For small cap investors, patience has its rewards

By Perpetual Asset Management
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- EVT: stock in focus
- Diversified asset base, long-term chair, and proactive management
- [Learn more about the Perpetual Smaller Companies Fund]

A stock that has rewarded disciplined small cap investing in 2025 is EVT Limited, says Patten, co-portfolio manager of Perpetual's Smaller Companies and Pure Microcap funds.

"EVT had a tough few years and while there was no single catalyst to change its fortunes, we were confident that patient investing would bring rewards," Patten says.

EVT operates cinemas, including Event Cinemas, hotel groups Rydges, QT, Lylo and Atura, and restaurants and resorts, including Thredbo, in Australia, New Zealand and Germany.

It has a diversified asset base, a long-term chair in Alan Rydge who has been with the company for almost 50 years, and pro-active management, Patten says.

"It has a strong balance sheet - $2.3 billion of property assets and $300 million of debt - which is something we look for.

"When you have someone like Alan involved in the company for such a long time, you are confident he isn't going to do anything stupid. It is a bit of an unusual asset. It owns a lot of hard assets. Many of their hotels are freehold," Patten explains.

Tough years

"The company came out of tough years in COVID and the slow rebound in international tourism. It suffered from the Hollywood writers' strike which impacted the number of cinema releases and there was also a couple of poor snow seasons at Thredbo," he says.

Many investors opted to sell-out or ignore the stock. "People looked at it and there were no catalysts for earnings upgrades in the short term and it just drifted for a long period of time. Eventually the market noticed it and it has gone up this year quite aggressively."

Fortunately for EVT, it had a significant property portfolio and has sold some of those assets in recent years. "They received good prices above market value," Patten says.

Better times

This year, many of the headwinds have subsided.

"Earnings have been better across cinemas and across hotels. In the cinemas, EVT demonstrated that it can earn pre COVID levels of profit on materially lower attendance new movies in the next six to 12 months.”

EVT management is also refining its strategy in the hotels division. They are progressively moving towards a more capital-light model, adding new hotel management agreements. And they are actively working to unlock value across their portfolio which includes early steps to sell a major development asset in the Sydney CBD.

It’s meant EVT has outperformed many tourism stocks, Rutledge says.

“Other tourism related stocks, like a Flight Centre or Corporate Travel, have done almost the polar opposite and underperformed. EVT is a bit unique because it has the asset backing.”

“It's a great indication of what is going on in the market at the moment. Investors are very earnings focused, looking for the next upgrade or downgrade, and less focused on valuation.”

Rutledge says EVT was trading below asset backing, meaning there was no value ascribed to operating earnings. While that has changed – the asset backing is valued at $12.50 a share and EVT is trading more than $16 a share – the price at one point late last year around $10 was “pretty ridiculous”.

“It just shows that short term nature of how the market's looking at things.”

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The portfolio leverages the growth potential of smaller and emerging companies through a proprietary stock selection process.

Perpetual is a pioneer in Australian quality and value investing, with a heritage dating back to 1886.

We have a track record of contributing value through “active ownership” and deep research.

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