

NAOS EMERGING
OPPORTUNITIES
COMPANY LIMITED

ABN 58 161 106 510

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ASX Market Announcements

ASX Limited

20 Bridge Street

Sydney

NSW 2000

24 September 2020

NAOS Investor Roadshow Webinar

Please find attached presentation materials for the September NAOS Investor Roadshow Webinar.

Laura Newell

Company Secretary

Approved for ASX release by Sebastian Evans, Director, NAOS Emerging Opportunities Company Limited.

INVESTOR ROADSHOW WEBINAR

Thursday 24 September 2020 | 11:00 am (AEST)

Audio Dial In: +61 2 9087 3602

Guest Access Code: 293-619-181#

PRESENTED BY
NAOS ASSET MANAGEMENT



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Important information

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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 \$250 million across three LIC vehicles for approximately 7,500 shareholders.

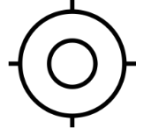
Our directors and employees have a significant interest in all three LICs, this means we are invested alongside our shareholders creating strong alignment of interests.

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

NAOS Asset Management Limited, the Investment Manager, donates approximately 1% of all management fees to the following charities:



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



Management
Alignment



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, animal
cruelty, controversial weapons, coal
mining operations or oil and gas
production companies.



Constructive
Engagement

Reasons not to invest with NAOS

Our LICs are not for everyone. Some reasons why you may not choose to invest with NAOS include:

- Concentrated portfolios (0-15 investments)
- Long-term investment philosophy (5+ years)
- Focus on smaller companies (\$20 million - \$500 million)
- Benchmark unaware (No NSC or NCC investments are within XSOAI)
- Industrial focus (No resources exposure or very early stage businesses)
- Smaller fund size (increases ability to gain a meaningful exposure to smaller businesses)
- ESG aware

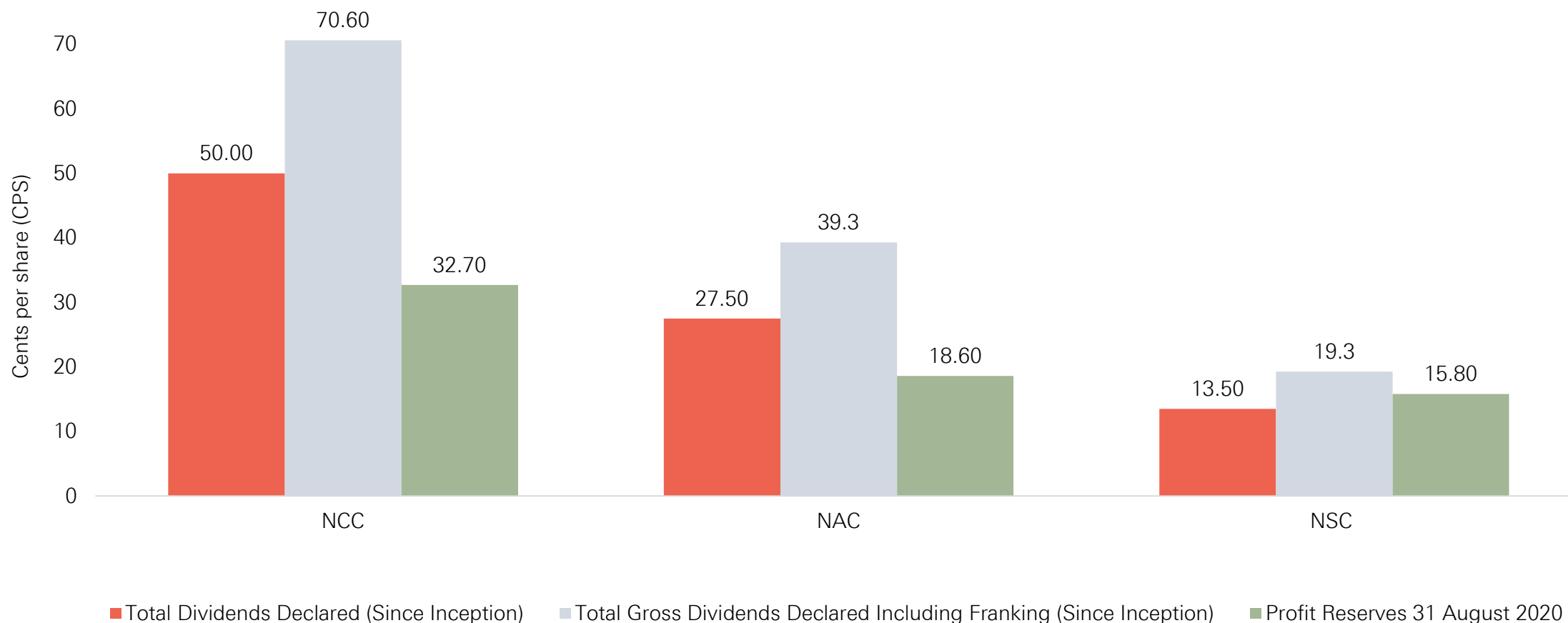
NAOS investment portfolio financial year returns*



* 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).

NAOS LIC Fully Franked Dividend History and Profit Reserves

Each LIC has consistently paid dividends and holds healthy profit reserves



All figures as at 31 August 2020

Summary of FY20 Reporting Season

- On average companies reported better than expected earnings and balance sheet positions with technology, healthcare, consumer and industrial companies faring better than financials (including REIT's and infrastructure).
- Government stimulus programs have had a significant effect on both supply and demand, major policy programs announced include:
 - Early superannuation withdrawals
 - SME payments
 - Job Keeper
 - Job Seeker
- Guidance for FY21 was rarely provided with many businesses opting to provide guidance later at the time of their AGM.
- Several businesses (especially in the technology and consumer discretionary space) provided trading updates for the months of July and August which in many cases were stronger than pre-COVID levels due to changes in consumer behaviour.

Summary of FY20 Reporting Season (Continued)



Concerns & Opportunities Post Reporting Season

Concerns

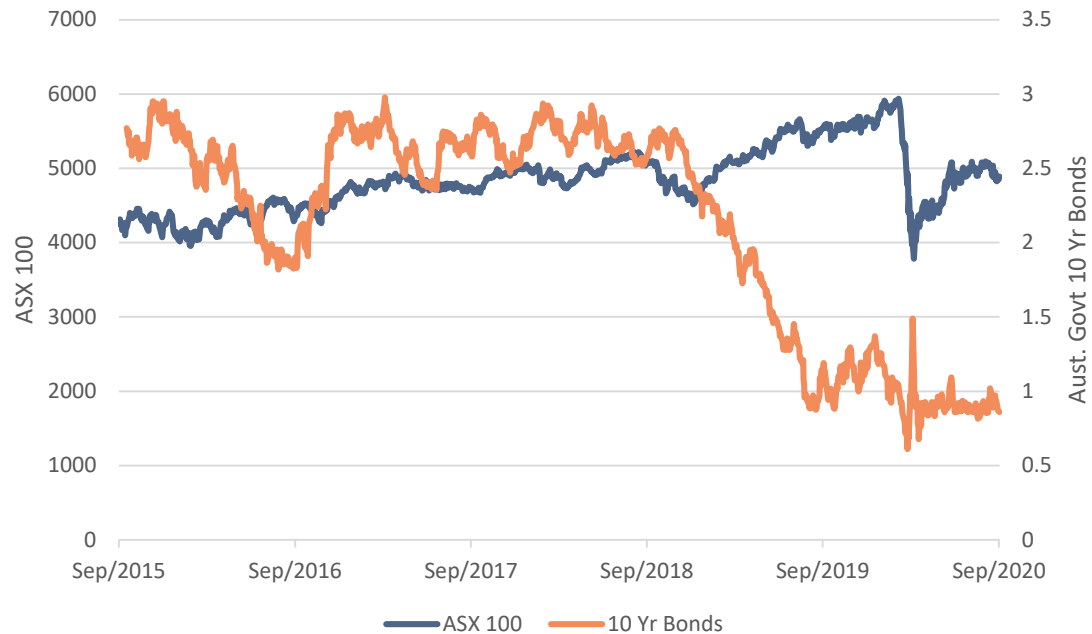
- Will consumer habits change permanently, or will there be another shift back towards pre-COVID normality?
- Government stimulus will reduce from over \$100 billion in Q3 CY20 to just \$7 billion in Q3 CY21.
- How will business manage cash outflows when tax payments and other liabilities fall due over the next 6-12 months?

Opportunities

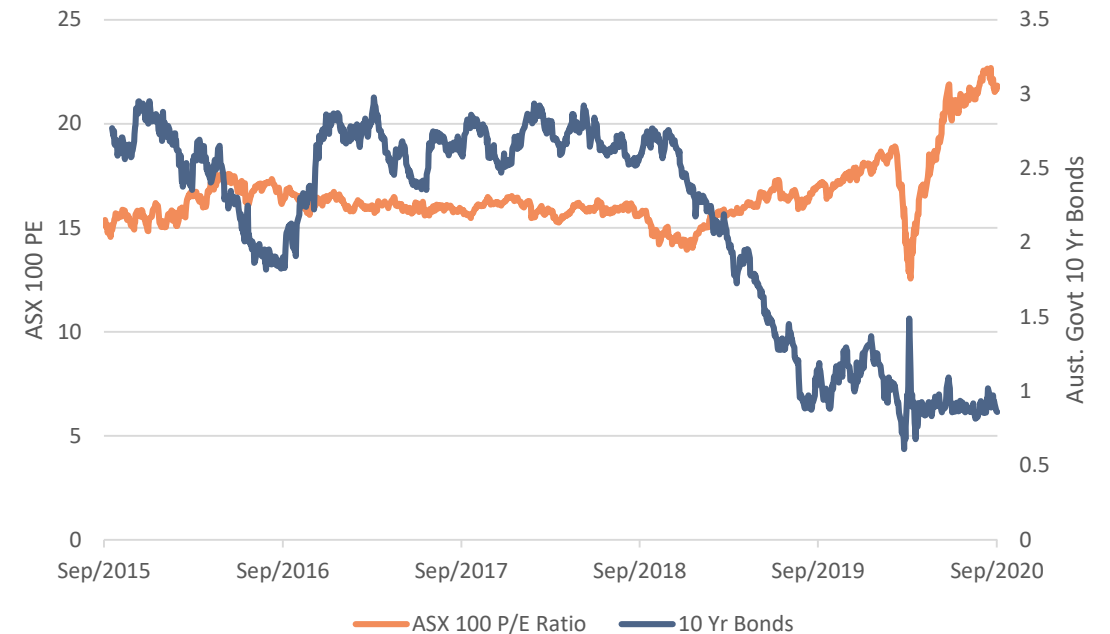
- Businesses with strong market positions within industries that have had significant short-term headwinds i.e. tourism may emerge from COVID in a much stronger and more profitable position.
- Long term structural themes may accelerate:
 - CPaaS (Example: Zoom launching the Zoom Phone)
 - Fuel storage and processing capability within Australia.
 - Onshoring of customer technology support services and increasing technology capability.

Concerns & Opportunities Post Reporting Season (Continued)

ASX 100 vs Aust. Government 10 Year Bonds

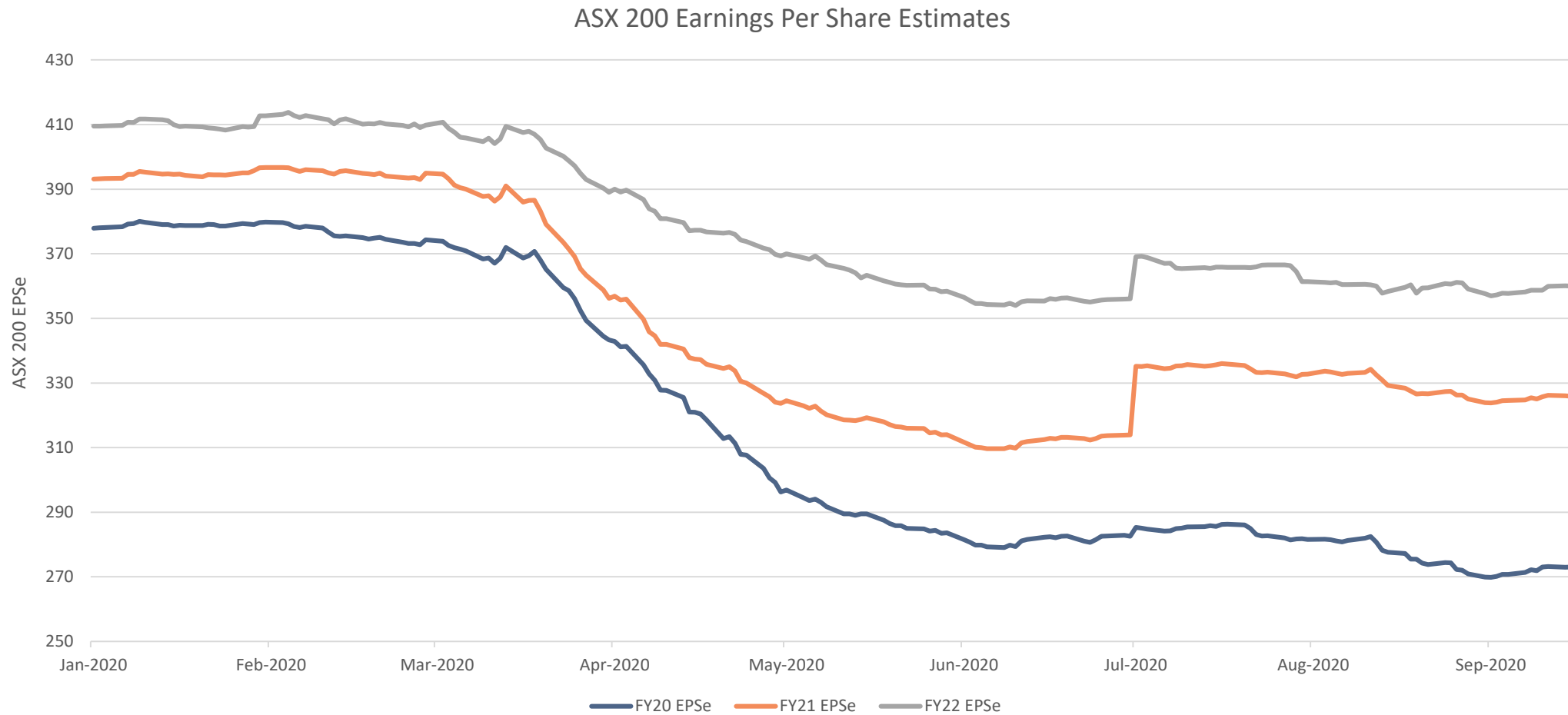


ASX 100 PE vs Aust. Government 10 Year Bonds



Source: Bloomberg

Opportunities Post Reporting Season



Source: Bloomberg

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



Key business & industry traits for maximising long term performance and reducing the risk of permanent capital loss events

Industry Tailwinds Supporting Long Term Revenue Growth

A growing revenue base provides companies with a number of competitive advantages such as the ability to scale their fixed cost base and increase margins, the opportunity to reinvest to improve their product or service offering, or the chance to enter new markets and compete on a number of considerations other than just price

Pricing Power

Certain products and/or services around the globe can charge a price that is largely irrelevant to the consumer, due to the simple fact that it provides such a sound consumer experience

Scalability

Ideally, a business structure is built from the ground up and is structured in such a way that it has the systems and processes to handle significant scaling without an equivalent dollar of cost being added to the cost base. Businesses that can demonstrate a trend of increasing profits over the long term have generally been able to increase margins as well.

Capability to Internally Fund Expansion Opportunities

The ability to invest in organic business initiatives such as research and development, new product or service launches into adjacent markets, or small bolt on acquisitions that bring with them a new capability.

NCC key portfolio events Q1 FY21

HOLDING	INDUSTRY	Q1 UPDATE
 ExperienceCo. (ASX: EXP)	Tourism	• Provided a very strong update - trading on a cash flow positive basis in July & August. • Balance sheet remains in a net cash position. • Most bookings now made directly. • Continue to evaluate several complementary acquisition opportunities.
 SAUNDERS INTERNATIONAL (ASX: SND)	Commercial Services	• Revenue and EBIT margin guidance for FY21 ahead of FY20 • Continues to diversify its earnings stream with a number of new contract wins in Q1 FY21. • The Federal Government provided more details around funding for Australia's on-shore liquid storage capability.
Contango. (ASX: CGA)	Financials	• Continues to pivot to a distribution model with the launch of several additional WCM managed products. • FUM increased to \$720 million (circa \$500 million July 2019) • The cost base continues to rationalise. • WCM manages over \$80 billion globally - potential to scale significantly.

NCC overview as at 31 August 2020

\$0.96

Pre Tax
NTA*

7.88%

Fully Franked
Dividend Yield

\$0.92

Share Price

9

Number of
Holdings

10.14%

Performance
since
Inception^ p.a.

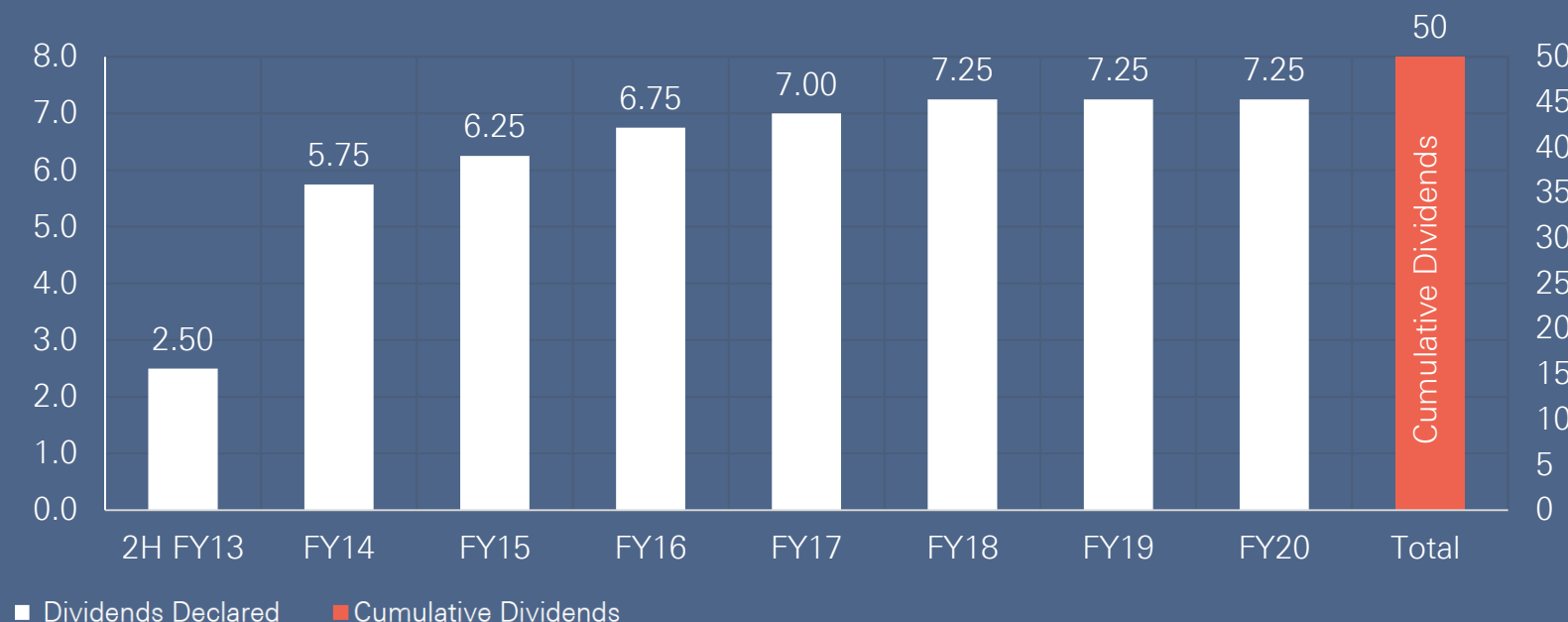
106.54%

Performance
since Inception^
(Total Return)

\$72.3m

Weighted
Average Market
Capitalisation of
the Investments

FULLY FRANKED DIVIDEND (CENTS PER SHARE)



*Pre-tax NTA per share is inclusive of the 3.50 cents per share fully franked FY20 final dividend, which has an ex-dividend date of 5 October 2020.

^Investment Performance is post all operating expenses, before fees, taxes and initial IPO commissions. Performance has not been grossed up for franking credits received by shareholders and returns are compounded for periods greater than 12 months. Inception date February 2013.

NSC key portfolio events Q1 FY21

HOLDING	INDUSTRY	Q1 UPDATE
 (ASX: EGG)	Communication Services	- Announced record FY20 earnings result despite the effects of COVID-19. - Continues to win new tech clients including Atlassian, Zoom & Brightspot. - OB Media (an EGG subsidiary) is a leader in the marketing technology space. with major clients including Microsoft and Amazon.
 (ASX: OTW)	Software & Services	- A strong result with organic revenue growth of ~10% and lift in EBITDA margins. - Acquired two inbound voice provider businesses with 9,000+ customers - On track to be the 7th operator of a national voice network. - Continue to build out their wholesale offering.
 (ASX: MNF)	Telecommunication Services	- A result that was in line with guidance set 20 months ago. - Investors continue to be disenfranchised with the smaller parts of the business. - New Singapore network is expected to launched in December. - Potential decision around further South East Asian expansion.

NSC overview as at 31 August 2020

\$0.71

Pre Tax
NTA

6.90%

Fully Franked
Dividend Yield

\$0.58

Share Price

10

Number of
Holdings

-3.77%

Performance
since
Inception[^] p.a.

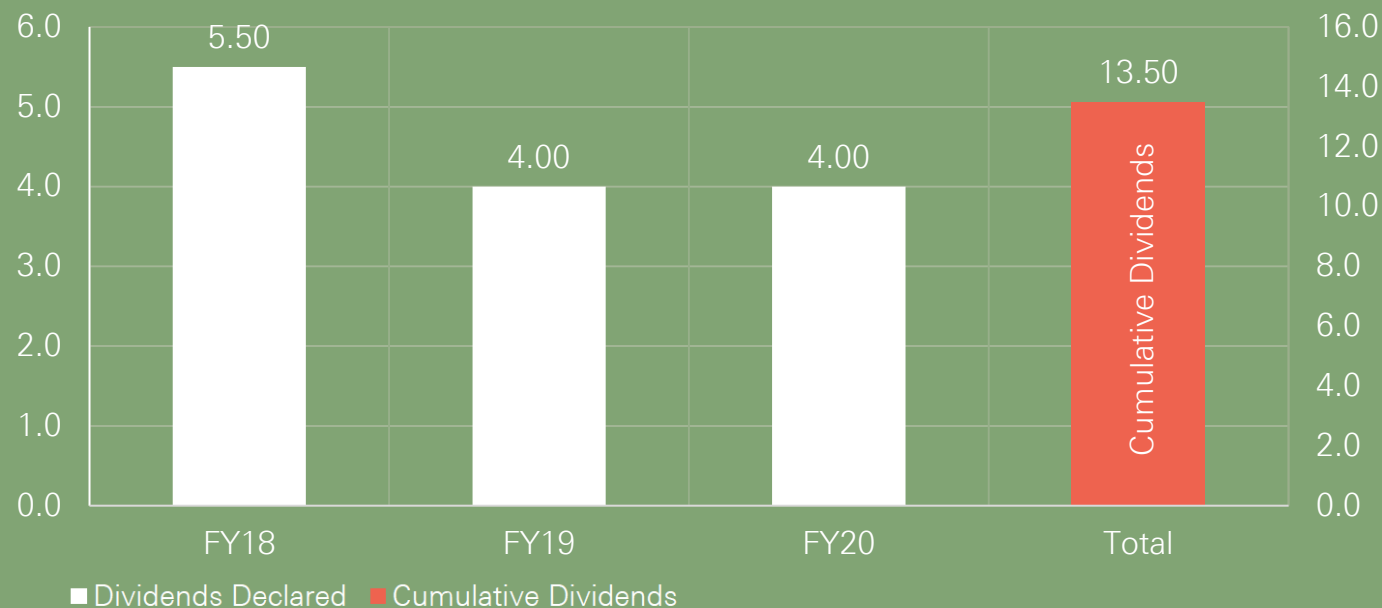
-10.03%

Performance
since
Inception[^]
(Total Return)

\$180.9m

Weighted
Average Market
Capitalisation of
the Investments

FULLY FRANKED DIVIDEND (CENTS PER SHARE)



[^]Investment Performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders and returns are compounded for periods greater than 12 months. Inception date December 2017.

NAC key portfolio events Q1 FY21

HOLDING	INDUSTRY	Q1 UPDATE
 Objective (ASX: OCL)	Software & Services	- Produced one of the highest quality results of reporting season with ARR up 22% and operating cash flow 169% of EBITDA. - Provided FY21 guidance of “material lift in revenue and profit”. - Will continue to benefit from government agencies seeking to gain significant productivity improvements.
 OvertheWire (ASX: OTW)	Software & Services	- A strong result with organic revenue growth of ~10% and lift in EBITDA margins. - Acquired two inbound voice provider businesses. - On track to be the 7th operator of a national voice network. - Continue to build out their wholesale offering.
 PEOPLE INFRASTRUCTURE (ASX: PPE)	Commercial & Professional Services	- Produced an EBITDA result close to pre-COVID consensus. - Their largest verticals within Healthcare and IT showed strong resilience. - Average relationship length with their top-20 customers is 8.5 years. - Net cash balance sheet provides opportunity to capitalise on a highly fragmented industry.

NAC overview as at 31 August 2020

\$1.20

Pre Tax
NTA

5.68%

Fully Franked
Dividend Yield

\$0.925

Share Price

9

Number of
Holdings

13.77%

Performance
since
Inception[^] p.a.

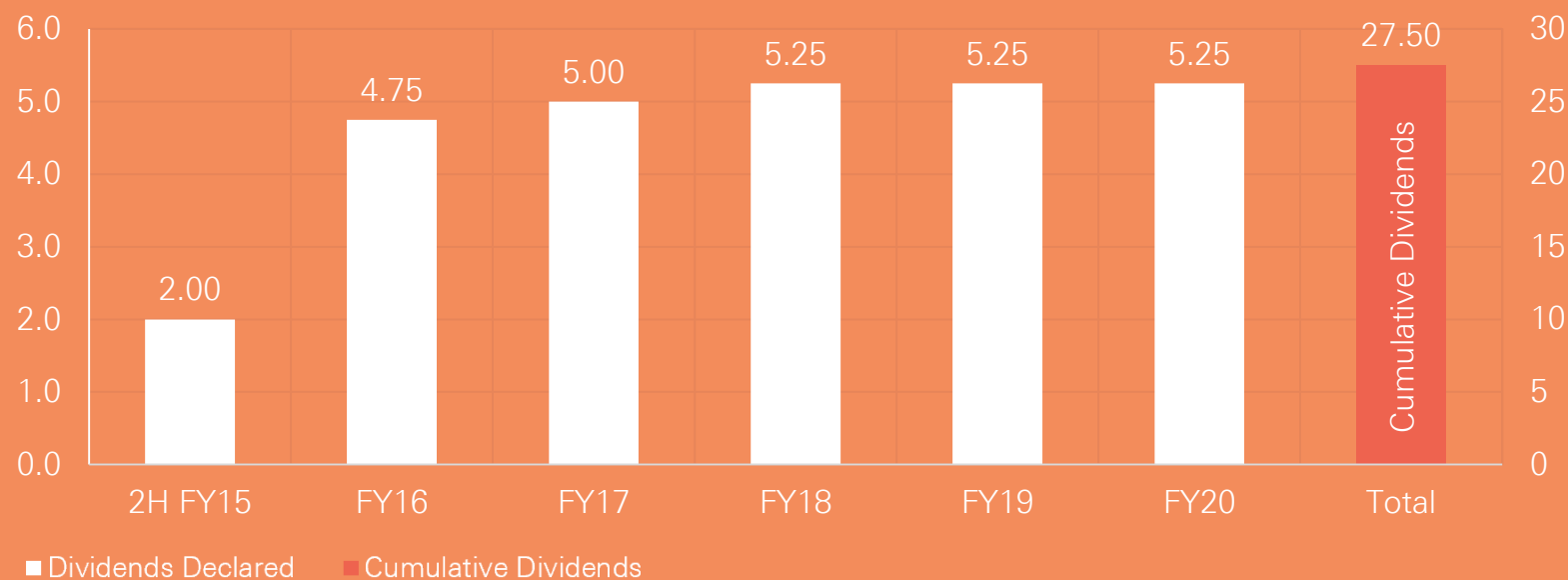
111.34%

Performance
since Inception[^]
(Total Return)

\$332.1m

Weighted
Average Market
Capitalisation of
the Investments

FULLY FRANKED DIVIDEND (CENTS PER SHARE)



[^]Investment Performance is post all operating expenses, before fees, taxes and initial IPO commissions. Performance has not been grossed up for franking credits received by shareholders and returns are compounded for periods greater than 12 months. Inception date November 2014.

Capital Management Initiatives

Performance	Maintain a focus on long term performance without deviating from the NAOS investment philosophy.
Dividends	Continue to focus on maintaining a growing stream of fully franked dividends whilst maintaining an adequate reserve balance.
Alignment	Continue to be aligned with shareholders as Directors and Staff are some of the largest shareholders across all 3 of the LIC's.
Communication	Maintain a very high standard of marketing materials and communications so all current and prospective shareholders have a clear understanding of the NAOS offering.
NSC	The share buyback continued throughout FY20 and remains active, 12 million shares, or 7% of shares on issue, have been bought back on market since the buyback commenced in April 2019.
NAC	The share buyback remains active. Over 12% of shares on issue have been bought back on market since the buyback commenced in June 2019 to date, which has been significantly accretive for shareholders.
DRP	Shares purchased on-market to satisfy DRP requirements when shares are trading at a discount to NTA, thus eliminating any dilution for shareholders.

Overview and Outlook Q2 FY21

- In our view, a number of core investments have lost a year of progress due to COVID-19, these include BSA Limited (ASX: BSA), BTC Health Ltd (ASX: BTC), Wingara Ag (ASX: WNR) and Consolidated Operations Group (ASX: COG) which has hindered performance.
- >90% of NAOS investments are in a net cash position. This gives them flexibility to acquire private businesses, which may be in a weakened position as Government stimulus packages roll off.
- Core investments such as Over the Wire (ASX: OTW), Eureka Group Holdings (ASX: EGH), MNF Group (ASX: MNF) and Objective Corporation (ASX: OCL) have shown their ability to grow organically, and are experiencing strong industry tailwinds which is conducive to further organic growth.
- We believe the portfolio is catalyst rich with a number of significant potential catalysts that could potentially benefit holdings such as BSA, OTW, EXP and EGH.

Q&As

Thank you for your continued support.

“If you own stocks like you’d own a farm or apartment house, you don’t get a quote on those every day or every week.”

Warren Buffett

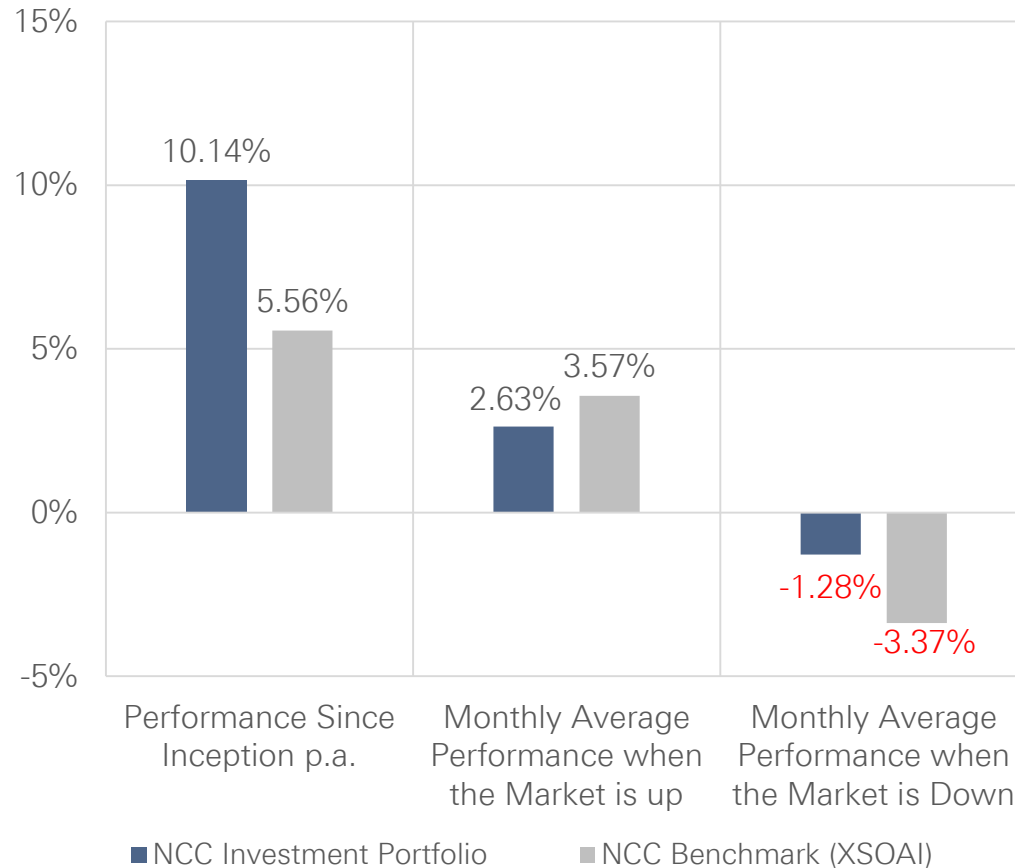
APPENDIX



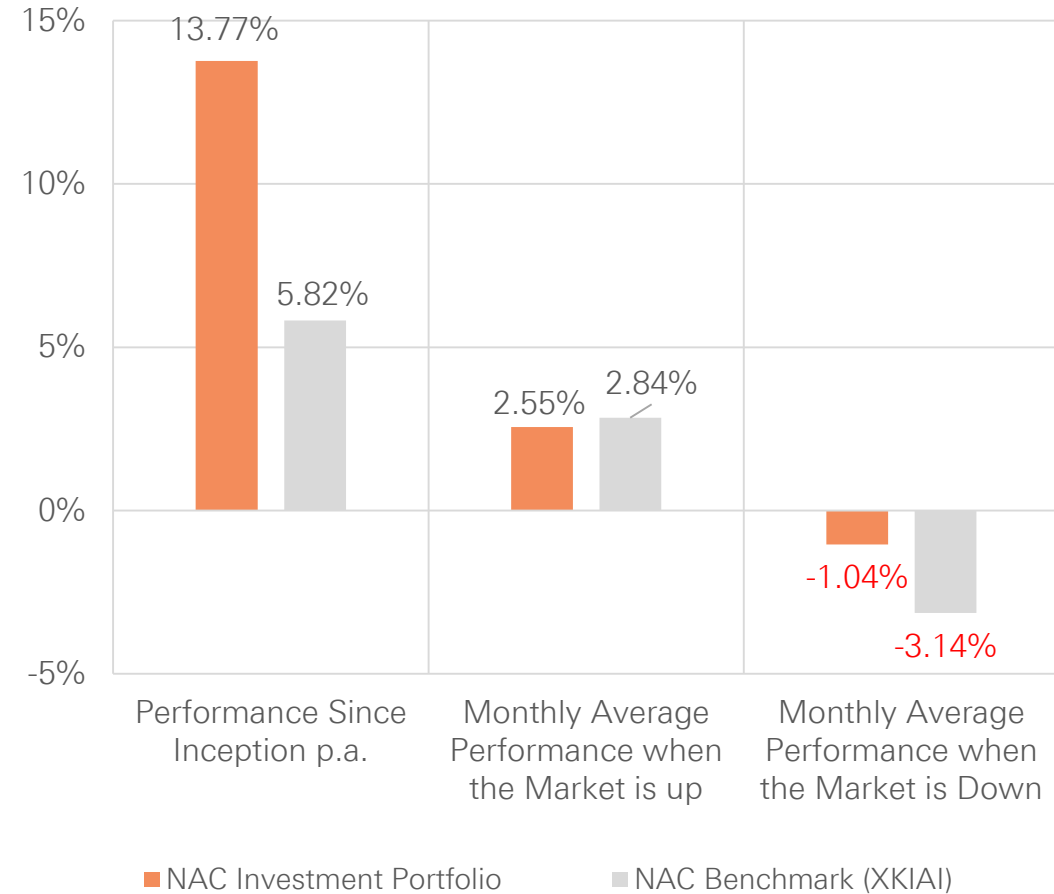
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NAOS strong long term (5 years+) risk-adjusted returns*

NCC Investment Portfolio Risk and Performance Metrics

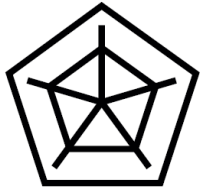


NAC Investment Portfolio Risk and Performance Metrics



* 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. All Figures are as at 31 August 2020. Since NCC's inception (90 months) there have been 57 positive months for the market and 33 negative months and since NAC's inception (70 months) there have been 46 positive months for the market and 24 negative months.

The benefits of a LIC structure



Closed-end structure
No applications or redemptions



Long-term
Investment decisions



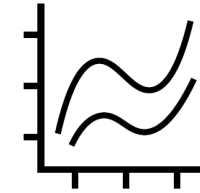
Intra-day Liquidity
Trades on the ASX



Corporate Governance
Public companies provide accountability of Directors



Dividends
Stream of fully franked dividends



Opportunity
Trade at discount to assets

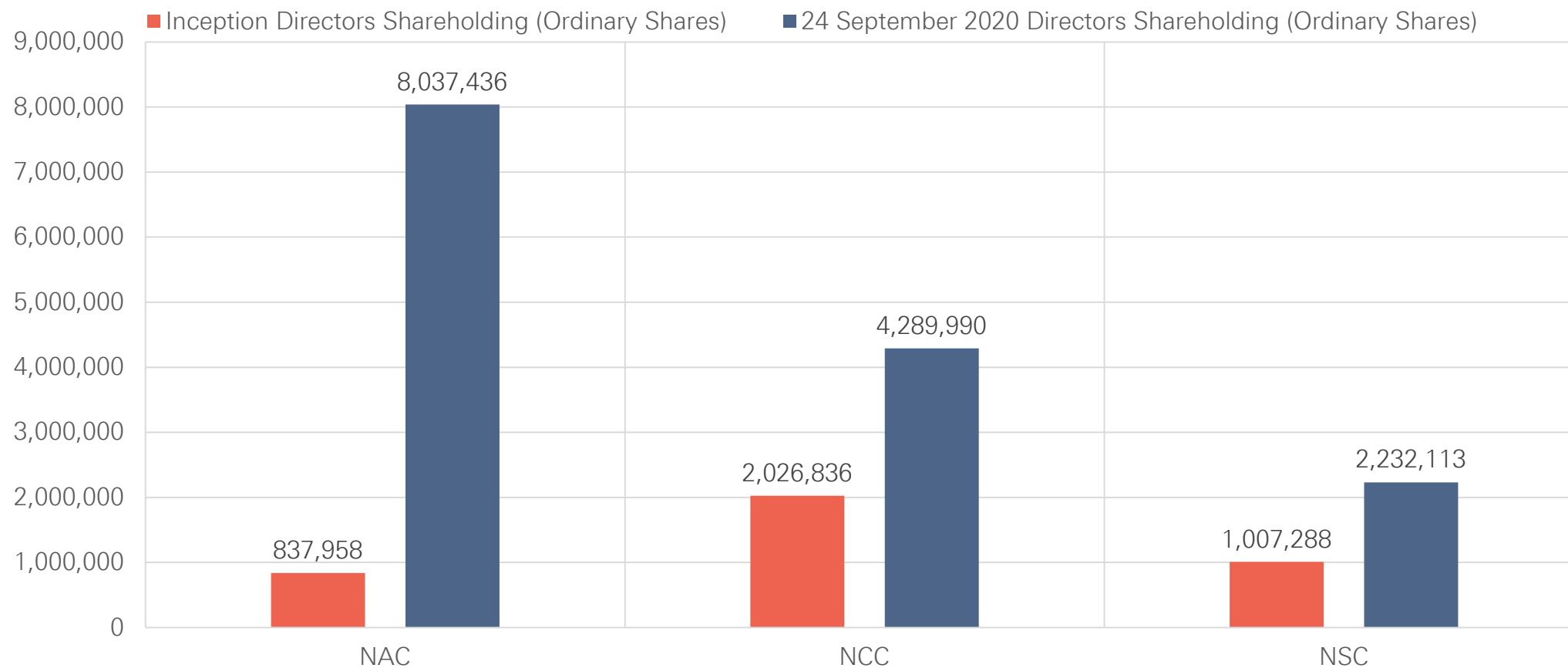
NAOS Listed Investment Companies

Each of our LICs target a concentrated portfolio of 0-20 companies



NAOS management alignment

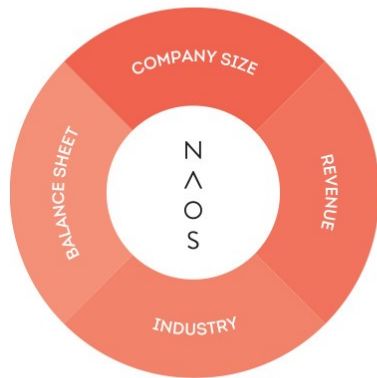
NAOS Director's shareholdings have significantly increased since the inception of each LIC



NAOS investment process

01

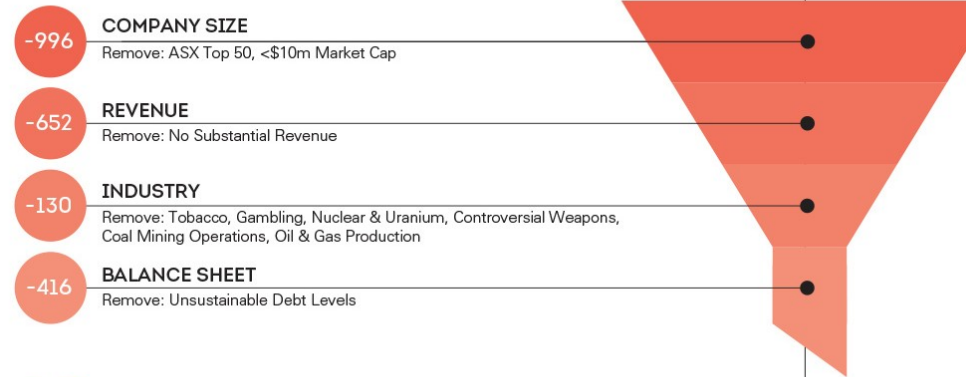
INVESTMENT UNIVERSE SCREEN CRITERIA



2463
TOTAL ASX
LISTED COMPANIES*

02

INVESTMENT UNIVERSE FUNNEL



04

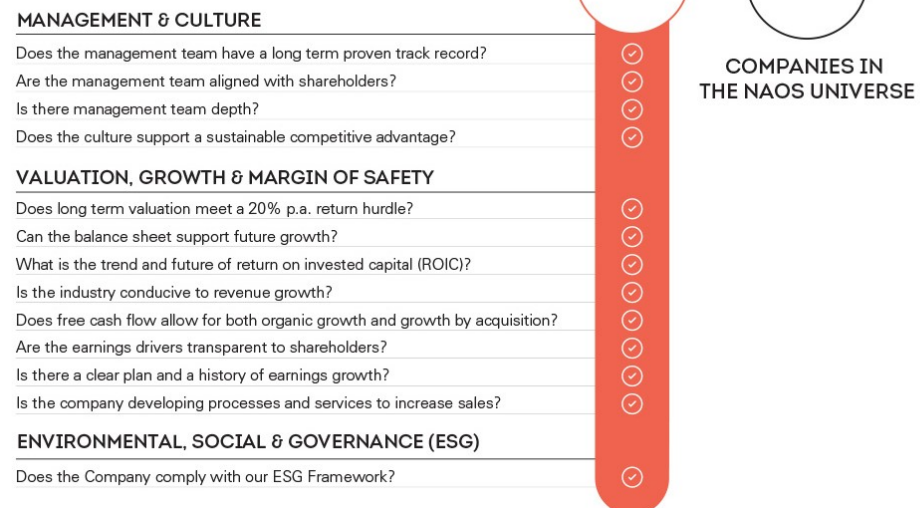
THE NAOS LICs

- 0-20 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
- 0-20 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



* Source: Bloomberg Data June 2020

NAOS ESG framework

01

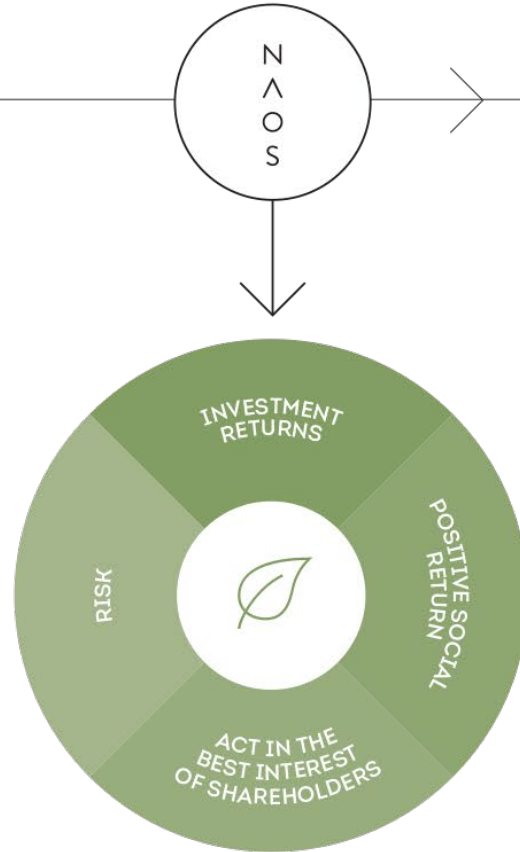
OUR COMMITMENT TO RESPONSIBLE INVESTMENT

As an investment manager, NAOS recognises and accepts its duty to act responsibly and in the best interests of shareholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors is associated with a sustainable business model over the longer term that benefits not only shareholders but also the broader economy.

We recognise the material impacts that ESG factors can have on investment returns and risk, and also the wider implications for achieving a positive social return.

NAOS is a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and is guided by these principles in incorporating ESG into our investment practices.

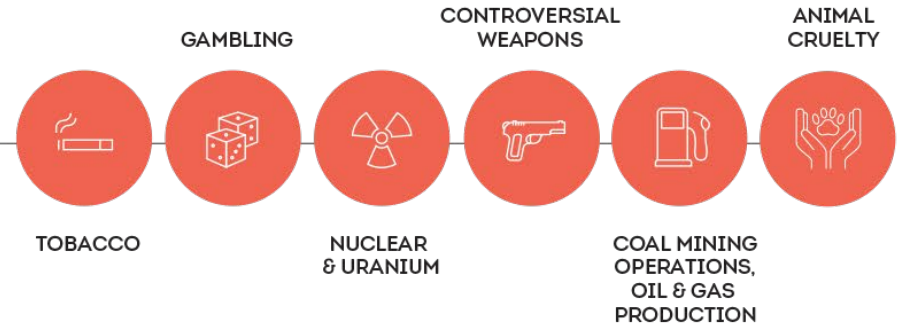
Signatory of:



02

NEGATIVE SCREENS

NAOS systematically excludes investing in specific industries and companies that do not align with our responsible investment goals.



03

ESG FRAMEWORK

The types of ESG factors we consider are represented by the following, although from time to time we will consider factors outside this group.



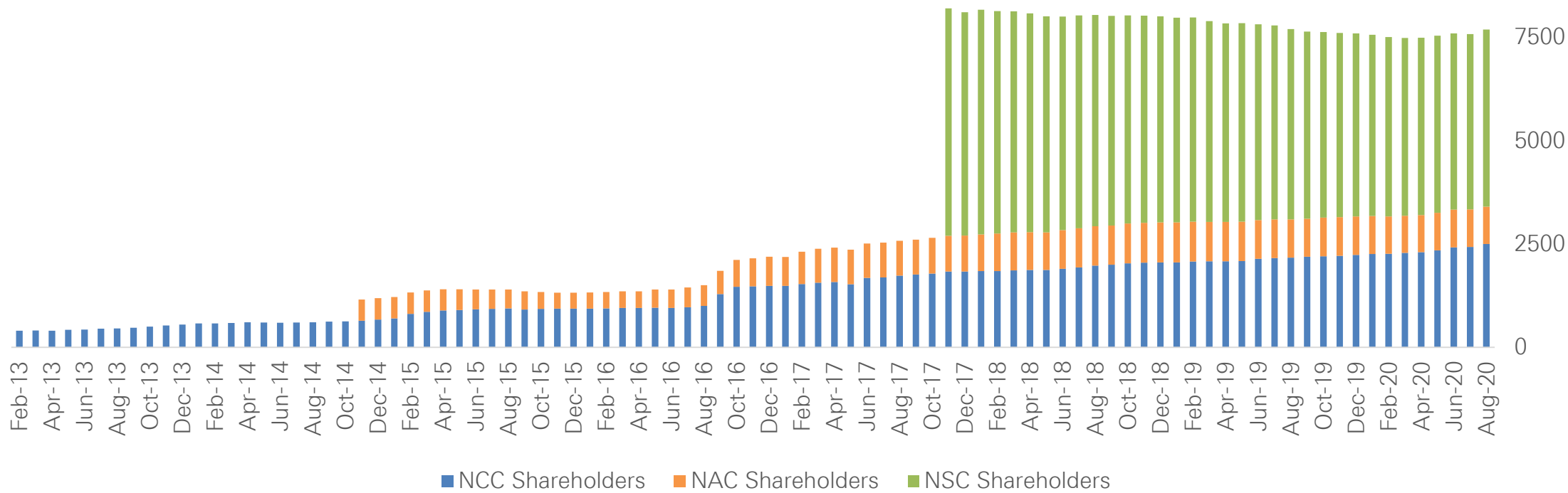
04

THE INCORPORATION OF ESG

The incorporation of ESG considerations into the investment process applies across all NAOS investments, and involves regular discussions and engagement with companies over material ESG issues.

NAOS supports the adoption of a responsible investment strategy, and is committed to ensuring that this is an integral part of the NAOS investment process.

Historical shareholder numbers



Investor awareness and communication



CEO Insights, NAOS
Newsletter,
subscribe via our
website
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Shareholder
Conference
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updates, subscribe via
our website
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The news and media
section of our website
is updated regularly
naos.com.au



Quarterly Webinars

FOLLOW NAOS



NAOS Asset Management giving back

NAOS, the management company, is proud to be supporting the following charities.
Since 2018 NAOS has donated a total of \$90,000 to the following charities.



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



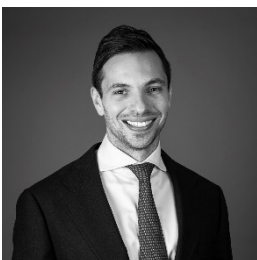
'Reef Aid' campaign, in partnership with Greening Australia



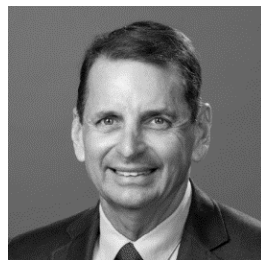
RFDS, dedicated to providing healthcare to Australians in remote communities

NAOS Directors and Team

OUR DIRECTORS



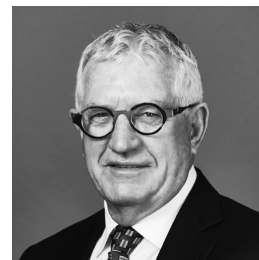
Sebastian Evans
Managing Director, NAOS Asset Management Limited & Director NCC, NSC & NAC



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

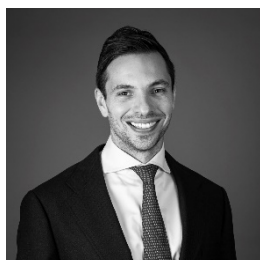


David Rickards
Independent Chairman & Director, NCC and NAC & Independent Director NSC

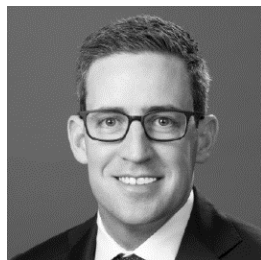


Sarah Williams
Independent Director, NCC and NAC

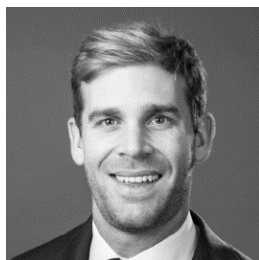
OUR TEAM



Sebastian Evans
Chief Investment Officer



Ben Rundle
Portfolio Manager



Robert Miller
Portfolio Manager



Richard Preedy
Chief Financial and Operating Officer



Angela Zammit
Marketing & Communications Manager



Nina Dunn
Business Development Manager



Julie Coventry
Compliance Officer



Julia Stanistreet
Business Development Manager