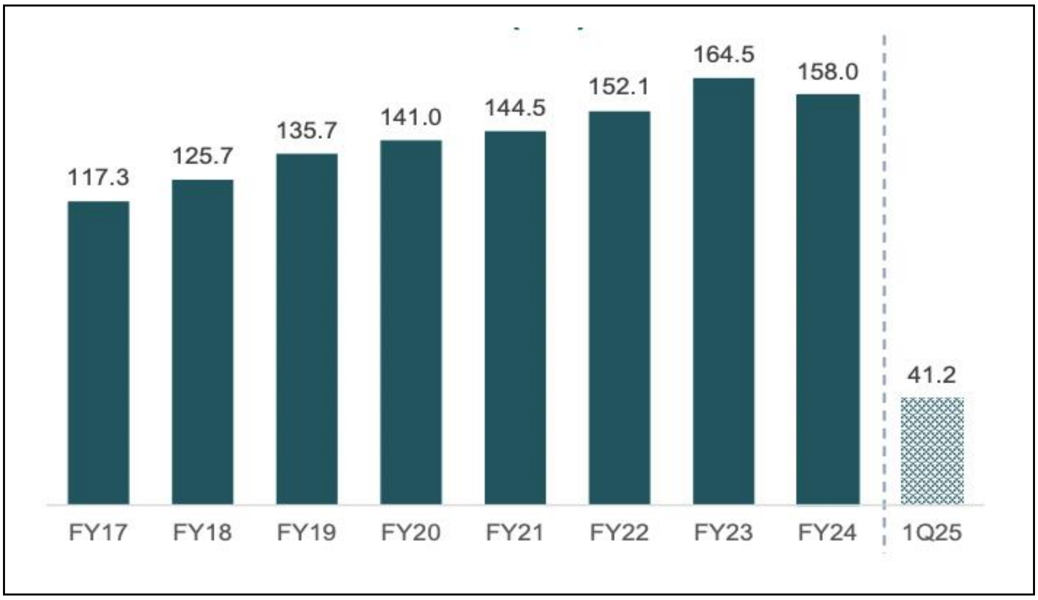
TIP's performance: Past and Future

FY24

FY24 revenues were $158m and EBITDA was $15.8m.

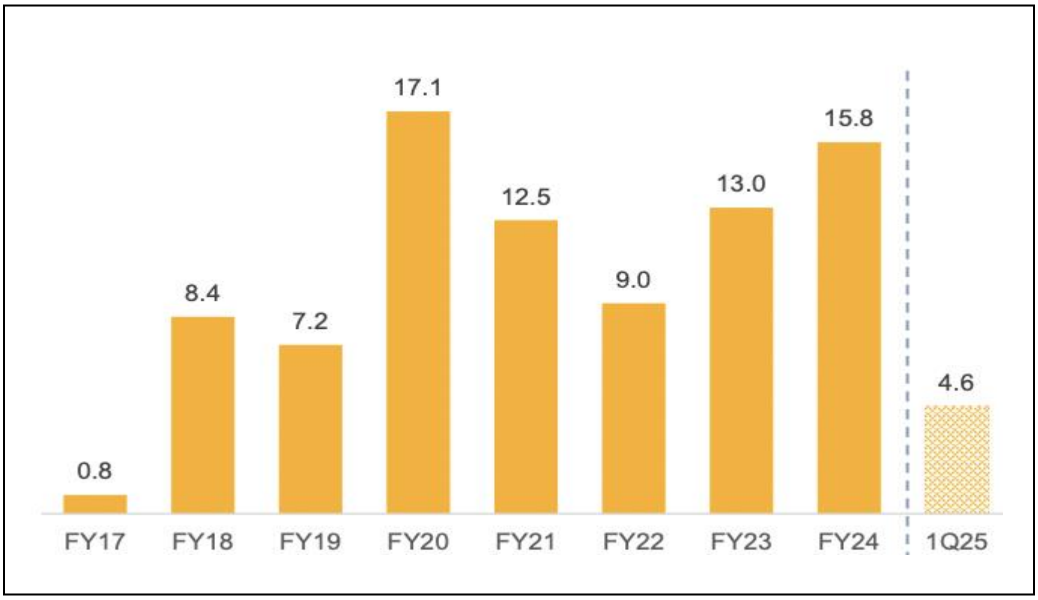
FY24 (the 12 months ended 30 June 2024) was a positive year for the company. Revenues were $158m (Figure 9), its preferred bottom-line operating metric, Look-Through EBITDA, rose 21% to $15.8m (Figure 10), and the company paid a dividend of 3c per share (a record for the company).

Figure 9: TIP's revenues



Source: Company

Figure 10: TIP's EBITDA



Source: Company

During the year, the company invested $7.9m – which was over 20% of its market capitalisation as at 30 June - in growth initiatives. These included:

- $1.9m to double production capacity at GLT
- $0.9m to acquire new vehicles for expansion at ECT,
- $1.4m to participate in a placement for Clime Investment Management (ASX:CIW)
- $1.1m in other listed securities and managed funds, and
- $0.6m of new private equity investment.

A further $1.1m of growth capex was invested in portfolio companies, with $0.9m of capital return to investors via dividends and buy-backs. It concluded the period with $9.5m in net cash and listed investments.

The future outlook

TeamInvest plans to continue growing its revenue and earnings by:

- Increasing Funds Under Management and Funds Under Advice in its Funds management business
- New investments, particularly those that bolt-on to existing businesses, or new businesses whose management aligns with the company's philosophy,
- Working with management of existing investments to sustainable grow profits.

TIP has an internal target return of over 15% over the long run.

The company has an internal target return of over 15% over the long run. Obviously, very few assets offer a sustainable yield of 15%! And so the company seeks assets where earnings grow over time, and to buy them where the price suggests market sentiment is (wrongly) below its historic mean.

Teaminvest is on track for a positive FY25. It closed Q1 (the 3 months ending 30 September 2024) with revenues up 5% and EBITDA up 17%. Its FUM remained stable at $244m and it had Net Passive Assets of $10.9m. So far in Q2, it launched the succession lending fund with Australian Wealth Advisors (outlined on p.16), acquired a further $0.5m of liquid investments on market, and it bought 33% of Wattle Court Homes.

Peers

We have considered companies in the Asset management space, as deduced by the GICS code, and we have only included ASX-listed companies (Figure 11).

Figure 11: TeamInvest's peers

Company	Code	Market Cap ($Am)	HQ	Website
GQG Partners	GQG	6,590	Fort Lauderdale	https://gqg.com/
Insignia Financial	IFL	2,410	Melbourne	https://www.insigniafinancial.com.au/
InvestSMART	INV	18.6	Sydney	https://www.investsmart.com.au/
Magellan	MFG	1,950	Sydney	https://www.magellangroup.com.au/
Netwealth	NWL	6,950	Melbourne	https://www.netwealth.com.au/
Perpetual	PPT	2,290	Sydney	https://www.perpetual.com.au/
Pinnacle	PNI	5,150	Sydney	https://pinnacleinvestment.com/
Platinum Investment Manag	PTM	375.5	Sydney	https://www.platinum.com.au/
Prime Financial	PFG	52.3	Melbourne	https://www.primefinancial.com.au/
Washington H. Soul Pattins	SOL	12,680	Sydney	https://soulpatts.com.au/
TeamInvest	TIP	56.2	Sydney	https://www.tipgroup.com.au/

Source: Company

GQG Partners (ASX:GQG) operates as a boutique asset management company worldwide. It manages equity portfolios for investors, including insurance funds, pension/superannuation funds, sovereign wealth funds, ultra high net worth investors, sub advised funds, financial advisors, wealth management administration platforms, private banks, and other discretionary wealth managers.

Insignia Financial (ASX:IFL) provides financial advice, platforms, and asset management services in Australia. The company offers financial services solutions on superannuation and investments to clients including investors, employers, members, and advisers. It also provides financial advisory, various financial products and services, and investment management services on behalf of institutional, retail, and direct clients. The company was formerly known as IOOF Holdings Ltd. and changed its name to Insignia Financial Ltd. in December 2021

InvestSMART (ASX:INV) provides financial services and products to retail investors in Australia. It primarily offers wealth and funds management, and personal insurance products and services. The company was formerly known as Australasian Wealth Investments Limited and changed its name to InvestSMART Group Limited in May 2016.

Magellan (ASX:MFG) is a publicly owned investment manager. It invests in global equities and global listed infrastructure markets across the globe, with A$38bn in FUM .

Netwealth (ASX:NWL) operates a platform that offers superannuation, including accumulation and retirement income products; investor directed portfolio services for self-managed superannuation and non-superannuation investments; managed accounts and funds, self-managed superannuation funds administration; and non-custodial administration and reporting services. It also provides investment wrap products; managed accounts, and self-managed superannuation and non-custodial administration services; and portfolio management tools, performance tools, investment research tools, and mobile access tools.

Perpetual (ASX:PPT) is a publicly owned investment manager. It offers investment capabilities across a range of asset classes, including Australian and global equities, mortgages, cash and fixed interest, and Australian listed property. The company also provides specialist direct-to-client financial services for high-net-worth individuals that include fiduciary services, such as trust advice and services, custodial solutions, estate planning, estate administration, and executorial services; independent financial advice services with specialist and 'do-it-yourself' superannuation offerings; and philanthropic services.

Pinnacle Investment Management (ASX:PNI) operates as an investment management company in Australia. The company offers third party distribution, and fund infrastructure and support services to its affiliates and various investment managers. It also operates as a corporate trustee and responsible entity for retail and wholesale investment trusts.

Platinum Investment Management (ASX:PTM) is a publicly owned hedge fund sponsor. It primarily provides its services to pooled investment vehicles, pension and profit sharing plans, corporations. The firm also manages equity portfolios. It invests in derivatives, cash, shares, government bonds, and real estate. It employs bottom-up stock selection methodology to create its portfolio. The firm obtains external research to complement its in-house research.

Prime Financial (ASX:PFG) provides wealth management, self-managed superannuation fund (SMSF), accounting and business, capital, and corporate advisory services in Australia. The company offers accounting and business advisory services, such as accounting and tax compliance; wealth management services, including financial and retirement planning, superannuation advice, investment advice, life insurance, and wholesale investment opportunities solutions; SMSF services; and environmental, social, governance advisory, such as ESG framework strategy; carbon reporting; impact and shared value strategy; behaviour change management; learning and development; and marketing, communications, and creative advisory services.

Washington Soul Pattinson (ASX:WSP) is an investment house that owns stakes in several businesses including Brickworks, TPG and New Hope along with a multitude or privately-held assets. It traces its origins to the 19^{th} century and is the second oldest listed company. It has often been termed 'Australia's Berkshire Hathaway'[22].

[22] This designation has been applied in several publications including Stockhead, Motley Fool and Firstlinks.

Teaminvest's management

The company's current board and leadership composition is listed below (Figure 12). They own roughly 29% of the company (Appendix I) and are paid 50% of their fees in shares. They have 'real world' experience through TIP's operating businesses and have worked for global investment banks, global consulting firms and ASX-listed corporates.

Figure 12: TeamInvest's leadership composition

Board of Directors	
Name and Designation	**Profile**
Andrew Coleman CEO	Mr. Andrew Coleman co-founded Teaminvest Private in 2012 and was its Executive Director until February 2019 when he became CEO. He was a director of Clime Investment Management (CIW) from January to October 2024. Prior to joining Teaminvest Private, Andrew worked in Sydney as an investment banker for Credit Suisse, advising and assisting clients on significant corporate deals in Australia and internationally with a specific focus on M&A and capital raising activity. Andrew has served in volunteer board or executive roles with organisations including the Young Leadership Dialogue, the Australian Democrats, the National Union of Students, and UNSW Premier Cricket Club. He is co-author with Suzanne Kerwan of the 2021 book 'Building a Wealth Winner by Transferring Knowledge, and of 'Relative Performance Incentives and Price Bubbles in Experimental Asset Markets', published in the Southern Economic Journal in October 2014. Andrew was educated at James Ruse Agricultural High School in Sydney and at the University of Sydney, where he obtained a Bachelor of Economics with Joint First Class Honours in Economics.
Howard Coleman Director	Howard Coleman has been a director of Teaminvest Private since its 2012 founding. He has over 40 years' experience as a founder and CEO in the areas of sales, marketing, consumer finance, and language and mathematics education in Australia, South Africa, and the UK. Howard's extensive background and experience are invaluable for assessing the strengths and weaknesses of companies. This particularly applies to identifying their future risks, and the ability and strategies of the board and senior management to deal with them. Howard has won many business awards including the prestigious Speaker of The Year Award from The Executive Connection. Howard regularly appears as a guest commentator on Sky Business and Ausbiz and is a founding director of Teaminvest and Conscious Capital as well as Teaminvest Private. Howard has a Bachelor of Science majoring in Physics and Mathematics from the University of the Witwatersrand in South Africa. He is a graduate of the Harvard Business School Owner/President Management Program.
Malcolm Jones Chairman	Mr Jones has been Chairman of Teaminvest Private Group since December 2019. Jones was formerly CEO of Zurich Financial Services Asia Pacific from 2000 to 2002, and CEO of Zurich Financial Services Australia from 1998 to 2000. From 1996 to 1998 he was CEO of the NRMA, a motoring services and insurance company. From 1992 to 1996 he was CEO of the State Government Insurance Commission of South Australia. Prior to these executive roles Jones was a Partner at Ernst & Young, where he had worked for 18 years.

Ian Kadish Director	Dr. Kadish has been CEO of Integral Diagnostics (ASX: IDX) since May 2017. He has been a director of Teaminvest Private Group since January 2019. Dr Kadish began his career as a medical doctor in Johannesburg in South Africa. He subsequently worked with McKinsey and Company, CSC Healthcare in New York, and Netcare, a major hospital group in South Africa and the UK, where he was an Executive Director from 1997 to 2006. Dr Kadish was instrumental in growing Netcare from five hospitals with a market capitalisation of $60m, to 119 hospitals and a market capitalisation of $3bn. Since migrating to Australia in 2006, Dr Kadish's roles have included CEO of Healthcare Australia from 2006 to 2008, CEO of Pulse Health Group in 2009 and 2010, and CEO of Laverty Pathology from 2010 to 2014. He was Chief Operating Officer of Greencross from 2014 to 2016. Dr Kadish obtained his Bachelor of Medicine and Bachelor of Surgery from the University of the Witwatersrand and his MBA at the Wharton Business School at the University of Pennsylvania where he made the Dean's List.
Regan Passlow Director	Mr Passlow has been a director of Teaminvest Private Group since September 2018. Passlow has worked as an executive director for nearly 40 years for both national and multi-national companies, focused primarily on strategic business development, administration, and back-office systems. Mr Passlow is the former co-founder of WebProfit.com.au, a business established in the 1990s to provide executives of SMEs with strategic advice on the use of the Internet and e-commerce. He is also the co-founder of retail lender EM Finance Corporation and a founding director of Teaminvest, Teaminvest Private and EM Commercial Finance. He has historically chaired Teaminvest's Investment Committee and has held directorships on five portfolio companies.

Source: Company

We value Teaminvest Private at $3.09-$3.71 per share

We value TIP at $3.09 per share in our base case and $3.71 in our bull case.

We believe TIP is undervalued, trading at a market cap only 64% of its book value ($83.9m). We value it at $3.09 per share, which is 1x its book value divided by the shares on issue. We have also modelled a bull case, valuing at $3.71 by assuming a 1.2x P/B (Figure 13). This would still be a discount to its peer Washington H. Soul Pattinson which trades at just over 1.4x P/V.

Figure 13: Our valuation of TeamInvest Private

Valuation (A$m)	Base Case	Bull case
TIP's total equity	83.8	83.9
Premium	0%	20%
Share outstanding (Diluted)	27.1	27.1
Implied price (A$ cents)	**3.09**	**3.71**
Current price (A$ cents)	2.06	2.06
Upside (%)	50.0%	80.1%

Source: Pitt Street Research

There could be further upside depending on which metrics are used

One could potentially derive an even higher valuation using other metrics. First of we note that the book value of the holding on its balance sheet may be an underestimation because Teaminvest does not revalue its holdings each year for balance sheet purposes. A realistic book value could be twice as high.

Using metrics other than Price-to-Book could also derive higher including:

- The average trailing P/E multiple for the ASX All Ordinaries Index which is 33x[23]. With diluted EPS of 22.7c[24] in FY24, this derives a share price of $7.49 per share[25].
- The average EV/EBITDA for the ASX All Ordinaries Index - 10.7x for CY24[26]. Considering TIP made $15.7m in EBITDA, this would yield an Enterprise Value of $166.4m, equating to a market cap of $172.4m[27] and a consequential share price of $5.57 per share.

For conservatism's sake, we'll stick with a Price-to-Book for now, but even the current book value shows that this stock is significantly undervalued. TeamInvest is trading at a significant discount to its fair value right now – fair value as judged by its auditors; let alone the value that the company could grow to in the future.

[23] Capital IQ data.
[24] The statutory EPS figure is 14.05 per share but it includes a non-cash write-down of Colour Capital. Our figure above excludes this.
[25] Excluding companies above A$2bn.
[26] Capital IQ data.
[27] This uses a debt figure of $0.4m and cash of $6.4m. The company's total debt is $21.5m but the majority of this is the property lease associated with GLT's new facility. TIP does not consider this financial debt in the traditional sense, but an accounting entry with a corresponding right of use asset on its books.

We foresee the stock being re-rated to our valuation range driven by the following factors:

- Increasing revenues and EBITDA across the Group,
- Increasing Funds Under Management and Funds Under Advice in its Funds management business,
- Growing client numbers in the education segment
- New investments, particularly those that bolt-on to existing businesses, or new businesses whose management aligns with the company's philosophy,
- Working with management of existing investments to sustainable grow profits.
- M&A, in other words a transaction that confirms valuation well above book value for one of TIPs assets.

Risks

We see the following key risks to our investment thesis:

- **Operational risk**: The company's operations, or the operations of any of its investee companies could be impacted in a variety of ways such as human errors, technology or infrastructure changes, or external events like regulatory changes or supply chain issues.
- **Investment risk**: There is the risk that certain investments may not achieve the returns that TIP anticipates for a variety of reasons. Some may even cause reputational damage.
- **FUM outflow risk**: Further to the above, there is the risk that a deterioration in TIP's record could lead to an outflow of funds from the company. One need only look at the recent impact to the market capitalisation of GQG and Platinum of late due to and investors pulling money from their funds.
- **Regulatory risk:** There is a risk of Changes to regulations, compliance and taxation that could impact negatively on TIP as a group and/or to its investee companies.
- **Key personnel risk**: There is the risk the company may lose key personnel and be unable to replace them and/or their contribution to the business.

Appendix I – Management Ownership of Shares

Director	Shares Held	% of total
Howard Coleman	4,405,053	16.16%
Andrew Coleman	1,373,893	5.04%
Regan Passlow	989,936	3.63%
Malcolm Jones	551,837	2.02%
Ian Kadish	114,271	0.42%
Dean Robinson	284,049	1.04%
Total Shares	**7,719,039**	**28.32%**

Source: Company

Appendix II – Books on Graham-Dodd Investing

- *Finding Wealth Winners the Teaminvest Way* by Howard Coleman and Dr John Price. This book reprints a series of letters and articles by Howard Coleman and Dr Price.
- *Factfulness: Ten Reasons We're Wrong About the World – and Why Things Are Better Than You Think* by Hans Rosling, Ola Rosling and Anna Rosling Rönnlund. This book teaches readers the importance of facts in decision-making.
- *The Essays of Warren Buffett: Lessons for Corporate America*. This collection of letters to Berkshire Hathaway shareholders, which Lawrence Cunningham assembled in 1998, distils Warren Buffett's approach.
- *Noise: A Flaw in Human Judgment* by Daniel Kahneman, Olivier Sibony and Cass Sunstein. This book is about how 'noise', that is, unnecessary details, can impact good decision making.
- *The Intelligent Investor* by Ben Graham. This is one of the original books on value investing, first published in 1949.
- *Selling the Wheel: Choosing the Best Way to Sell for You Your Company Your Customers* by Jeff Cox and Howard Stevens. This book is about how to sell.

Appendix III – Analysts' Qualifications

Stuart Roberts, lead analyst on this report, has been an equities analyst since 2002.

- Stuart obtained a Master of Applied Finance and Investment from the Securities Institute of Australia in 2002. Previously, from the Securities Institute of Australia, he obtained a Certificate of Financial Markets (1994) and a Graduate Diploma in Finance and Investment (1999).
- Stuart joined Southern Cross Equities as an equities analyst in April 2001. From February 2002 to July 2013, his research speciality at Southern Cross Equities and its acquirer, Bell Potter Securities, was Healthcare and Biotechnology. During this time, he covered a variety of established healthcare companies, such as CSL, Cochlear and Resmed, as well as numerous emerging companies. Stuart was a Healthcare and Biotechnology analyst at Baillieu Holst from October 2013 to January 2015.
- After 15 months over 2015–2016 doing Investor Relations for two ASX-listed cancer drug developers, Stuart founded NDF Research in May 2016 to provide issuer-sponsored equity research on ASX-listed Life Sciences companies.
- In July 2016, with Marc Kennis, Stuart co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Life Sciences companies.
- Since 2018, Stuart has led Pitt Street Research's Resources Sector franchise, spearheading research on both mining and energy companies.

Nick Sundich is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms

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