

12 November 2020

## NAOS Emerging Opportunities Company Ltd (ASX: NCC) – Chief Investment Officer’s AGM Investor Update

Good morning fellow Shareholders,

Pleasingly, the NCC Investment Portfolio has made a sound start to FY21, returning +17.62% for the first four months of the financial year<sup>1</sup>. As many shareholders would rightly assume, we believe that a significant majority of the investments in NCC remain significantly undervalued taking a long-term view. In saying this, all of our investments carry a significant amount of risk as would be expected when investing in some of the smallest companies listed on the Australian Securities Exchange (ASX). These risks often relate to industry dynamics, culture, execution and integration to name just a few.

Looking forward, I believe there are several key value inflection points that may eventuate over the remainder of the financial year which may drive a significant re-rating of these positions. I have briefly touched on those which we believe are the most significant for the continued performance of the NCC Investment Portfolio over the rest of FY21.

Without a doubt one of the most notable events for the remainder of FY21 will relate to BSA Limited (ASX: BSA). A key catalyst will be the potential renewal of the agreement with the National Broadband Network (NBN) for the Operations Activations & Assurance work (OMMA). The other major catalyst will revolve around the ability of BSA management to diversify their current client list by winning new clients in their existing markets or by entering adjacent markets, i.e. mobile.

Saunders International (ASX: SND) had a very successful FY20 by winning a multitude of new contracts across a wide range of clients. Looking forward, for SND to continue to re-rate we will be looking for the following to occur. Firstly, the ability for SND to execute with such a large order book will be crucial to prove to the market once again that they can generate sound margins across all work. Secondly there has been a significant amount of press regarding the potential for Federal Government and the Defence Force to increase their respective fuel storage capacity as well as rationalising their providers to ensure a better outcome is achieved. We believe this is a significant opportunity for SND which may well eventuate later in FY21.

From a shareholder return point of view, BTC Health (ASX: BTC) has not performed over the past 2-3 years. In saying this, I believe BTC has potentially the greatest upside across the NCC investment portfolio. BTC simply needs more scale and this can only come via bolt-on acquisitions as well as in-licencing the distribution rights to medical devices that can be sold in the Australian market. We continue to remain patient, but we expect there to be progress on one if not both of these fronts over the next 8 months.

Finally, considering all of Experience Co’s (ASX: EXP) operations were closed during the height of the COVID-19 outbreak, the business has reached this point in FY21 in excellent shape. Over the next 8 months the outlook for EXP could be significantly brighter especially once the QLD borders are re-opened with NSW and VIC, and also if EXP are able to execute on highly complementary acquisitions of businesses that have not been able to sustain themselves due to the significant upheaval in the tourism industry.

As always, myself and the whole team at Naos are very grateful for the support of all shareholders in NCC and we remain as aligned as ever with all shareholders through our NCC shareholdings.

I look forward to providing you with another detailed update at the end of 1H FY21.

Sebastian Evans

Chief Investment Officer

NAOS Asset Management Limited

<sup>1</sup> Investment Portfolio performance is post all operating expenses, before fees and taxes. Figures as at 31 October 2020.