

NAOS Emerging Opportunities Company Limited (ASX: NCC)

Annual General Meeting FY19

Thursday, 14 November 2019 10.00am (AEDT)

NAOS

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NAOS Asset Management

Our Mission

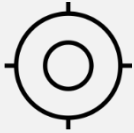
To provide investors with genuine long-term, concentrated exposure to Australian undervalued listed micro, small and mid-cap companies with an industrial focus.

NAOS established its first Listed Investment Company (LIC) in 2013 with 400 shareholders, today NAOS manages over \$300 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 provide a competitive advantage



Value with Long
Term Growth



Quality over
Quantity



Invest for the
Long Term

5+ years



Performance v
Liquidity Focus

The closed end LIC structure
removes application and
redemption risk.



Ignore the
Index



Pure Exposure
to Industrials



Environmental,
Social and
Governance (ESG)

We do not invest in businesses
that are directly related to the
production or sale of tobacco,
gambling, nuclear, uranium, coal
or iron ore., controversial weapons,
coal mining operations or oil and
gas production companies.



Management
Alignment

NCC Overview

as at 30 June 2019

\$1.02

Pre Tax NTA

\$0.885

Share Price

8.19%

Dividend Yield

\$80.1m

Average
Market Cap.
of Portfolio

10

Holdings

3.49%

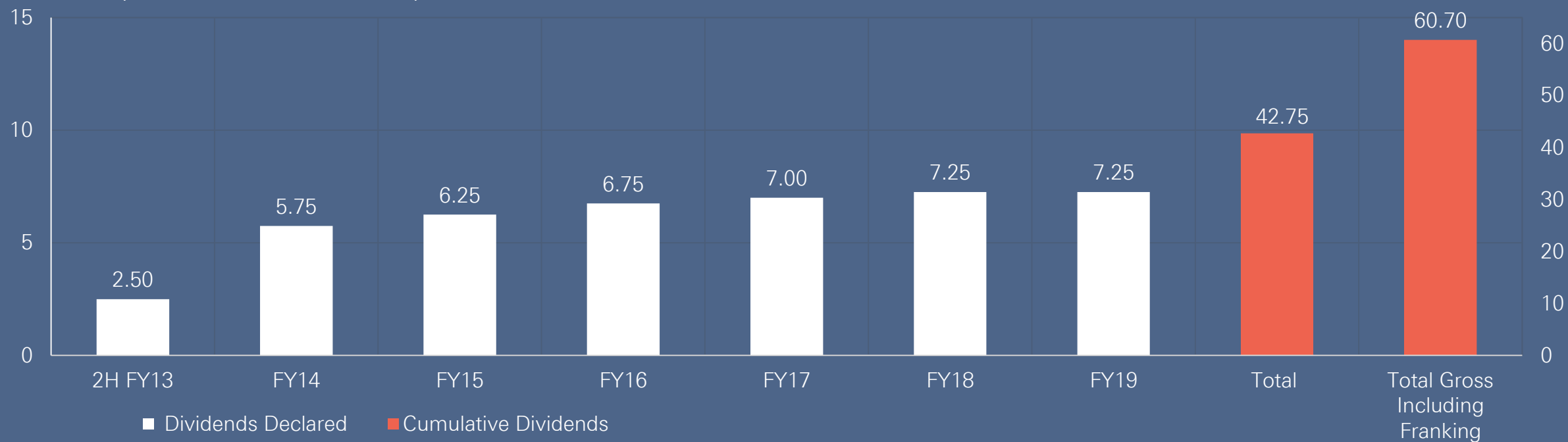
Cash
Weighting

-12.51%

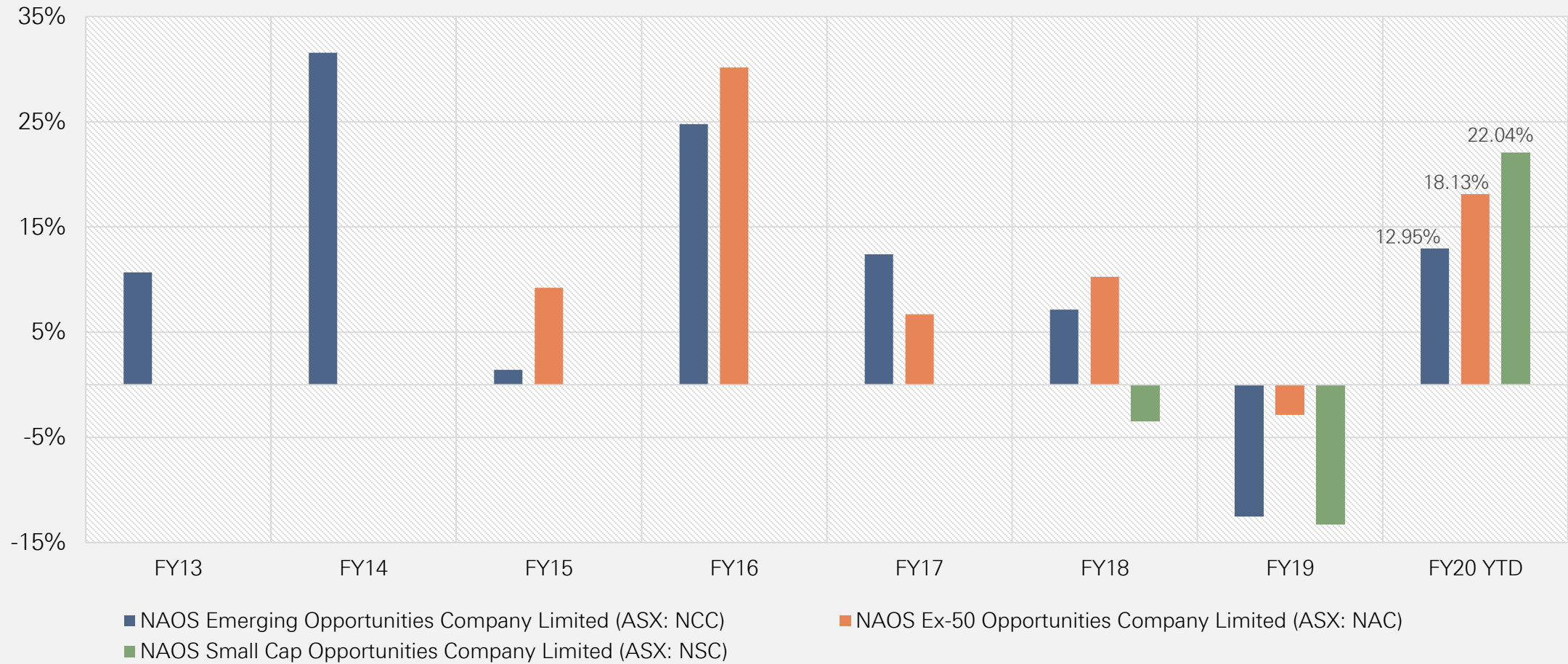
FY19
Performance

NAOS

Fully Franked Dividend (cents per share)



NAOS investment portfolio 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). FY20 YTD performance to 31 October 2019.

NCC portfolio update

as at 31 October 2019

NAOS

\$1.08	\$1.07	6.78%	\$94.9m	10	2.90%	12.95%
Pre Tax NTA	Share Price	Dividend Yield	Average Market Cap. of Portfolio	Holdings	Cash Weighting	FY20 YTD Performance

Update on core holdings

- **BSA Limited (ASX: BSA):** Potential to increase margins and revenue from the Fire and Maintain divisions as well as growing through accretive acquisitions.
- **Enero Group (ASX: EGG):** FY19 was the 1st year of organic revenue growth and we believe there is scope for this to continue as EGG build on their client base which includes names such as Facebook, Adobe and McAfee.

Outlook

The balance of risk versus return remains the key consideration

Continue to build on existing holdings

- **Wingara AG Limited (ASX: WNR):** Cash flow generation continues to increase with a lowly geared balance sheet that can fund organic growth.
- **Saunders International Limited (ASX: SND):** One of their major competitors is under significant financial pressure and we believe the tendering pipeline in storage tanks and industrial plant shutdown work is increasing.
- **BTC Health Limited (ASX: BTC):** A standout management team and the acquisition made in June provides a solid platform that we believe can grow >20% p.a. organically. We expect further bolt-on acquisitions in the near future.

New holding

- **Eureka Group Holdings Limited (ASX: EGH):** This is a turnaround story which is trading below NTA (an NTA we believe is 20% undervalued), backed by a strong thematic of an ageing population in a very fragmented industry.

Ongoing capital management

The Board maintain focused on ensuring NCC trades at or as close to NTA as possible.

- Maintain a focus on performance.
- We will not deviate from the NAOS investment strategy and philosophy.
- Continued focus on maintaining and growing a stream of fully franked dividends.
- NAOS staff and directors continue to be amongst the largest shareholders across the NAOS strategies thus aligning their interests with all shareholders.
- Maintain a very high standard of marketing materials and communications so all current and prospective shareholders have a clear understanding of the NAOS offering.
- Close to 1,000,000 NCC Options (ASX: NCCOB) have been exercised at \$1.02, the option exercise price represents a 4.67% discount to NCC's current share price of \$1.07 (closing price 12 November 2019).

NAOS Asset Management, the management company, is proud to be giving back ~ 1% of recurring income to the following charities



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



'Reef Aid' campaign, in partnership with Greening Australia



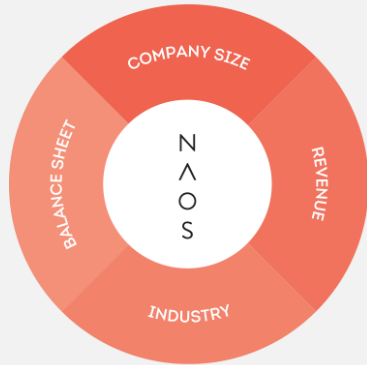
RFDS, dedicated to providing healthcare to Australians in remote communities

Appendix

NAOS investment process

01

INVESTMENT UNIVERSE SCREEN CRITERIA

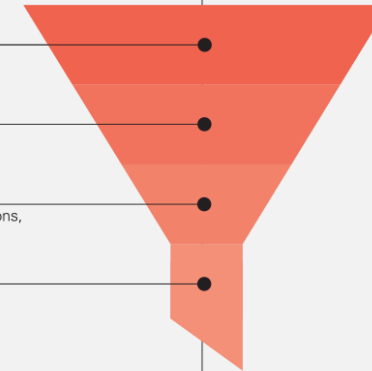


2568
TOTAL ASX
LISTED COMPANIES*

02

INVESTMENT UNIVERSE FUNNEL

- 1168 **COMPANY SIZE**
Remove: ASX Top 50, <\$10m Market Cap
- 504 **REVENUE**
Remove: No Substantial Revenue
- 200 **INDUSTRY**
Remove: Tobacco, Gambling, Nuclear & Uranium, Controversial Weapons, Coal Mining Operations, Oil & Gas Production
- 400 **BALANCE SHEET**
Remove: Unsustainable Debt Levels



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?

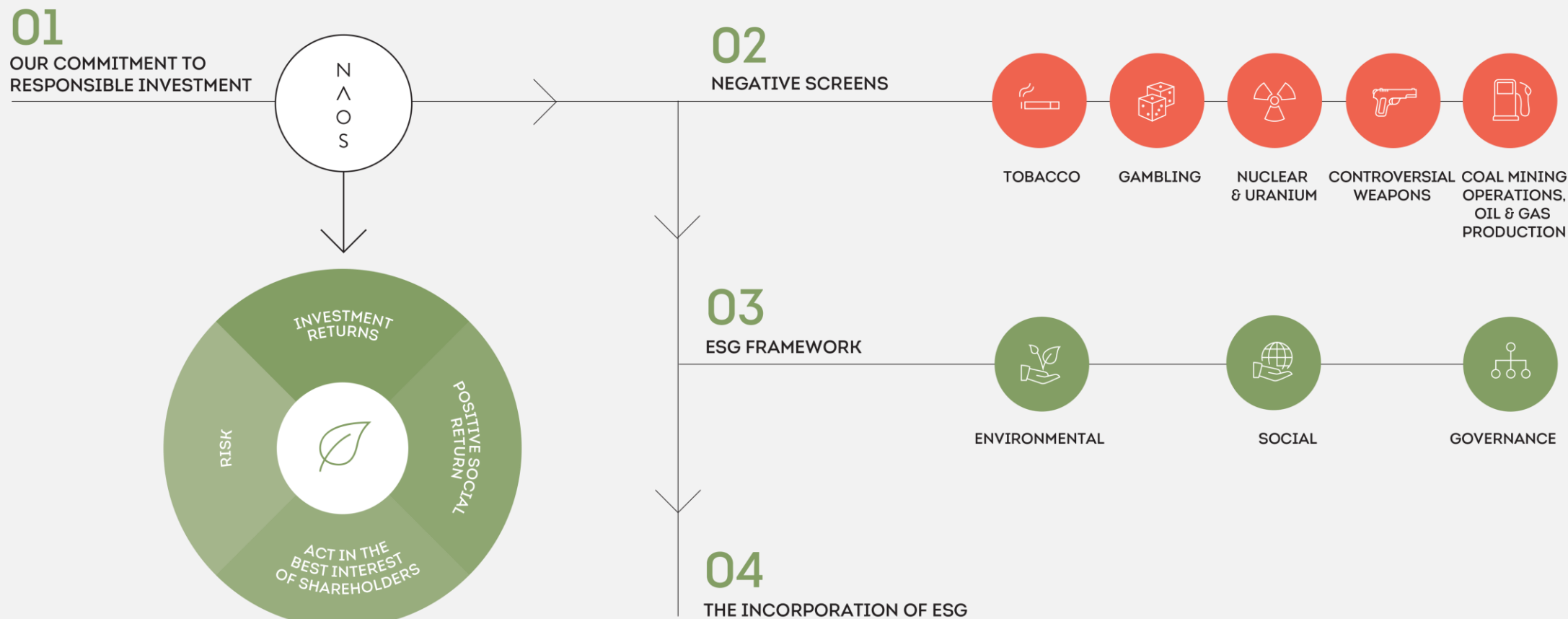
ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

- Does the Company comply with our ESG Framework?

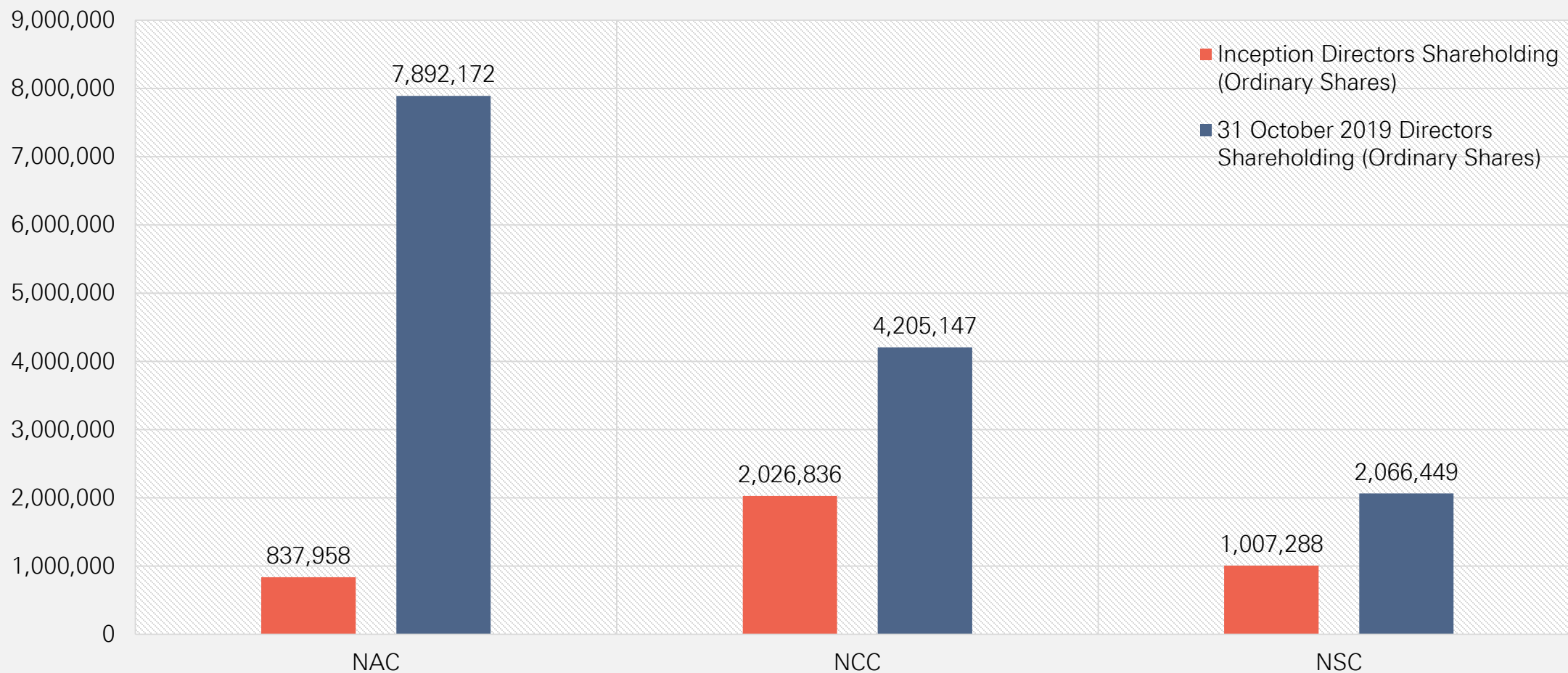


* Source: Bloomberg Data as at June 2019

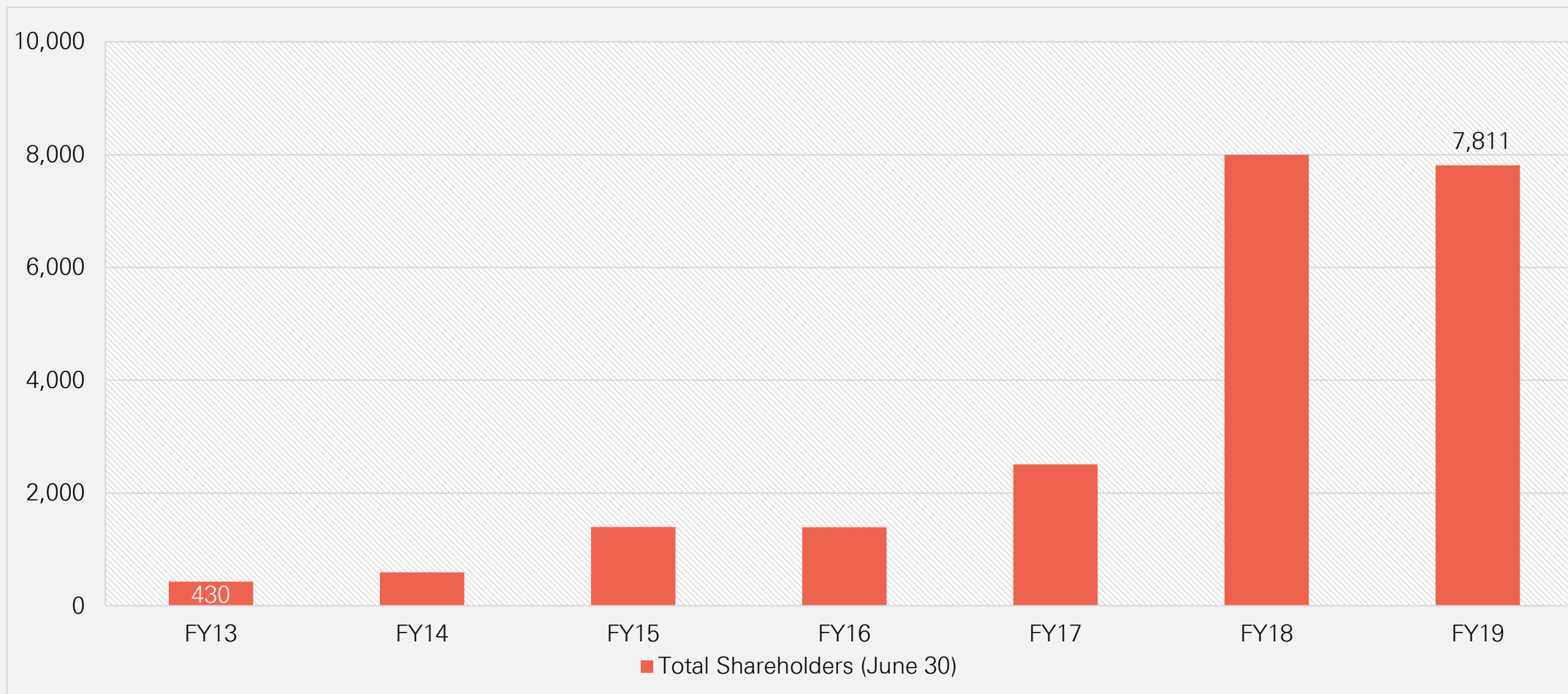
NAOS ESG framework



NAOS management alignment



NAOS Shareholder Numbers

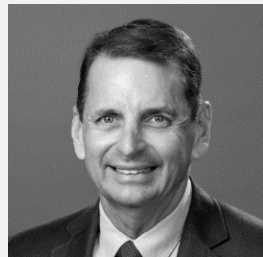


NAOS Directors and Team

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

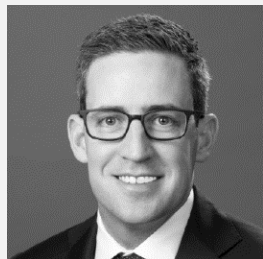


Sarah Williams
Independent Director, NCC and NAC

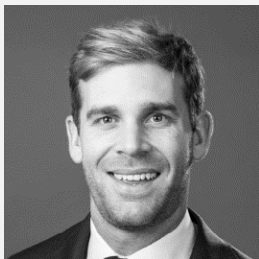
OUR TEAM



Sebastian Evans
Chief Investment Officer



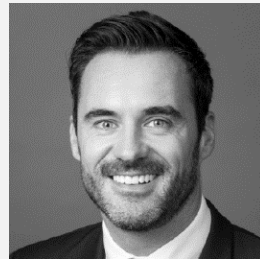
Ben Rundle
Portfolio Manager



Robert Miller
Portfolio Manager



Rachel Cole
Investment Analyst



Richard Preedy
Chief Financial and Operating Officer



Julia Stanistreet
Business Development Manager



Julie Coventry
Compliance Officer

Investor awareness and communication



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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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Thank you for your continued support