Growth With Value
Your investment can make the difference

Email: alistair.cowley@growthwithvalue.com
Address: PO Box 1078 Nairne, SA 5252
Mobile: 0417 836 202

Growth With Value Investment Fund – 30 September 2023 Quarterly Report

The Growth With Value Investment Fund focuses mainly on investing in Australian listed businesses. Our concentrated portfolio will consist primarily of businesses which are able to generate strong Returns on Capital, provide solid Profit Margins, carry little or no Debt and present long-term growth prospects. We also apply an ethical perspective when investing in a business. We look for a business which respects our environment, including both flora and fauna, and cares for its people and customers. We also avoid businesses which produce or provide a service that is considered an addictive substance. Our investment decisions are based on fundamental analysis with a long-term mind set, paying little regard to short term fluctuations in the market. We choose to invest only when the business presents us with an opportunity to buy below its Intrinsic Value. You can expect, over the long term, this portfolio to outperform our benchmark, the ASX 200 Accumulation Index (XJOA).

Fund Performance Since Inception (May 2018):

GWV Investment Fund versus ASX 200 Accumulation Index – Total and Annualised Returns			
Annualised Return		**Total Return**	
GWV Fund Annualised Return	19.52 %	**GWV Fund Total Return**	162.74 %
Benchmark Annualised Return (XJOA)	7.29 %	**Benchmark Total Return (XJOA)**	46.37 %
Outperformance / (Underperformance)	12.24 %	**Outperformance / (Underperformance)**	116.38 %

Fund Month by Month Performance Since Inception (May 2018):

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
GWV FY18	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11.8%	0.6%	12.5%
XJOA FY18	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1%	3.3%	3.3%
GWV FY19	(0.1%)	0.2%	(1.0%)	(1.8%)	2.7%	(3.2%)	3.0%	12.5%	(1.0%)	6.9%	0.9%	(5.3%)	13.3%
XJOA FY19	1.4%	1.4%	(1.3%)	(6.1%)	(2.2%)	(0.1%)	3.9%	6.0%	0.7%	2.4%	1.7%	3.7%	11.6%
GWV FY20	(0.2%)	(1.5%)	1.8%	(2.6%)	4.0%	3.6%	(0.9%)	(0.0%)	(20.6%)	19.8%	11.7%	3.5%	6.9%
XJOA FY20	2.9%	(2.4%)	1.8%	(0.4%)	3.3%	(2.2%)	5.0%	(7.7%)	(20.7%)	8.8%	4.4%	2.6%	(7.7%)
GWV FY21	2.6%	12.2%	0.5%	(0.7%)	13.3%	2.0%	(0.0%)	4.5%	0.8%	5.4%	(1.9%)	3.1	53.3%
XJOA FY21	0.5%	2.8%	(3.7%)	1.9%	10.2%	1.2%	0.3%	1.5%	2.4%	3.5%	2.3%	2.3%	27.8%
GWV FY22	1.0%	5.3%	2.7%	4.6%	(0.7%)	0.4%	(4.5%)	(0.6%)	2.3%	3.4%	(5.9%)	(7.1%)	0.0%
XJOA FY22	1.1%	2.5%	(1.9%)	(0.1%)	(0.5%)	2.8%	(6.4%)	2.1%	6.9%	(0.9%)	(2.6%)	(8.8%)	(6.5%)
GWV FY23	11.1%	7.1%	(11.4%)	8.4%	2.0%	(2.9%)	7.9%	(6.2%)	3.9%	4.4%	(5.6%)	0.4%	17.9%
XJOA FY23	5.8%	1.2%	(6.2%)	6.0%	6.6%	(3.2%)	6.2%	(2.5%)	(0.2%)	1.9%	(2.5%)	1.8%	14.8%
GWV FY24	10.4%	3.2%	(6.2%)										6.8%
XJOA FY24	2.9%	(0.7%)	(2.8%)										(0.8%)

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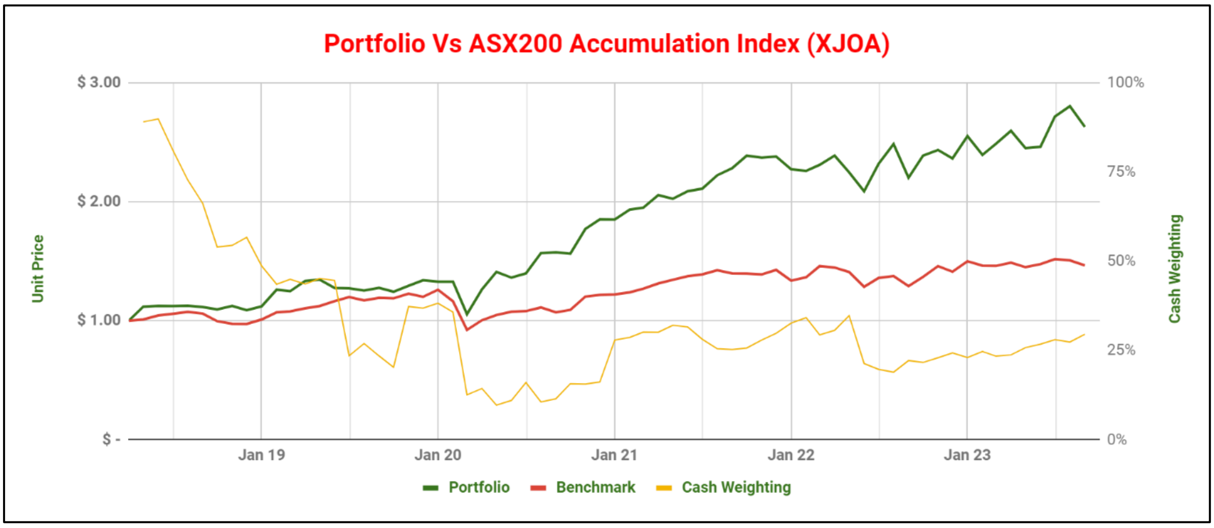
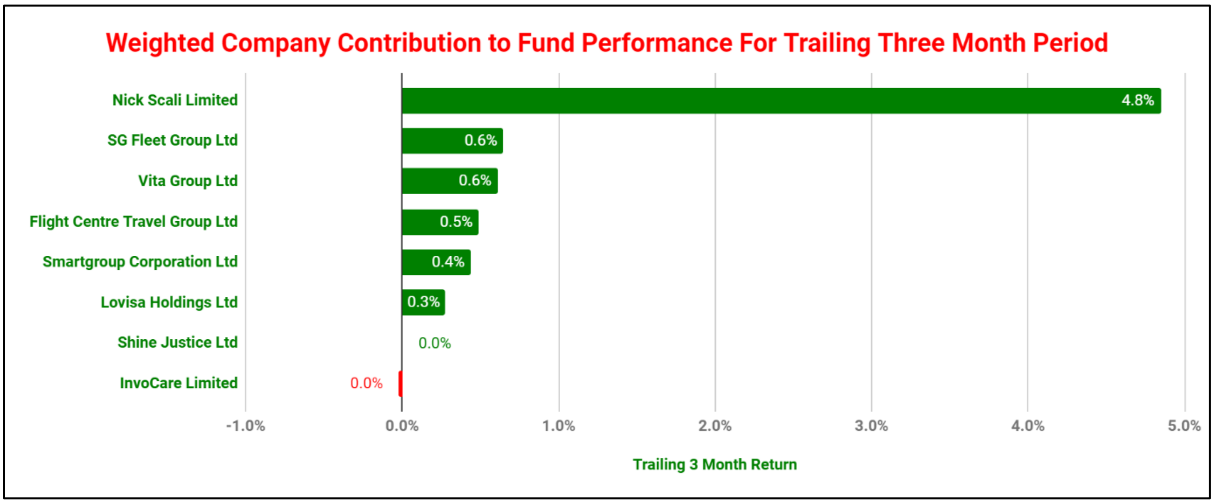
Fund versus Benchmark:



Portfolio:

Company	Initial Purchase Date	Ave. Purchase Price	Annualised Return*	Portfolio Weighting
Cash			3.8%	29.9%
Nick Scali	05/07/2018	$ 5.90	30.9%	25.4%
Lovisa	25/03/2020	$ 7.60	78.0%	15.6%
Flight Centre	16/03/2020	$ 13.04	8.1%	11.5%
InvoCare	02/05/2018	$ 10.47	6.5%	5.9%
SG Fleet	27/07/2019	$ 2.48	4.8%	5.4%
Smart Group	20/02/2020	$ 5.90	18.4%	5.2%
Shine Corporate	25/07/2019	$ 0.73	3.4%	1.2%

Note: For companies held for less than 12 months, the Annualised Return has been substituted with Total Return.



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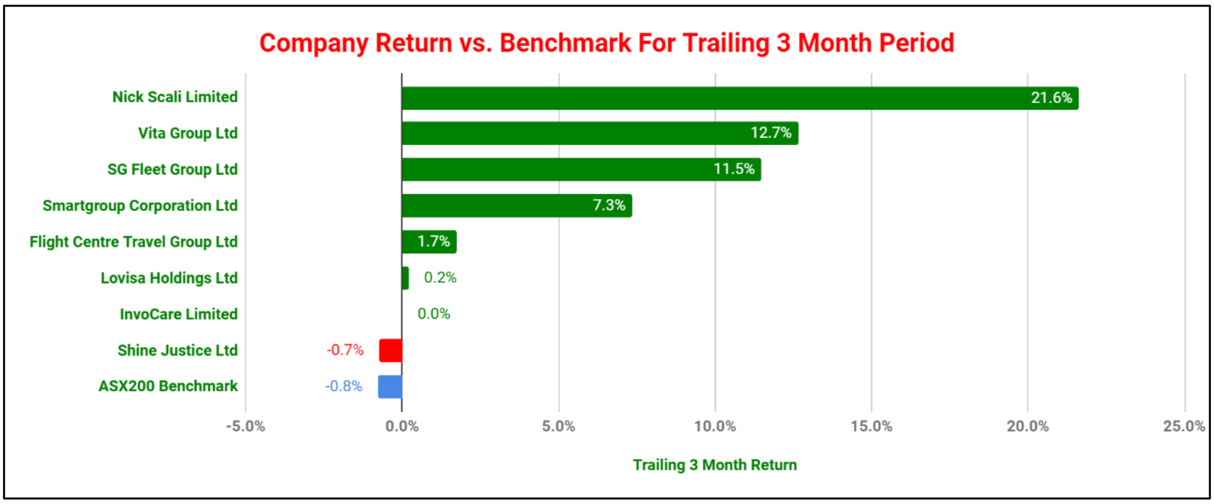

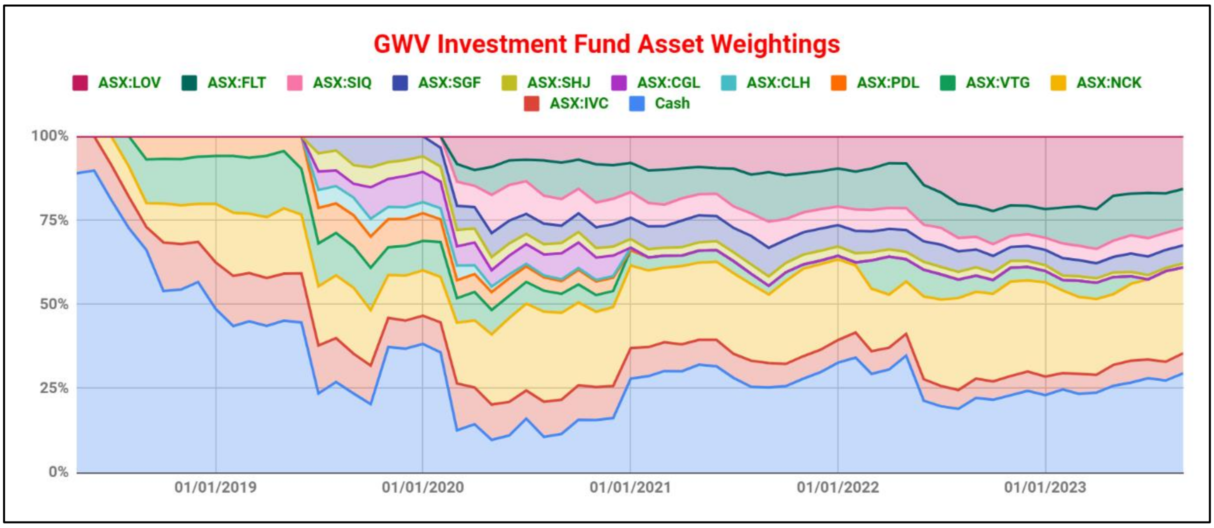

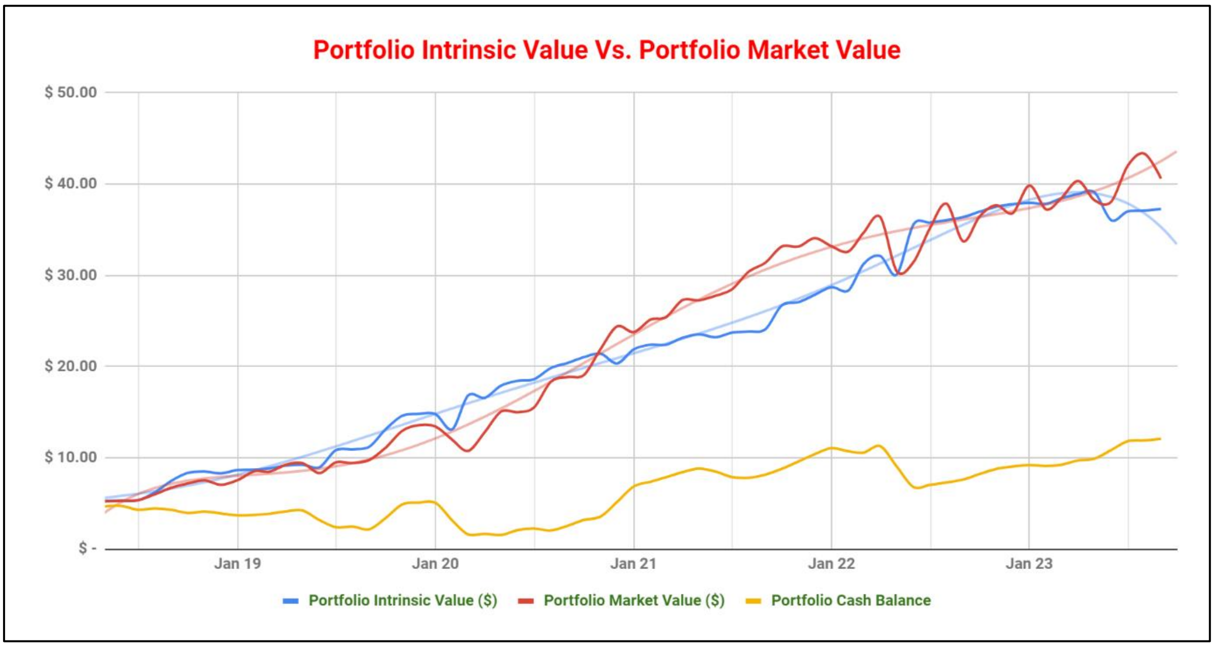

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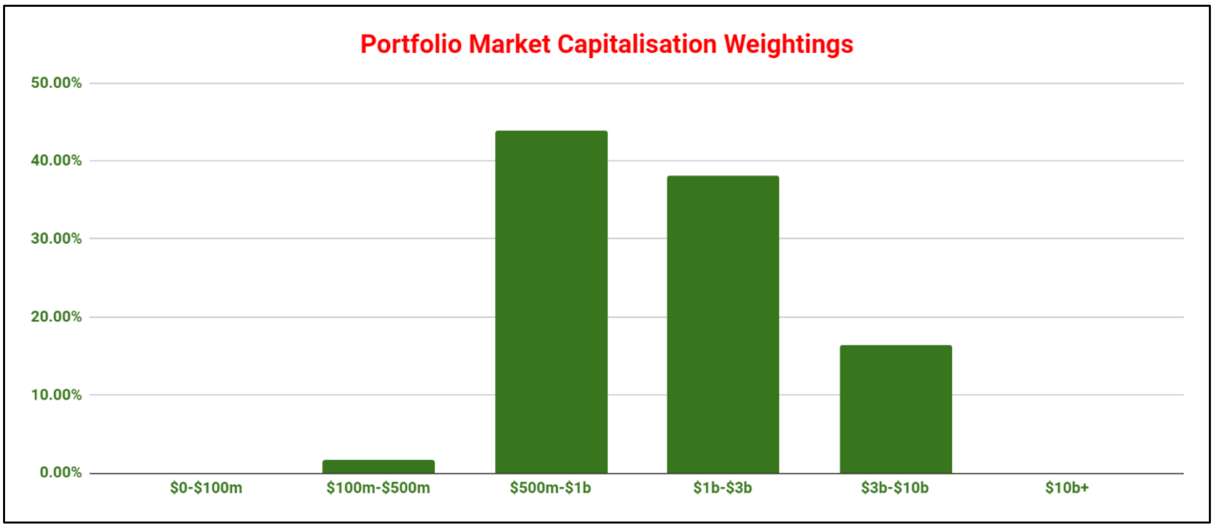

Median Market Capitalisation:	1,089 M
Weighted Average Market Capitalisation:	1,749 M

Performance:

For the Quarter ended September 2023, the Growth With Value Investment Fund returned 6.8% versus (0.8)% for our Benchmark, the ASX 200 Accumulation Index (XJOA). This is an outperformance of 7.6%. At the end of this period, we held 29.9% in cash and had seven open positions.

Since its inception, the Fund has provided an annualised return of 19.5%, resulting in a total return of 162.7%. Our Benchmark has an annualised returned of 7.3%, resulting in a total return of 46.4% over the same period.

Portfolio Activity:

Over the last three months we did not make any additions to our portfolio.

Nick Scali:

Nick Scali increased sales revenue by 15% and its gross margin increased by 250 basis points to 63.5%. This increase in gross margin was the result of synergies following the Plush acquisition, with Plush increasing its gross margin to 62.7% from 54.8% the previous year.

A further $7.8 million was spent adding to build Nick Scali's property portfolio, with the newly acquired land to become the site for a new distribution centre to be constructed in Queensland next year. Nick Scali has eleven owned properties across Australia, nine of which are functioning as Nick Scali showrooms. Cash balance increased by $14.7 million to $89.3 million. In August, the original $65 million loan used for the Plush acquisition was reduced by a further $20 million, leaving $28 million still outstanding. The company still has an outstanding balance of $91.7 million in borrowings.

Two new Nick Scali showrooms and one Plush showroom were opened in FY23, with a further six Plush showrooms undergoing refurbishment. Three Plush showrooms were closed during the same period as part of on-going optimisation of the Plush store network. Management still suggests a long-term outlook of 90 – 100 Plush showrooms and up to 86 for Nick Scali. Currently, there are 107 showrooms across Australia and New Zealand.

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Lovisa:

Lovisa opened a further 210 stores across FY23 (a net increase of 172 stores included closures), that is a new store every 1.7 days! This brings the total store network to 801 stores across 39 countries. The USA now has the greatest number of stores, with 190 stores, an increase from 118 stores in FY22.

Same store sales for the year were up 6.3% with total sales increasing by 30% to $596 million. Gross margins also increased by 100 basis points to 79.9%, which has been consistent for the past seven years. Cost of doing business was at 55% of revenue, which has increased slightly over the last six years from 53% in FY17.

The total loan facilities available increased to $120 million from $50 million in FY22. The amount drawn also increased to $65 million from $10 million in FY22. These loan facilities mature in April 2026.

The Chairman admitted more needs to be done with Lovisa's online presence and is confident there will be excellent progress achieved over the next twelve months.

Flight Centre:

Revenue more than doubled in FY23, increasing by 127% to $2.28 billion, with the revenue margin increasing by 70 basis points to 10.4% of Total Transaction Value (TTV). Flight Centre also returned to profitability in FY23, with profit before tax of $70 million, an increase of $467 million from FY22 loss of $378 million. Operating expenses are at 75% of pre covid levels, with 20,232 employees in FY19 generating $23.7 billion in TTV versus $22 billion in TTV for FY23 from just 12,287 employees.

The company's cash and borrowings have remained steady with net cash at $551 million, resulting from $961 million in cash and $410 million in outstanding borrowings.

The Corporate segment amounted to 42.9% of total revenue for the company, generating $978 million, an 86% increase from FY22. The Corporate segment is well diversified as illustrated in the chart below. Customer retention amongst the Corporate segment was also high at 96%.

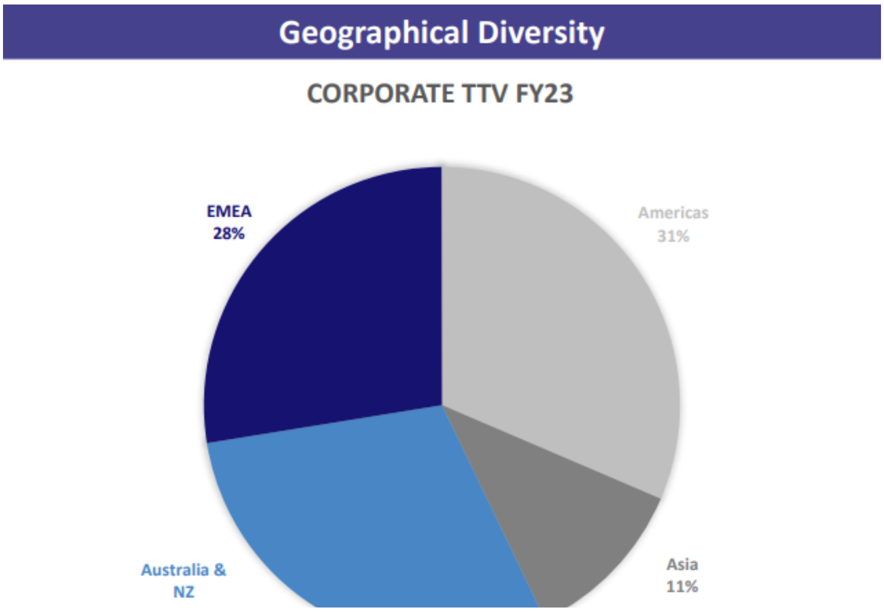

Figure 1: Sourced from FLT FY23 Full Year Results Presentation

The Leisure segment generated revenues of $1.12 billion, an increase of 171% from FY22. This equates to 49.1% of total revenue for the company. Of the $10 billion in TTV generated by the Leisure segment, 69% came from bookings through Flight Centre travel agencies, 16% generated from online sales and 15% via Independent Agents.

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InvoCare:

TPG will likely acquire InvoCare at a price of $12.70 per share, which will also likely include a fully franked special dividend $0.60 per share. This bid has been unanimously recommended by the board. As I mentioned in my previous letter, I would much rather continue to own InvoCare, compounding our returns long into the future. InvoCare has just undergone an expansive investment across its service centres, rolling out its $200 million "Protect and Grow" strategy in 2018, whereby it undertook major renovations and upgrades of its centres to better serve its customers. This large CAPEX spend saw the company's earnings and free cash flow reduce significantly over the subsequent years, and which is now only beginning to reap the rewards. I anticipated a 10-12% annualised growth rate for the company over the coming years.

SG Fleet:

SG Fleet increased revenue by 11.9% to $350.4 million whilst underlying earnings (which excludes one off LeasePlan acquisition costs) increased by 9.4% to $75. 2 million. Electric vehicles have seen a considerable uptake, with electric vehicles increasing nine-fold for novated leases in FY23. End of lease income has continued to perform strongly with used vehicle pricing remaining strong. The industry is continuing to see supply constraints as demand for vehicles remains strong.