

IPE Limited



HALF-YEARLY REPORT TO INVESTORS
31 DECEMBER 2016

ABN 48 107 843 381

Review

Summary

Net loss after tax	\$0.25 million
Net assets	\$20.52 million
NTA (post tax) released to ASX	\$0.153 per share
Debt	nil
Cash	\$2.78 million
Cash paid to shareholders	3.80 cps (November - return of capital of \$5.1m) 2.20 cps (November - dividend of \$3.0m)
Number of private equity funds	10
Number of underlying investments	21
Undrawn commitments	\$1.4 million

Financial Results

Exit activity in the portfolio continued at a good pace during the six months, generating significant cash to the Company. This enabled payment to shareholders on 25 November of \$8.1 million which was about 28% of the net assets at 30 June. The payment was a 3.8 cents per share return of capital as well as a 2.2 cent per share dividend which was 100% franked, utilising almost all of the available imputation credits. If material amounts of cash continue to flow into the Company over the next few months a further payment to shareholders is likely.

Net Tangible Assets ("NTA") per share released to the ASX as at 31 December was \$0.160 pre-tax (\$0.220 at 30 June) and \$0.153 post-tax (\$0.213 at 30 June). The change was primarily the result of the payment of the 6.00 cents per share return of capital and dividend in late November as the investment and operating expenses (including, for the first time, a performance fee to the Manager as

the relevant hurdles had been exceeded over the three year period to 30 November) incurred during the period were mostly offset by modest positive changes in the value of the investments in the Company portfolio.

Reflecting the minimal change in NTA before the payment to shareholders, the half year produced a loss of \$0.25 million compared with a profit \$3.64 million in the prior corresponding period.

The next six months could produce volatile results for the Company. The portfolio is now quite concentrated and, while individual exposures continue to show promise, it will not be immune to macro-economic factors. Markets have recently reached relative highs but the uncertainty surrounding the incoming Trump administration suggests that those highs may not be sustainable without more reliable and consistent signals out of the USA.

Capital management

At 31 December 2016 the Company had only \$1.4 million (\$1.5 million at 30 June) of undrawn private equity commitments, available for portfolio support and other fund requirements over the next couple of years. The Company has no debt and the cash balance at period end was \$2.8 million.

Despite only a small number of purchases since its introduction in late 2015 the Board decided to continue the on-market share buyback as a way of enhancing shareholder value should any sustained share price weakness arise.

Capital returns to shareholders continued during the six months and at the Annual General Meeting shareholders again approved a resolution that will allow the efficient return of further capital during calendar 2017 should the Board deem it prudent to declare a payment out of excess cash reserves. Over the next few months the Company will approach the ATO for confirmation of the tax status of capital returns paid since 1 July 2016 with the aim of providing confirmation, via an ASX release, before shareholders need to complete their tax returns for FY 2017.

Private Equity Portfolio

The Company's private equity fund portfolio now contains 10 funds all of which have complete portfolios and are assessing the optimal time to exit their investments. There were 11 funds at 30 June but the interest in Catalyst Buyout Fund 1 was terminated during the period. Strong cash inflows continued over the six months with receipts of more than \$10.7 million while the portfolio called about \$0.1 million. Major sources of the inflows were:

- Receipt of the proceeds of Wolseley II's sales of Nexus and Abergeldie prior to 30 June;
- The exit of the co-investment in the listed Vitaco, following a takeover offer (ASX code: VIT);
- The final sell-down of the Link Group by PEP III, (ASX code: LNK);
- A partial sell-down of the IVE Group by Wolseley Partners II, (ASX code: IGL);
- The total exit of NZ King Salmon (a Direct Capital III investment) on its successful IPO; and
- The exit of BBQSAM by Ironbridge.

In addition, in November, Wolseley Partners announced the sale of Façade Access with settlement expected to take place in a couple of tranches in 2017 (the first, and major amount, is currently expected around the end of February).

At period end there were still 21 companies in the underlying private equity funds and many of these funds will also be seeking exits for some of their investments during 2017. However the portfolio value is now dominated by a relatively small number of investments (at 31 December the seven largest exposures represented more than 70% of the total portfolio value) and it will be the exit of these that could drive value and cash flows to the Company with the other investments unlikely to provide any material accretion of value.

To keep up to date with the Company's portfolio, investors are encouraged to visit the website at www.ipelimited.com.au which contains links to the funds and, from those sites, to most of the underlying portfolio companies.

Sydney

15 February 2017

Summary of private equity funds

Portfolio holdings as at 31 December 2016 are outlined below.

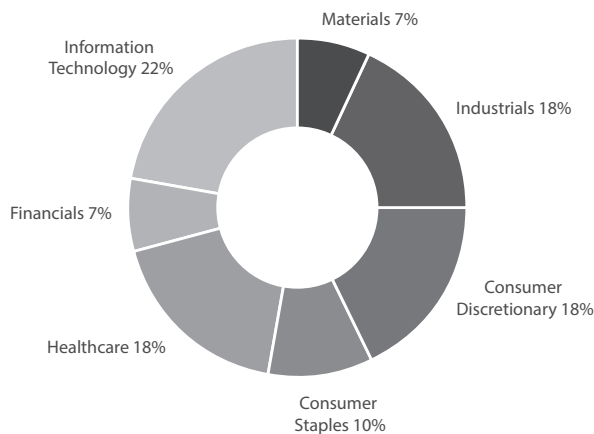
Fund name	Investment stage focus	Fund size \$m	Committed \$m	Capital drawn \$m	Capital to be drawn \$m	Cash back \$m
Archer Capital Fund 4	Buyout	1,312.4	9.7	9.1	0.6	14.1
CM Capital Venture Trust 4	Venture Capital	153.5	8.0	7.8	0.2	0.6
Direct Capital Partners III	Expansion/Buyout	57.1	7.0	6.9	0.1	11.8
Ironbridge Capital 2003/4 Fund	Buyout	450.0	5.0	4.8	0.2	4.5
NBC Private Equity Fund III	Expansion/Buyout	101.2	10.0	10.0	-	4.1
Pacific Equity Partners Fund III	Buyout	1,214.0	7.6	7.5	0.1	15.5
Pacific Equity Partners Fund IV	Buyout	3,061.0	7.4	7.2	0.2	9.9
Quadrant Private Equity No. 1	Expansion/Buyout	265.0	8.0	8.0	-	9.8
Wolseley Partners Fund I	Expansion/Buyout	107.4	8.0	8.0	-	2.4
Wolseley Partners Fund II	Expansion/Buyout	235.0	10.0	10.0	-	10.0
Total			80.7	79.3	1.4	82.7

* numbers subject to rounding

Summary of realisations

Fund	Company	Total return as a multiple of cost
Co-investment	Vitaco	2.8x
Direct Capital III	NZ King Salmon	1.6x
Ironbridge 2003/4	BBQSAM	0.5x
Pacific Equity Partners III	Link Group	7.6x
Wolseley Partners Fund II	Byron	0.0x

Industry sector exposure at period end



Summary of 15 largest private equity exposures

(as a percentage of the value of the Company's private equity assets as at 31 December 2016)

Fund	Date invested	Company	Percentage
CM Capital 4	Feb 08	ThreatMetrix	14.9%
Wolseley I & II	Apr 07	Facade Access	14.5%
CM Capital 4	Oct 07	Piedmont Pharmaceuticals	10.7%
NBC III	Dec 12	Degani Australia	9.9%
NBC III	Oct 13	Didasko Learning	8.5%
Wolseley II	Nov 12	IVE Group (ASX code: IGL)	7.3%
Archer 4	Jun 11	Quick Service Restaurants	6.8%
CM Capital 4	Jun 07	Osprey Medical (ASX code: OSP)	4.2%
CM Capital 4	Jul 08	Datacastle Corp	4.2%
PEP IV	Jun 08	American Stock Transfer	3.4%
Quadrant 1	Mar 06	Seniors Money	3.1%
NBC III	Aug 13	Statseeker	2.5%
CM Capital 4	Jun 09	SpeedX	2.2%
Wolseley II	Jul 10	Abergeldie Group	1.9%
Archer 4	Jun 11	V8 Supercars	1.3%
Total (rounded)			95.4%

Financial Statements

Condensed income statements For the 6 months ended 31 December

	2016 \$'000	2015 \$'000
REVENUES		
Dividends and distributions revenue	3,738	3,631
Interest revenue	23	61
Change in net market value of investments	(2,929)	2,048
	832	5,740
EXPENSES		
Fees payable to the Manager	416	191
Directors' fees	35	35
Co-investment fees to external managers	417	92
Other expenses	140	121
	1,008	439
(Loss)/profit before income tax expense	(176)	5,301
Income tax benefit/(expense)	(70)	(1,661)
Net (loss)/profit after tax	(246)	3,640
Other comprehensive income	-	-
Total comprehensive income for the period	(246)	3,640

Condensed balance sheets

	31 Dec 2016 \$'000	30 June 2016 \$'000
ASSETS		
Cash	2,784	1,035
Receivables and prepayments	109	24
Unlisted private equity investments	18,997	28,898
Tax assets	21	23
Total assets	21,911	29,980
LIABILITIES		
Other payables	454	108
Current tax liabilities	938	968
Deferred tax liabilities	-	1
Total liabilities	1,392	1,077
Net assets	20,519	28,903
EQUITY		
Issued capital	45,099	50,253
Accumulated losses	(24,580)	(21,350)
Total equity	20,519	28,903

Note: The above figures represent a summary version of the Company's Appendix 4D and Interim Financial Report as released to the ASX on 15 February 2017.

Directory

IPE Limited
ABN 48 107 843 381

Directors

Geoff Brunsdon (Independent, Non-Executive Director and Chairman)
Jon Schahinger (Managing Director)
Tony Sims (Independent, Non-Executive Director)

Company Secretary

Sam Jackson

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Auditor

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Stock Exchange Listing

A member of the official list of the Australian Securities Exchange
ASX Code: IPE

Website

www.ipelimited.com.au

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1. Visit the share registrar's website at www.linkmarketservices.com.au
2. Choose the Investor Login option
3. From the Company Name menu select IPE Limited
4. Enter your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), your surname or company name and your postcode to access your details
5. Select Communications Option to elect or change your preferences

Alternatively, you may choose to contact Link Market Services on the details below:

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