

NAOS Asset Management

FY19 Q4 Investor Conference Call

NAOS

Thursday, 25th July 2019 | 10:30 am (AEST)
1300 289 804 (National Toll Free) +61 3 8687 0635 (International Direct Dial)
Guest Access Code: 1084 2873#

Important Information

This material has been prepared by NAOS Asset Management Limited (ABN 23 107 624 126, AFSL 273529) (NAOS) for general information purposes only and must not be construed as investment advice. It does not constitute an offer to purchase any security or financial product or service referred to herein. Any such offer or solicitation shall only be made pursuant to a relevant offer document, which is available by calling NAOS on (02) 9002 1576. This material does not take into account the investment objectives, financial situation or needs of any particular investor. Before making an investment decision, investors should consider obtaining professional investment advice that is tailored to their specific circumstances.

Where past performance information is shown, it is intended to be for general illustrative purposes only. Past performance is not a reliable indication of future performance. In relation to any NAOS financial product or service referred to herein, NAOS does not guarantee its future performance, the amount or timing of any returns or that any investment objectives will be achieved.

Statements contained in this material that are not historical facts are based on the current expectations, estimates, projections, opinions, assumptions and beliefs of NAOS, which are subject to change without notice. This material may also contain forward-looking statements. Forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainty and other factors beyond NAOS' control. Unless otherwise expressly stated, no independent person has reviewed the reasonableness of any such forward-looking statements or assumption. Undue reliance should not be placed on forward-looking statements as actual events or results or the actual performance of a NAOS financial product or service may materially differ from those reflected or contemplated in such forward-looking statements.

Neither NAOS or any of its respective officers or employees makes any representation or warranty (express or implied) with respect to the correctness, accuracy, reasonableness or completeness of any information contained in this material and to the maximum extent permitted by law, NAOS disclaims all liability to any person relying on the information contained in this material in relation to any loss or damage (including consequential loss or damage), however caused, which may be suffered directly or indirectly in respect of such information.

This material must not be reproduced or disclosed, in whole or in part, without the prior written consent of NAOS. Certain economic, market or company information contained in this material may have been obtained from published sources prepared by third parties. Any trademarks, logos or service marks contained herein may be the registered or unregistered trademarks of their respective owners. Nothing contained herein should be construed as granting by implication or otherwise, any license or right to use any trademark displayed without the written permission of the owner.

NAOS Asset Management

Our Mission

To provide investors genuine long-term, concentrated exposure to Australian undervalued listed micro, small and mid-cap companies with an industrial focus.

NAOS established its first Listed Investment Company (LIC) in 2013 with 400 shareholders, today NAOS manages \$260 million across three LIC vehicles for close to 8,000 shareholders.

Our directors and employees have a significant interest in all three LICs, this means we are invested alongside our shareholders creating strong alignment of interests.

NAOS is committed to a responsible investment strategy, ESG considerations are incorporated into our investment process and apply across all NAOS investments.

NAOS Investment Beliefs



01

Value with Long
Term Growth



02

Quality over
Quantity



03

Invest for the
Long Term
(5+ years)



04

Performance v
Liquidity Focus



05

Ignore the
Index



06

Pure Exposure
to Industrials



07

Environmental,
Social and
Governance (ESG)

We do not invest in tobacco, gambling, nuclear, uranium, controversial weapons, coal mining operations or oil and gas production companies.



08

Management
Alignment

NAOS Investment Mandate

01

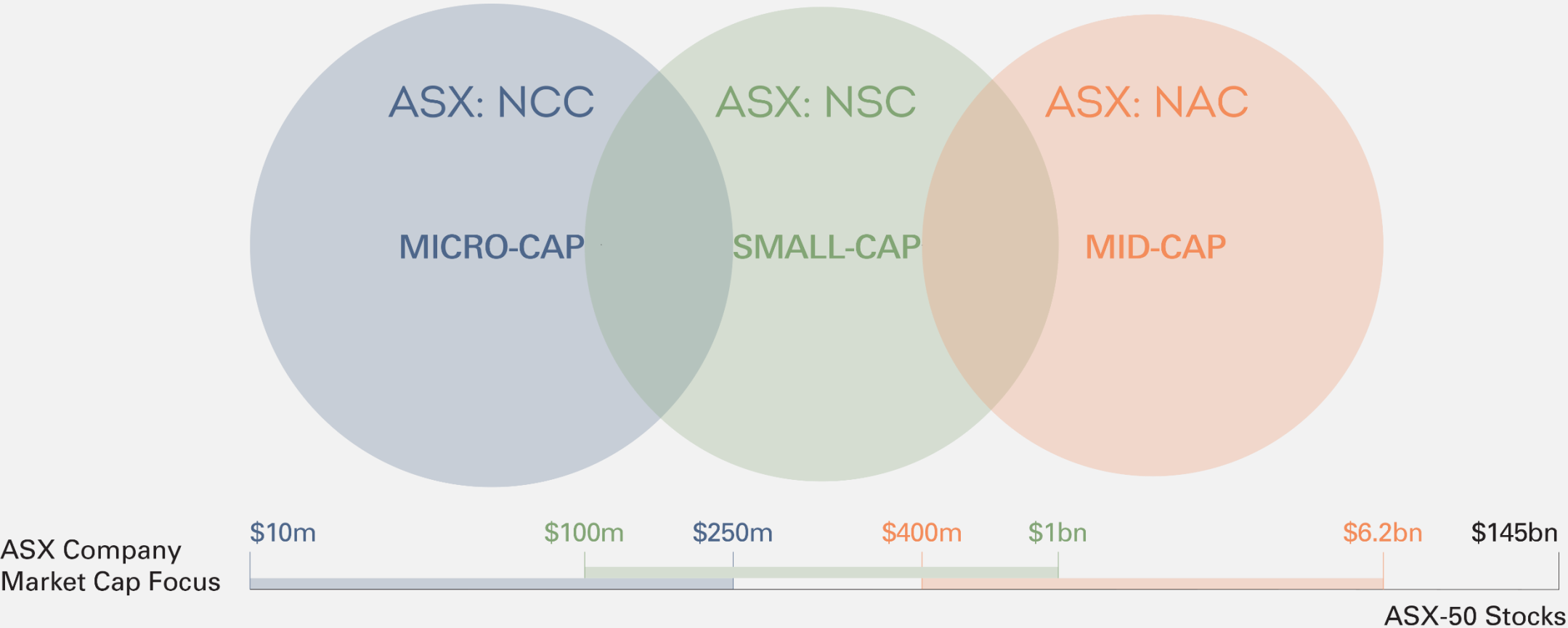
NAOS seeks to protect investor capital whilst providing a sustainable growing stream of fully franked dividends and capital growth above the relative benchmark index over the long-term.

02

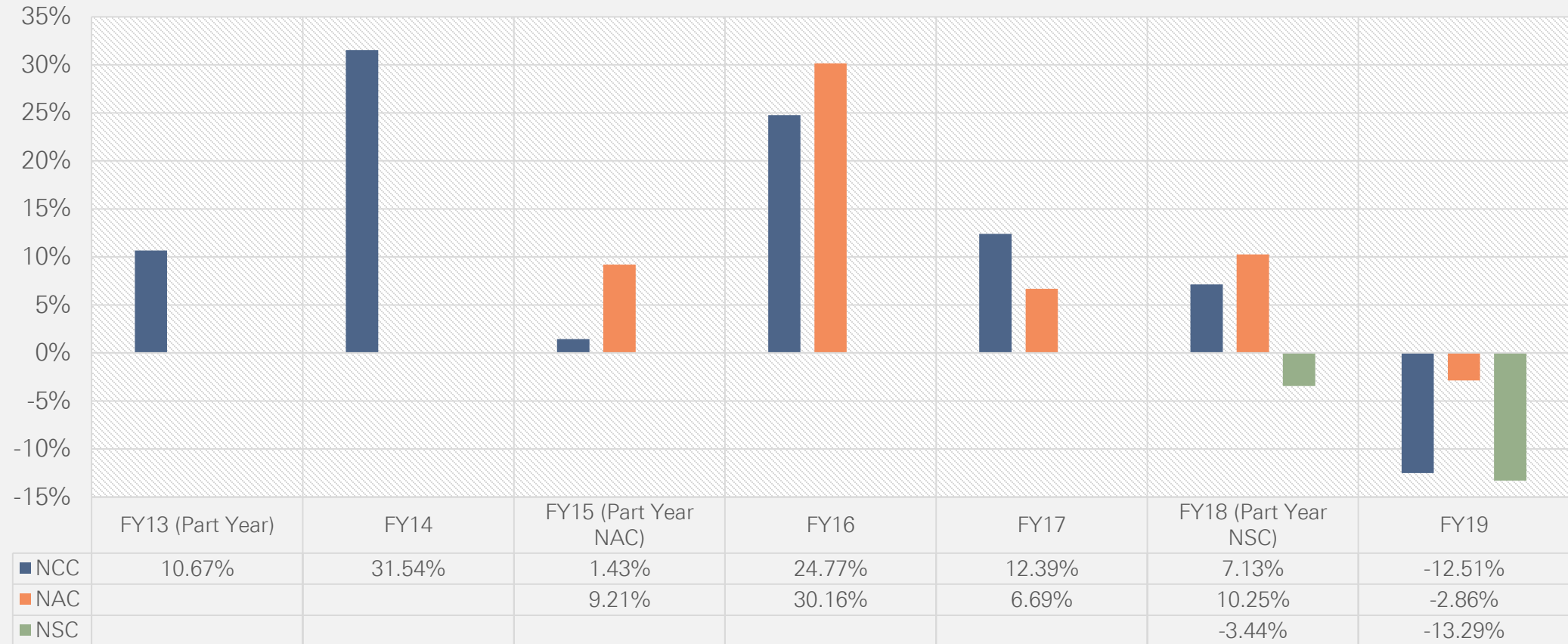
NAOS provides investors with genuine long-term, concentrated exposure to Australian undervalued listed micro, small and mid-cap companies with an industrial focus, regardless of size and/or liquidity.

NAOS Listed Investment Companies

Each of our LIC's target a concentrated portfolio of 10-20 companies



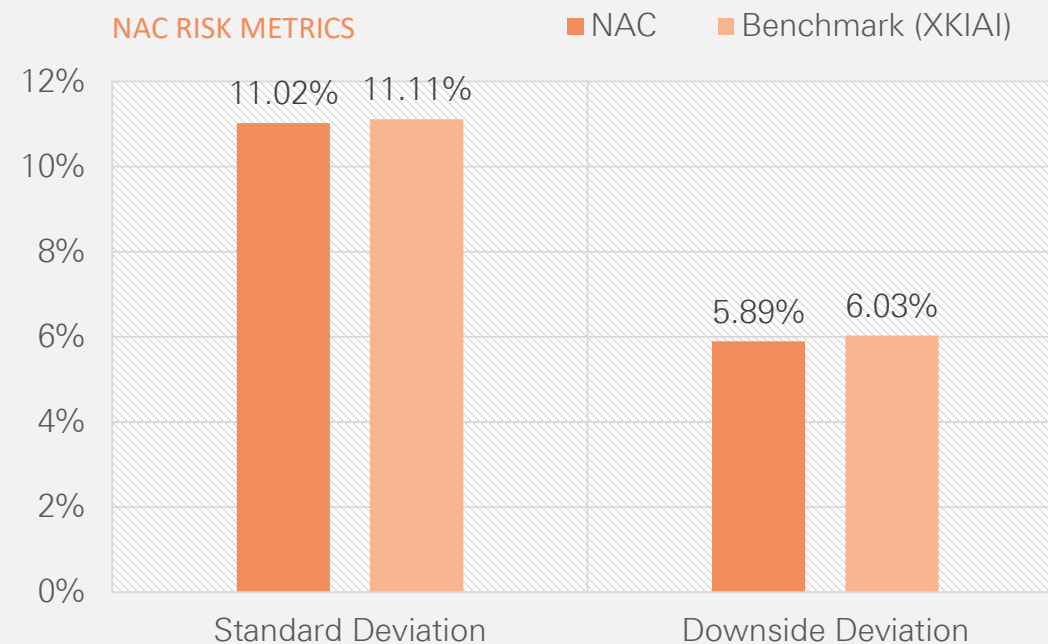
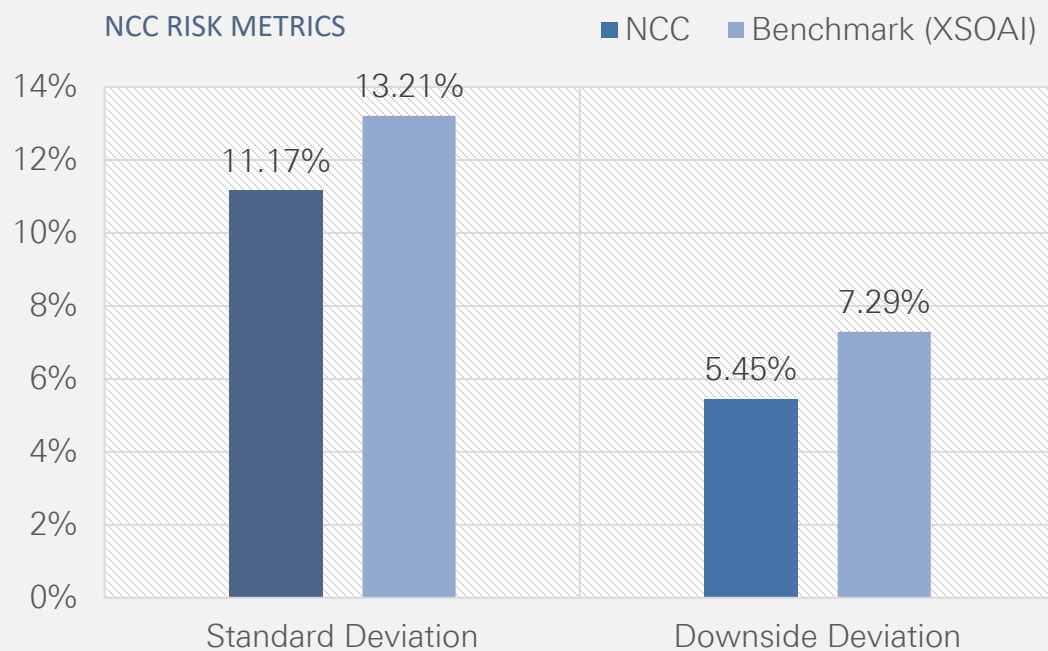
Investment Portfolio Performance - Financial Year Returns*



* Investment Portfolio 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. Inception dates are February 2013 (NCC), November 2014 (NAC) and December 2017 (NSC).

Strong long term risk adjusted returns*

NAOS INVESTMENT PORTFOLIO	PERFORMANCE SINCE INCEPTION	BENCHMARK PERFORMANCE
NCC	+11.03% p.a.	+6.19% p.a. (XSOAI)
NAC	+11.05% p.a.	+8.49% p.a. (XKIAI)



* Investment Portfolio 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. Since inception (p.a.) includes part performance for the month of February 2013 (NCC) and November 2014 (NAC). Returns compounded for periods greater than 12 months. All risk metrics are calculated from the inception date of each portfolio.

Market Commentary

High growth and technology stocks continued to outperform

COMPANY	% PRICE CHANGE FY19	INDEX POINTS ADDED FY19 to XSO	FY19 EXPECTED EBITDA	FY19 EXPECTED EV/EBITDA
Afterpay Touch (ASX: APT)	+155.10%	33.3	\$17,018,000	384.84
Wisetech Global (ASX: WTC)	+77.20%	20.5	\$106,111,000	86.96
Appen (ASX: APX)	+110.30%	20.2	\$89,517,000	40.47
IDP Education (ASX: IEL)	+70.40%	13.6	\$114,571,000	40.35
Technology One (ASX: TNE)	+88.70%	13.4	\$78,786,000	31.86
Altium (ASX: ALU)	+32.80%	12.9	\$65,550,000	48.33
Nearmap (ASX: NEA)	+117.20%	11.6	\$11,740,000	140.65
Total		125.5		
Average			\$69,041,857	110.49

Source UBS Commentary June 30, 2019

XSO movement for FY19 was -24.4 points or -0.85%, if these 7 businesses were removed, then the FY19 return for XSO would have been -5.25%.

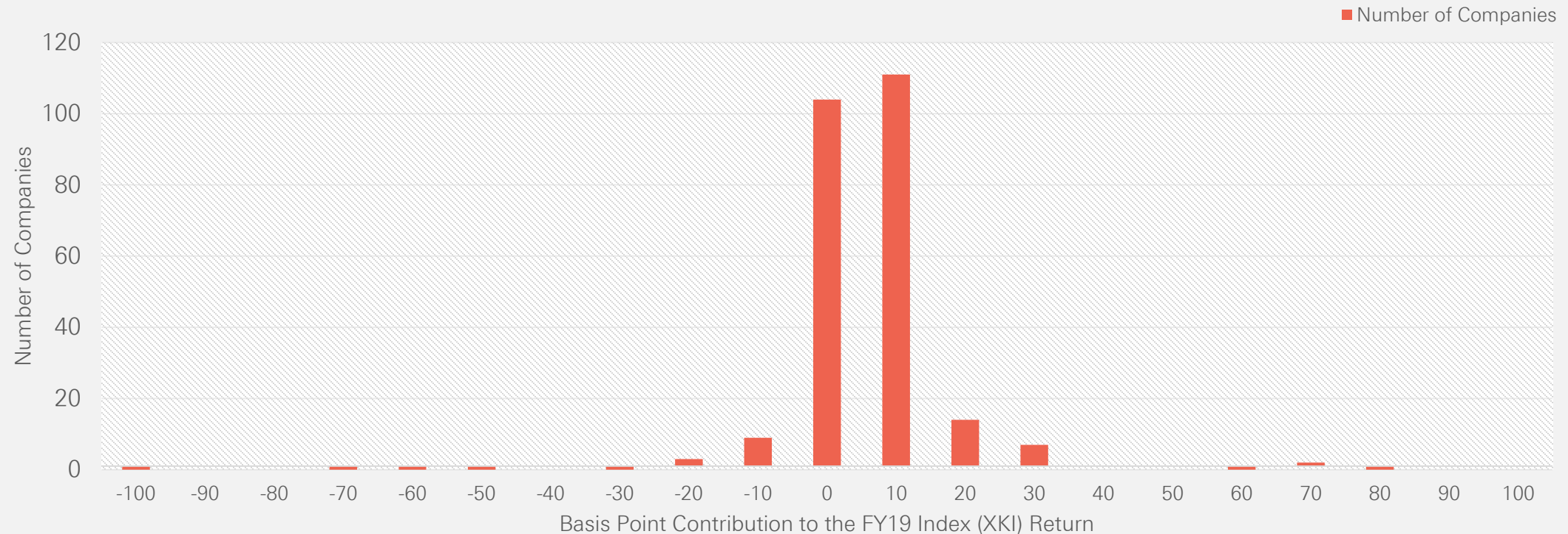
Market Commentary

What growth rate is the market pricing in over the next 5 years?

	FY19	FY20	FY21	FY22	FY23	FY24
EBITDA	\$100	\$150	\$225	\$338	\$506	\$759
Share Price	\$11.00	\$13.50	\$18.00	\$16.88	\$17.72	\$11.39
EBITDA Valuation Multiple	110	90	80	50	35	15
EBITDA Growth p.a.	50%					

Market Commentary

All companies within the XKI and their respective contribution or detractor to the total index return for FY19 prior to dividends



Source Bloomberg Data June 30 2019

Focus on the controllable

NAOS will continue to focus on the controllable to maximise risk adjusted returns

Can Control

Investing with proven management teams based on value/price and stock specific fundamentals on a 3-5 year view

Can't Control

Market noise and timing of short term market movements



NCC Key Portfolio Events Q4 FY19

HOLDING	INDUSTRY	Q4 UPDATE
BTC Health (ASX: BTC)	Medical Device Distribution	<ul style="list-style-type: none"> Announced acquisition of a healthcare distribution business, we believe this will be a transformative deal for the company. The deal provides significant growth potential both through increased market penetration, and also the opportunity for BTC to source further exclusive distribution agreements from global partners.
Wingara AG (ASX: WNR)	Agriculture	<ul style="list-style-type: none"> Released audited accounts for FY19 in May, which provided greater clarity around the cash flow generation potential of the business and the earnings splits from the two operating divisions. With the property assets alone worth in excess of \$25 million, part of these funds could be reinvested to generate an improved return.

NCC Overview

as at 30 June 2019

NAOS

\$1.02
Pre Tax NTA

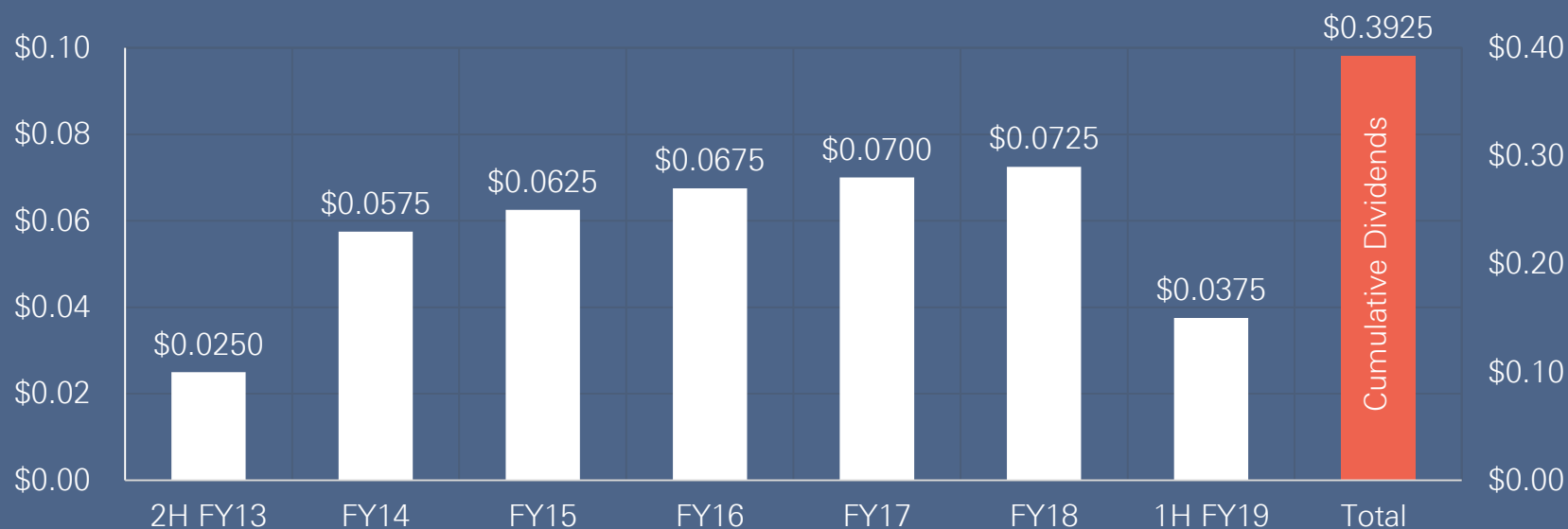
8.19%
Fully Franked
Dividend Yield

\$0.885
Share Price

(13.24%)
Discount to Pre Tax
NTA

\$80.1m
Weighted Average
Market Capitalisation
of the Investments

FULLY FRANKED DIVIDEND (CENTS PER SHARE)



NSC Key Portfolio Events Q4 FY19

HOLDING	INDUSTRY	Q4 UPDATE
Experience Co (ASX: EXP)	Tourism & Leisure	<ul style="list-style-type: none"> • EXP recently announced a complete overhaul of the board and management team. • Dominant position in its two main markets. • Little gearing on the balance sheet. • EXP has recently brought in an Executive Chairman (Bob East) and CEO (John O’Sullivan).
Big River Industries (ASX: BRI)	Building Materials	<ul style="list-style-type: none"> • BRI announced two acquisitions. • Post these acquisitions almost 90% of BRI’s EBITDA will be attributable to their distribution division, we continue to believe that the large format, trade focused market for building distribution businesses remains ripe for consolidation. • As BRI builds a larger network of distribution centres with a more complete product range, it should command a similar valuation multiple to other building materials businesses.

NSC Overview

as at 30 June 2019

NAOS

\$0.70
Pre Tax NTA

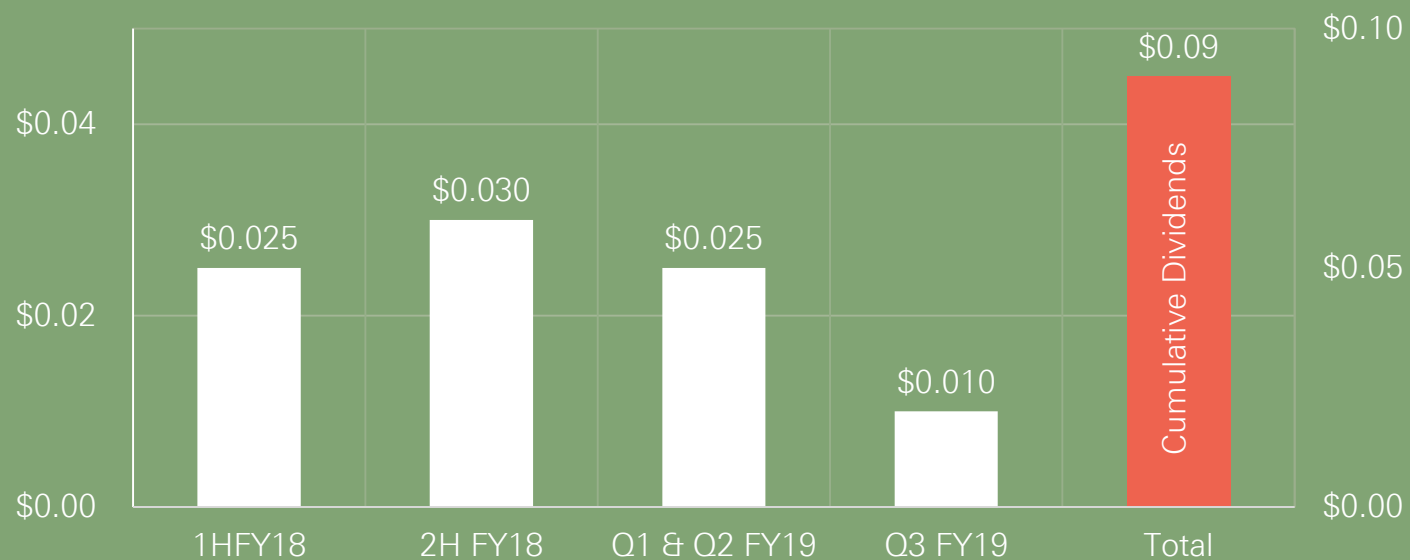
7.08%
Fully Franked
Dividend Yield

\$0.565
Share Price

(19.29%)
Discount to Pre Tax
NTA

\$170.8m
Weighted Average
Market Capitalisation
of the Investments

FULLY FRANKED DIVIDEND (CENTS PER SHARE)



NAC Key Portfolio Events Q4 FY19

HOLDING	INDUSTRY	Q4 UPDATE
AP Eagers (ASX: APE)	Motor Vehicle Retailer	<ul style="list-style-type: none"> APE believe there will continue to be choice and competition for consumers in these markets following the ACCC's preliminary views on the proposed merger with AHG. Announced the sale and leaseback of a Newstead property for \$61m, earning \$26m PBT on the sale. Longer term we expect this strategy, along with the merger, to yield even greater fruits as new car sales rebound from cyclical lows.
People Infrastructure (ASX: PPE)	Workforce Solutions	<ul style="list-style-type: none"> Completed \$20 million equity raising and finalised two acquisitions, both of which operate in the healthcare staffing industry. PPE stated that 2H FY19 has been stronger than 1H FY19, which is pleasing considering the strength of the 1H result.

NAC Overview

as at 30 June 2019

\$1.00
Pre Tax NTA

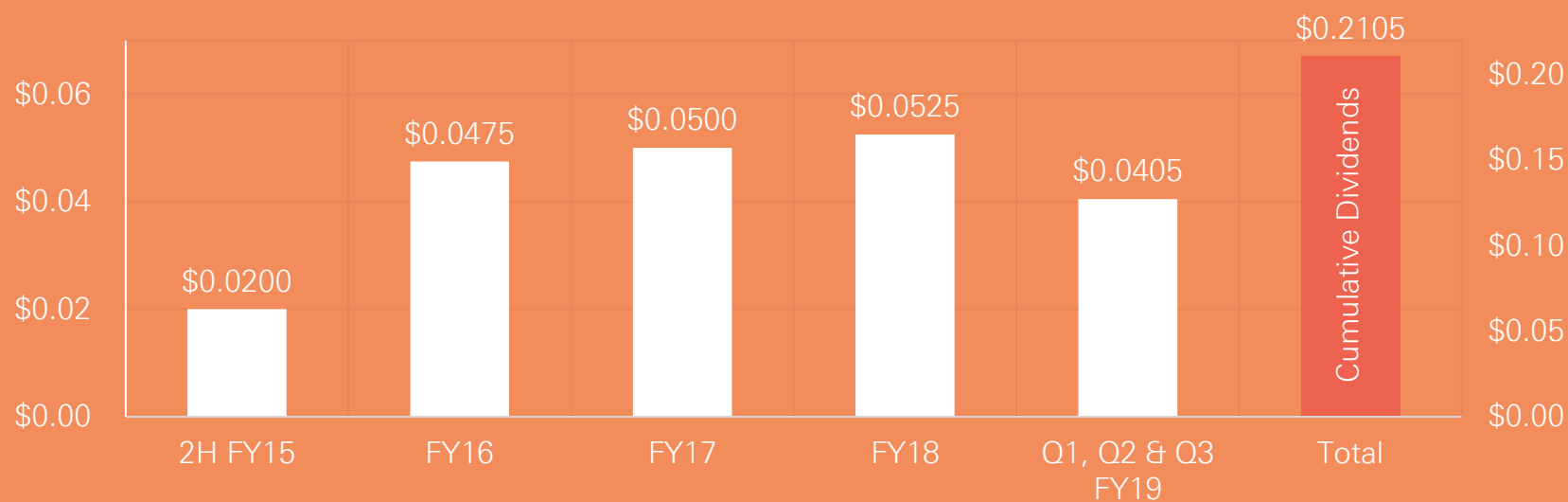
6.55%
Fully Franked
Dividend Yield

\$0.825
Share Price

(17.50%)
Discount to Pre Tax
NTA

\$390.9m
Weighted Average
Market
Capitalisation of the
Investments

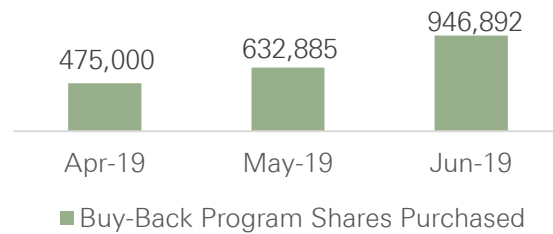
FULLY FRANKED DIVIDEND (CENTS PER SHARE)



Capital Management Initiatives

- NSC commenced an on-market buy-back during Q4 FY19, the total number of shares purchased under the Buy-Back Program was 2,054,777 to 30 June 2019.
- The Board considers this to be an effective use of the Company's capital to close the discount to NTA as well as increasing the NTA per share over the long term.

NSC Buy-Back



NAC Buy-Back

- NAC Buy-Back announced which commenced on 13 June 2019.
- The Board considers this to be an effective use of the Company's capital to close the discount to NTA as well as increasing the NTA per share over the long term.

NCC Bonus Options

- A pro-rata one-for-four issue of bonus options to eligible shareholders.
- The Board believes this is a measured way to allow the Company to grow over the next 24 months whilst allowing the Investment Manager to take advantage of a number of investment opportunities.

Dividends

- All dividends to date from NAOS LICs have been fully franked.
- The Dividend Reinvestment Plan (DRP) buys shares on market if the share price is at a discount to NTA to avoid diluting shareholders.

NAOS National Investor Roadshow

EVENT DETAILS

PERTH

11:00am-12:30pm
Tuesday 10th September

Parmelia Hilton Perth
14 Mill Street
Perth WA 6000

MELBOURNE

11:00am-12:30pm
Thursday 12th September

The Westin Melbourne
205 Collins Street
Melbourne VIC 3000

BRISBANE

11:00am-12:30pm
Tuesday 17th September

Customs House
399 Queen Street
Brisbane QLD 4000

SYDNEY

11:00am-12:30pm
Thursday 19th September

State Library of NSW
Corner of Macquarie Street and
Shakespeare Place
Sydney NSW 2000

ADELAIDE

11:00am-12:30pm
Tuesday 24th September

Pullman Adelaide
16 Hindmarsh Square
Adelaide SA 5000

CANBERRA

11:00am-12:30pm
Thursday 26th September

Hyatt Hotel Canberra
120 Commonwealth Avenue
Yarralumla ACT 2600

RSVP

To register for the event please visit our website naos.com.au or email enquiries@naos.com.au noting the city you would like to attend and the number of attendees.

Appendix

NAOS

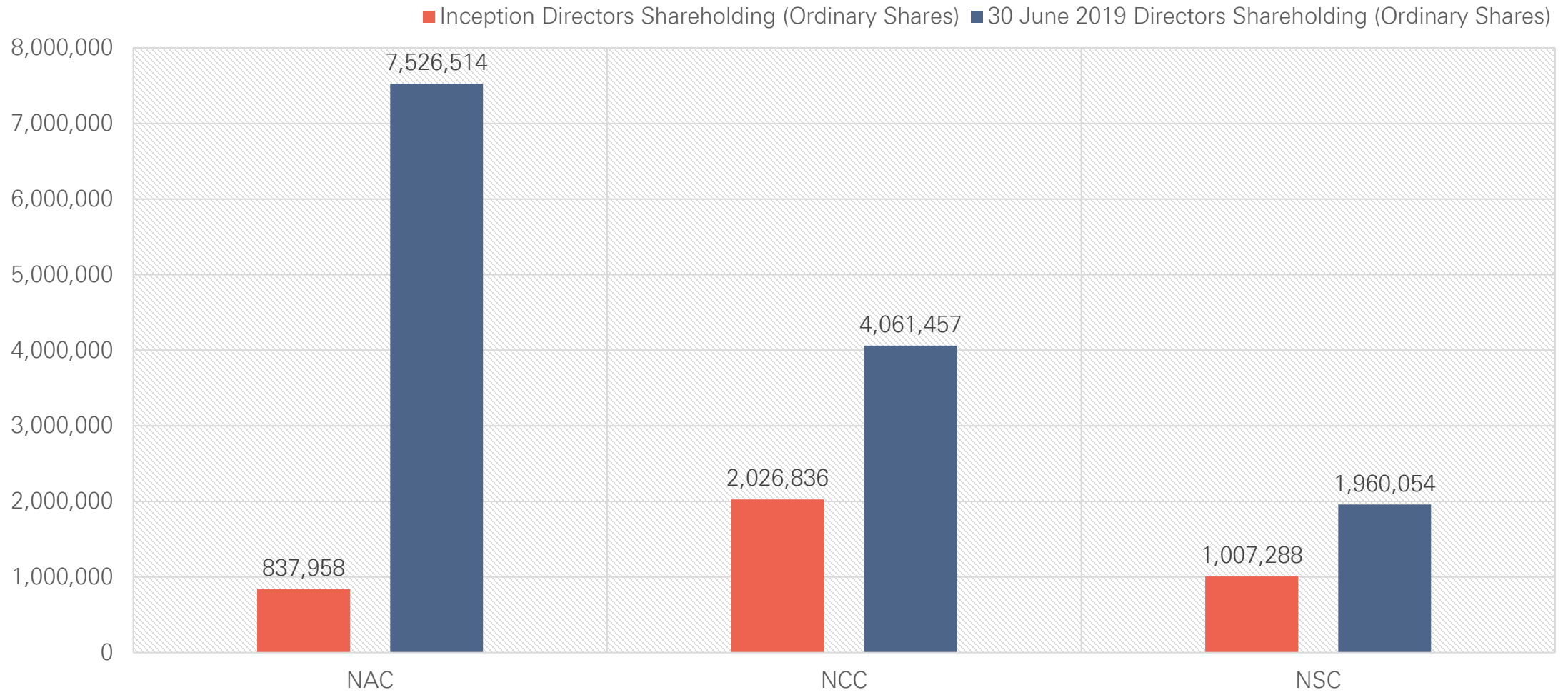
NTA & Performance as at 30 June 2019

	PRE TAX NTA	1 MONTH	1 YEAR	INCEPTION (P.A.)	INCEPTION (Total Return)
NCC*	\$1.02	+0.20%	-12.51%	+11.03%	+94.08% (6 years 5 months)
NSC^	\$0.70	+1.33%	-13.29%	-10.63%	-16.27% (19 months)
NAC*	\$1.00	+2.29%	-2.86%	+11.05%	+62.43% (4 years 8 months)

* 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. and total return includes part performance for the month of February 2013 (NCC) and November 2014 (NAC), returns are compounded for periods greater than 12 months.

^ 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 (p.a. and total return) is 1 December 2017.

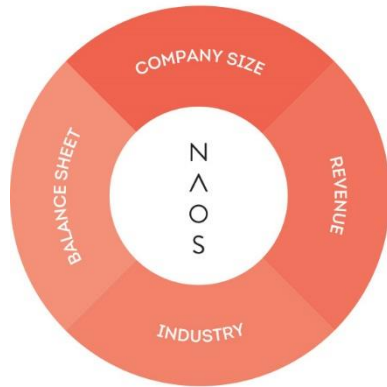
NAOS management alignment



NAOS investment process

01

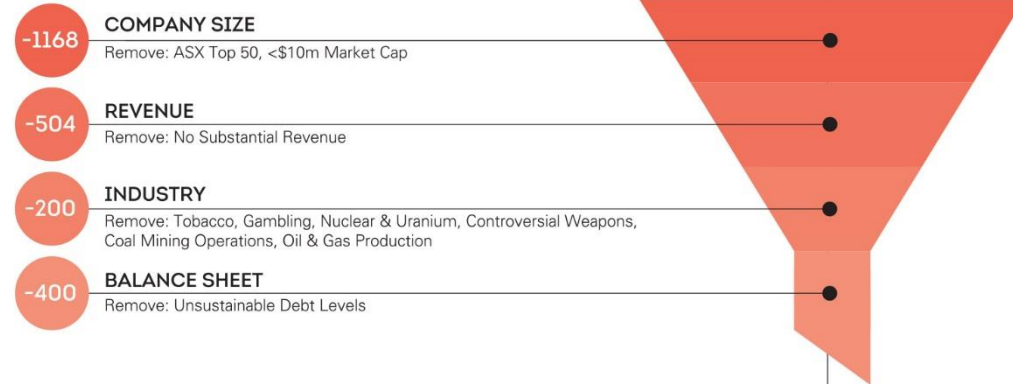
INVESTMENT UNIVERSE SCREEN CRITERIA



2568
TOTAL ASX LISTED COMPANIES*

02

INVESTMENT UNIVERSE FUNNEL



04

THE NAOS LICs

- 0-15 ASX:NCC**
NAOS EMERGING OPPORTUNITIES COMPANY LIMITED
NCC generally invests in 0-15 ASX listed **MICRO-CAP** industrial companies with a target market cap of <\$250m
- 0-30 ASX:NSC**
NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED
NSC generally invests in 0-30 ASX listed **SMALL-CAP** industrial companies with a target market cap of <\$100m-\$1b
- 0-20 ASX:NAC**
NAOS Ex-50 OPPORTUNITIES COMPANY LIMITED
NAC generally invests in 0-20 ASX listed **MID-CAP** industrial companies with a target market cap of <\$400m-\$1b+

50-80
NAOS ACTIVE INVESTMENT
UNIVERSE WATCHLIST

03

INVESTMENT CRITERIA

MANAGEMENT & CULTURE

- Does the management team have a long term proven track record?
- Are the management team aligned with shareholders?
- Is there management team depth?
- Does the culture support a sustainable competitive advantage?

VALUATION, GROWTH & MARGIN OF SAFETY

- Does long term valuation meet a 20% p.a. return hurdle?
- Can the balance sheet support future growth?
- What is the trend and future of return on invested capital (ROIC)?
- Is the industry conducive to revenue growth?
- Does free cash flow allow for both organic growth and growth by acquisition?
- Are the earnings drivers transparent to shareholders?
- Is there a clear plan and a history of earnings growth?
- Is the company developing processes and services to increase sales?

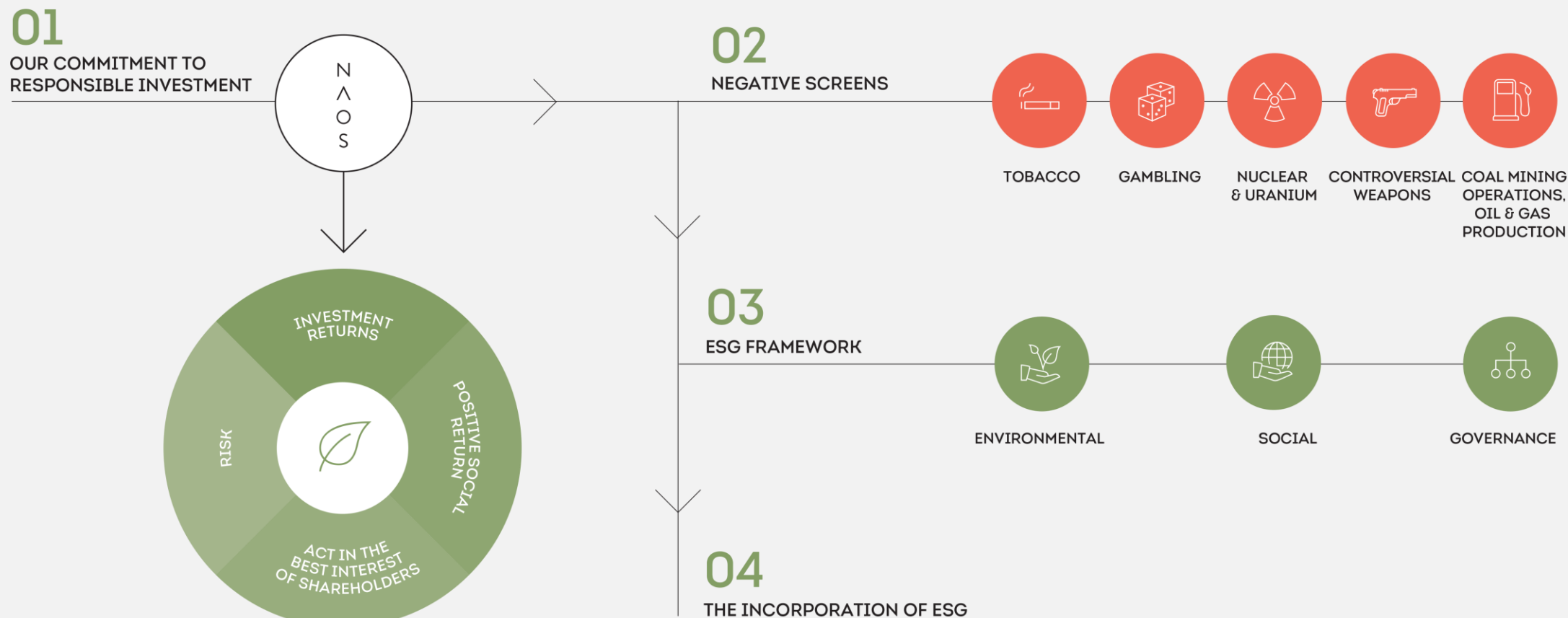
ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

- Does the Company comply with our ESG Framework?

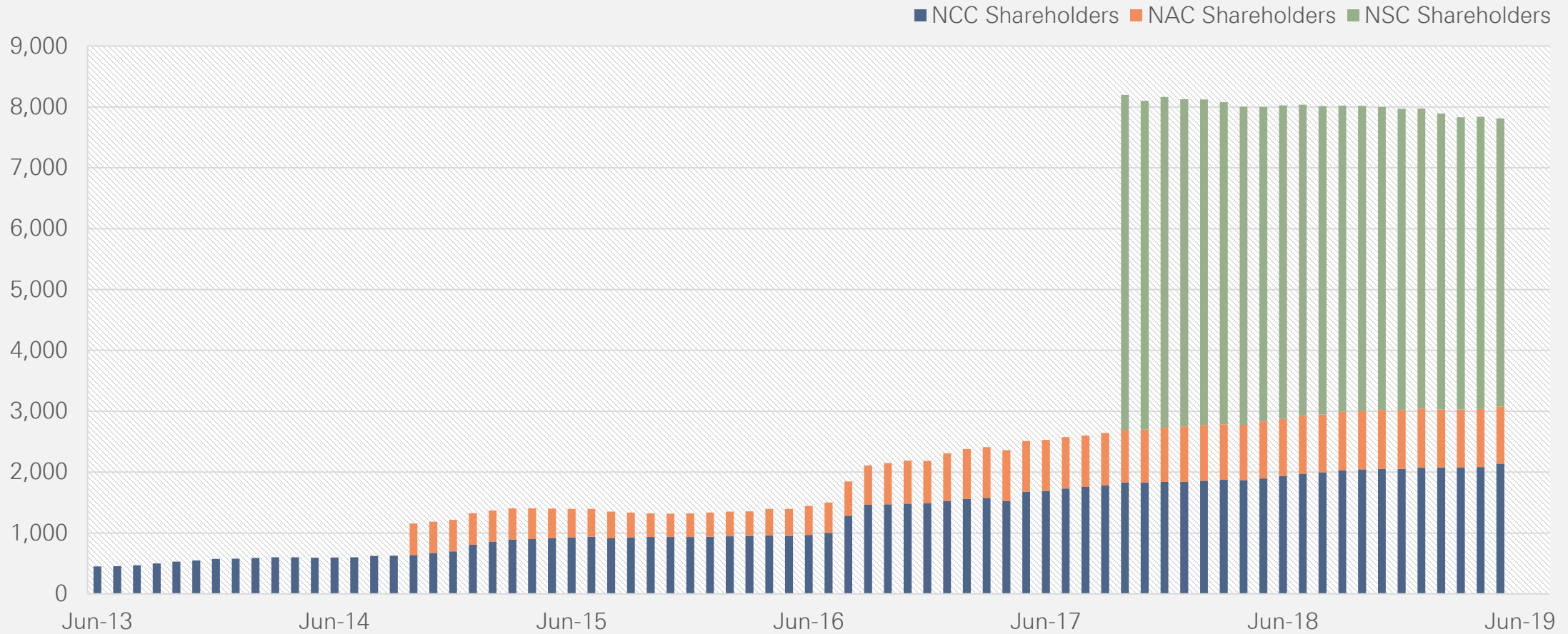
COMPANY
296
COMPANIES IN
THE NAOS UNIVERSE

* Source: Bloomberg Data as at June 2019

NAOS ESG framework



Historical shareholder numbers



Investor awareness and communication



CEO Insights, NAOS Newsletter, subscribe via our website naos.com.au/#subscribeform



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



Monthly Investment Report & NTA email updates, subscribe via our website naos.com.au/#subscribeform



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



Twice yearly National Roadshow



Follow us on Twitter
[@NaosAssetMgmt](https://twitter.com/NaosAssetMgmt)



Add us on LinkedIn
NAOS Asset Management



Like us on Facebook
NAOS Asset Management



Subscribe to us on YouTube
NAOS Asset Management



Follow us on Instagram
[naos_asset_management](https://www.instagram.com/naos_asset_management)



Listen and subscribe to Podcasts on iTunes



Listen and subscribe to Podcasts on Spotify



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

NAOS Asset Management giving back

NAOS, the management company, is proud to be supporting the following charities



'Golden Shouldered Parrot' threatened species project, in partnership with Bush Heritage



'Reef Aid' campaign, in partnership with Greening Australia



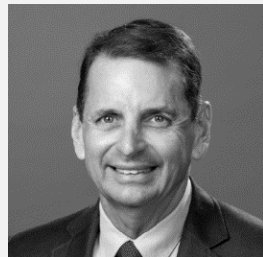
RFDS, dedicated to providing healthcare to Australians in remote communities

NAOS Directors and Team

OUR DIRECTORS



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



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

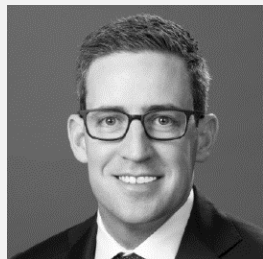


Sarah Williams
Independent Director, NCC and NAC

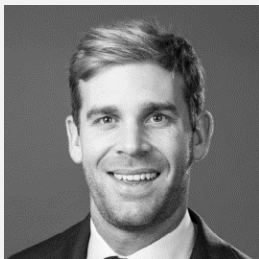
OUR TEAM



Sebastian Evans
Chief Investment Officer



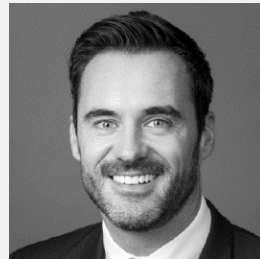
Ben Rundle
Portfolio Manager



Robert Miller
Portfolio Manager



Rachel Folder
Investment Analyst



Richard Preedy
Chief Financial and Operating Officer



Julia Stanistreet
Business Development Manager



Julie Coventry
Compliance Officer

A&O

NAOS

Thank you for your continued support