

NAOS EMERGING  
OPPORTUNITIES  
COMPANY LIMITED  
(ASX: NCC)

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11 November 2021

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

### **Annual General Meeting 2021 – Chairman’s Address and Investor Update Presentation**

Please find enclosed the Chairman’s Address and Investor Update Presentation to be presented at the Annual General Meeting of NAOS Emerging Opportunities Company Limited to be held today at 10:00am (AEDT).

Authorised by:

Rajiv Sharma  
Company Secretary

Chairman's Address – Mr David Rickards OAM  
Annual General Meeting of NAOS Emerging Opportunities Company Limited  
11 November 2021, 10:00am (AEDT)

Dear fellow shareholders,

The Board would like to thank all shareholders for your continued support and welcome all new shareholders who joined the Company during the 2021 financial year.

For the financial year ended 30 June 2021, the Company achieved a record after-tax profit of \$20.66 million. One of the objectives of the Company is to deliver a sustainable, growing stream of dividends to shareholders franked to the maximum extent possible. I am pleased to announce the Board has declared a fully franked final dividend of 3.75 cents per share. Together with the fully franked interim dividend of 3.75 cents per share, this brings the fully franked full-year dividend to 7.50 cents per share, which represents a 3.4% increase on the prior year. This represents a 7.25% net yield based on the 30 June 2021 share price and brings total fully franked dividends declared since inception to 57.50 cents per share.

Australia's economy has rebounded from the retreat last year and has now achieved net growth from January 2020. FY21 was one of the strongest years on record for domestic equities, although towards the end of the financial year, US inflation concerns and rising bond yields did cause some volatility in financial markets. We expect the volatility to continue over the short term. As we move into FY22, the Board believes that the companies held in the NCC portfolio offer appealing long-term, risk-adjusted value and are confident that through the NAOS investment team maintaining a disciplined approach, in line with the NAOS investment philosophy, shareholders can look forward to further outperformance over the longer term.

The NCC Investment Portfolio returned a record financial year return of +48.34%, significantly outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index, which returned +33.23%. The pre-tax Net Tangible Asset (NTA) backing per share of the Company increased from \$0.90 to \$1.23 over the financial year, with positive performance of the investment portfolio increasing NTA per share by 44.83 cents over the year.

During the year, 7.25 cents per share was paid to shareholders in fully franked dividends, and management fees and interest expense on the convertible notes decreased the NTA by 1.51 cents per share and 0.34 cents per share respectively. Corporate tax of 0.78 cents per share was also paid during the year. The franking credits attached to these corporate tax payments are available to be distributed to shareholders through fully franked dividends. The dilutionary impact of the exercise of bonus options by shareholders decreased the NTA by 2.27 cents per share.

Total Shareholder Return (TSR) measures the change in the share price together with dividends paid over the financial year, assuming dividends are reinvested. The TSR for NCC for FY21 was +39.26%, which was reflective of the strong performance of the investment portfolio. This measure does not include the benefit of franking credits received by shareholders through franked dividends.

While the NCC share price increased from \$0.795 to \$1.035 over the course of the financial year, the Board acknowledges the current discount to NTA, and remains committed to addressing and closing the discount to NTA through a range of initiatives including:

- Dividends: The Company will continue to focus on delivering a growing stream of dividends, franked to the maximum extent possible, while maintaining an adequate profit reserve balance. The Company has now declared a total of 57.50 cents per share in fully franked dividends since listing in 2013.

- Dividend Reinvestment Plan (DRP): For those shareholders who participate in the DRP, it is important to note the Company did not issue shares at a discount to NTA but acquired shares on market to ensure this capital management activity was completed without any potential dilution for existing shareholders.
- Alignment: The Board has a strong alignment with the shareholders and continued to increase their holdings over the course of the year through both the exercise of their bonus options and participation in the DRP, and now hold a cumulative 5.06 million shares.
- Shareholder communications: The Company maintained a focus on a high standard of marketing and communications, so that all current and prospective shareholders have a clear understanding of the NAOS offering. Quarterly investor webinars are delivered to all shareholders along with regular email shareholder updates, which are sent to all current and prospective shareholders on the database, which totals over 11,000 subscribers.

In March 2021, the Company issued \$23.0 million of listed, convertible notes (NCC Notes). The NCC Notes provide investors with a listed exposure to a fixed interest rate yield of 4.50% per annum, and the possibility to benefit from appreciation in the price of the Company's shares above a conversion price of \$1.15 through an optional conversion into ordinary shares at any time until 30 September 2026. The issue of the convertible notes facilitated an increase in the overall size of the investment portfolio without diluting existing NCC shareholders. The proceeds of the issue were invested by the Investment Manager in a number of opportunities that arose during the year.

The 1-for-4 NCC bonus options that were issued in June 2019 expired on 29 June 2021. During this period, 12.56 million options, or 84% of the total bonus options issued, were converted into ordinary shares at an exercise price of \$1.02, raising \$12.8 million of additional capital. The Board of Directors were delighted with the large number of shareholders who supported the Company by choosing to exercise their bonus options. Along with the NCC Convertible Notes, the bonus options were a considered way to allow the Company to grow without placing undue pressure on the short-term performance and dividend reserves of the Company.

The Board remains committed to managing the capital base of the Company, using the most appropriate structure for maximising potential shareholder return. The Board believes that growing the size of the Company to between \$125 million and \$150 million is optimal. This size not only allows the Investment Manager to maximise performance by accessing meaningful positions in quality companies, but also scales the Company to an appropriate size that lowers the total expenses and costs for all shareholders.

On behalf of the Board of Directors, I would like to congratulate the Investment Manager on their strong investment performance throughout FY21 and thank them for their continued efforts and dedication throughout the year.

David Rickards OAM  
Independent Chairman, NAOS Emerging Opportunities Company Limited

# NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

## Investor Update

PRESENTED BY SEBASTIAN EVANS



NAOS

# Important information

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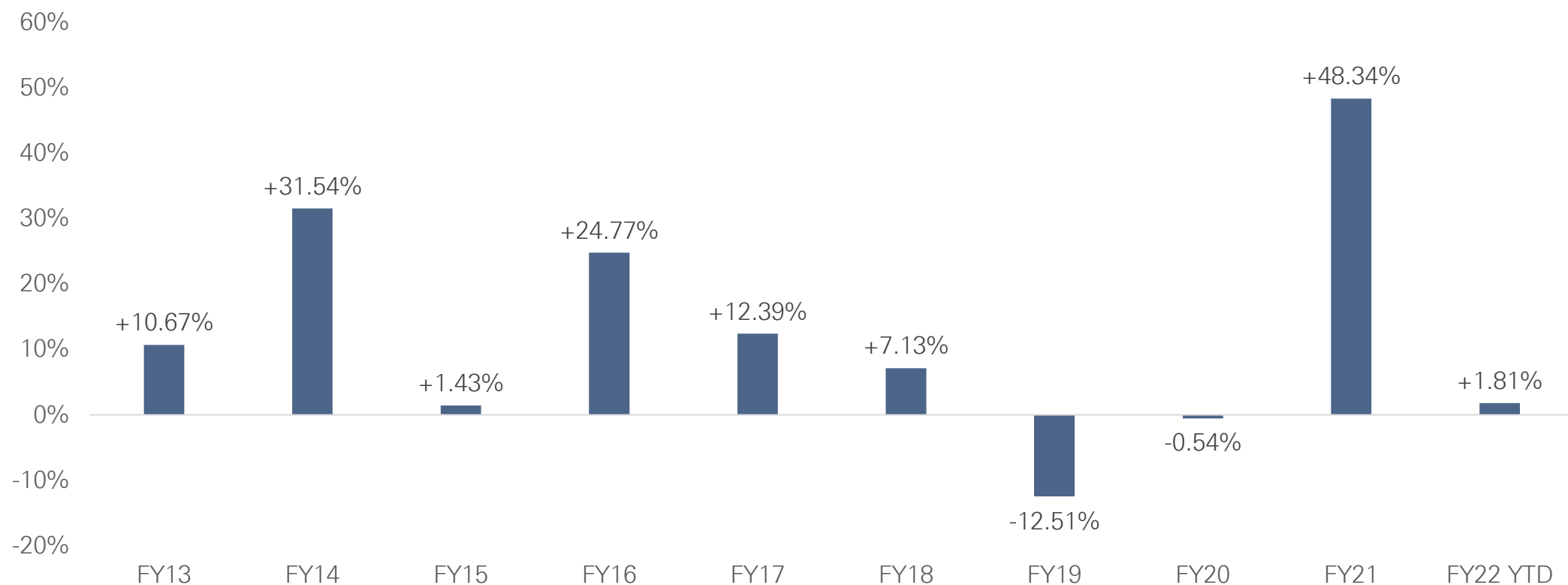
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# NCC investment portfolio financial year returns\*



\* Investment Portfolio Performance is post all operating expenses, before fees, taxes, interest and initial IPO and subsequent capital raising costs. Returns compounded for periods greater than 12 months. Performance has not been grossed up for franking credits received by shareholders. Inception date is February 2013.

# NCC overview as at 31 October 2021

\$1.21

Pre-Tax  
NTA

\$1.17

Post-Tax  
NTA

\$1.085

Share Price

13

Number of  
Holdings

+13.12%

Performance  
since Inception<sup>^</sup>  
p.a.

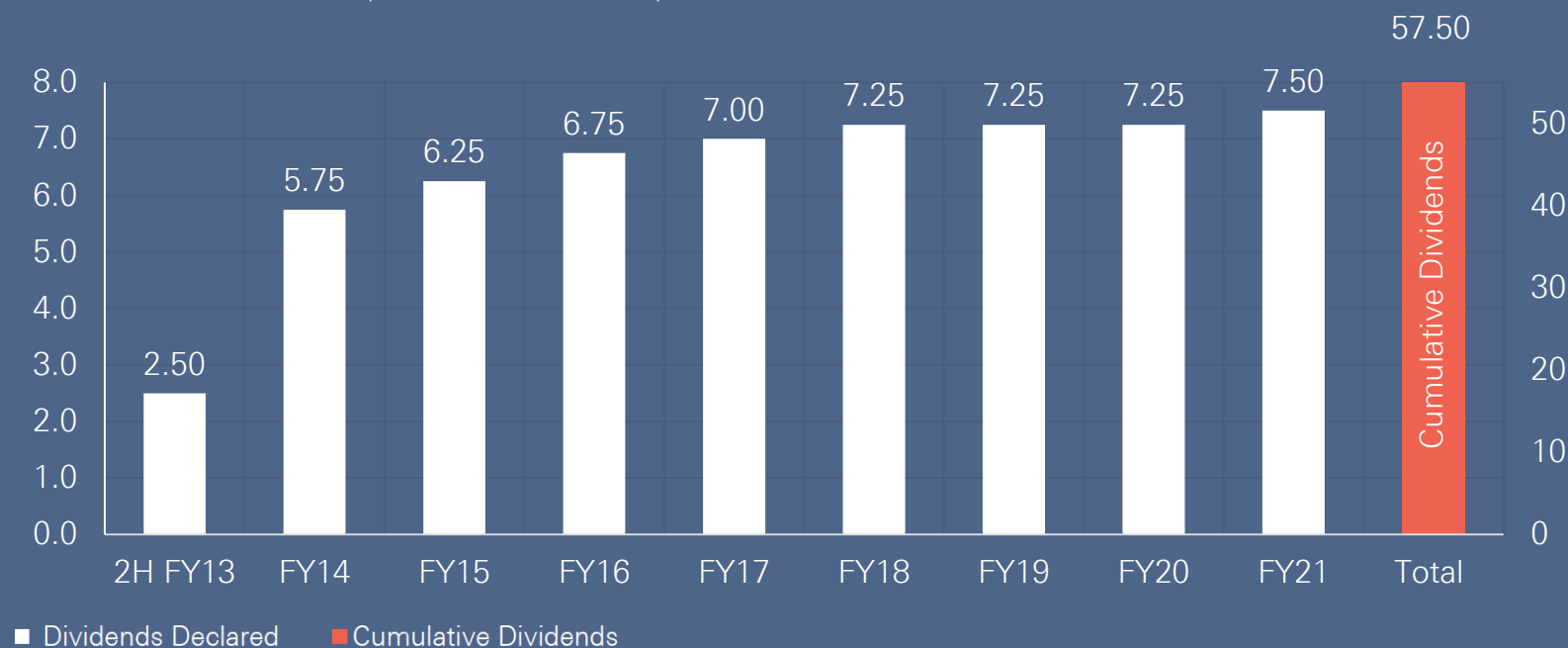
+28.40%

1 Year  
Performance<sup>^</sup>

6.91%

Fully Franked  
Dividend Yield

FULLY FRANKED DIVIDEND (CENTS PER SHARE)



<sup>^</sup>Investment Performance is post all operating expenses, before fees, taxes, interest, initial IPO commissions and all subsequent capital raising costs. 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.

# Overview and Outlook Q2 FY22

- The easing of lockdown restrictions will have a significant effect on the earnings trajectory of many businesses over the short and medium term.
- Headwinds will continue to pose a challenge for many businesses with a specific focus on:
  - Supply chain issues
  - Employment costs (and lack of quality candidates)
  - Corporate activity
- We expect updates from almost all portfolio companies to occur in Q2 FY22 with AGM updates expected & September year end full year results.
- We will be looking for numerous catalysts to occur across portfolio companies such as:
  - Guidance/outlook commentary for FY22.
  - Post lockdown contract wins as economy reopens.
  - M&A execution.
  - Updates regarding medium/long term company strategies.
- NAOS has continued to constructively engage with numerous portfolio companies, and we will continue to do this to ensure a focus on generating sustainable shareholder returns.