

NAOS EX-50
OPPORTUNITIES
COMPANY LIMITED
(ASX: NAC)

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10 November 2022

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Annual General Meeting 2022 – Chair’s Address and Investor Update Presentation

Please find enclosed the Chair’s Address and Investor Update Presentation to be presented at the Annual General Meeting of NAOS Ex-50 Opportunities Company Limited to be held today at 11:00am (AEDT).

Authorised by:

Rajiv Sharma
Company Secretary

Chair's Address – Mr David Rickards OAM
Annual General Meeting of NAOS Ex-50 Opportunities Company Limited
10 November 2022, 11:00am (AEDT)
Held at The Museum of Contemporary Art Australia, 140 George Street, The Rocks, NSW, 2000

Dear Fellow Shareholders,

I would like to thank all shareholders for your continued support and welcome all new shareholders who joined the register during the year.

For the financial year (FY) ending 30 June 2022, the Company recorded an after-tax loss of \$18.28 million (FY21: after-tax profit of \$19.37 million). The Board has declared a fully franked final quarterly dividend of 1.10 cents per share for the year ended 30 June 2022, bringing the fully franked FY22 full-year dividend to 5.90 cents per share.

This represents an increase of 2.61% on the prior year. Based on the 30 June 2022 share price, this represents a net dividend yield of 6.74% and since listing in 2014, the Company has now declared an aggregate 39.15 cents per share of dividends, all of which have been fully franked.

The Board continues to be mindful of providing shareholders with a sustainable, growing stream of quarterly dividends, franked to the maximum extent possible while also maintaining an adequate profit reserve balance to enable the Company to pay dividends in periods such as this financial year, where it has been more difficult to generate significant performance. The profit reserve balance at year end was \$22.78 million, or 50.6 cents per share.

FY22 was dominated by macroeconomic concerns that heavily impacted asset prices and equity markets. The second half of FY22 has seen monetary policy tightening at the quickest pace in 22 years, the direct consequences of which has seen an adjustment of return expectations for assets higher on the risk curve (as with other historical rate rises). The third quarter saw sizeable sell-offs in a large cohort of pre-profitability businesses trading at extreme valuations. The relative attractiveness of these businesses has declined substantially in an environment of a rising risk-free rate.

The final quarter of FY22 saw this selling become more indiscriminate, with the emerging sector of the Australian equity market sold off at a greater rate than large cap stocks. As a result, the S&P/ASX Small Ordinaries index (XSO) declined –21.56% in FY22, compared to a decline of –8.88% for the S&P/ASX 100 index (XTO).

The tightening of monetary policy in an effort to curb rampant inflation is likely to continue to act as a headwind for the domestic equity market as we move into FY23. Against this backdrop, the NAC investment portfolio delivered a negative return of –28.36% for FY22, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI), which returned –9.56%.

The pre-tax Net Tangible Asset (NTA) backing per share of the Company decreased from \$1.59 to \$0.90 over the financial year, with negative performance of the investment portfolio decreasing the NTA per share by 52.39 cents. 6.35 cents per share was paid to shareholders in fully franked dividends, and management fees and interest expense on convertible notes decreased the NTA by 3.11 cents per share and 2.12 cents per share respectively. 3.35 cents per share of corporate tax was also paid during the year.

The franking credits attached to these corporate tax payments are available to be distributed to shareholders through franked dividends. The dilutionary impact of the exercise of NAC bonus options also decreased the NTA per share by 2.90 cents per share. As the buyback of shares by the Company at a discount is accretive to NTA per share, this was a positive contributor to the Company's NTA during the financial year, adding 0.95 cents per share.

The Board remains committed to managing the capital base of the Company in a manner to

maximise shareholder returns, including the following:

- Dividends – The Company will continue to focus on delivering a growing stream of quarterly dividends, franked to the maximum extent possible while maintaining an adequate profit reserve balance.
- On-market share buyback – 2.41 million shares were bought back over the course of the financial year and the Company has now bought back 11.37 million shares, or 21.64% of shares on issue since the buyback commenced in June 2019. The Board renewed the on-market buyback facility for a further 12 months in June 2022, as the buyback of shares at a discount is accretive to NTA and thus of benefit to all shareholders. The Board intends to continue an active buyback in FY23 should a significant discount to NTA re-emerge.

Total Shareholder Return (TSR) measures the change in the share price together with dividends paid over the financial year, and assumes dividends are reinvested. This measure does not include the benefit of franking credits received by shareholders through fully franked dividends. The TSR for NAC for FY22 was –21.36%, which was impacted by the negative performance of the investment portfolio, but was offset slightly by the share price discount to NTA narrowing significantly over FY22.

The share price began the financial year trading at a –25.79% discount to pre-tax NTA and closed the year at \$0.875, representing a –2.78% discount to pre-tax NTA. While it is pleasing to see the share price discount to NTA narrow significantly, the Board remains focused on ensuring the discount to NTA is eliminated through a range of initiatives, including the following:

- Dividend Reinvestment Plan (DRP) – For those shareholders who participated in the DRP it is important to note the Company did not issue shares at a discount to NTA, but instead acquired shares on market to ensure this capital management activity was completed without any potential dilution for existing shareholders.
- Shareholder communications – The Company continues to focus on a high standard of investor communications, ensuring that all shareholders, alongside the NAOS database of more than 11,000 subscribers, are kept abreast of the Company's performance and investment philosophy. This communication, in the form of educational pieces, monthly updates, articles, reviews, investment insights and quarterly webinars, is of particular importance in times of market volatility. The Company also places a high priority on prompt and transparent communication with all shareholder enquiries.

The above initiatives contributed to record shareholder numbers, with shareholder numbers increasing by 6.64% over the course of the financial year to total 1,028 at 30 June 2022. Generally, a larger shareholder base corresponds to stronger liquidity, which correlates to a lower discount to NTA.

The Board remains committed to managing the capital base of the Company in a manner that provides the most appropriate structure for maximising potential shareholder return and scaling the Company to an appropriate size that lowers the total expenses and costs for all shareholders. During the financial year a total of 3.12 million of the 1-for-2 NAC bonus options issued in March 2020 were exercised and converted to ordinary shares, raising an additional \$3.21 million of additional capital.

The NAC bonus options are listed on the ASX under the code ASX: NACOA, with an exercise price of \$1.03 and an expiry date of 31 March 2023. While equity markets may remain vulnerable as we move through FY23, the Board believes that the NAOS investment philosophy will continue to generate strong performance for shareholders over the longer term. The Board remains of the opinion that the companies held in the investment portfolio are well placed over the long term to produce strong positive risk adjusted returns.

The Board has a strong alignment with shareholders through their shareholdings, which continued to increase over the course of the year and now total a cumulative 8.39 million shares.

On behalf of the Board of Directors, I would like to thank the staff of the Investment Manager for their efforts and dedication over the course of the financial year.

David Rickards OAM
Independent Chair, NAOS Ex-50 Opportunities Company Limited



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ASSET MANAGEMENT

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Investor Update

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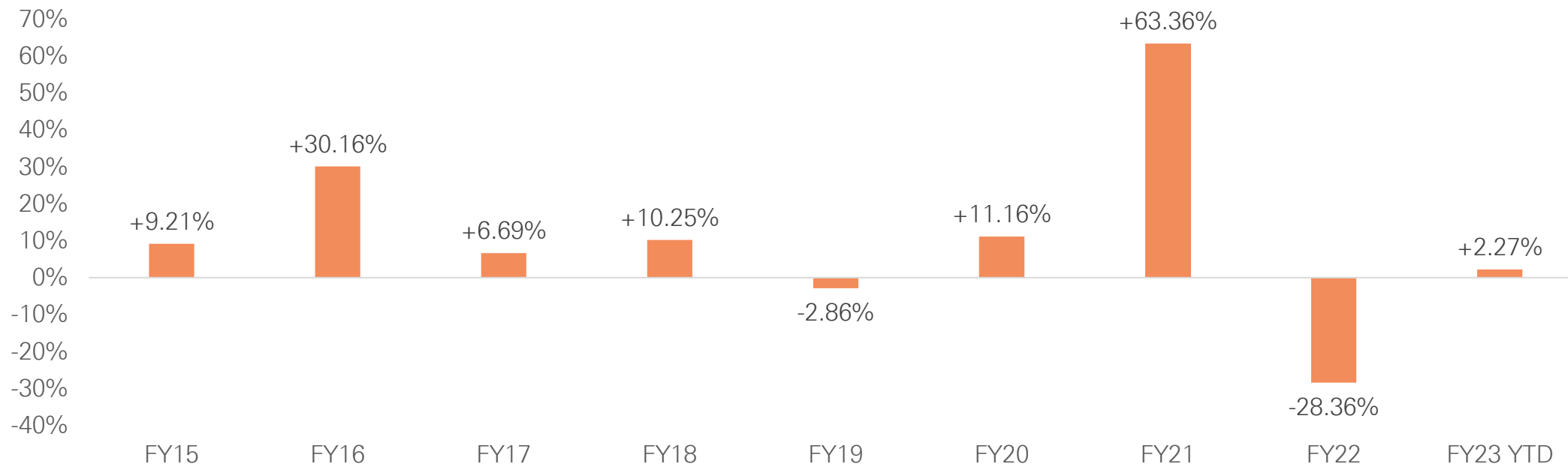
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NAC Investment Portfolio Financial Year Returns



	3 YEAR PERFORMANCE (p.a.)	INCEPTION PERFORMANCE (p.a.)
NAC Investment Portfolio Performance*	+4.73%	+10.27%
S&P/ASX 300 Industrials Accumulation Index	+0.69%	+5.72%
Performance Relative to Benchmark	+4.04%	+4.55%

* 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 November 2014. All figures as at 30 September 2022.

New Monthly NTA Updates and Quarterly Investment Commentary

- From December a new monthly investment report will be introduced across all NAOS managed LICs.
- In addition, a quarterly investment report (first release in January 2023) will also be released.
- Reasons for the change:
 - A quarterly investment report will allow the Investment Manager to provide more detailed information on how the strategy of selected investee companies is unfolding.
 - The commentary will not be restricted in length which is currently the case across the monthly investment reports.
 - The monthly reports will no longer provide qualitative commentary which will be replaced with more detailed quantitative data on the investment portfolio such as portfolio weighted metrics including price/earnings ratios, dividend yield, return on invested capital etc.

FY23 Outlook

- Q1 FY23 investment portfolio performance of +2.77%.
- Outside of our investment in Eureka Group Holdings (ASX: EGH), the investment team believes this does not reflect the strong underlying performance of some of the core holdings such as:
 - MOVE Logistics Group (NZX/ASX: MOV)
 - AGM trading update stated expected EBITDA growth over prior year.
 - Significant progress made on several key initiatives i.e., MOVE Oceans
 - Gentrack Group (ASX: GTK)
 - Upgraded guidance provided in September with reaffirmation of 2024 targets.
 - New large client win of Mercury Energy.
 - Maxiparts (ASX: MXI)
 - Reaffirmed previous guidance of low double-digit FY23 revenue growth.
 - Eureka Group Holdings (ASX: EGH)
 - Has been the largest detractor to performance after completion of a significantly discounted capital raising without any clarity on a forward-looking capital management plan.
- Numerous catalysts may occur over the remainder of FY23 across the investment portfolio which may increase long term value or close the current discounts to the true value of these businesses.