

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

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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 Ex-50 Opportunities Company Limited to be held today at 11:00am (AEDT).

Authorised by:

Rajiv Sharma  
Company Secretary

**Chair's Address – Ms Sarah Williams**  
**Annual General Meeting of NAOS Ex-50 Opportunities Company Limited**  
**14 November 2023, 11:00am (AEDT)**  
**Held at The Fullerton Hotel, No. 1 Martin Place, Sydney, NSW, 2000**

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 profit of \$5.82 million (FY22: after-tax loss of \$18.29 million). I am pleased to report that the NAC Investment Portfolio returned +18.15% for the financial year, outperforming the Benchmark S&P/ASX 300 Industrials Accumulation Index, which returned +11.65%.

One of the objectives of the Company is to deliver a sustainable, growing stream of quarterly dividends to shareholders, franked to the maximum extent possible.

I am pleased to announce the Board declared an increased fully franked final quarterly dividend of 1.65 cents per share, which brings the FY23 fully franked dividend to a record 6.0 cents per share. This represents a 6.82% net yield, based on the 30 June 2023 share price of \$0.88. The profit reserve balance at year end was \$20.34 million, or 46.4 cents per share, and since inception in 2014, the Company has now declared a total of 45.15 cents per share in fully franked dividends.

The key change in FY23 for equity market investors was a substantial increase in the risk-free rate (interest rates), which directly impacts what investors are willing to pay for businesses. With interest rates having risen at the second fastest rate in history to combat inflation, the impact of these movements will no doubt be more keenly felt in FY24, even if the Reserve Bank of Australia (RBA) is now nearing the end of its rate-hiking cycle.

Despite the rapid interest rate rises, the Australian employment market has remained very tight, with both employment and participation rates at record highs. A noticeable shift through the latter part of FY23 has been a change in consumer preferences, particularly away from discretionary spending, as debt servicing, broad inflation and a more uncertain economic outlook have dampened consumer optimism.

Amid this ongoing macroeconomic uncertainty, the Company will abide by its long-term investment approach by ensuring all investments have the financial and human resources not only to survive in such times, but also lay the foundations to maximise future earnings growth when more accommodating macro conditions return.

The pre-tax Net Tangible Asset (NTA) backing per share of the Company increased from \$0.90 to \$1.03 over the financial year, with positive performance of the Investment Portfolio increasing the NTA per share by 22.74 cents. 5.45 cents per share was paid to shareholders in fully franked dividends, and management fees and interest expense on convertible notes decreased the NTA by 2.37 cents per share and 2.15 cents per share respectively.

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 a further 0.48 cents per share.

The Total Shareholder Return (TSR), which measures the change in the share price together with dividends paid over the period, was +7.30%. This measure does not include the benefit of franking credits received by shareholders through franked dividends. The TSR is reflective of the positive performance of the Investment Portfolio but was impacted by a widening of the share price discount to pre-tax NTA, which closed the year at -14.56%.

The Board remains committed to closing this discount through several key initiatives:

- **On-market Share Buyback:** The Company continued its active share buyback program in FY23, acquiring and cancelling 1.17 million shares in FY23, which has been accretive for all shareholders.

The Directors believe a share buyback program is a vital part of its capital management strategy to maximise value for all shareholders over the long term. When shares are trading below NTA, it allows shares to be acquired at not only a discount to the current NTA of the Company, but also at what may prove to be a greater discount to the potential future value of the investee companies.

- **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.

As an 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.

- **Differentiated and Consistent Investment Strategy:** The Company continues 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 NAC 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 8.90 million NAC 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.
- **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 insights, along with an Annual Investor Roadshow.

While the current macro environment may continue to prove challenging for smaller 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 Ex-50 Opportunities Company Limited