NAOS EMERGING
OPPORTUNITIES
COMPANY LIMITED
(ASX: NCC)

ABN 58 161 106 510

Level 34
25 Martin Place
Sydney NSW 2000

T (02) 9002 1576
F (02) 8215 0037
E enquiries@naos.com.au

www.naos.com.au

12 October 2023

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

NAOS Investor Roadshow – Presentation Materials

Please find attached the presentation materials for the NAOS Investor Roadshow which commences today across various cities throughout Australia during the month of October.

Shareholders and guests are invited to visit naos.com.au/events for more information about registering to attend the NAOS Investor Roadshow.

Authorised by:

Rajiv Sharma
Company Secretary

Investor Roadshow 2023

Certified B Corporation

Seizing Opportunities Early | The Potential of Investing in Emerging Companies

Important Information

This material has been prepared by NAOS Asset Management Limited (ABN 23 107 624 126, AFSL 273529) (NAOS) for general information purposes only and must not be construed as investment advice. It does not constitute an offer to purchase any security or financial product or service referred to herein. Any such offer or solicitation shall only be made pursuant to a relevant offer document, which is available by calling NAOS on (02) 9002 1576. This material does not take into account the investment objectives, financial situation or needs of any particular investor. Before making an investment decision, investors should consider obtaining professional investment advice that is tailored to their specific circumstances.

Where past performance information is shown, it is intended to be for general illustrative purposes only. Past performance is not a reliable indication of future performance. In relation to any NAOS financial product or service referred to herein, NAOS does not guarantee its future performance, the amount or timing of any returns or that any investment objectives will be achieved.

Statements contained in this material that are not historical facts are based on the current expectations, estimates, projections, opinions, assumptions and beliefs of NAOS, which are subject to change without notice. This material may also contain forward-looking statements. Forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainty and other factors beyond NAOS' control. Unless otherwise expressly stated, no independent person has reviewed the reasonableness of any such forward-looking statements or assumption. Undue reliance should not be placed on forward-looking statements as actual events or results or the actual performance of a NAOS financial product or service may materially differ from those reflected or contemplated in such forward-looking statements.

Neither NAOS or any of its respective officers or employees makes any representation or warranty (express or implied) with respect to the correctness, accuracy, reasonableness or completeness of any information contained in this material and to the maximum extent permitted by law, NAOS disclaims all liability to any person relying on the information contained in this material in relation to any loss or damage (including consequential loss or damage), however caused, which may be suffered directly or indirectly in respect of such information.

This material must not be reproduced or disclosed, in whole or in part, without the prior written consent of NAOS. Certain economic, market or company information contained in this material may have been obtained from published sources prepared by third parties. Any trademarks, logos or service marks contained herein may be the registered or unregistered trademarks of their respective owners. Nothing contained herein should be construed as granting by implication or otherwise, any license or right to use any trademark displayed without the written permission of the owner.

Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

Get to Know NAOS

Specialist fund manager since 2004:
- First LIC IPO in 2013
- Focus on emerging public and private companies

3 Listed Investment Companies
+ 1 Private Investment Fund

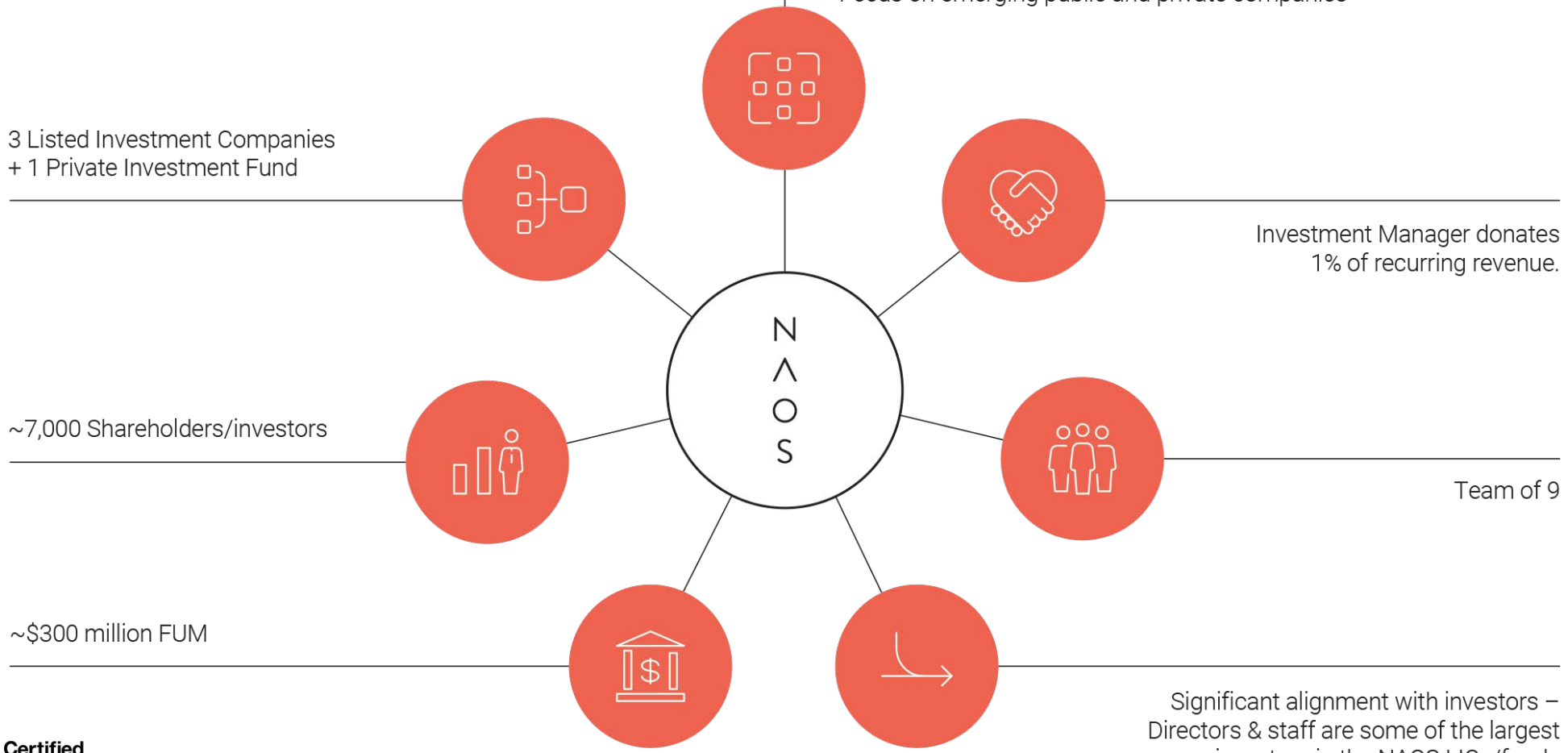
Investment Manager donates
1% of recurring revenue.

~7,000 Shareholders/investors

Team of 9

~$300 million FUM

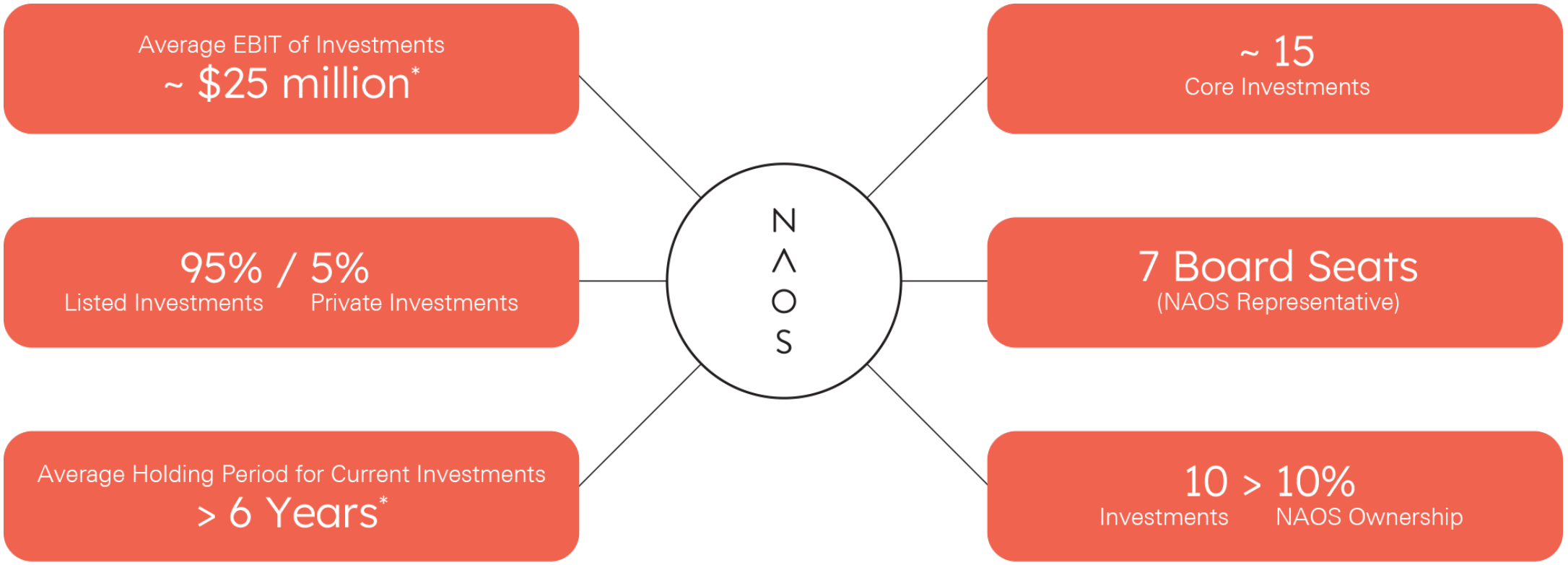
Significant alignment with investors –
Directors & staff are some of the largest
investors in the NAOS LICs/funds



Certified B Corporation

Signatory of: PRI Principles for Responsible Investment

How We Invest & Why We Are Different



*Portfolio Weighted Average Calculations as at 30 September 2023

Focus on Capital Management for All Shareholders

Since their inception, the NAOS LICs have returned $183m to shareholders through a combination of dividends, franking credits and buybacks.

	NCC	NAC	NSC
Inception date	Feb 2013	Nov 2014	Dec 2017
Outperformance since inception* (p.a.)	+3.92%	+4.23%	-0.69%
Dividends paid	$39.04 million	$20.53 million	$44.39 million
Franking credits distributed	$13.98 million	$8.80 million	$19.02 million
Buyback	$0 million	$12.72 million	$24.17 million
Total returned to shareholders since inception	**$53.02 million**	**$42.05 million**	**$87.58 million**

*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders. Since inception (P.A. and Total Return) includes part performance for the month of February 2013 (NCC), November 2014 (NAC) and December 2017 (NSC). Returns compounded for periods greater than 12 months. All figures as at 30 September 2023.
NAC Benchmark= S&P/ASX 300 Industrials Accumulation Index, NCC & NSC Benchmark= S&P/ASX Small Ordinaries Accumulation Index.

NAOS LICs Performance History

Performance of NAOS LICs relative to each benchmark

	1 Year Performance		3 Year Performance (p.a.)		Inception Performance (p.a.)	
	NAOS LIC	Benchmark^	NAOS LIC	Benchmark^	NAOS LIC	Benchmark^
NCC Investment Portfolio Performance*	-5.15%	+6.85%	+2.79%	+2.57%	+8.30%	+4.38%
NAC Investment Portfolio Performance*	+12.56%	+10.93%	+3.46%	+8.56%	+10.53%	+6.30%
NSC Investment Portfolio Performance*	-3.31%	+6.85%	+8.19%	+2.57%	+2.25%	+2.94%

*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders. Since inception (P.A. and Total Return) includes part performance for the month of February 2013 (NCC), November 2014 (NAC) and December 2017 (NSC). Returns compounded for periods greater than 12 months. All figures as at 30 September 2023.
^NAC Benchmark= S&P/ASX 300 Industrials Accumulation Index, NCC & NSC Benchmark= S&P/ASX Small Ordinaries Accumulation Index.

Is Now The Time to Consider Investing in Emerging Companies?

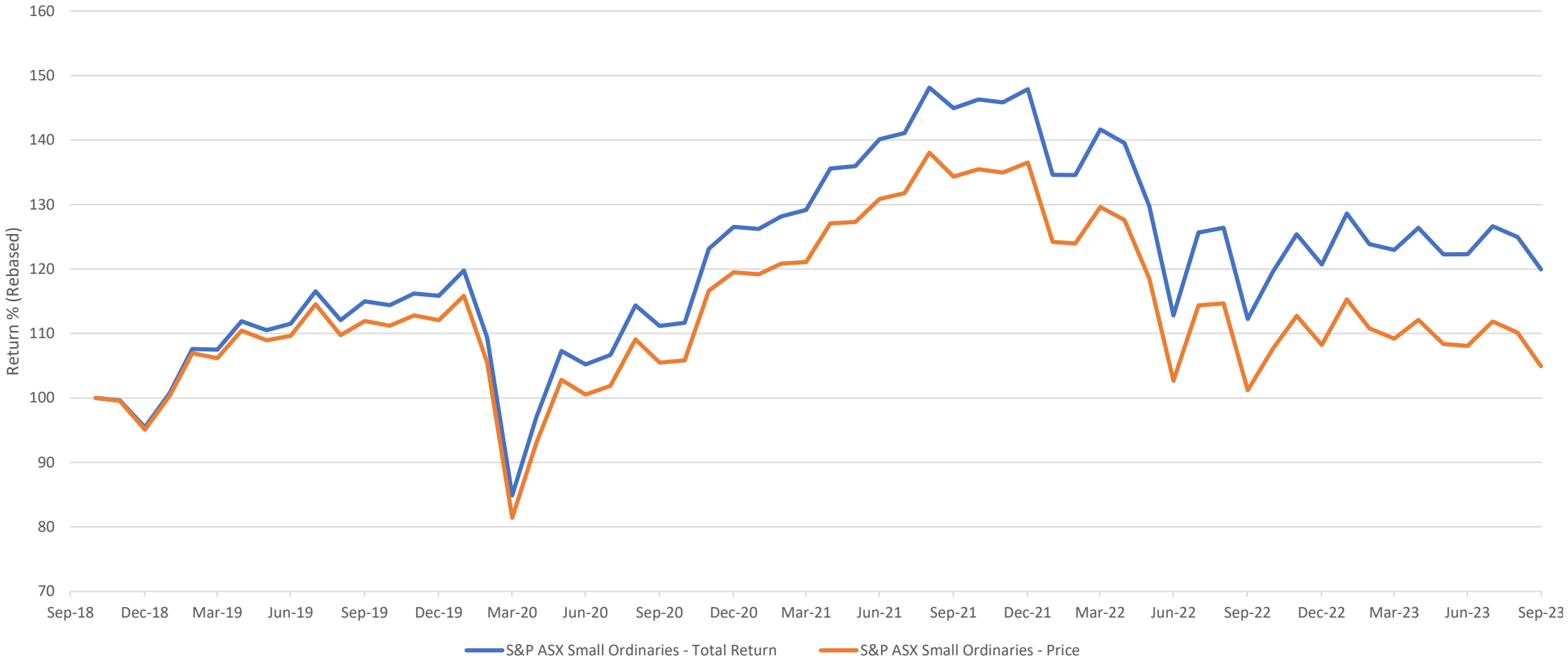
Why Have Emerging Companies Underperformed?

- Emerging Companies can experience periods of significant underperformance due to:
  - Lower liquidity
  - Key person risk
  - Less balance sheet flexibility
  - Less diversification of operations
- Current underperformance driven by macroeconomic factors
- Increased uncertainty
- Lack of investor demand

Performance (Total Return) (p.a.)	3 Years	5 Years	10 Years
S&P/ASX Small Ordinaries Accumulation Index	+2.57%	+1.63%	+5.13%

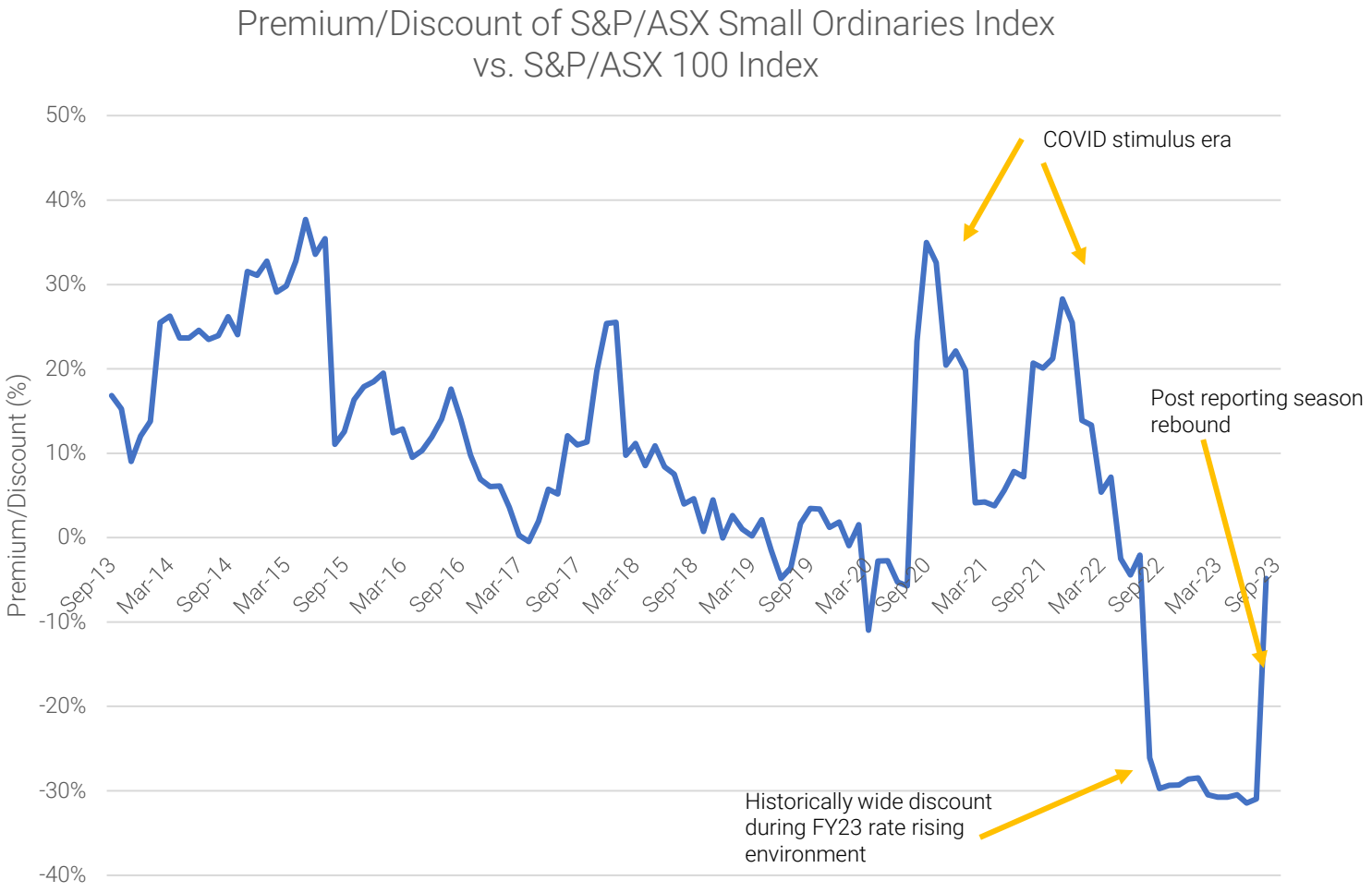
Source - S&P. Data as at 30 September 2023.

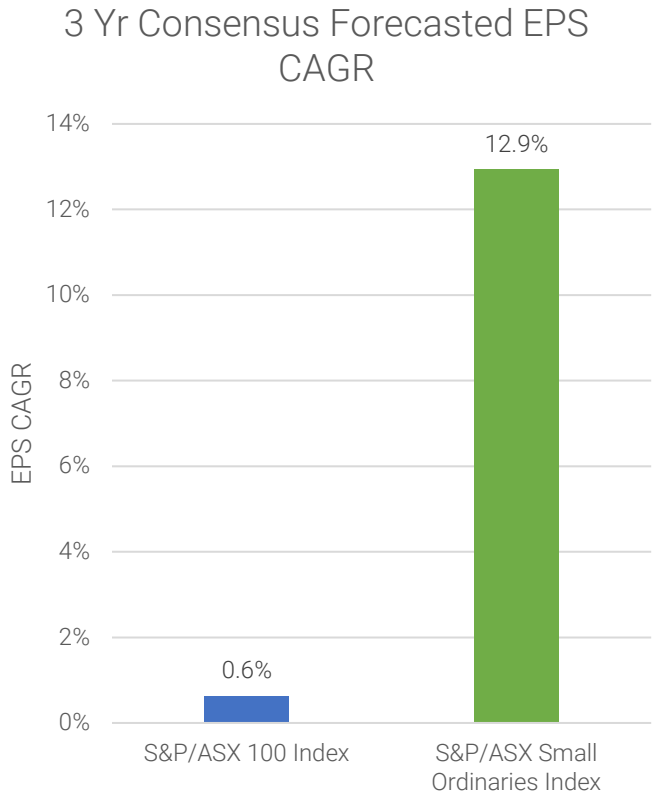
5-Year Price & Total Return – S&P/ASX Small Ordinaries Index



Source - FactSet

Historically Large Discount of Smaller Companies





Source – FactSet. Data as at 30/9/23

Why Invest in Emerging Companies?

Our Case for Investing in Emerging Companies

- Companies in the early stages of their journey have a **long-term growth runway**.
- Smaller size allows operational focus on **doing one thing and doing it very well.**
- Often a solely **domestic focus** and benefit from being exposed only to the Australian economy.
- **Not well covered by analysts and have low liquidity** leading to pricing inefficiencies.
- Can achieve a **significant valuation re-rate** as they gain scale and become more resilient.

A Business at the Beginning of its Journey…

Emerging companies are often at the beginning of a long-term journey.

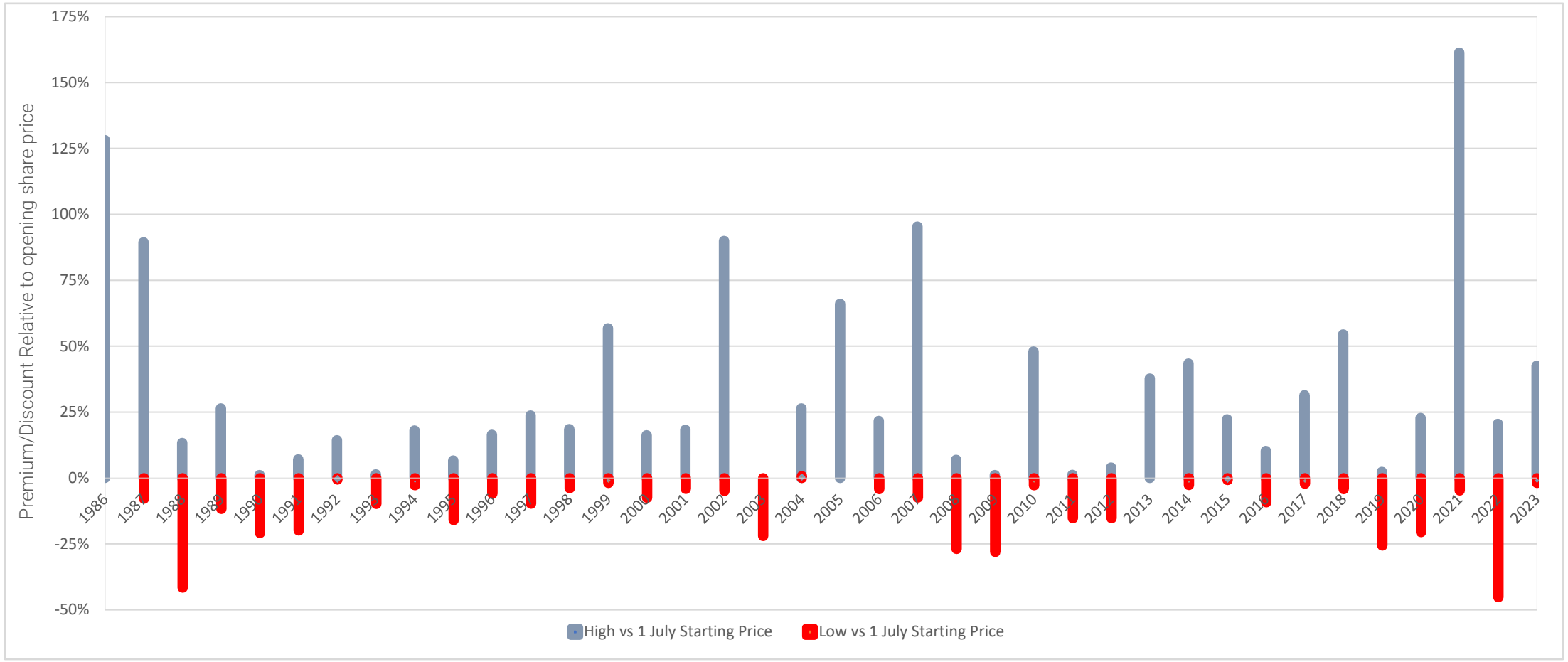
Case Study: **Reece Ltd (ASX: REH)**

- Started in 1920 in Caulfield, Victoria under the name HJ Reece. and listed in 1954.
- Focused on providing the best products and services for customers “having what you need, when you need it, where you need it”.
- Entered the NSW market in 1978 (plumbing supplies only), 170 stores nationwide in 2000, and >370 stores in 2023.
- Initial focus purely on plumbing supplies, then expanded into adjacent offerings such as bathroom showrooms, irrigation and pools as well as HVAC equipment.
- Today REH has >300 retail bathroom showrooms.
- EPS (earnings per share) in 2003 was $0.12 Vs. $0.60 in 2023,
  a CAGR (compound annual growth rate) of 8.4%.

Source – FactSet

The Short Term Can be Bumpy

This chart outlines the share price trading range of Reece Ltd compared to its share price as at 1 July each year.



Source - FactSet

Doing One Thing Very Well Can Lead to Market Leadership

Their smaller size allows emerging companies to do one thing and do it very well.

Case Study: **JB Hi-Fi Limited (ASX: JBH)**

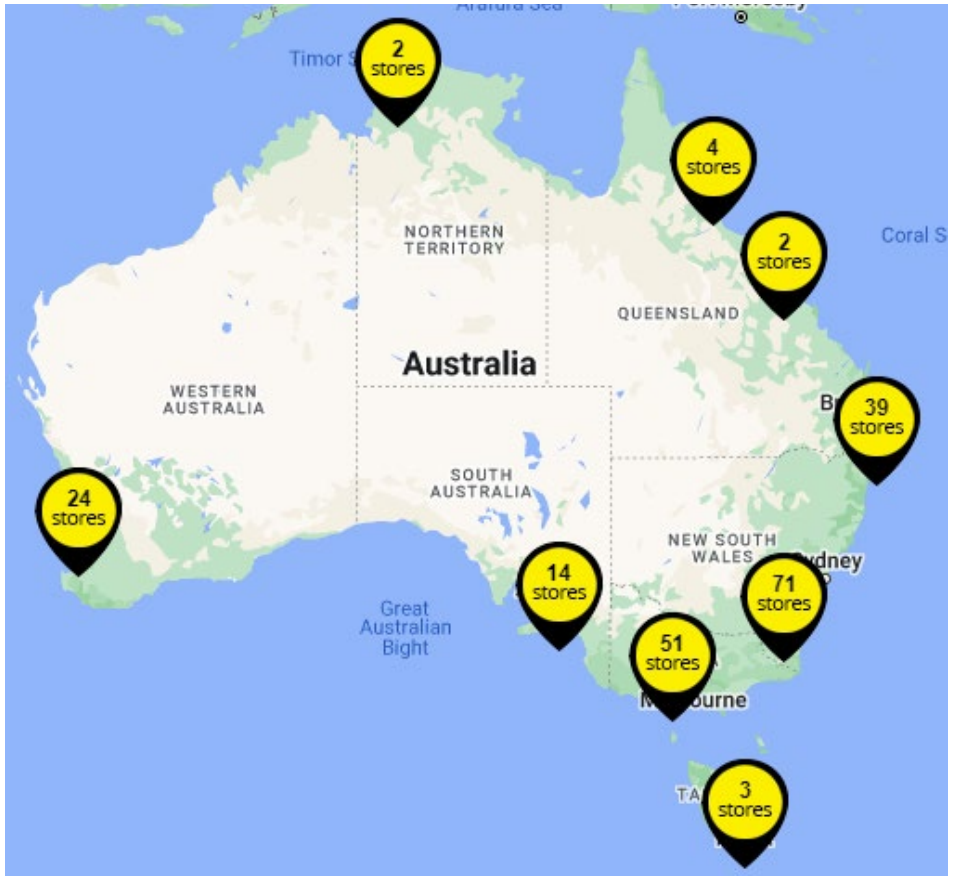
- Started in 1974 with a single store in East Keilor, VIC by John Barbuto ('JB')
- Initial customer proposition was the sale of home and personal electrical goods at the lowest price.
- Post JB's ownership the business expanded nationally and now has >300 stores.
- The JBH customer proposition remains the same, albeit now with a white goods offering.
- 7th largest consumer electronics retailer globally in 2020.
- EPS in 2004 was $0.16 and has grown to $4.78 in 2023, a CAGR of 19.6%.

Source – FactSet

JBH's Store Network - Then & Now

First Store established in East Keilor, VIC

Store Network Today



Source – JB HiFi, Google Images

Focus Solely on the Domestic Market

Generally, emerging companies have a domestic focus and gain the advantages of being 100% exposed to the Australian economy.

Case Study: Monadelphous (ASX: MND)

- Founded in 1989 as a contracting business out of Applecross, Perth.
- Initially had a customer base consisting predominantly of Australian-based resource and energy companies.
- Even with a domestic market & organic focus, revenue has grown from $0 in 1991 to ~$2bn today.
- Beneficiary of Australia's large resources and energy industry but also its reputation as a high-quality contracting business.
- Has never completed an acquisition that has made a material difference to their group earnings.
- EPS has grown from $0.09 in 2003 to $0.55 in 2023, a CAGR of 9.5%.

Monadelphous

Source – FactSet

MND – Then & Now

$4.3m contract in 1994 with McKay Sugar

$200m contract in July 2023 with Albermarle's Kemerton lithium hydroxide plant

Source – Company Annual Reports, Mining Australia

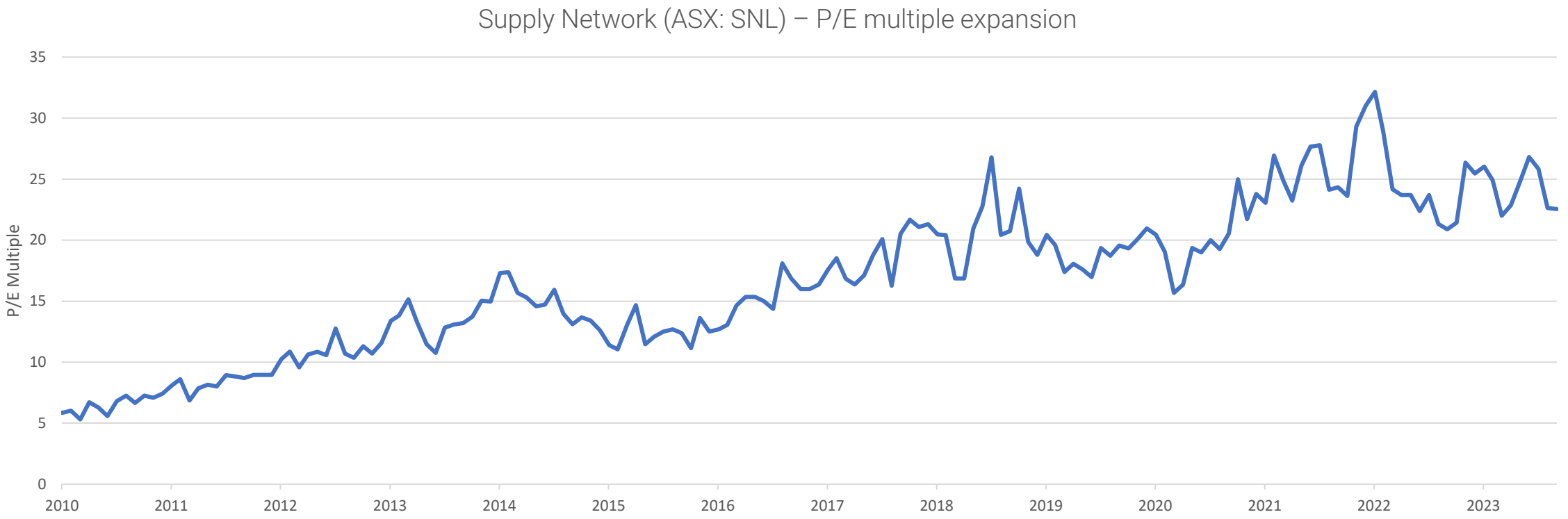
Potential Pricing Inefficiencies in Less Covered Stocks

Market Capitalisation Range ($m)	Number of stocks in the S&P/ASX All Ordinaries	Average number of analysts per stock	Total coverage by sell side analysts
$0-100m	6	1	3
$100-250m	70	2	149
$250-500m	102	3	328
$500-1,000m	80	5	365
$1,000-2,000m	79	7	587
$2,000m+	158	13	1,971

Source - FactSet, S&P, NAOS. Data as at 31 August 2023.

Valuation Multiple Expansion Over Time

As businesses successfully scale, more investor/analyst interest can result in increased demand for a company's shares, and a subsequent valuation re-rate may occur.



Source - FactSet. Data as at 30 September 2023.

Is the Proof in the Pudding?

The below table outlines the returns from investing in the right emerging companies over the long-term.

Outsized positive returns have been generated by these companies that are specialised, domestic focused and initially not well covered nor widely held by investors.

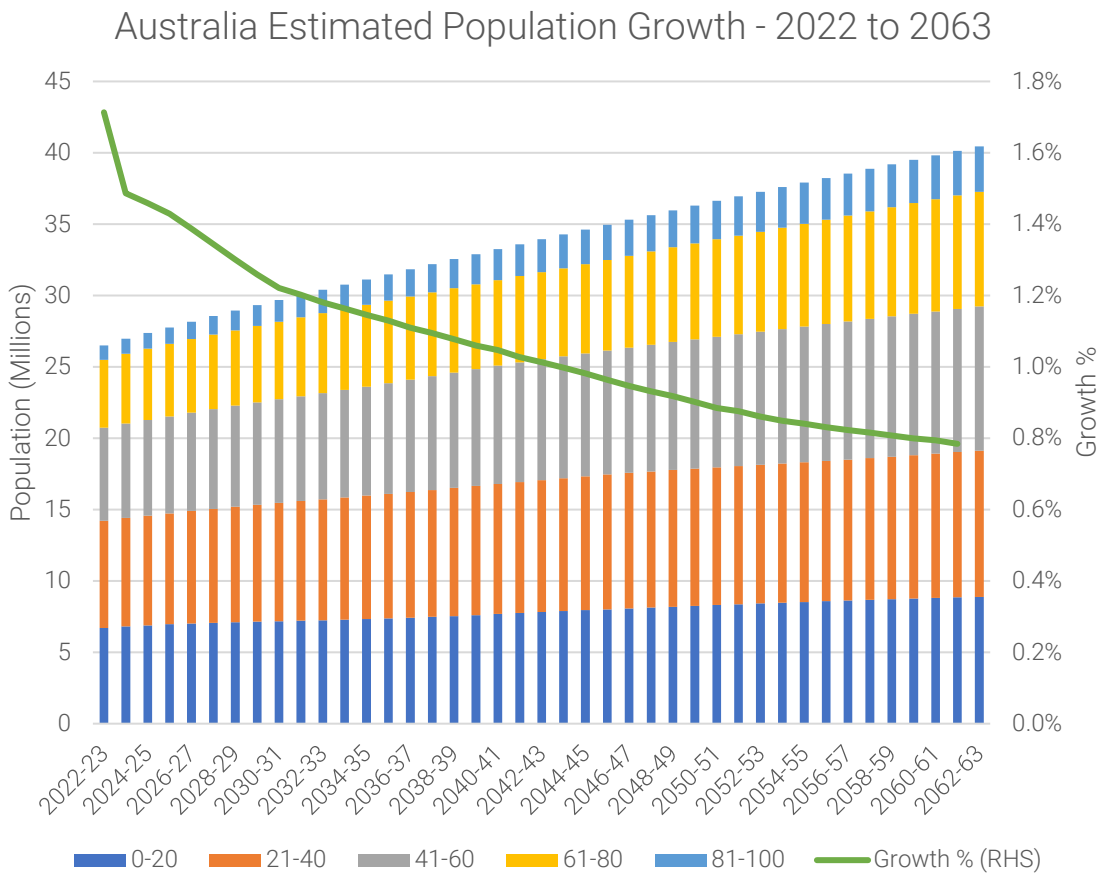
	reece	JB HI-FI	Monadelphous	SNL
First Trading Date on ASX	28/02/1985	23/10/2003	24/05/1991	15/01/1990
Market Capitalisation on First Trading Day	$99.6m	$363m	$7.8m	$1.3m
Market Capitalisation as at 30 September 2023	$12,034.6m	$4,965.9m	$1,369.4m	$623.7m
Total Shareholder Return (% p.a.)	16.30%	21.10%	23.63%	25.29%

Source – FactSet. Data as at 30 September 2023.

Significant Long-Term Tailwinds for Emerging Companies

Long-Term Population Growth

- Australian population is expected to grow to ~40.5m people by 2060.
- This rise will in part drive growth in Gross Domestic Product (GDP).
- This growth will drive continued demand for the many goods and services emerging companies offer.
- By 2060 the average age in Australia is forecast to be considerably lower than the OECD average.



Source – Australian Government, Centre for Population

Trade Buyers Taking Advantage of Current Equity Valuations

- Over the last 12-18 months corporate and private equity investors have been actively acquiring both emerging and larger companies.
- Long-term strategic value seen in certain companies that equity market investors are pricing too cheaply.
- We believe this is leading to a smaller pool of quality, scalable businesses in the emerging company universe, and a premium demanded for those that remain.

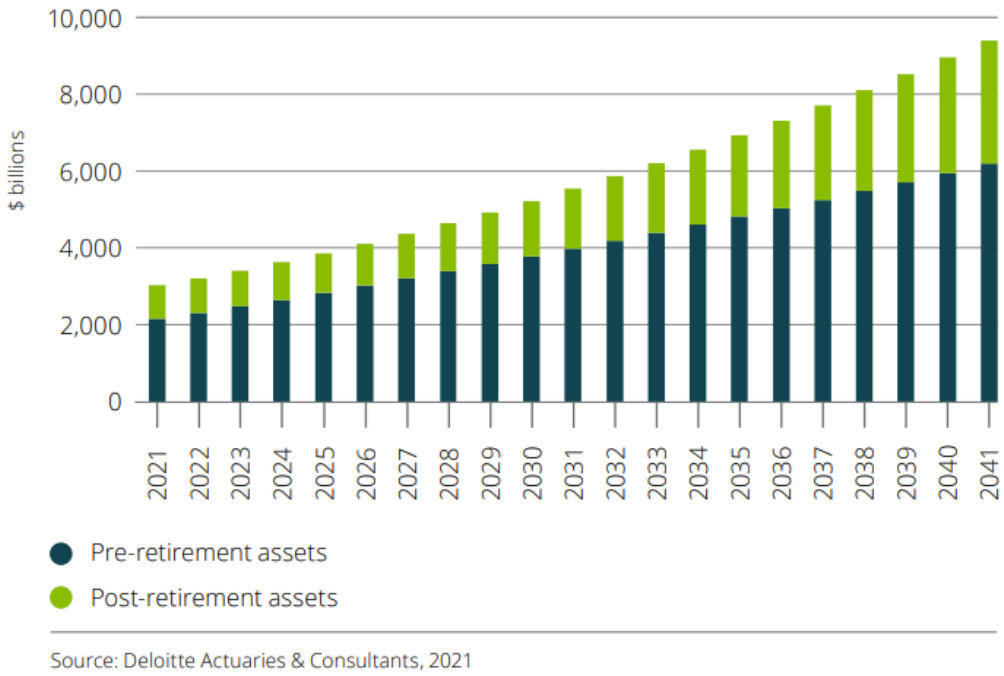
Company	IVC	CGC	PGH	SLA	API	EHE	UMG	BKL	CWN	NEA	PPH	Average
Takeover Premium	42.0%	34.6%	0.74%	38.4%	21.0%	50.0%	45.3%	23.7%	10.6%	39.0%	37.9%	31.2%
Acquirer	TPG Global	Paine Schwartz Partners	Kin Group	ASX: WES	ASX: WES	Bain Capital	Kohlberg Kravis Roberts & Co	Kirin Holdings	Blackstone Corporation	Thoma Bravo LP	BGH Capital	

Source - FactSet

An Increasing Savings Pool

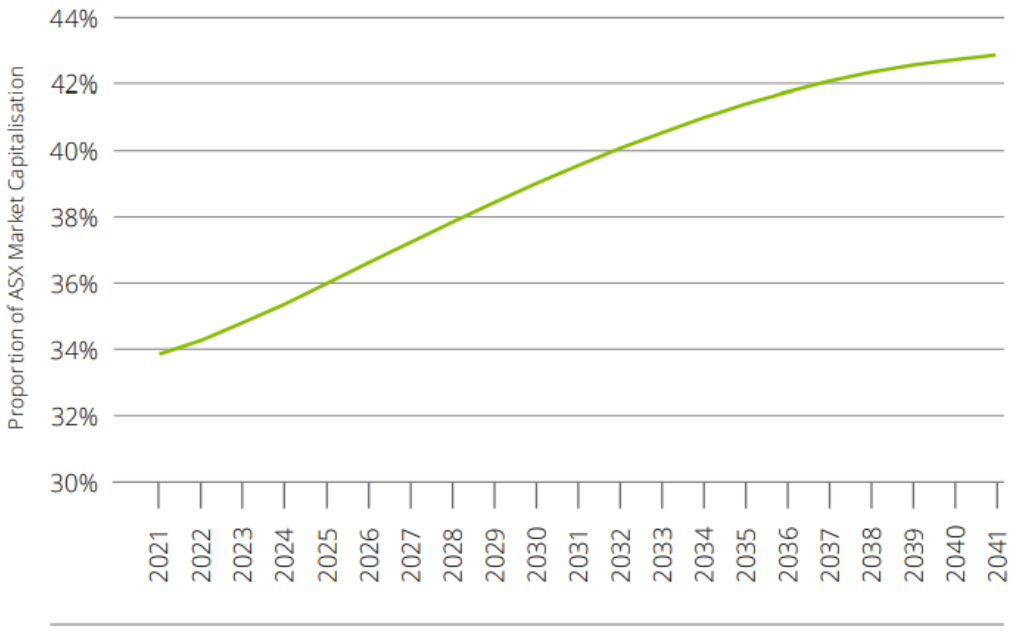
Australia already has one of the largest savings pools globally. This is expected to increase sharply over the next 30 years, which should underpin the demand for equities over the longer-term.

Projected superannuation assets (2021 to 2041)



Source: Deloitte Actuaries & Consultants, 2021

Projected Proportion of ASX market capitalisation represented by superannuation funds



Source: Deloitte Actuaries & Consultants, 2021

How are our Emerging Companies Scaling?

Big River Industries (ASX: BRI)

Core strategy:

- Building Products: Comprehensive range of building products complemented with industry experience and technical advice, nationwide network.
- Panels: Widest range of premium grade timber veneers, boards, plywood, etc.

5-year growth in:

- Footprint: 10 Sites in Australia to 27 sites in Australia and New Zealand.
- Revenue: Increased from $218 million to $449 million.
- EBIT Margins: Increased from 3.27% to 8.26%.
- EPS : Increased from 8cps to 27cps.

Potential:

- Represents only ~2% of the total trade building materials market.
- Panels division has no on the ground representation in NSW, SA or WA.

MaxiPARTS (ASX: MXI)

Core strategy:

- Providing quality products (related to truck parts) and exceptional service.
- Partnering with customers to meet individual supply chain needs.
- Leveraging scale to provide the most cost-efficient solution.

5-year growth in:

- Footprint: 20 sites to 27 sites in Australia (and added a workshop consumables offering).
- Revenue: Increased from $133 million to $202 million.
- EBIT: Increased from $7.96m (FY19) to $12.93m
- EBIT margins: Increased from 144 bps from 5.96% (FY19) to 6.40%.

Potential:

- Workshop consumables sector direct revenue opportunity ~$200m.
- Core Australian aftermarket commercial vehicle market is $2bn, the “big-3” represent just ~33%.
- Average truck age (>16 yrs) and increased utilization driving significant demand for truck parts.

Saunders International (ASX: SND)

Core strategy:

- Offer an integrated solution from design & planning through to construction and certification.

5-year growth in:

- Client Base: Government, Defence, local councils, large property/infrastructure companies.
- Revenue: Increased from $50 million to $200 million.
- EBIT Margins: Increased from -4.67% to 7.28%.
- EPS: Increased from -$0.02 to $0.09.

Potential:

- Industry Diversification
- Service Diversification
- Contract Size

Outlook

Current Core Investments Have Executed Over the Long-Term

We remain very confident that our current holdings can deliver significant outperformance over the long-term due to the following reasons:

- Track record of strong execution from core investments over the past 3-5 years.
- Increased scale provides platform for further growth.
- Active approach to address poor performing investments.
- Attractive valuations.

The Long-Term Outlook is Positive

- Core investments such as GTK, SND, MXI and BRI have achieved necessary internal scale for profitable growth.
- Industry tailwinds conducive to long-term revenue growth.
- Growth opportunities due to strong balance sheets and free cash flow generation.
- Strong director and management alignment.

Current Valuations Present Long-Term Opportunity

The below table details the historical and forecasted valuations across some of the core NAOS investments.

	Valuation Metric	2020	2021	2022	2023	2024E*	2025E*
Big River Industries (ASX: BRI)	P/E	20.94	18.16	9.15	8.35	10.65	8.55
COG Financial Services (ASX: COG)	P/E	31.05	19.57	10.86	11.50	9.40	8.66
Gentrack Group (ASX: GTK)	EV/EBIT	193.03	44.97	48.86	17.13	17.54	10.12
MOVe Logistics (ASX: MOV)	EV/EBIT	214.99	41.21	39.88	27.18	13.81	5.20
MaxiPARTS (ASX: MXI)	P/E	-	19.37	16.17	17.58	16.03	12.49
Urbanise.com (ASX: UBN)	EV/Sales	4.83	6.34	4.30	2.27	1.90	1.66

Source – FactSet, NAOS. Data as at 30 September 2023.
*NAOS estimates.

Questions & Answers

Thank you for your ongoing support

Appendix

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

Sarah Williams
Independent Chair of NCC, NAC and Independent Director NSC

David Rickards OAM
Independent Chair of NSC and Independent Director of NCC & NAC

Trevor Carroll
Independent Director NSC

Matthew Hyder
Director, NAOS Asset Management Limited

OUR TEAM

Sebastian Evans
Chief Investment Officer

Robert Miller
Portfolio Manager

Brendan York
Portfolio Manager

Jared Tilley
Senior Investment Analyst

Nelson DeMestre
Associate Analyst

Richard Preedy
Chief Financial and Operating Officer

Rajiv Sharma
Head of Legal and Compliance

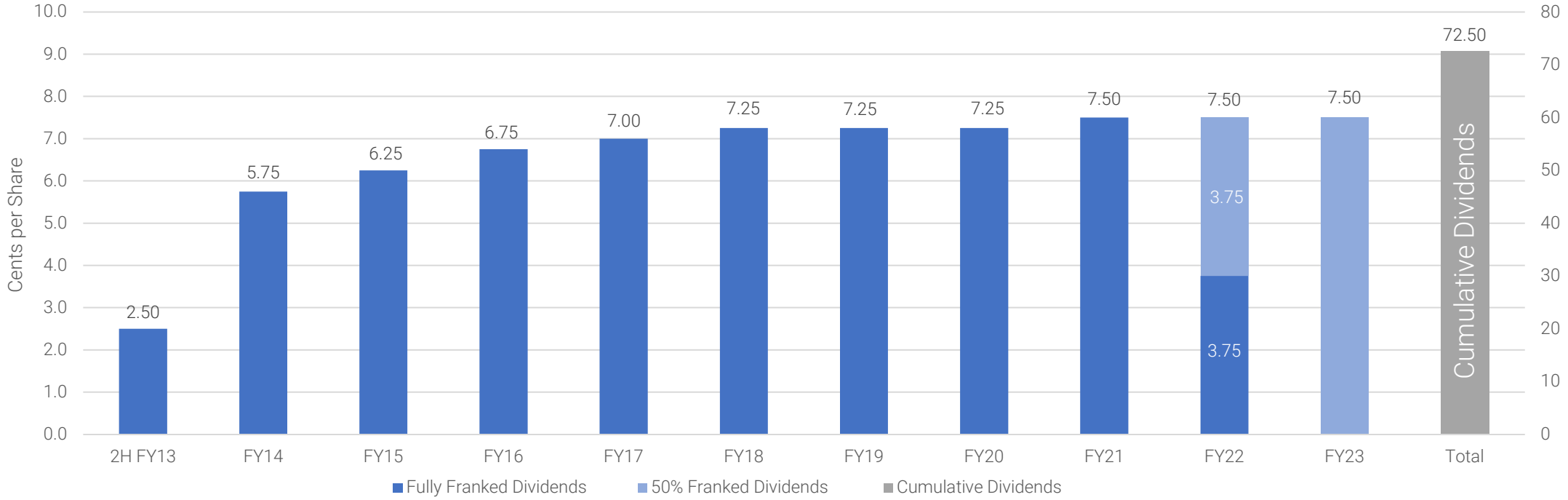
Angela Zammit
Marketing & Communications Manager

Julie Coventry
ESG Officer

NCC Overview as at 30 September 2023

$0.75	$0.81	$0.75	10.00%	10	$136.9m
Pre-Tax NTA*	Post-Tax NTA*	Share Price	Dividend Yield	Number of Holdings	Weighted Average Market Capitalisation of the Investments

FRANKED DIVIDEND HISTORY

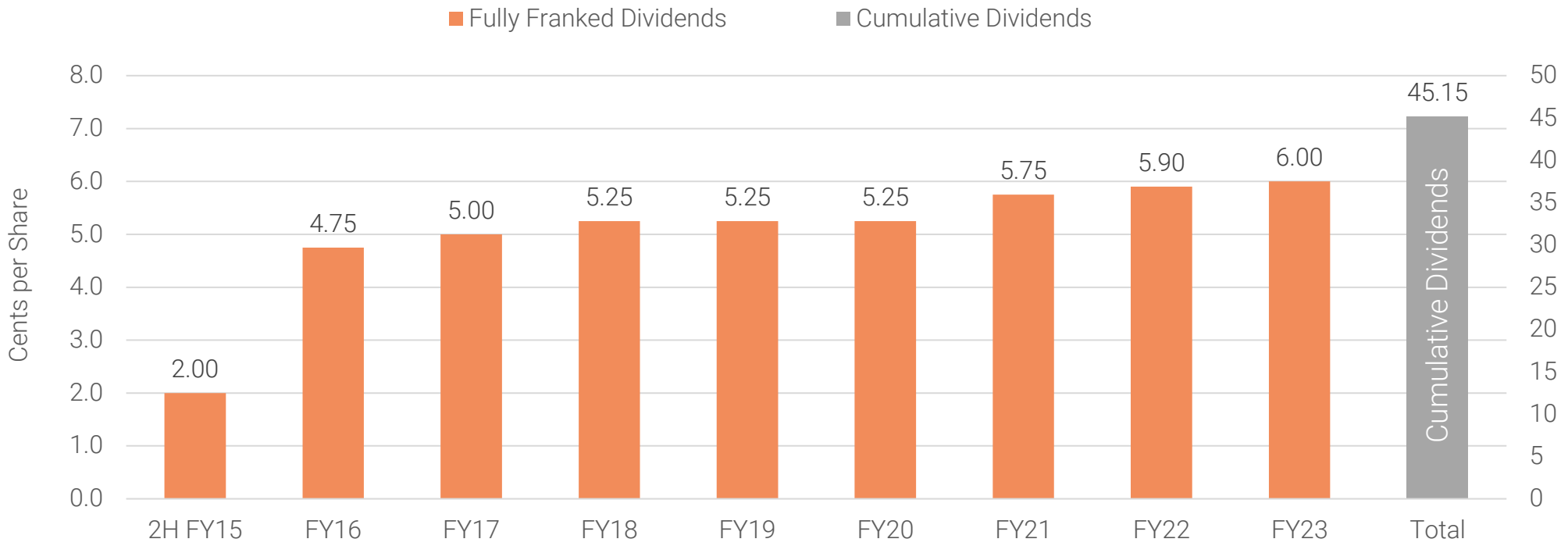


*Inclusive of the 3.75 cents per share FY23 final dividend, which went ex-dividend on 4 October 2023 and has a payment date of 27 October 2023.

NAC Overview as at 30 September 2023

$0.97	$0.99	$0.955	6.28%	9	$183.6m
Pre-Tax NTA	Post-Tax NTA	Share Price	Fully Franked Dividend Yield	Number of Holdings	Weighted Average Market Capitalisation of the Investments

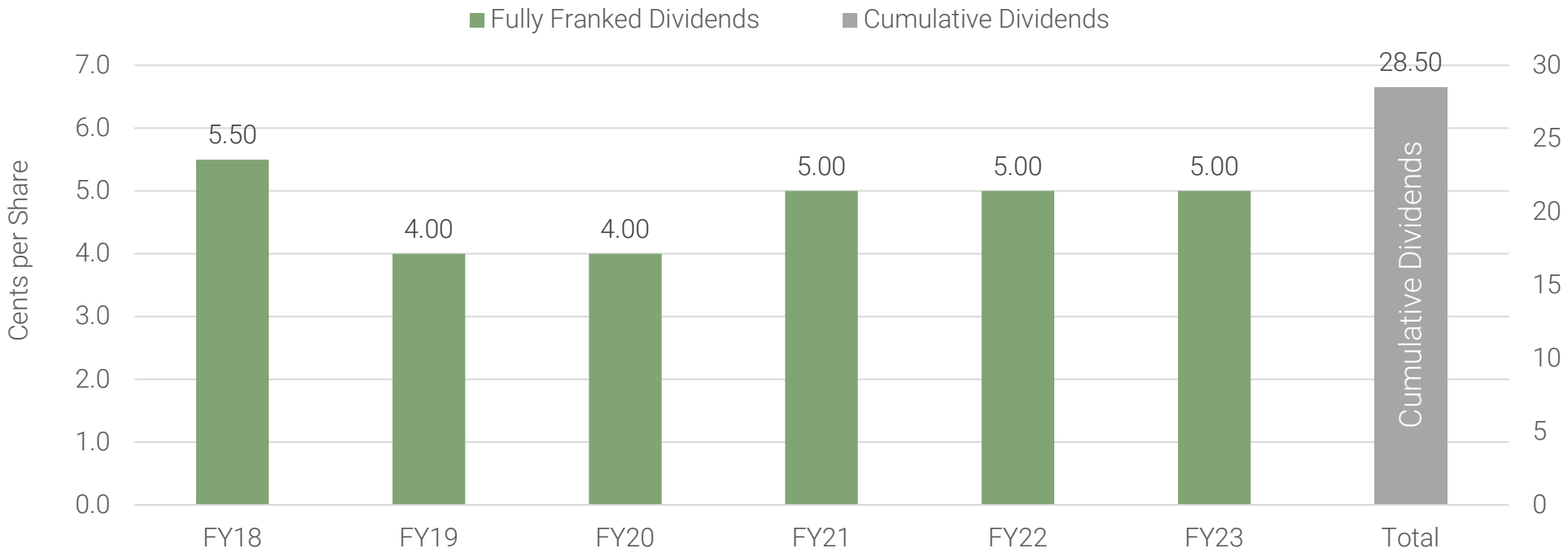
FULLY FRANKED DIVIDEND HISTORY



NSC Overview as at 30 September 2023

$0.74	$0.77	$0.685	7.30%	10	$182.3m
Pre-Tax NTA	Post-Tax NTA	Share Price	Fully Franked Dividend Yield	Number of Holdings	Weighted Average Market Capitalisation of the Investments

FULLY FRANKED DIVIDEND HISTORY



NAOS Asset Management 1% Pledge

As a company, we commit to **Pledge 1%** of revenue, time and intellect to movements and missions that matter.

Each year NAOS donates 1% of its annual revenue to the charity partners listed to the side. Each charity supports a cause that we strongly believe in.

Our people have an incredible range of skills that can be a huge help to charities and community organisations. Each year, team members have the opportunity to take 2 days paid volunteer leave to lend a helping hand to an organisation of their choice.

NAOS sees the value in supporting young members of the investment community. We provide training and mentorship for one student each year.

BUSH HERITAGE AUSTRALIA

Greening Australia

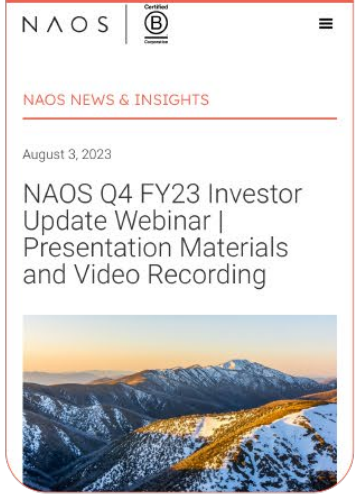
Royal Flying Doctor Service

Australian Kookaburra Kids Foundation

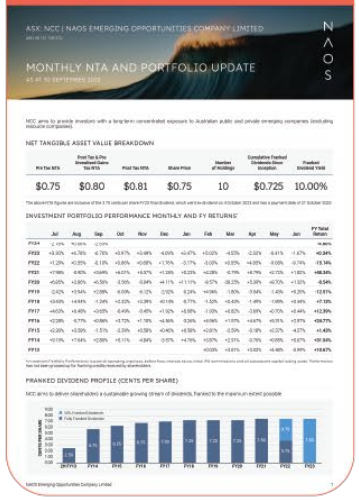
Investor Awareness and Communication

CEO Insights NAOS Newsletter

Quarterly Webinars



Monthly Investment Report & NTA email Updates



Quarterly Investment Report

News & Media

Shareholder Education

@NaosAssetMgmt

NAOS Asset Management

@naosassetmanagement

@naos_asset_management

www.naos.com.au

[Subscribe Now](): www.naos.com.au/subscribe