

NAOS Ex-50 Opportunities Company Limited (ASX: NAC)

Annual General Meeting FY19
Thursday, 14 November 2019 11.00am (AEDT)

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NAOS Asset Management

Our Mission

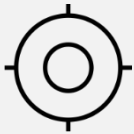
To provide investors with genuine long-term, concentrated exposure to Australian undervalued listed micro, small and mid-cap companies with an industrial focus.

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

NAC Overview as at 30 June 2019

\$1.00
Pre Tax NTA

\$0.825
Share Price

6.55%
Dividend Yield

\$390.9m
Average
Market Cap.
of Portfolio

15
Holdings

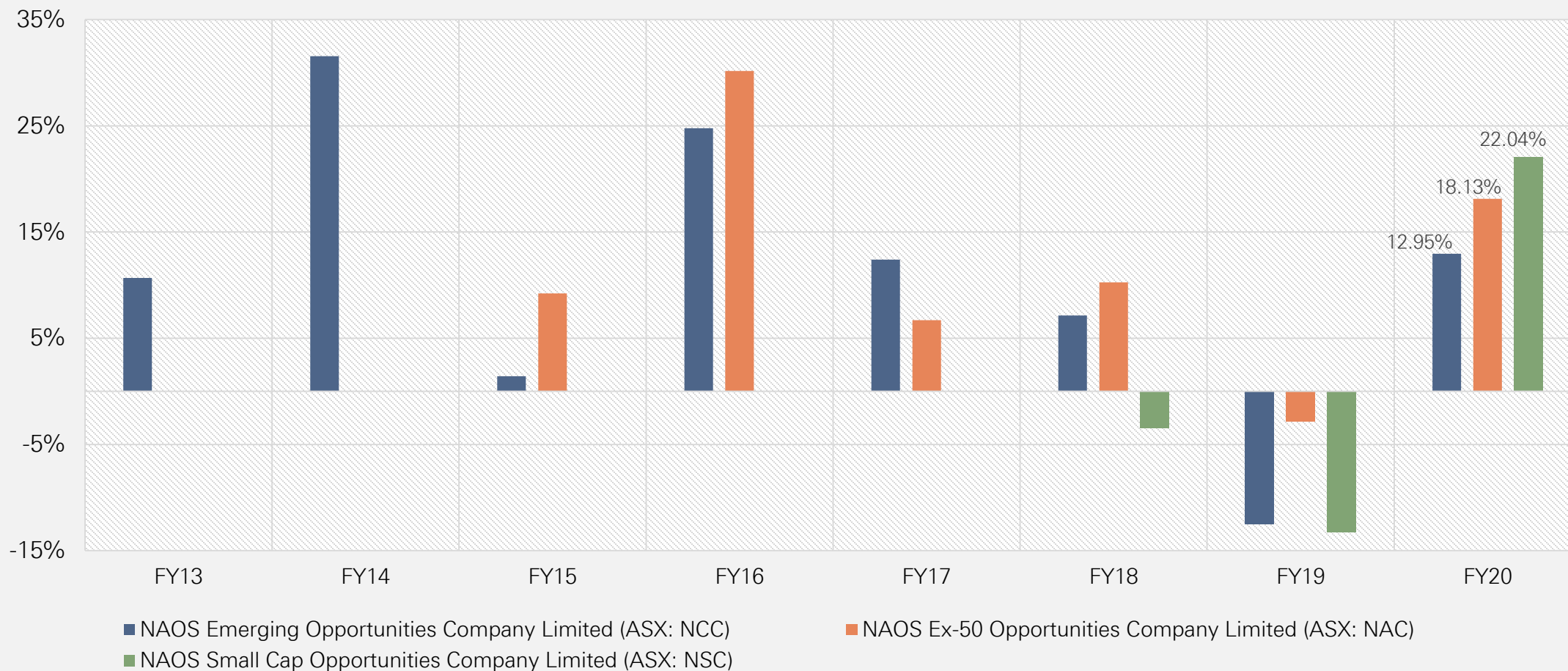
11.25%
Cash
Weighting

-2.86%
FY19
Performance

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.

NAC portfolio update

as at 31 October 2019

\$1.17 Pre Tax NTA	\$0.93 Share Price	5.65% Dividend Yield	\$371.5m Average Market Cap. of Portfolio	11 Long Holdings 1 Short Holding	11.39% Cash Weighting	18.13% FY20 YTD Performance
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Update on core holdings

- **MNF Group Limited (ASX: MNF):** In our view, MNF will benefit from strong industry tailwinds and with a net cash balance sheet they can now fund the expansion into a number of developed South East Asian countries.
- **Over the Wire (ASX: OTW):** Continuing to take market share from larger competitors and have expanded their service offering to include SD-WAN (software-defined networking in a wide area network). We believe the business can continue to deliver >10% organic growth and has the potential to make further acquisitions.

Outlook

The balance of risk versus return remains the key consideration

New holdings

- **AMA Group Limited (ASX: AMA):** AMA operate in a large fragmented market worth >\$7 billion. They are now the clear leader in the vehicle panel repair market with 9% market share and there is optionality around productivity improvements as well as cost synergy benefits.
- **Objective Corporation Limited (ASX: OCL):** OCL has a market capitalisation of \$400 million with the founder owning >60% of the business. Tier 1 client list including the Federal Government and BHP, with the recurring revenue profile of the business now representing >70% of all revenue.

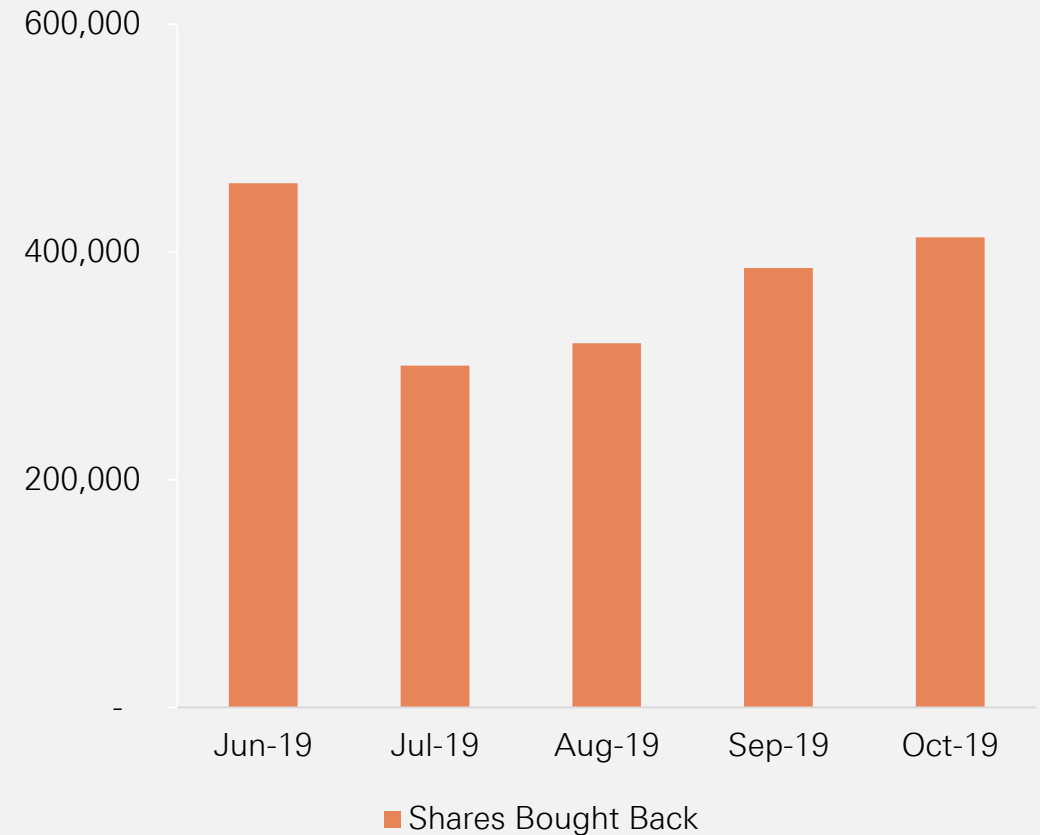
Ongoing capital management

Continue to address the discount to NTA

- 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.
- Continue to acquire shares via on-market buy-back program (accretive for shareholders), 1,879,441 NAC shares have been bought back since the program commenced in June 2019*.
- 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.

* As at 31 October 2019

Buy-Back Program



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



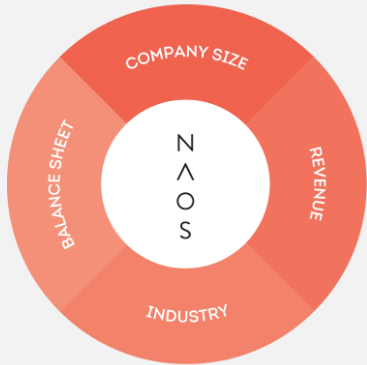
RFDS, dedicated to providing healthcare to Australians in remote communities

Appendix

NAOS investment process

01

INVESTMENT UNIVERSE SCREEN CRITERIA

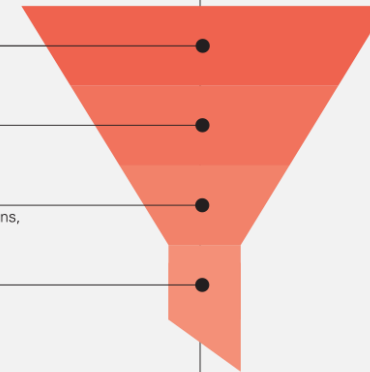


2568
TOTAL ASX LISTED COMPANIES*

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

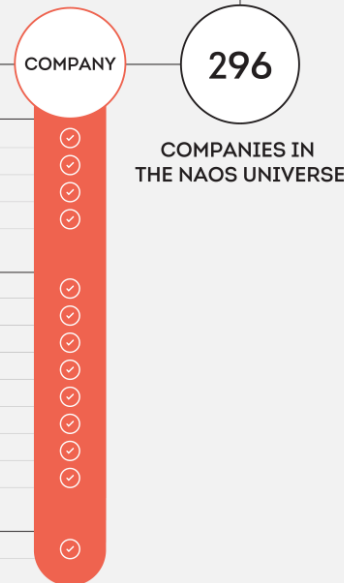
- 0-15 ASX:NCC**
NAOS EMERGING OPPORTUNITIES COMPANY LIMITED
NCC generally invests in 0-15 ASX listed **MICRO-CAP** industrial companies with a target market cap of **<\$250m**
- 0-30 ASX:NSC**
NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED
NSC generally invests in 0-30 ASX listed **SMALL-CAP** industrial 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

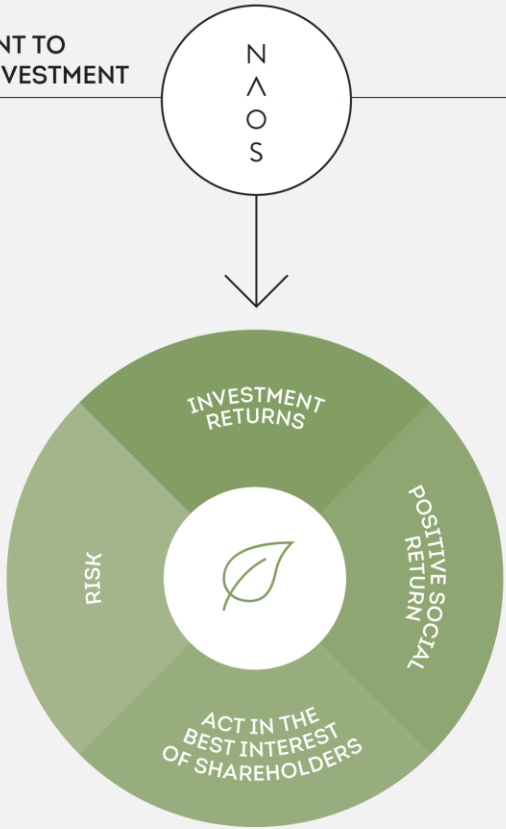
- MANAGEMENT & CULTURE**
 - Does the management team have a long term proven track record?
 - Are the management team aligned with shareholders?
 - Is there management team depth?
 - Does the culture support a sustainable competitive advantage?
- VALUATION, GROWTH & MARGIN OF SAFETY**
 - Does long term 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?



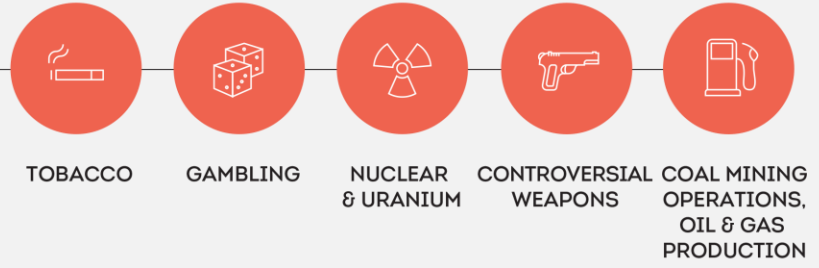
* Source: Bloomberg Data as at June 2019

NAOS ESG framework

01
OUR COMMITMENT TO RESPONSIBLE INVESTMENT



02
NEGATIVE SCREENS

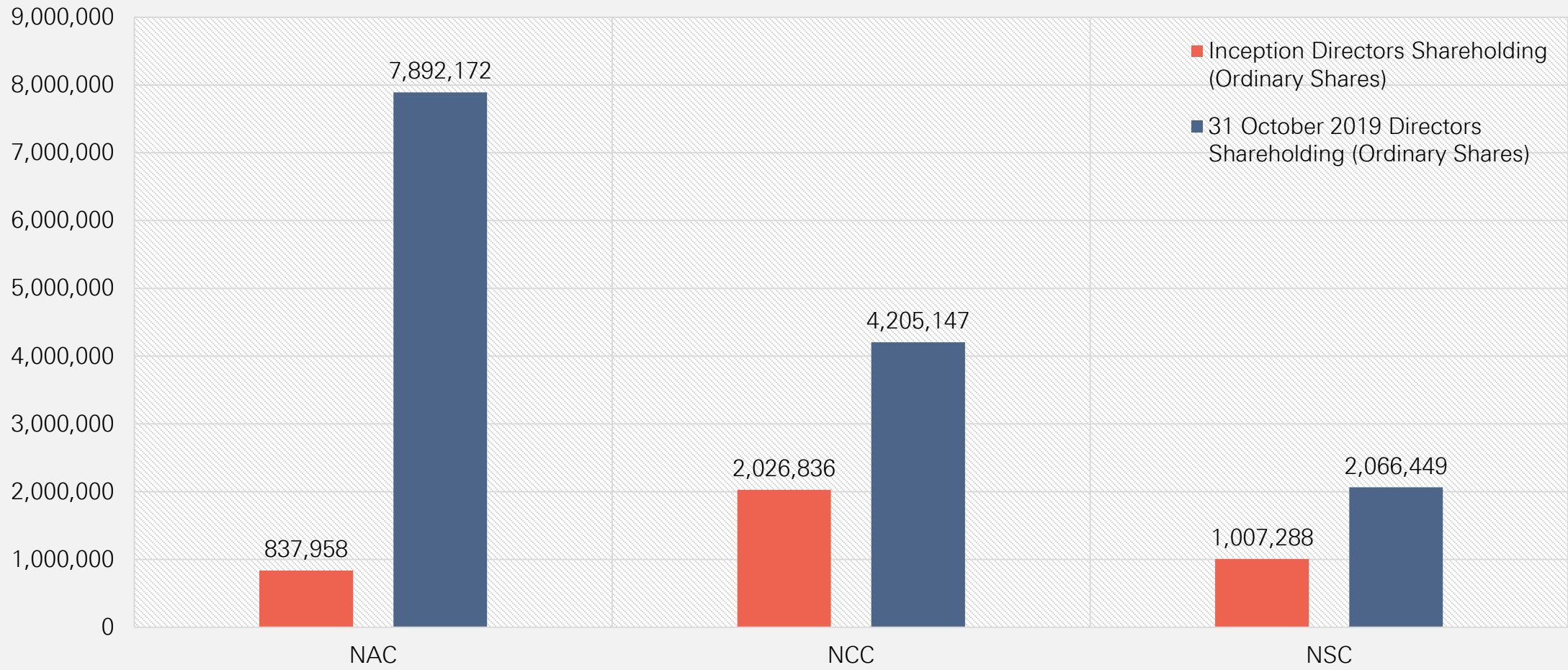


03
ESG FRAMEWORK

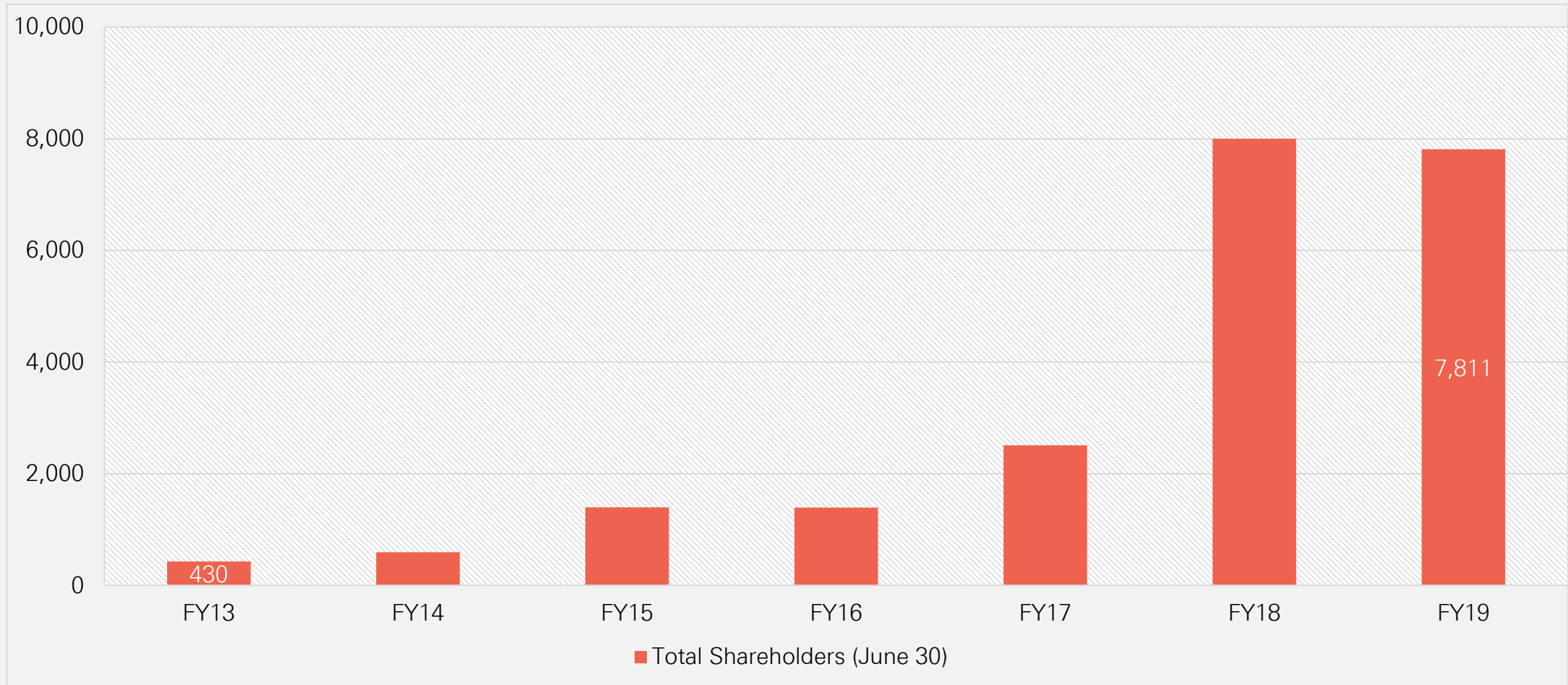


04
THE INCORPORATION OF ESG

NAOS management alignment

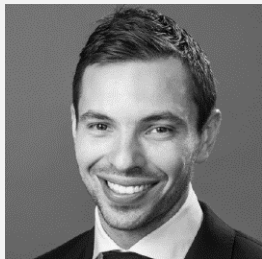


NAOS Shareholder Numbers

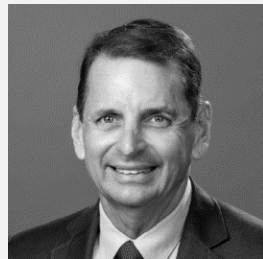


NAOS Directors and Team

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

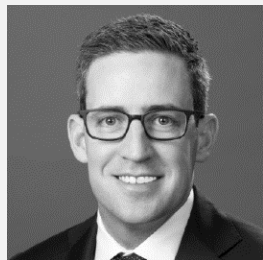


Sarah Williams
Independent Director, NCC and NAC

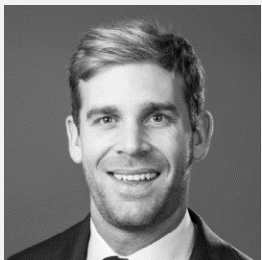
OUR TEAM



Sebastian Evans
Chief Investment Officer



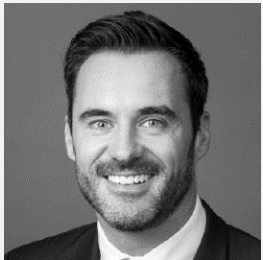
Ben Rundle
Portfolio Manager



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



CEO Insights, NAOS Newsletter, 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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Thank you for your continued support