

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](mailto:enquiries@naos.com.au)  
[www.naos.com.au](http://www.naos.com.au)

14 November 2023

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

### **Annual General Meeting 2023 – Chair’s Address**

Please find enclosed the Chair’s Address 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

**Chair's Address – Ms Sarah Williams**  
**Annual General Meeting of NAOS Emerging Opportunities Company Limited**  
**14 November 2023, 10:00am (AEDT)**  
**Held at The Fullerton Hotel, No. 1 Martin Place, Sydney, NSW, 2000**

Dear Fellow Shareholders,

I would like to thank all shareholders for your continued support and welcome all new shareholders.

For the financial year ending 30 June 2023 (FY23), the Company recorded an after-tax loss of \$0.46 million (FY22: after-tax loss of \$12.80 million). I am pleased to announce the Board has declared a final dividend of 3.75 cents per share, partially franked at 50%.

This brings the dividends paid for the year to 7.50 cents per share, partially franked at 50%. This represents a 11.03% net dividend yield, based on the 30 June 2023 share price of \$0.68. The Company has now declared a total of 72.50 cents per share in dividends since its inception in 2013.

The Board aims to provide shareholders with a sustainable, growing stream of dividends, franked to the maximum extent possible while also maintaining sufficient profit reserves to enable the Company to pay dividends during periods such as this financial year, where it has been more difficult to generate significant performance.

The profit reserve balance at 30 June 2023 was \$27.5 million, or 37.8 cents per share. FY23 has been a year of rapid macroeconomic change. The Reserve Bank of Australia commenced the second most rapid rise in interest rates in history, triggering revaluations in every asset class, from equities, to property and bonds.

Investors across financial markets have keenly felt this change, as the increase in the risk-free rate has seen many investors either reduce their allocation to equities or transition their portfolios to larger, more liquid businesses, which are generally perceived as lower risk. This has seen investor appetite for many small-cap industrial companies decrease significantly. Through FY23, financial pressures for these businesses have been their highest in a few decades, while the jobs market has remained very tight, with both employment and participation rates at record highs.

An equally noticeable shift during FY23 impacting many businesses has been a change in consumer preferences, particularly away from discretionary spending, against a backdrop of the termination of government COVID-19 stimulus and the increasing cost to service household debt.

Despite these changes, the Company remains focused on providing long-term, concentrated exposure to emerging businesses, which have the ability to grow their market share and earnings power through difficult periods in the economic cycle. Against this backdrop, the NCC Investment Portfolio delivered a return of +0.34% for the financial year, compared to the benchmark S&P/ASX Small Ordinaries Accumulation Index, which returned +8.45%.

The pre-tax Net Tangible Asset (NTA) backing per share of the Company decreased from \$0.90 to \$0.81 over the financial year. The performance of the Investment Portfolio increased NTA per share by 1.13 cents over the year. 7.50 cents per share was paid to shareholders in franked dividends, and management fees and interest expense on the convertible notes decreased the NTA by 1.55 cents per share and 1.42 cents per share respectively.

Total Shareholder Return (TSR), which measures the change in the share price together with dividends paid over the period, was -9.99%. This measure does not include the benefit of franking credits received by shareholders through franked dividends. The share price discount to the pre-tax NTA of the Company moved from -7.78% in FY22 to -16.05% at the end of FY23, with the share price closing at \$0.68.

The Board remains committed to closing this discount through a range of initiatives, including the following:

- **Differentiated and Consistent Investment Strategy:** The Company will continue to follow its investment strategy and there will be no significant deviation from this strategy over the long term, ensuring that all shareholders understand what the Company is aiming to provide. The Board believes the strategy is unique and differentiated, with little scope for it to be replicated.
- **Alignment:** The Directors as well as the staff of the Investment Manager have increased their ownership of NCC shares significantly since inception and will endeavour to continue to do so, ensuring strong alignment with all shareholders. As at the end of the financial year, Directors own a total of 5.63 million NCC shares.
- **Dividends:** The Company will continue to focus on delivering a sustainable, growing stream of dividends, franked to the maximum extent possible while maintaining an adequate profit reserve balance.
- **No Dilutionary Share Issues:** The Company will not issue shares below the post-tax NTA per share of the Company as the Board does not believe this to be in the best interests of shareholders. For example, for those shareholders who participated in the Dividend Reinvestment Plan (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 places a high priority on providing shareholders with timely, regular updates on the Company's performance and investment philosophy, and the performance of the underlying businesses held in the Investment Portfolio. These updates are delivered in the form of monthly NTA and portfolio updates, a new Quarterly Investment Report, quarterly Investor Update Webinars, and regular investment news and insights, as well as an annual Investor Roadshow.

While the current macro environment may continue to prove challenging for emerging companies as we move through FY24, the Board believes the NAOS investment philosophy will continue to generate strong performance for shareholders over the longer term.

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

Sarah Williams  
Independent Chair  
NAOS Emerging Opportunities Company Limited