

Quarterly Conference Call

Q1 FY19

Tuesday, 23 October 2018 10:30 am (Sydney time)

Within Australia: 1300 289 804

Outside Australia: +61 3 8687 0635

Guest Access Code: 1084 2873 #

NAOS

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NAOS Investment Mandate

NAOS

01

NAOS seeks to protect investor capital whilst providing a sustainable growing stream of fully franked dividends and long-term capital growth above the relative benchmark index.

02

NAOS provides investors with genuine, concentrated exposure to Australian undervalued listed micro, small and mid-cap companies with an industrial focus.

NAOS Investment Beliefs



01

Value with Long
Term Growth



02

Quality over
Quantity



03

Invest for the
Long Term



04

Performance v
Liquidity Focus



05

Ignore the
Index



06

Pure Exposure
to Industrials



07

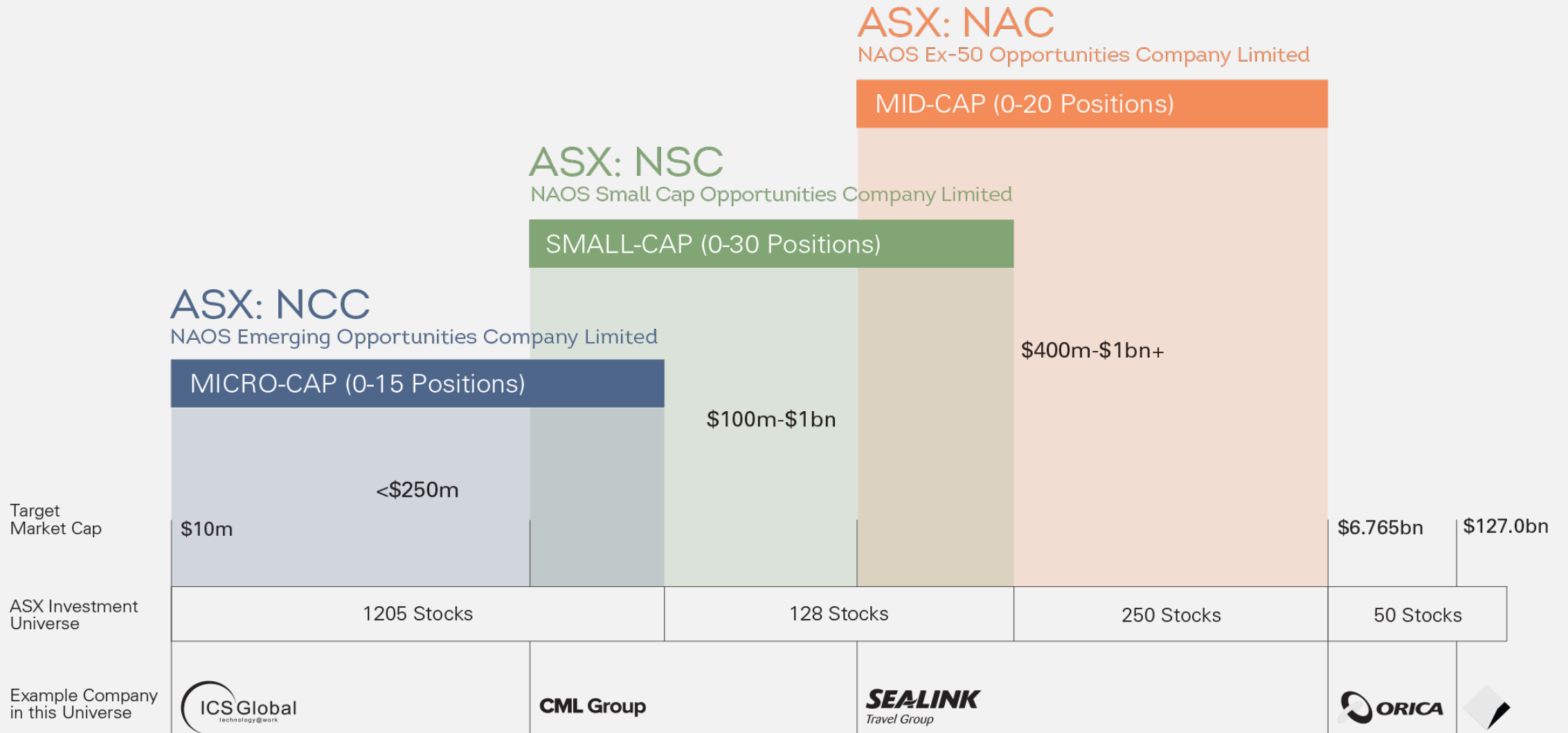
Environmental,
Social and
Governance (ESG)



08

Management
Alignment

NAOS Listed Investment Companies



NTA & Performance as at 30 September 2018

	PRE TAX NTA	Q1 FY19 PERFORMANCE	Q1 FY19 PERFORMANCE BENCHMARK	SINCE INCEPTION
NCC*	\$1.31	+4.34%	+1.10%	+16.20%p.a.
NSC^	\$0.91	+2.06%	+1.10%	-1.44%nom.
NAC*	\$1.13	+4.92%	+1.74%	+15.58%p.a.

* Investment performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders and returns are compounded for periods greater than 12 months. Inception p.a. includes part performance for the month of February 2013 (NCC) and November 2014 (NAC).

^ Investment performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders. Inception performance (nominal) is 1 December 2017.

LIC Overview and Investment Update

NAOS

“One way to create an attractive risk/reward situation is to limit downside risk severely by investing in situations that have a large margin of safety.”

JOEL GREENBLATT

NCC Overview as at 30 September 2018

DIVIDENDS

\$14m*

Profit Reserve

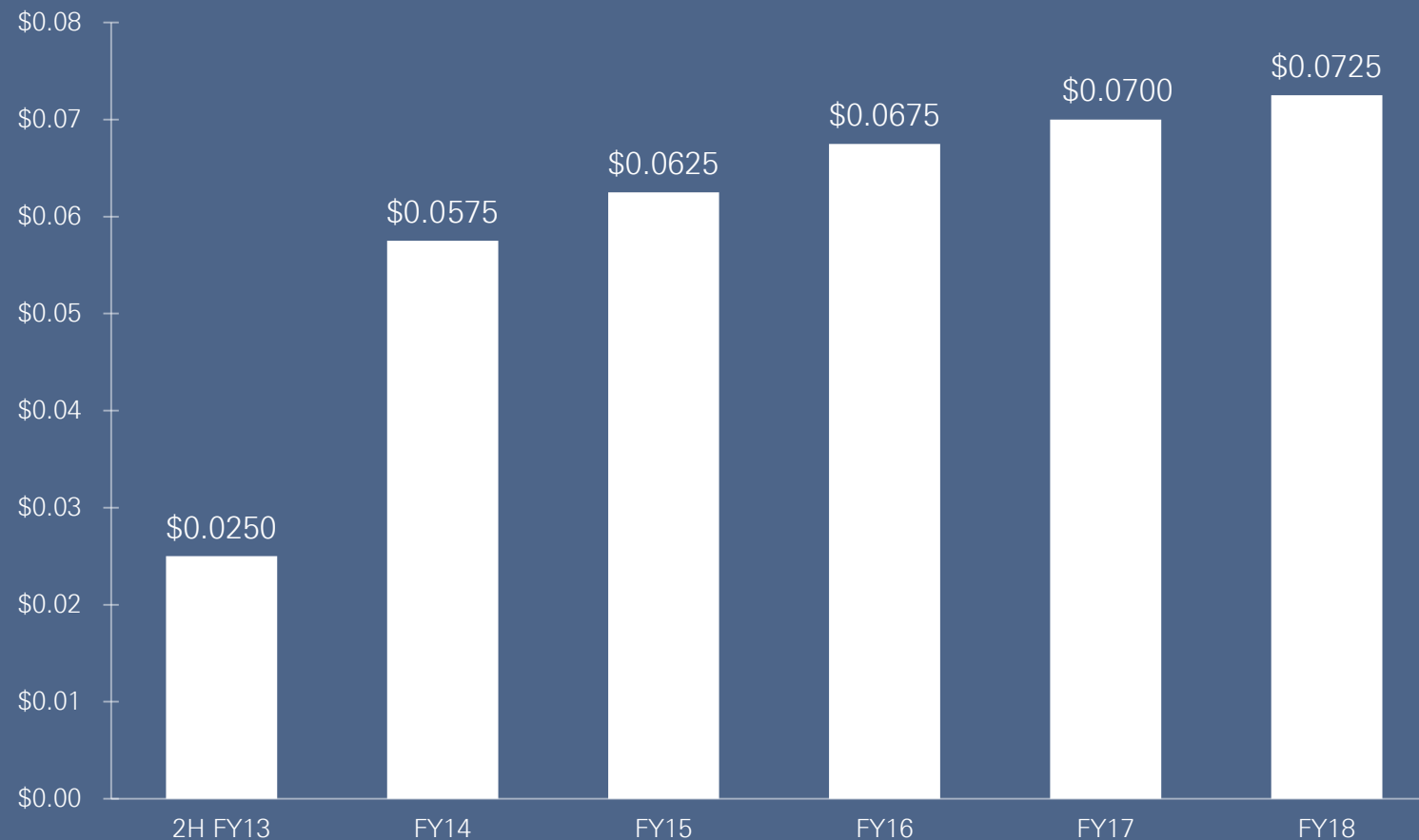
5.62%

Fully Franked Dividend Yield

100%

Franking

DIVIDEND PROFILE



*Profit reserve prior to payment of \$2.1m FY18 final dividend, payment date 24 October 2018.

NCC Stock Spotlight



Announced two acquisitions and the appointment of an experienced Director.

- One acquisition was a well regarded equipment financing broker with a quality software platform underpinning their business.
- The second acquisition was a regional based business which has been in operation for over 55 years. This business has both insurance broking operations and a significant debenture funding program close to \$200 million in size.
- The director appointment is the former CEO of Pepper Finance Group, an ASX listed company which was purchased by KKR for \$500m last year.



Management are executing the long-term strategy of slimming down the business.

- Focusing on differentiated, 'non-commodity' service offerings and providing long-term value to the end client.
- Excellent cash flow generation which leaves the balance sheet in a net cash position in FY19 and provides flexibility to re-invest in their own business or supplement this through internally funded acquisitions.
- Reported an EBITDA increase of over +29%.



Provided guidance to the market for FY19 EBITDA of at least \$6 million.

- A significant increase from the \$1 million EBITDA reported in FY18 (WNR has a 31 March year-end).
- Successful integration of Austco acquisition and recent completion of the Raywood facility construction are both significant milestones.
- WNR will be releasing their 1HFY19 results in November.

NCC Overview

PORTFOLIO as at 30 September 2018

9

Number of Holdings

0.00%

Cash Weighting

3.9m

NCC Directors Shareholding

\$95m

Holdings Weighted av. Mkt Cap

PORTFOLIO METRICS as at 30 August 2018

2.35%

Dividend Yield

27.44%*

Projected EBITDA Growth (12 month)

7.29

Enterprise Value to EBITDA

0.55

Net Debt to EBITDA

*Based on NAOS forecasts that are forward-looking in nature. This is not a guarantee or prediction of future performance. Excludes two investments due to negligible EBITDA in FY18.

NSC Overview

as at 30 September 2018

DIVIDENDS

\$13.5m

Profit Reserve

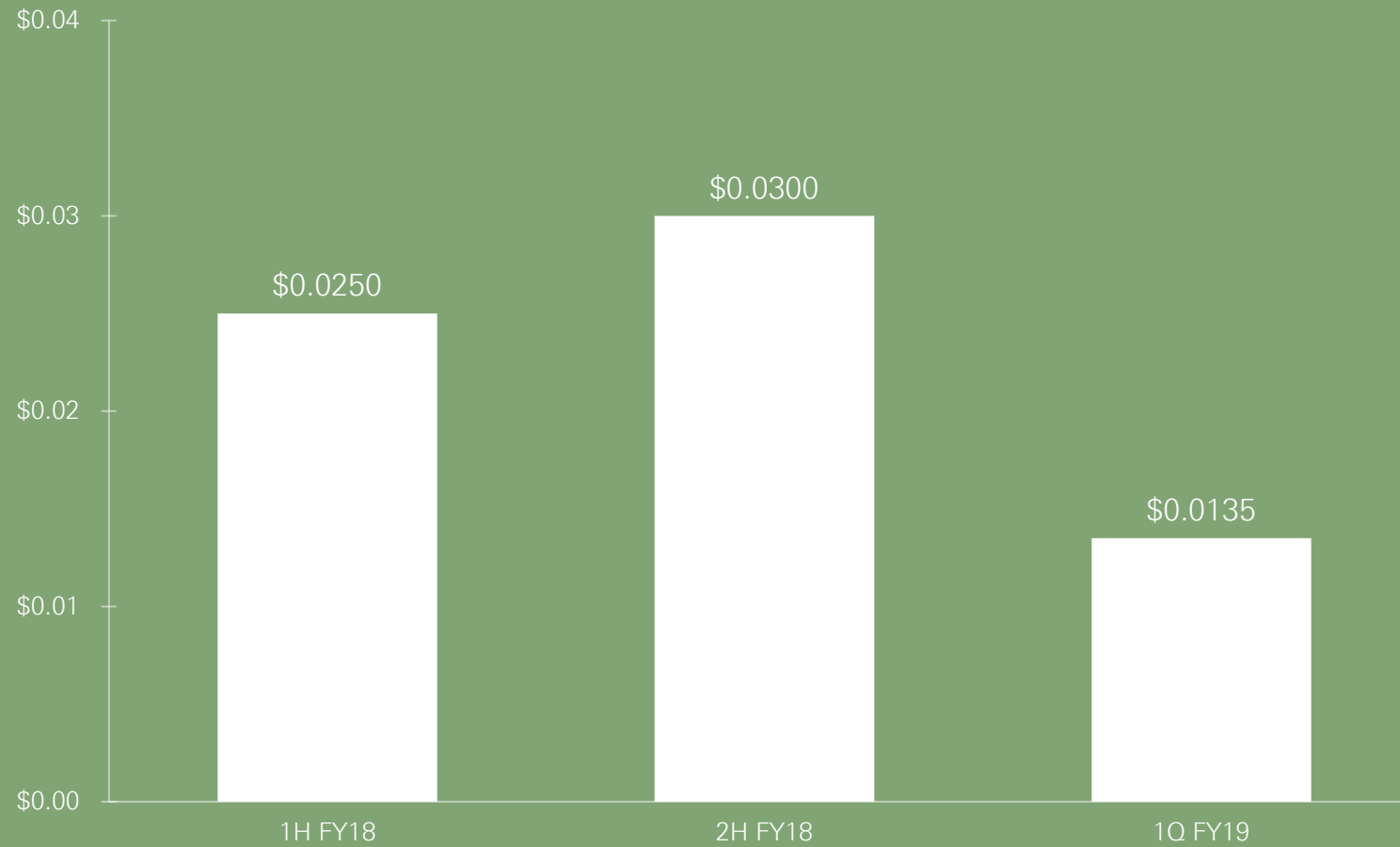
6.92%

Fully Franked Dividend Yield

100%

Franking

DIVIDEND PROFILE



NSC Stock Spotlight

JAPARA

Federal Government announced a Royal Commission into the aged care sector.

- Listed aged care providers were sold off heavily.
- Over the medium term we believe this will ultimately be a positive for the larger listed operators given their ability to better manage the cost of running aged care facilities due to their size and scale.
- However, we believe the short term occupancy will be under pressure and as a result we have reduced our position significantly.



Provided guidance detailing a further 20% organic revenue growth for FY19.

- The market dynamics of many Australian SMEs looking for a quality 'one-stop' service provider is a clear point of difference for OTW.
- OTW has successfully grown both organically and through acquisitions.
- Recently undertaken a capital raising to fund two highly EPS accretive acquisitions which fit firmly within the company strategy of geographic expansion and increasing the available service offerings to customers.



Announced the acquisition of IAB Group (ASX: IAB).

- IAB has a similar offering to that of MNF's iBoss product, which allows large businesses and telcos to launch their own mobile offering/challenger brands due to the software smarts for billing, onboarding and integration into the Telstra 4G Network.
- Released FY19 & FY20 guidance with FY19 being impacted by a contract renewal issue within the global minutes segment of the TNZI business.

NSC Overview

PORTFOLIO as at 30 September 2018

12	Number of Holdings
6.44%	Cash Weighting
1.92m	NSC Directors Shareholding
\$202m	Holdings Weighted av. Mkt Cap

PORTFOLIO METRICS as at 30 August 2018

3.24%	Dividend Yield
20.77%*	Projected EBITDA Growth (12 month)
7.99	Enterprise Value to EBITDA
0.36	Net Debt to EBITDA

*Based on NAOS forecasts that are forward-looking in nature. This is not a guarantee or prediction of future performance.

NAC Overview

as at 30 September 2018

DIVIDENDS

\$4.3m

Profits Reserve

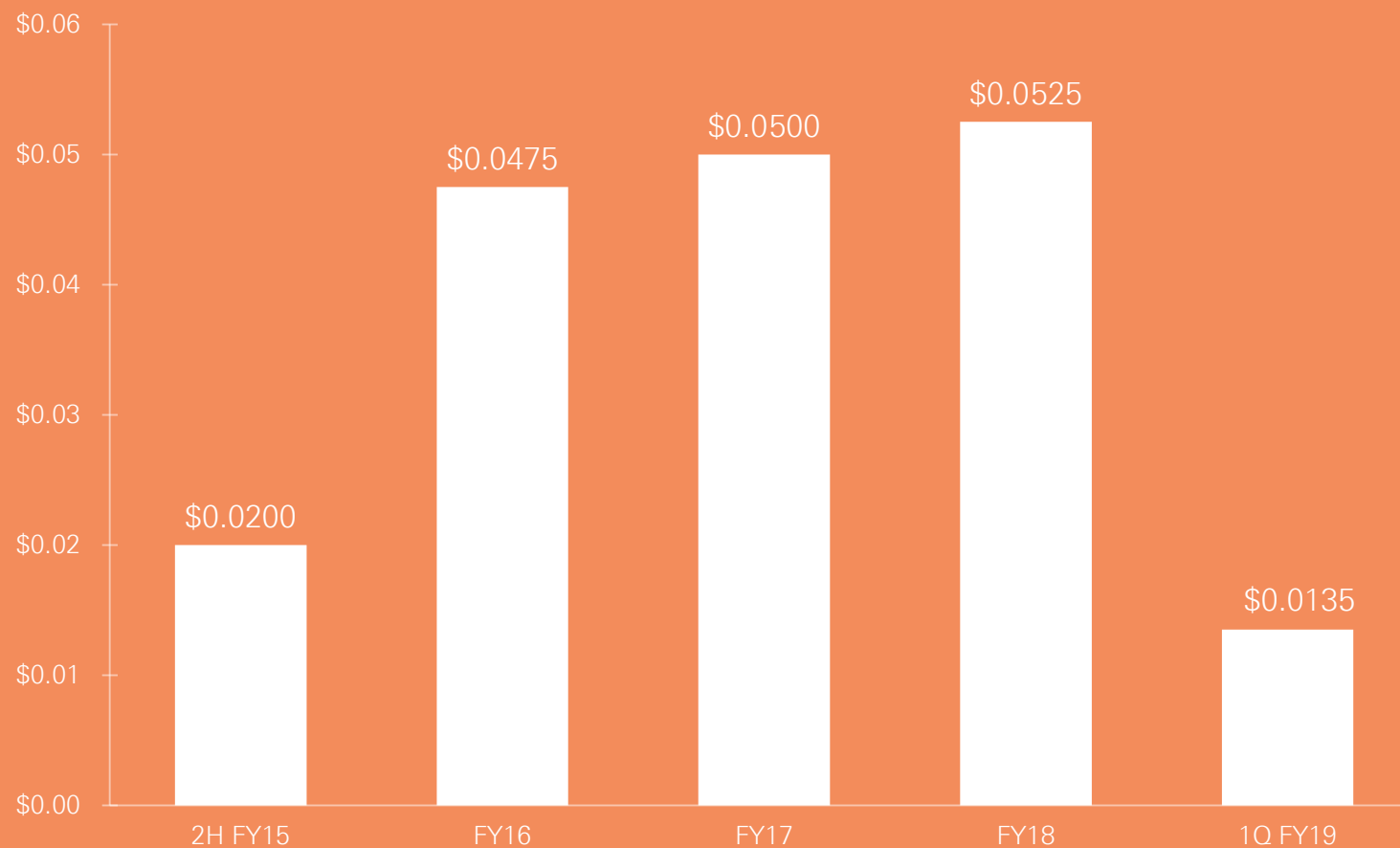
5.20%

Fully Franked Dividend Yield

100%

Franking

DIVIDEND PROFILE



NAC Stock Spotlight



Reported a strong set of results together with full year guidance for FY19, to which the market reacted favourably.

- HLO trades on less than 17x our estimated FY19 earnings and has a healthy balance sheet, which places it in a strong position for selective acquisitive growth.
- We have lightened our position in HLO .



Announced acquisition of US based MORSCO.

- The acquisition of MORSCO is significant in scale and is Reece's first foray into the even larger US market.
- Reece founders invested \$360 million in the recent capital raising to help fund the acquisition of MORSCO demonstrating strong shareholder alignment.



Reported another solid result with strong free cash flow generation and further market share gains.

- Recent acquisition going well and they are currently looking at other complementary acquisitions to diversify revenue stream.
- SSM have a very strong balance sheet and a disciplined management team so we have confidence that capital will be allocated appropriately.

NAC Overview

PORTFOLIO as at 30 September 2018

12

Number of Holdings

7.20%

Cash Weighting

7.47m

NAC Directors Shareholding

\$1.23b

Holdings Weighted av. Mkt Cap

PORTFOLIO METRICS as at 30 August 2018

3.24%

Dividend Yield

20.28%*

Projected EBITDA Growth (12 month)

9.54

Enterprise Value to EBITDA

0.12

Net Debt to EBITDA

*Based on NAOS forecasts that are forward-looking in nature. This is not a guarantee or prediction of future performance.

Market Anecdotes

“The single greatest edge an investor can have is a long-term orientation.”

SETH KLARMAN

VALUATION

Industrial Companies ex Financial ex Listed Property Trusts

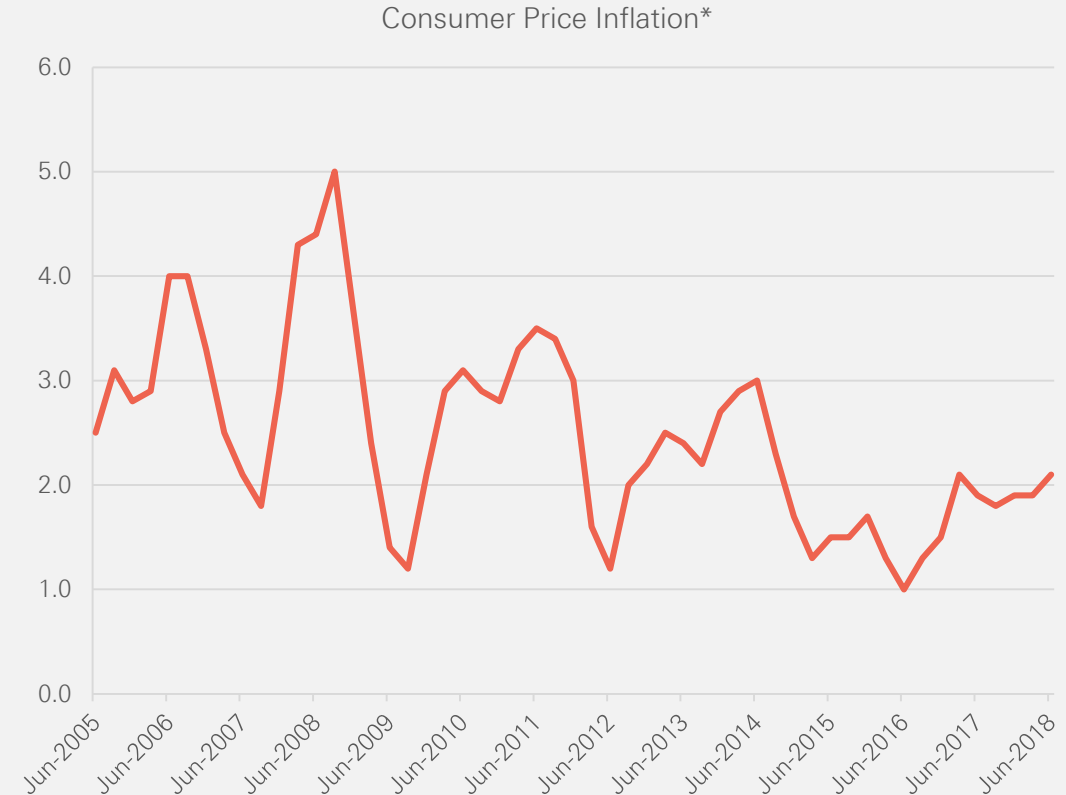
PER (x)	EPS GROWTH (%)	DIV YIELD (%)	PRICE + DEBT/EBIT (x)
20.8	1.3	3.7	15.9

Source: Macquarie Wealth Management Research October 2018, figures based on 2018 data pro-rated for 30 June

Notable Market Events Q1FY19

EVIDENCE OF CONSUMER WEAKNESS

- 01 ASX: MHJ | Michael Hill Jeweller Downgrade
- 02 ASX: AHG and ASX: APE | Automotive Holdings and AP Eagers reported poor new car sales data
- 03 ASX: MTO | Motorcycle Holdings reported poor new motorbike sales data

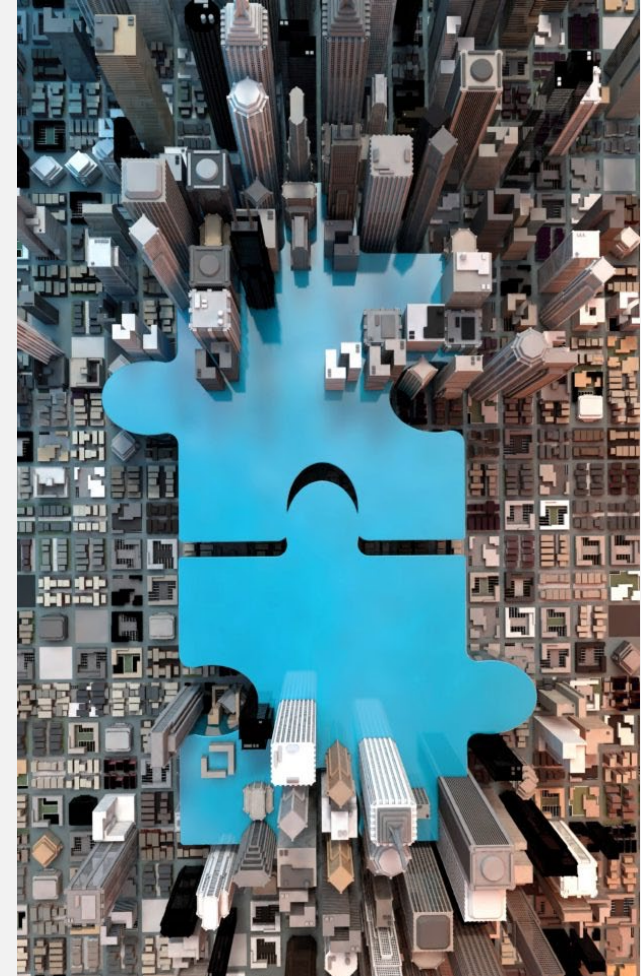


* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999-2000. Source: ABS, RBA released on 8 August 2018.

Notable Market Events Q1FY19

INCREASE IN M&A ACTIVITY

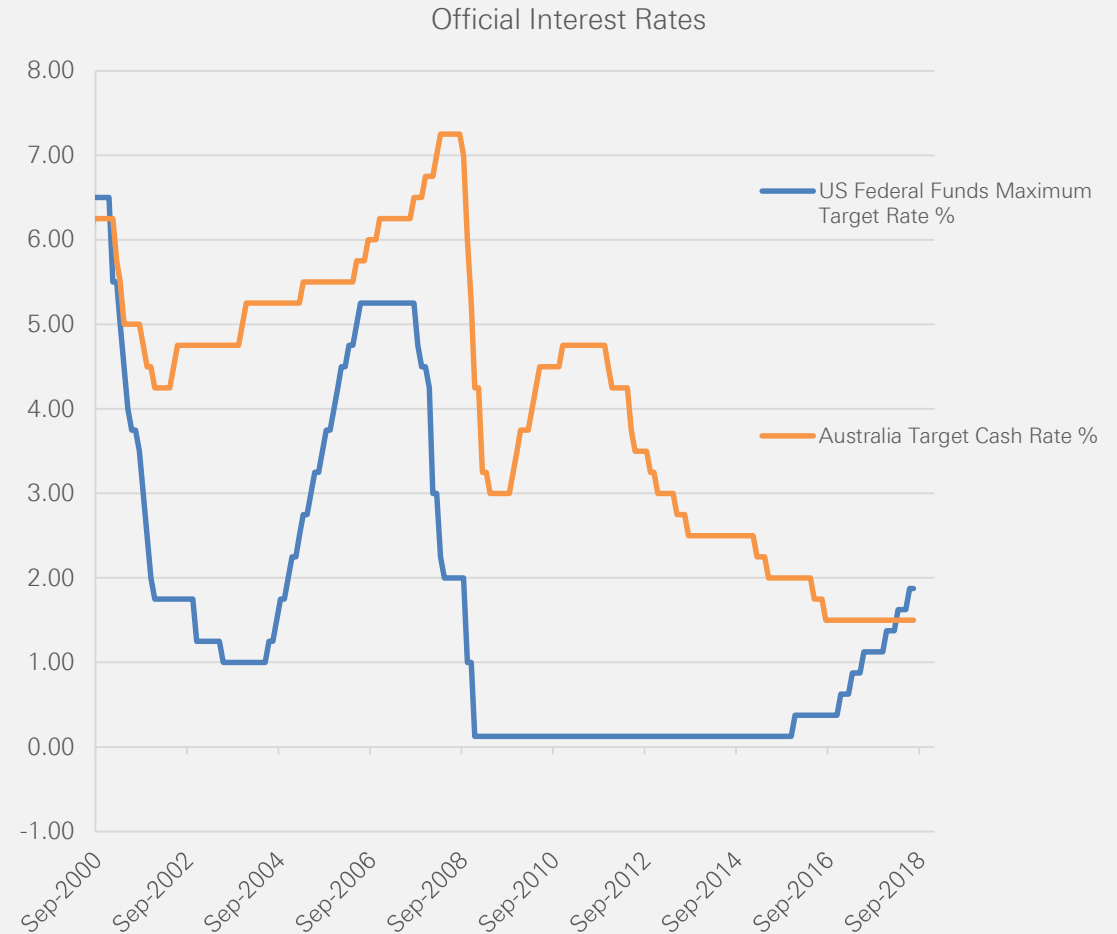
- 01** ASX: MYO | MYOB Limited bid from KKR
- 02** ASX: NVT | NAVITAS Limited bid from BGH Consortium
- 03** ASX: APO | APN Outdoor acquired by JCDecaux SA



Notable Market Events Q1FY19

NORMALISATION OF US INTEREST RATES

- 01 Significant falls in high growth stocks
- 02 Increased lending costs
- 03 More rigorous lending criteria



Source: RBA, Federal Reserve Bank of NY via RBA

Looking towards Q2FY19

Key Events



AGM and update on IAB acquisition



AGM and Q1 trading update



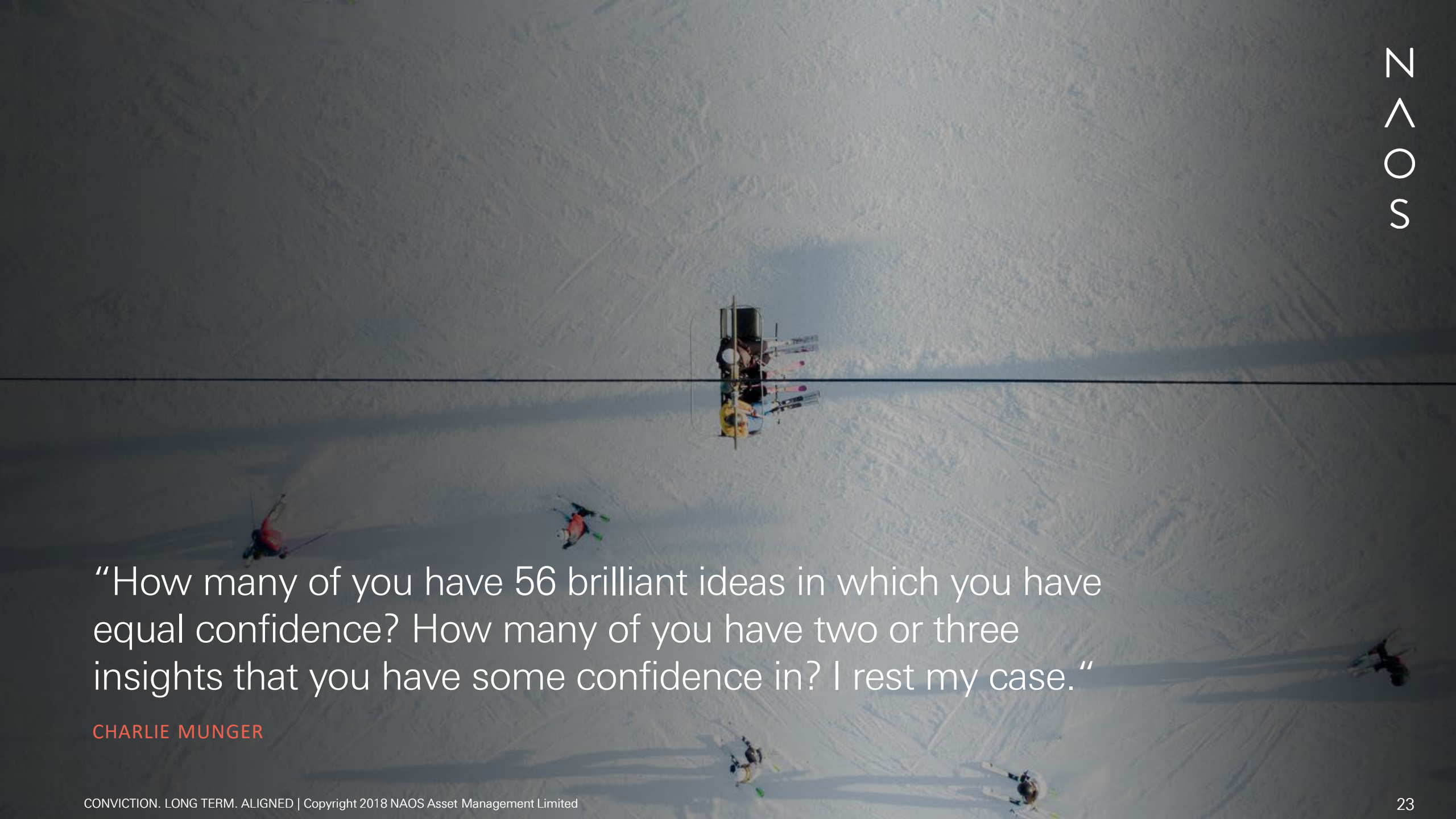
Result FY2018



SIQ result CY2018



AGM, potential update on HVAC

An aerial photograph of a snowy mountain slope. In the center, a ski lift cabin is suspended from a cable. Several skiers are visible on the slope, some at the top and others further down. The snow is covered in tracks from previous skiers. The overall scene is bright and expansive.

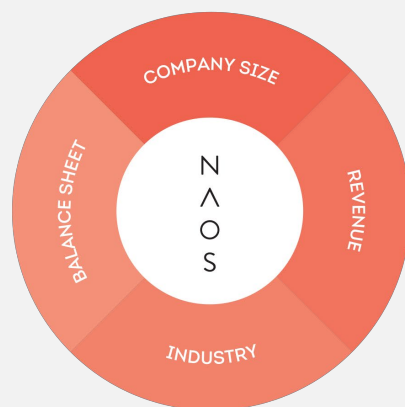
“How many of you have 56 brilliant ideas in which you have equal confidence? How many of you have two or three insights that you have some confidence in? I rest my case.”

CHARLIE MUNGER

NAOS investment process

01

INVESTMENT UNIVERSE SCREEN CRITERIA



2804

TOTAL ASX LISTED COMPANIES*

02

INVESTMENT UNIVERSE FUNNEL



04

THE NAOS LICs

- 0-15 **ASX:NCC**
NAOS EMERGING OPPORTUNITIES COMPANY LIMITED
- 0-30 **ASX:NSC**
NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED
- 0-20 **ASX:NAC**
NAOS Ex-50 OPPORTUNITIES COMPANY LIMITED

50-80

NAOS ACTIVE INVESTMENT UNIVERSE WATCHLIST

03

INVESTMENT CRITERIA

- MANAGEMENT & CULTURE
- VALUATION, GROWTH & MARGIN OF SAFETY
- ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

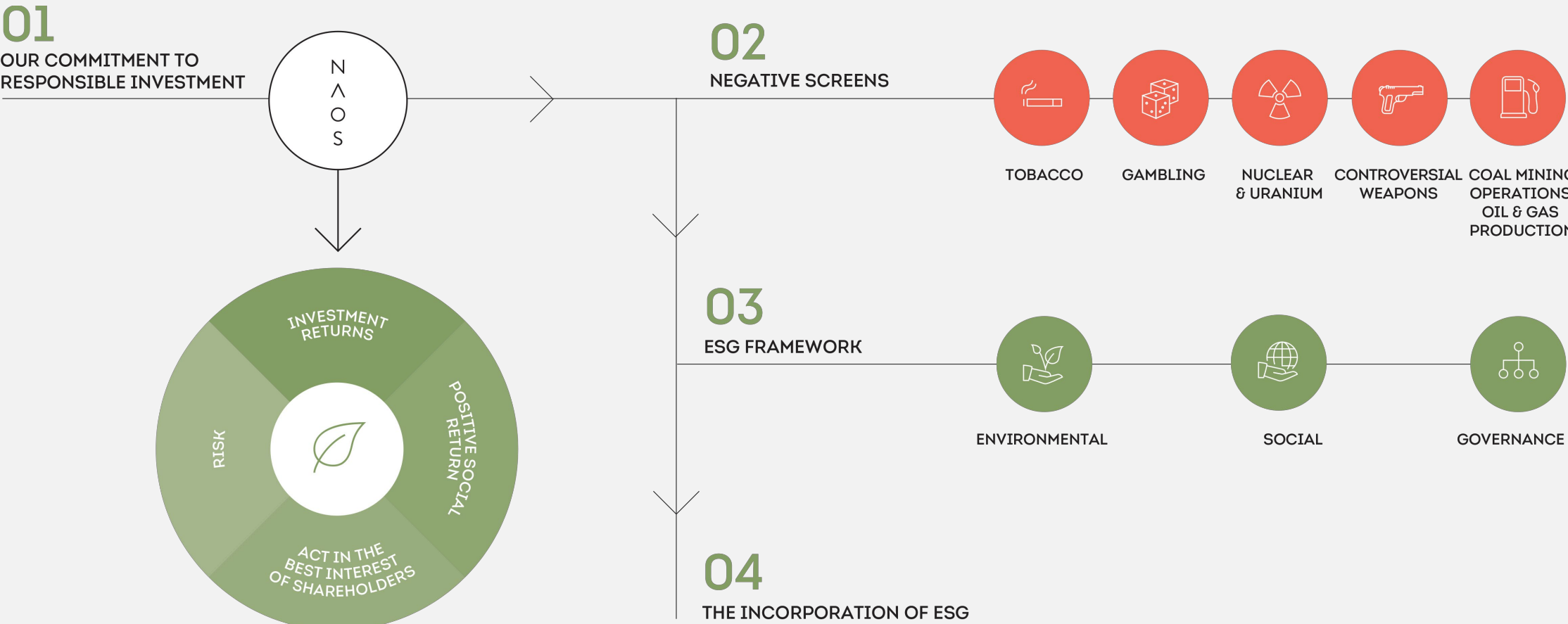


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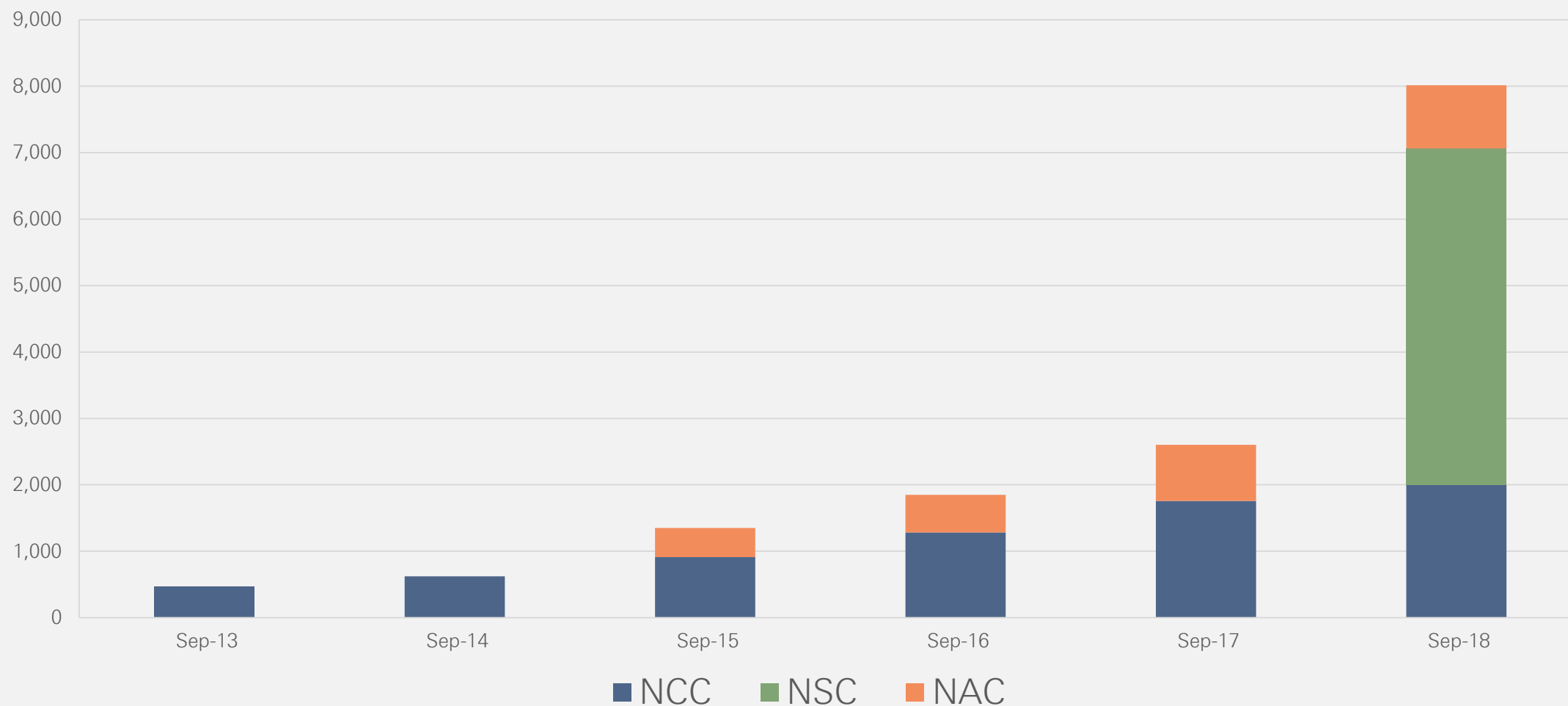
COMPANIES IN THE NAOS UNIVERSE

* Source: Bloomberg Data June 2018

NAOS ESG framework



Number of Shareholders



Investor awareness and communication



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Quarterly Shareholder Conference Calls, subscribe via our website naos.com.au/#subscribeform



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The news and media section of our website is updated regularly naos.com.au



Twice yearly National Roadshow



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For all enquires contact enquiries@naos.com.au or call (02) 9002 1576

NAOS Directors and Team

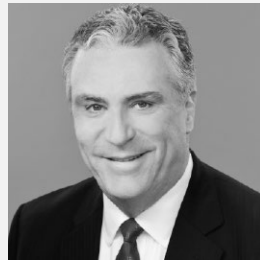
OUR DIRECTORS



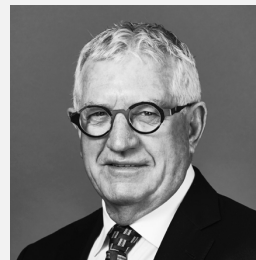
Sebastian Evans
Managing Director, NAOS Asset Management Limited & Director NCC, NSC and NAC



Warwick Evans
Chairman, NAOS Asset Management Limited & Director NCC, NSC and NAC



Mark Bennett
Director, NAOS Asset Management Limited



Trevor Carroll
Independent Chairman NSC



Matthew Hyder
Director, NAOS Asset Management Limited



David Rickards
Independent Chairman & Director, NCC and NAC & Independent Director NSC



David O'Halloran
Director, NAOS Asset Management Limited

OUR TEAM



Sebastian Evans
Chief Investment Officer



Ben Rundle
Portfolio Manager



Robert Miller
Portfolio Manager



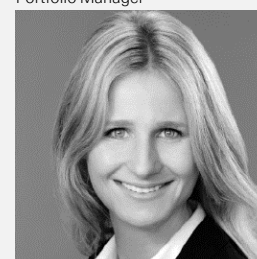
Rachel Folder
Investment Analyst



Richard Preedy
Chief Financial and Operating Officer



Rajiv Sharma
Senior Legal Counsel and Company Secretary NCC, NSC & NAC



Julia Stanistreet
Business Development Manager



Megan Walker
Marketing and Communications Manager



Scott Hildebrand
Distribution & Sales Manager

A&O

NAOS

Thank you for your support