ARENA SECURITIES

1/2/2025

Arena Securities Performance update December			
3 Months	6 Months	1 Year	Since Inception*
9.33%	29.50%	30.91%	80.66%

Indicative performance is reported net of all fees. Past performance is not a reliable indicator of future returns.

Dear fellow investor,

As we close out 2025, it has been a year of active decision-making across the portfolio. During the year, we sold several investments after they reached our valuation targets, exited others where the original investment case no longer held, and redirected that capital into opportunities we believe offer better long-term potential.

Investing rarely follows a straight line, and not every position will work exactly as planned. We simply aim to make sensible decisions over time — taking profits where appropriate, reducing risk when circumstances change, and staying patient when the long-term case remains intact. Our focus remains straightforward: protect investor capital while growing it steadily over time.

FND: ASX

In October, we exited our position in Findi. We originally invested at around $0.50 when the market had significant doubts about the business. The company carried a large amount of debt, its future was unclear, and many investors questioned whether it could win the contracts needed to support growth. To us, the opportunity looked attractive — if the investment didn't work, the downside appeared limited, but if execution improved, the upside was substantial.

Over time, the thesis played out. Findi secured key contract wins, raised capital at prices well above where the stock had been trading, and operational performance improved. As fundamentals strengthened, the share price climbed to around $4, broadly reaching our valuation. Around this period, management began discussing the possibility of listing the business in India, which could have supported a higher valuation multiple. To prepare for this, the company pursued acquisitions and increased leverage.

While this strategy had potential, we became concerned that management's focus was shifting away from the core business. The clearest warning sign was the delay in providing guidance after previously indicating when it would be released. When companies miss self-imposed timelines, it often suggests underlying performance is not tracking as expected. On that basis, we chose to exit the position at approximately $2.60. Although this was below the peak price, it still represented a profitable investment. The original thesis worked — but as the risk profile changed, we believed it was prudent to step aside and redeploy capital elsewhere.

CXZ: ASX

We also exited our small position in Connexion Mobility. Connexion provides software primarily used by General Motors. While this relationship is long-standing and difficult to replace, relying on a single customer creates meaningful risk — something the market has recognised through the company's discounted valuation.

At first glance, the stock appeared cheap. However, that valuation depends heavily on the sustainability of current margins. Because Connexion is a listed company, its largest customer has full visibility over its earnings. This creates the possibility that pricing could be renegotiated in a way that allows Connexion to continue operating but limits future cash generation for shareholders.

The company attempted to diversify by acquiring a minority stake in Coverture Group, an advertising and media business, to create an additional income stream outside of automotive software. After speaking with management, it became clear that we held different views on several strategic matters. Our concern was not necessarily that the customer relationship would end, but that future profitability could come under pressure. Given these risks, we decided to exit the position.

LBL: ASX

Laserbond delivered a particularly strong AGM update, reinforcing our conviction in the business and leading us to increase our position. We have followed Laserbond closely for several years, and watching a business over a long period provides valuable insight into how management handles challenging conditions and invests for growth.

Over the past year, the company moved through an investment phase that temporarily reduced margins. Historically, Laserbond has generated profit before tax margins between 15–20%, but these fell to around 5% as the company expanded its workforce and strengthened its leadership team to support future growth. Encouragingly, the second half of the financial year marked a clear turning point, with margins recovering as the business began to benefit from the additional capacity it had built.

This momentum has carried into FY26. For the first four months of the year, Laserbond reported revenue of $15.9 million and profit before tax of $2.5 million. The company now operates with a national footprint and appears on track for record revenue and profitability. On its core operations alone, the business trades at roughly 14 times earnings — a reasonable valuation for a growing industrial company emerging from a softer period. If recently announced technology licensing work with Komatsu is recognised this financial year, that multiple falls further.

The Technology segment has historically promised more than it delivered, largely due to the complexity of customised solutions. However, management reset the strategy last year, focusing first on internal deployment before offering a more standardised system to customers. A recent $2.3 million licensing agreement suggests this approach may be gaining traction. While the market remains cautious, we believe the long-term potential of this segment is not fully reflected in the current share price. Having followed the company for several years, our confidence continues to build and we see an attractive balance between risk and reward.

KME: ASX

Since our last letter, former CEO Storm McGrath — the son of the company's founder — has sold his remaining shareholding. Storm led the business for 19 years and stepped down in May 2025. Over that period, shareholder value was limited, with the share price lower at his departure than when he took the role. In our view, his exit marks the clear end of an era. With no remaining ownership or voting influence, the company now has a cleaner governance structure and an opportunity to move forward under new leadership.

AHC: ASX

Austco delivered a strong first-quarter update at its AGM. Revenue increased by 51%, while EBITDA reached $4.2 million, representing a record margin of 18.1%. Although recent acquisitions contributed significantly to this growth, management continues to expect organic revenue expansion over the medium term. The business typically produces a stronger second half, and on current expectations appears well positioned to deliver approximately $12 million in net profit for FY26. At a market capitalisation of around $165 million, the valuation looks reasonable given improving margins, operating leverage, and continued growth.

MXO: ASX

Motio reported a solid first quarter, generating EBITDA above $700,000 — growth of more than 20% compared to the prior year. While the business does experience some seasonality, the early result positions the company well for the remainder of the year. On current momentum, Motio appears capable of producing FY26 EBITDA above $2.5 million, which looks attractive relative to its approximately $17 million market value. Following the quarter, the company raised a modest amount of capital, repaid its remaining debt, and strengthened its balance sheet. The additional working capital should support the rollout of new digital screens and help expand earnings over time.

We will continue to approach the portfolio with the same discipline that has guided us so far — investing where the risk-reward is attractive, exiting when conditions change, and remaining patient when the long-term case is intact. Markets will always move up and down, but our priority remains unchanged: protecting capital while compounding it over time.

Thank you, as always, for your continued trust.

Regards

Aleck Arena

The information in this document is not personal financial product advice and has been prepared without taking into account the objectives, financial situation or needs of any particular person. Arena Securities does not hold an Australian Financial Services License and is not authorised to provide general or personal financial product advice. Before making any investment decision, you should consult a licensed financial adviser. Past performance is not indicative of future performance.