

NAOS SMALL CAP
OPPORTUNITIES
COMPANY LIMITED
(ASX: NSC)

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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 Small Cap Opportunities Company Limited to be held today at 12:00pm (AEDT).

Authorised by:

Rajiv Sharma
Company Secretary

Chairman's Address – Mr Trevor Carroll
Annual General Meeting of NAOS Small Cap Opportunities Company Limited
11 November 2021, 12:00pm (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.

Although the initial onset of the COVID-19 pandemic presented challenges to the Company in FY20, I am pleased to report that for the financial year ending 30 June 2021, the Company achieved a record after-tax profit of \$51.5 million (FY20: after-tax profit \$1.4 million). The Board has declared a fully franked final quarterly dividend of 1.25 cents per share, bringing FY21 fully franked dividends to 5.0 cents per share, which represents a 25% increase on the prior year. This represents a net dividend yield of 5.1% based on the 30 June 2021 share price. Since its inception in December 2017, the Company has now declared an aggregate 18.50 cents per share of fully franked dividends.

The Company will continue to focus on delivering a growing stream of quarterly dividends, franked to the maximum extent possible, whilst maintaining an adequate profit reserve balance to enable the Company to pay dividends when it is more difficult to generate significant performance. The profit reserve balance at year end was \$32.79 million or 21.4 cents per share.

The NSC Investment Portfolio returned a record financial year return of +58.40%, significantly outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which delivered a return of +33.23% in an exceptionally strong year for domestic equities.

The pre-tax Net Tangible Asset (NTA) backing per share of the Company increased from \$0.68 to \$1.10 over the financial year, with positive performance of the investment portfolio increasing NTA per share by 47.7 cents over the year. During the year, 4.75 cents per share was paid to shareholders in fully franked dividends, and management fees and interest expense on borrowings decreased the NTA by 1.21 cents per share and 0.85 cents per share respectively. The share buyback was also a positive contributor to the Company's NTA, adding 0.71 cents per share.

The strong investment performance has been reflected in the Company's share price, allowing the Company's Total Shareholder Return (TSR), which measures the change in the share price and dividends paid over the financial year, to return +132.6%. This measure does not include the benefit of franking credits received by shareholders. The TSR for the year is reflective of both the strong investment performance and the significant reduction in the share price discount to NTA over the course of the year. The NSC share price closed the financial year at \$0.98, having ended FY20 at \$0.45 cents.

The Board remains committed to managing the capital base of the Company in a manner to maximise shareholder returns including:

- On-market share buyback: Over the course of the financial year, 5.78 million shares were bought back by the Company, and the Company has now bought back 15.96 million shares, or 9.45% of shares on issue since the buyback commenced in April 2019. The Board renewed the on-market buyback facility for a further 12 months in April 2021, as the buyback of shares at a discount is accretive to NTA and thus of benefit to all shareholders.
- 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.

In May 2021, the Board of NSC announced a 1-for-3 issue of bonus options to eligible shareholders. A total of 51.44 million bonus options were issued with an exercise price of \$1.02 per option. The Board believes that the issue of bonus options is a measured way to allow the Company to grow over the next three years without placing undue pressure on the short-term performance and dividend reserves of the Company. The options are listed on the ASX under the code ASX: NSCOA with an exercise price of \$1.02 and expiry date of 28 June 2024.

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.

While equity markets may remain vulnerable to short-term corrections, it is the opinion of the Board that the disciplined NAOS investment philosophy will continue to generate strong performance for shareholders over the medium term. The Board continues to have a strong alignment with its shareholders, increasing cumulative holdings during the year to 2.29 million shares.

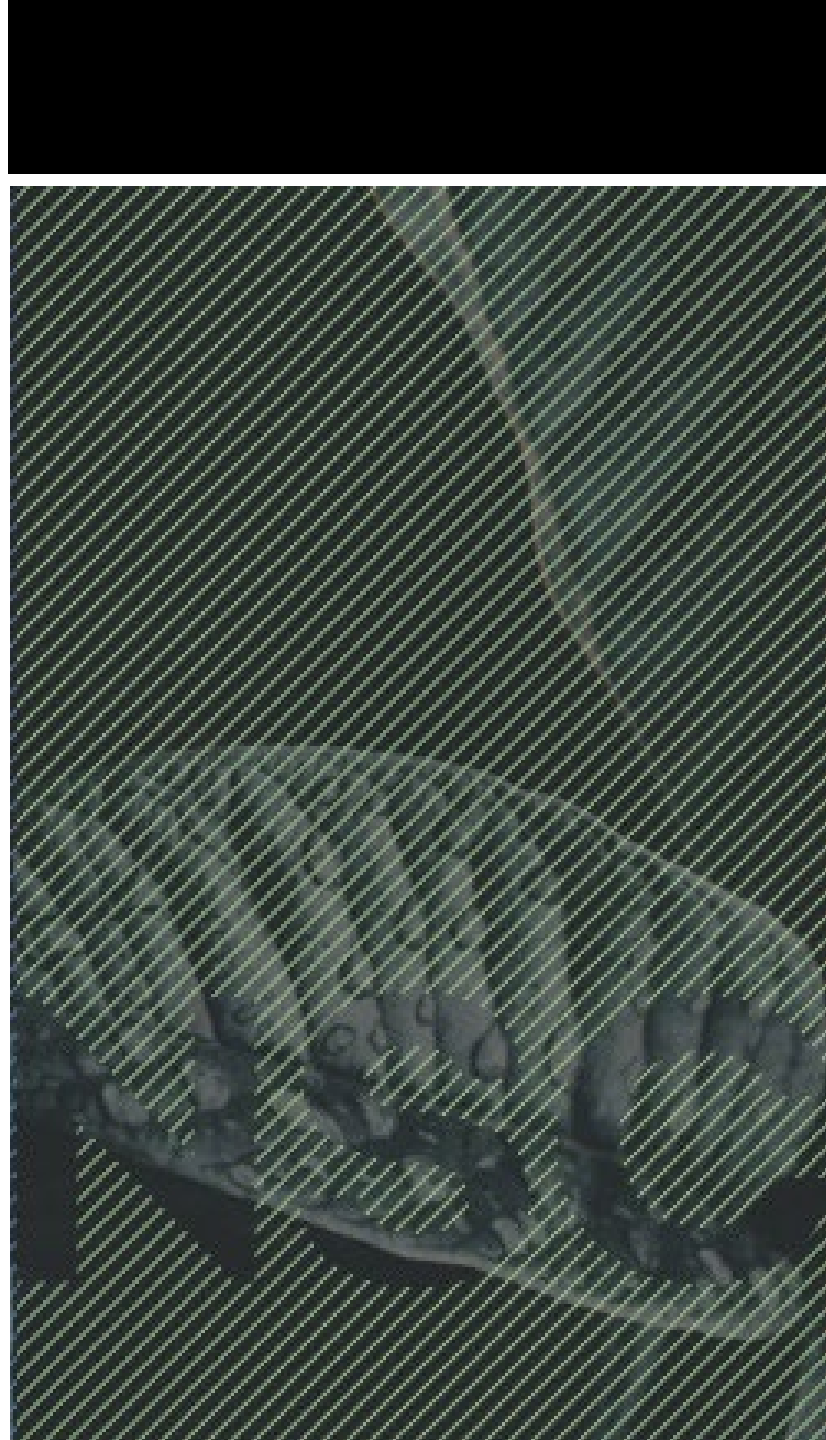
On behalf of the Board of Directors, I would like to congratulate the Investment Manager for its strong FY21 investment performance and thank them for their dedication throughout the year.

Trevor Carroll
Independent Chairman, NAOS Small Cap Opportunities Company Limited

NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED

Investor Update

PRESENTED BY SEBASTIAN EVANS



NAOS

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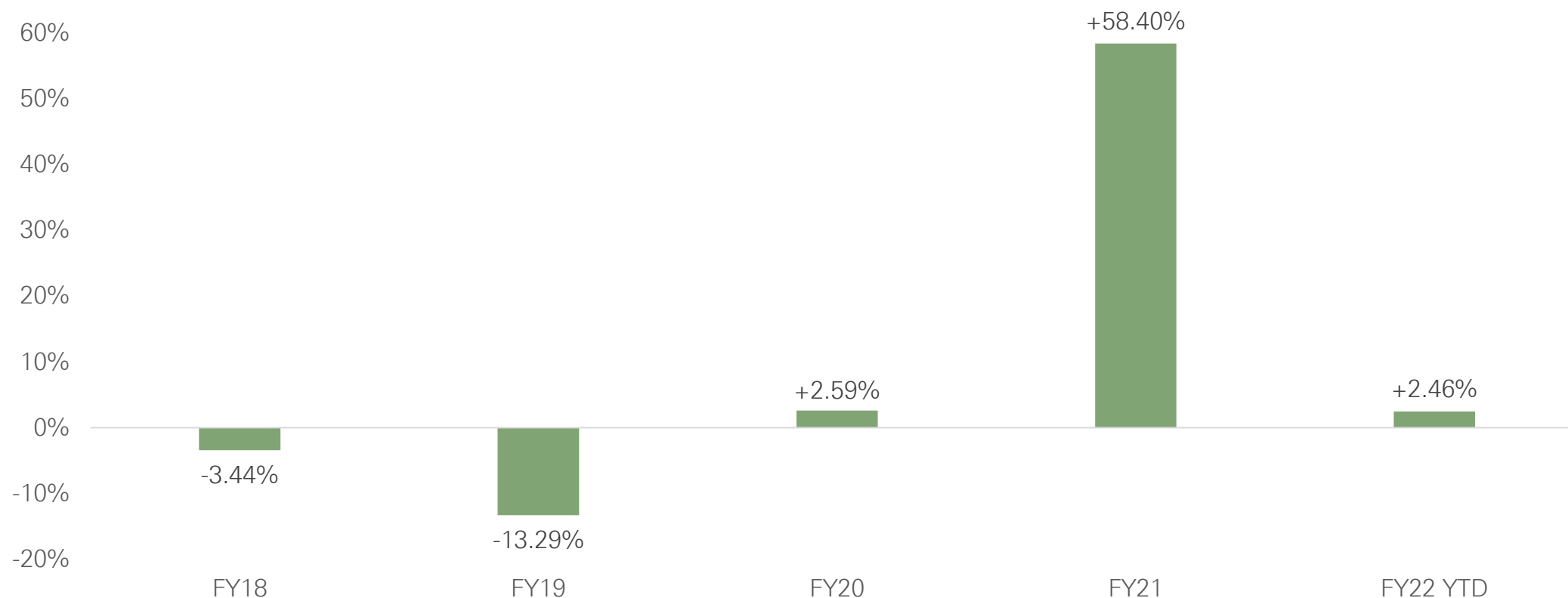
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NSC investment portfolio financial year returns*



* 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 December 2017.

NSC overview as at 31 October 2021

NAOS

\$1.11

Pre-Tax
NTA

\$1.03

Post-Tax
NTA

\$0.925

Share Price

9

Number of
Holdings

+8.85%

Performance
since Inception [^]
p.a.

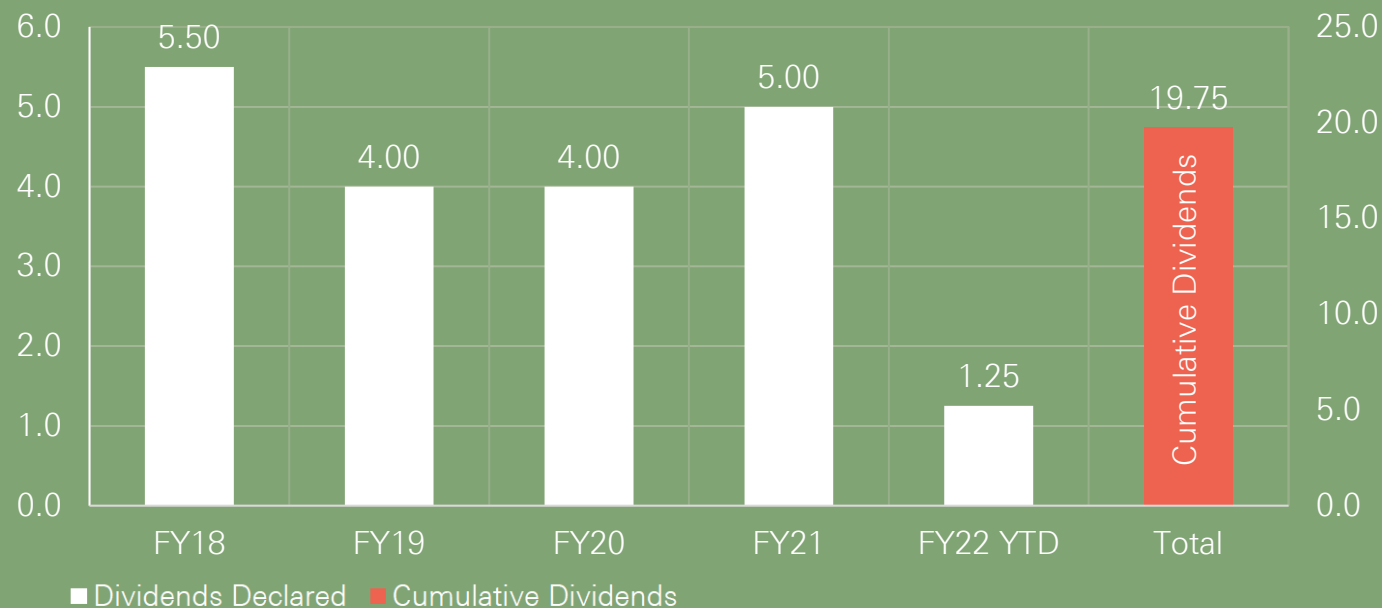
+51.48%

1 Year
Performance [^]

5.41%

Fully Franked
Dividend Yield

FULLY FRANKED DIVIDEND (CENTS PER SHARE)



[^]Investment Performance is post all operating expenses, before fees, interest, taxes and 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 December 2017.

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.