



30 April 2024

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Q3 FY24 Investor Update and Q&A - Presentation Materials

Please find attached the presentation materials for the Q3 FY24 Investor Update and Q&A to be held by NAOS Asset Management Limited today at 10:30am (AEST).

Authorised by:

Rajiv Sharma
Company Secretary



NAOS

ASSET MANAGEMENT

Tuesday 30 April 2024 | 10:30am (AEST)

[Click Here to Register](#)

Q3 FY24 Investor Update and Q&A

Important Information

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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.

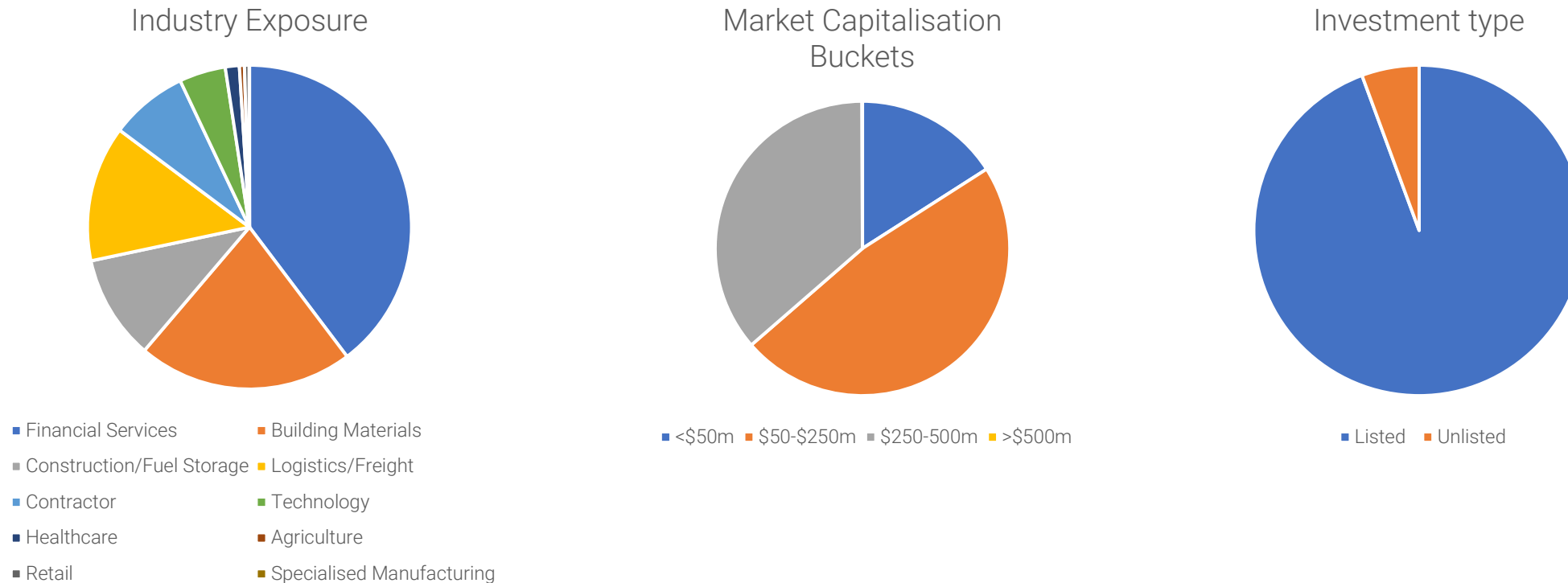
We are NAOS

We are active, long-term investors in emerging companies. Our aim is to compound shareholders' capital and deliver dividend growth over the long term and we have a resolute commitment to investing our capital alongside our shareholders.

With a focus on quality over quantity, we predominantly take significant minority shareholdings (10%-35%) in our investee businesses to support the execution and achievement of their long-term goals.

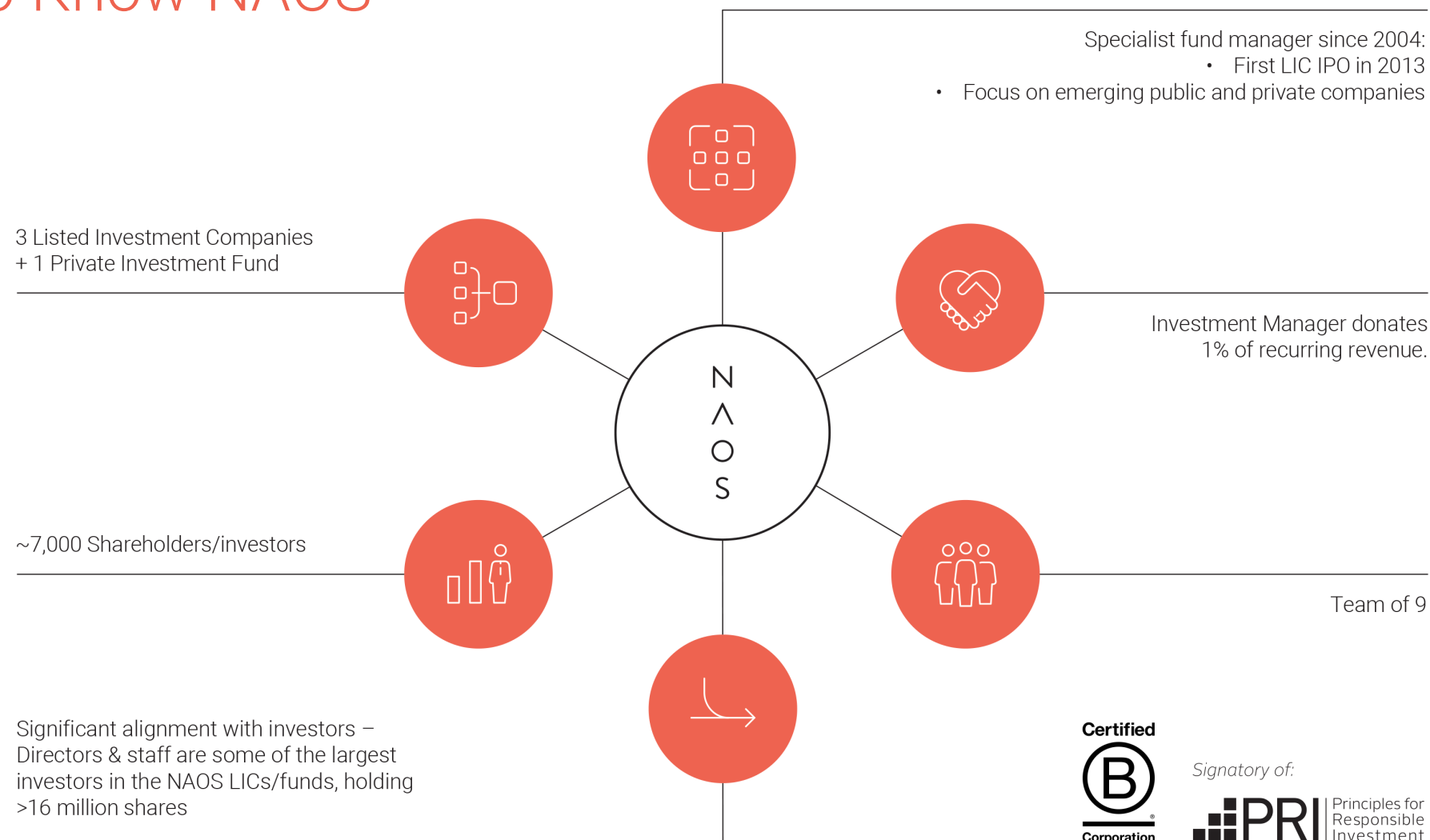
Portfolio Composition – Emerging Companies

The NAOS LICs have exposure to emerging companies with unique moats, often benefiting from structural industry changes.



Source - NAOS

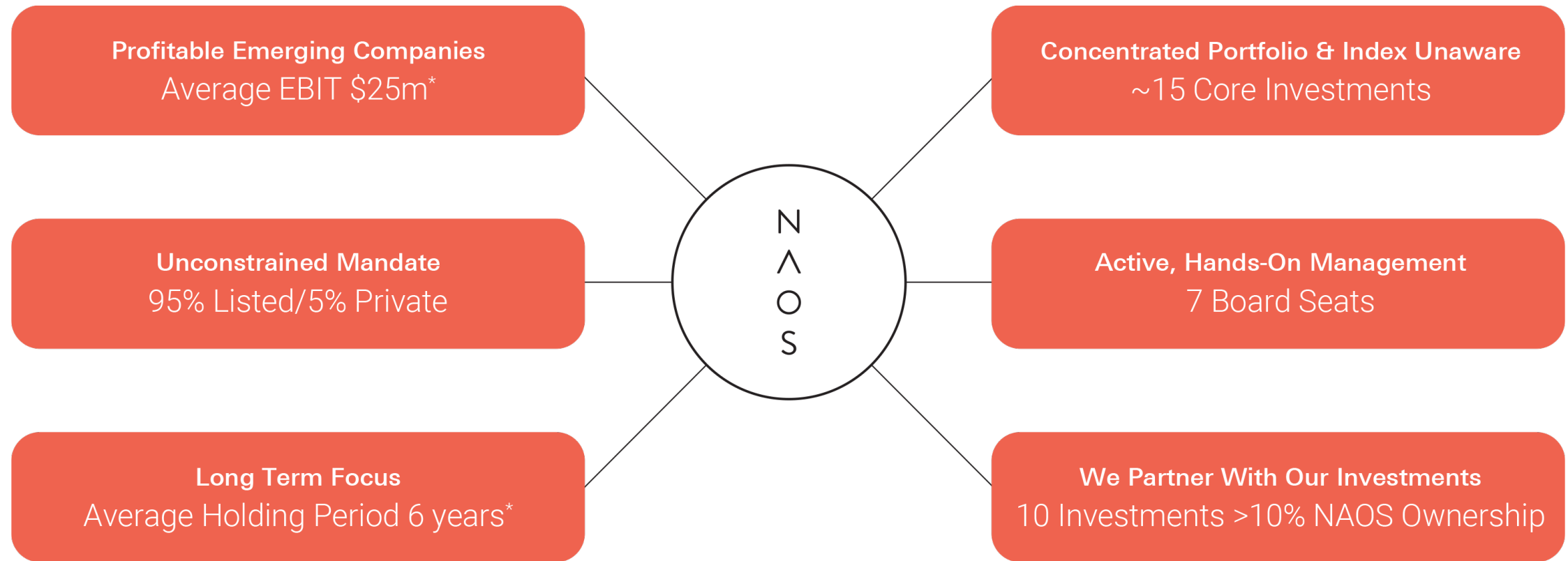
Get to Know NAOS



Signatory of:



How We Invest & Why We Are Different



*Portfolio Weighted Average Calculations as at 31 March 2024

Investment Portfolio Performance Summary

	Q3 FY24 Performance		1 Year Performance		3 Year Performance (p.a.)		5 Year Performance (p.a.)		Inception Performance (p.a.)	
	NAOS LIC	Benchmark [^]	NAOS LIC	Benchmark [^]	NAOS LIC	Benchmark [^]	NAOS LIC	Benchmark [^]	NAOS LIC	Benchmark [^]
NCC Investment Portfolio Performance*	-7.07%	+7.55%	-18.06%	+13.83%	-6.02%	+2.72%	+0.50%	+5.42%	+6.87%	+5.64%
NAC Investment Portfolio Performance*	-5.97%	+9.57%	+2.37%	+20.11%	-4.44%	+8.86%	+6.66%	+8.80%	+8.87%	+7.91%
NSC Investment Portfolio Performance*	-3.74%	+7.55%	-10.00%	+13.83%	-3.06%	+2.72%	+4.74%	+5.42%	+1.38%	+5.24%

*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 31 March 2024.

[^]NAC Benchmark= S&P/ASX 300 Industrials Accumulation Index, NCC & NSC Benchmark= S&P/ASX Small Ordinaries Accumulation Index.

Q3 FY24 – Market Summary

- A very strong quarter with the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) and the S&P/ASX-100 Accumulation Index (XJOAI) returning +7.55% and +5.33% respectively.
- In our opinion this has been driven by expectations surrounding near-term interest rate cuts which the market has been factoring in for some time (especially in the US).
- This has led to a re-rate of larger and more liquid stocks, regardless of their immediate growth outlook.

Commonwealth Bank – Share Price Vs EPS Expectations



Source - FactSet

Q3 FY24 – Macroeconomic Environment

- If interest rates remain higher for longer, we believe the economic effect will be significant. The impact is already being felt, with some examples being:
 - Amazon Web Services cutting several hundred jobs; ¹
 - Tesla eliminating >10% of global workforce; ²
 - PWC Australia slashes hundreds of full-time roles; ³
 - EY cutting hundreds of consulting-related jobs. ⁴

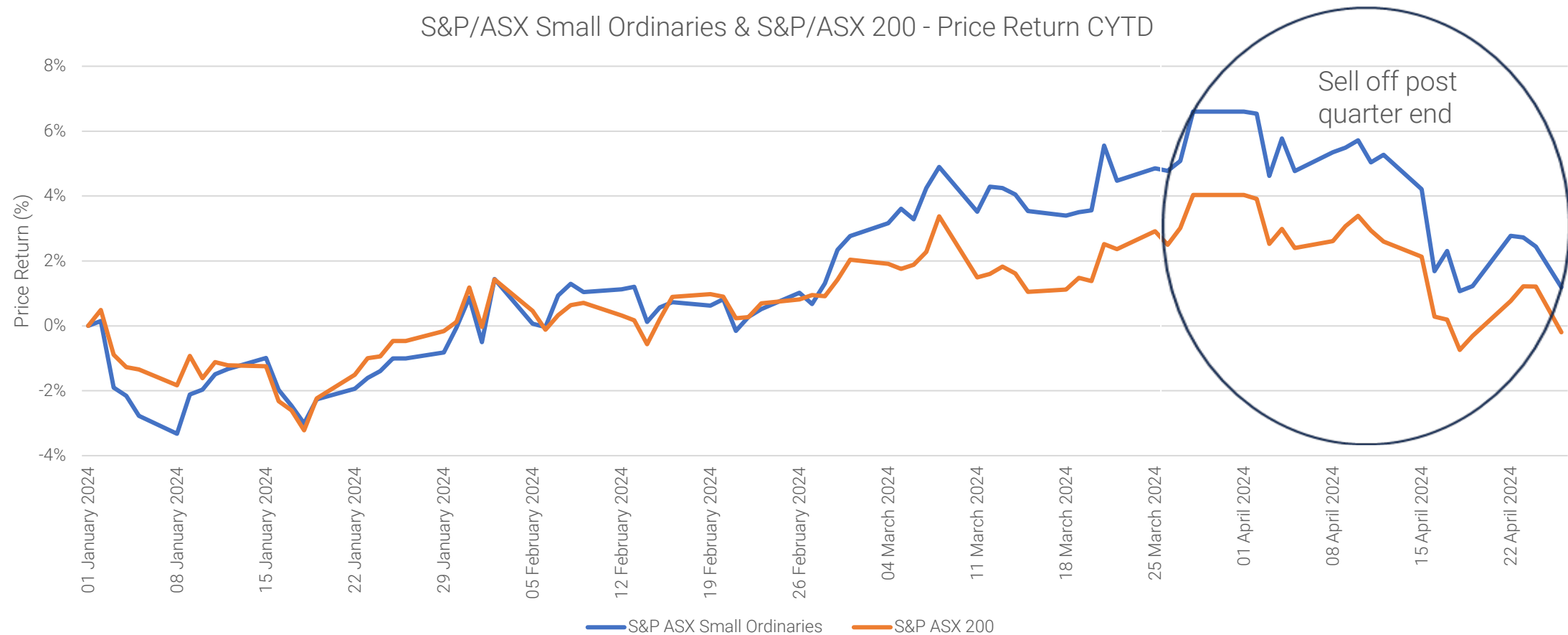
Source 1. <https://www.npr.org/2024/04/04/1242718244/amazon-cutting-jobs-cloud-computing>

Source 2. <https://fortune.com/2024/04/15/elon-musk-tesla-cut-10-percent-global-workforce-14000-employees-slows-ev-demand/>

Source 3. <https://www.afr.com/companies/professional-services/pwc-australia-slashes-400-jobs-in-100m-cost-cutting-drive-20240305-p5fa2a>

Source 4. <https://www.afr.com/companies/professional-services/ey-cuts-148-jobs-as-consulting-downturn-deepens-20240416-p5fk3y>

Persistent Inflation Begins to Affect the Market



Source - FactSet

Q3 FY24 – NAOS Performance

- Q3 FY24 performance across all LICs was very poor on both a relative and absolute basis and not up to the standards to which we hold ourselves.
- With ~15 core investments across the NAOS group the return profile will always bear very little resemblance to any equity index.
- The share price return of these core investments drives our performance, and most of these have been negative for FY24 YTD:

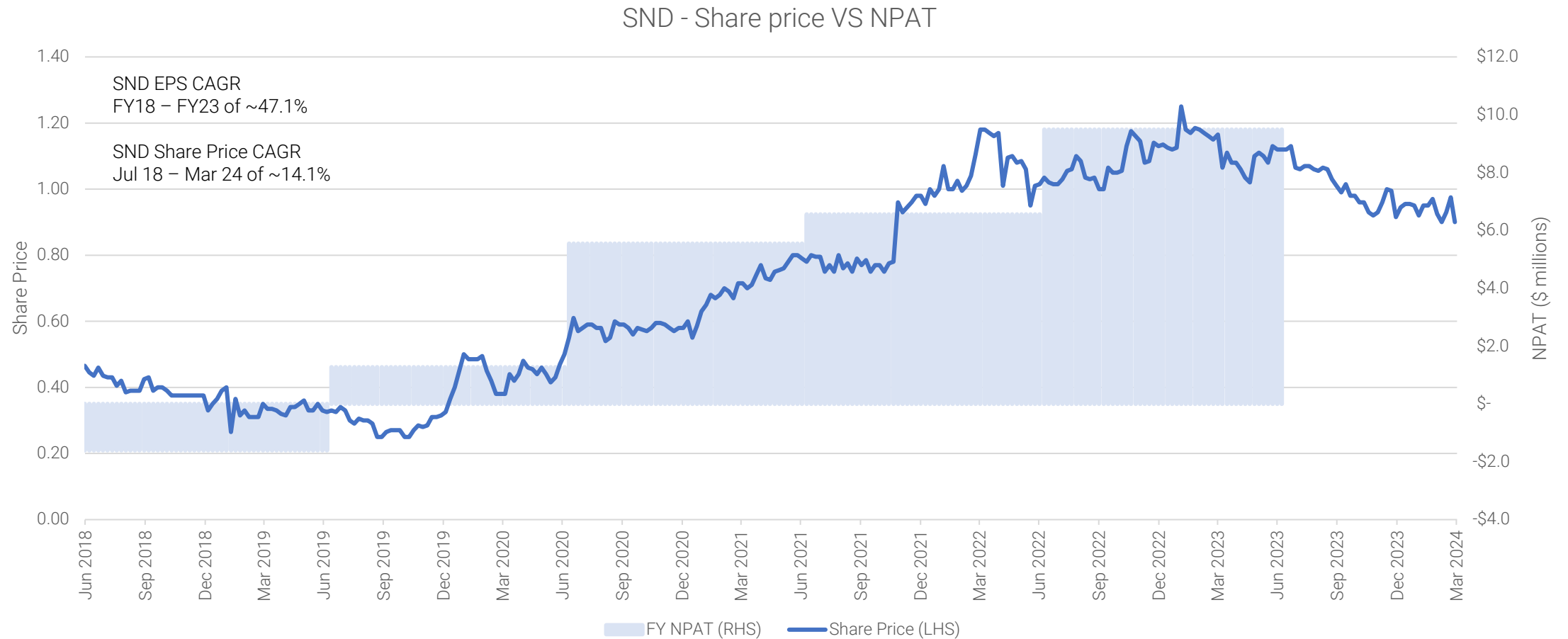
Company	FY24 YTD Price Return*	FY24 YTD Price + Dividend Return*
COG Financial Services (ASX: COG)	+2.54%	+8.86%
Maxiparts (ASX: MXI)	-9.81%	-7.63%
Saunders International (ASX: SND)	-19.64%	-16.07%
Big River Industries (ASX: BRI)	-31.12%	-25.50%
Move Logistics Group (ASX/NZX: MOV)	-38.55%	-38.55%
BSA Limited (ASX: BSA)	+13.33%	+13.33%
Urbanise.com (ASX: UBN)	-41.44%	-41.44%

*1 July 2023 to 31st March 2024

Core Holdings – Progress not Reflected in Share Prices

- Due to the smaller and more illiquid nature of many of our investments, we firmly believe that current share prices are not a fair reflection of the value of these businesses today, let alone their future earnings potential.
- In our view the progress that many of our investee companies have made has not translated into share price gains over the past 2 years.
 - **Saunders International (ASX: SND)**
 - 4 consecutive years of record revenue and NPATA (~\$240 million revenue vs \$100 million 4 years ago).
 - Expanded their offering into piping and automation, together with greater exposure to clients such as Department of Defence.
 - Over the 2 Years to 31 March 2024, SND has seen a share price return of -24.37% and total return of -17.65%

Saunders International Ltd (ASX: SND) – Earnings and Share Price Dislocation

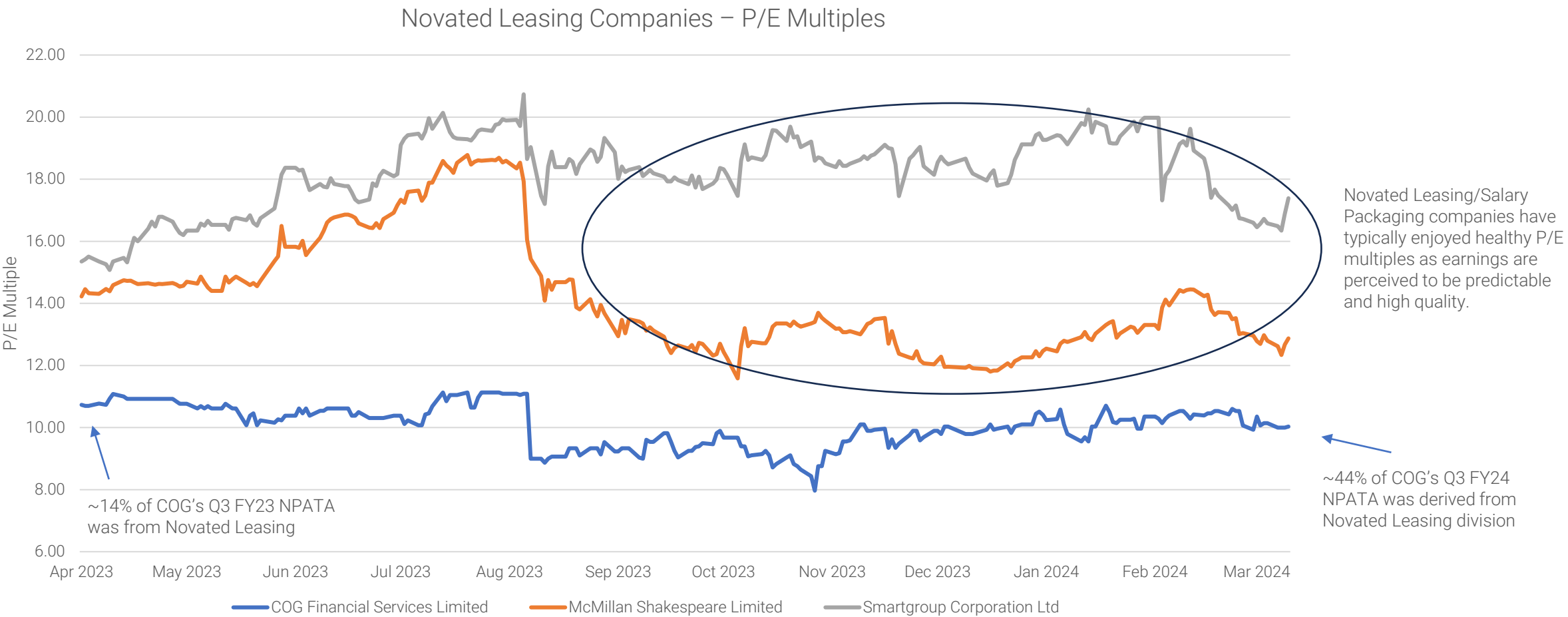


Source - FactSet

Core Holdings – Progress not Reflected in Share Prices

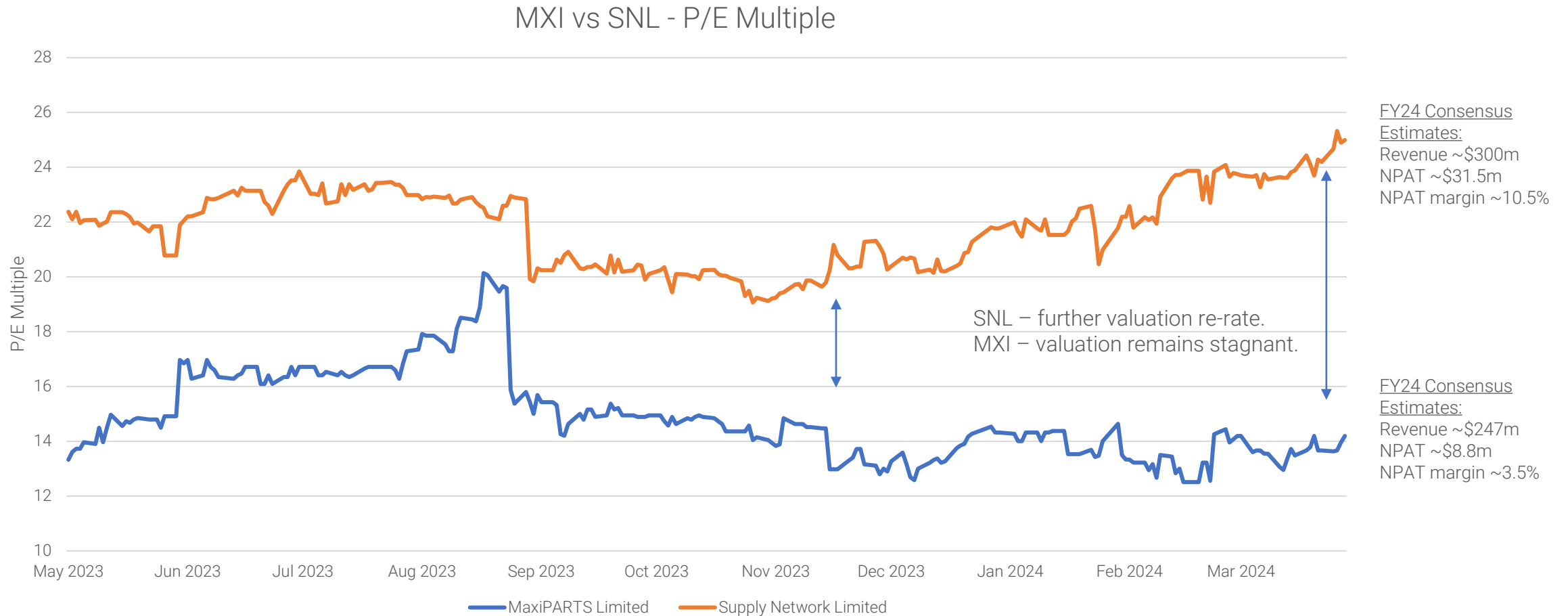
- **COG Financial Services (ASX: COG)**
 - EPS expected to grow from ~\$0.13cps in FY22 to >\$0.14cps in FY24.
 - Quality of the earnings has significantly improved with finance & broking and novated leasing now over 2/3 of NPATA.
 - Now the largest finance broking aggregator and a top-5 novated leasing business in Australia.
- **MaxiPARTS (ASX: MXI)**
 - Completed the transition to a pure play truck parts & workshop consumables distribution business over the last 2 years.
 - Completed 3 complementary acquisitions to increase the geographic reach and client/product diversification.
 - Expecting EPS to grow from 7.4cps in 1H FY24 to >9.0cps in 2H FY24, setting up a growth platform for FY25.

COG Financial Services (ASX: COG) – Shifting Peer Comparables



Source - FactSet

Peer Valuation Gap Widening–MaxiPARTS (ASX: MXI)



Source - FactSet

We Remain Very Optimistic on Long Term Value Creation

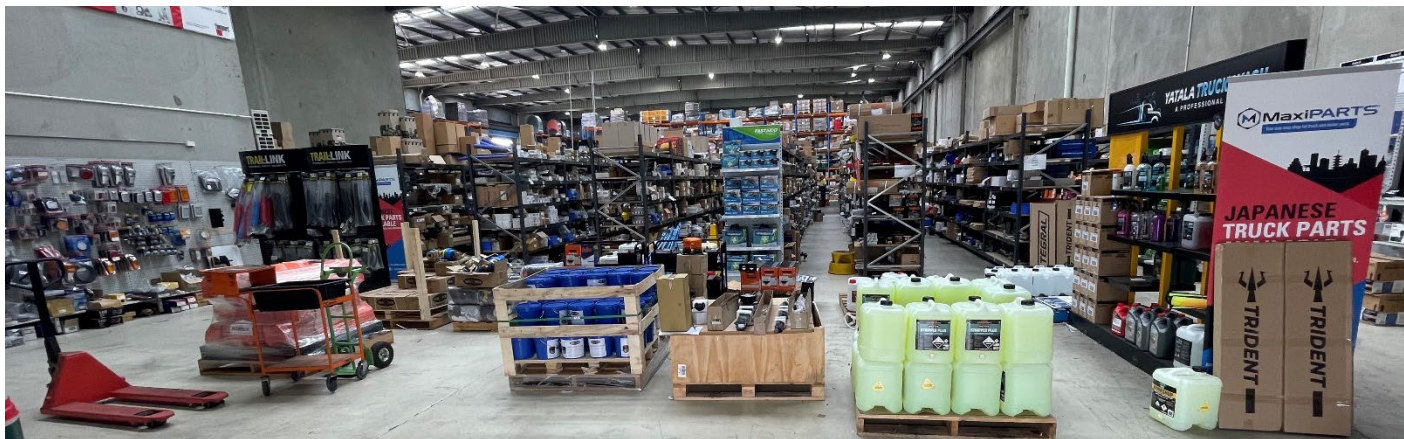
- Based on current share prices, we remain very optimistic on the ability of our current holdings to generate total returns >50% over the next 3-5 years.
- In Q3 alone there were a number of notable “green shoots” that occurred, including:
 - SND: Order book growth despite its largest ever contract completing in the prior half.
 - MXI: Reaffirmed guidance for underlying parts business of “low double-digit percentage” revenue growth and Group EBITDA margins to be >10% in 2H FY24.
 - BRI: Acquisition of Specialised Laminators, first acquisition in over 17 months and 15th since IPO), highlighting the significant fragmented industry opportunity.
 - COG: Sound integration of Paywise and strong novated leasing outlook/activity as COG enters government tender opportunities for the first time.
 - MOV: Exceeded previously downgraded guidance, as the first 3 months of Project Blueprint (18-month project) takes shape. NZ economy providing both headwinds and opportunities.

Challenging our Investment Theses

- We remain laser focused on continually challenging our investment thesis on each investee company and seek to obtain as many viewpoints on each business as possible.
- The following are examples of the people we have met with, or events we have attended with respect to some of our core investments over the last quarter:

Directors	Listed & Unlisted Competitors/Peers
Former Directors	Clients
Chairperson	Site Visits
Executives (Marketing, CFO, Sales, Division Heads)	Industry Events
Former Employees	Industry Experts

Recent Site Tours



MaxiPARTS Wetherill Park Branch



Piping Solutions Manufacturing Plant

New fuel facility at
Western Sydney Airport



Recent Site Tours



Sydney Caravan & Camping Expo



COG Asset Finance Broker Conference



Andrew Bennett

Chief Executive Officer and
Managing Director

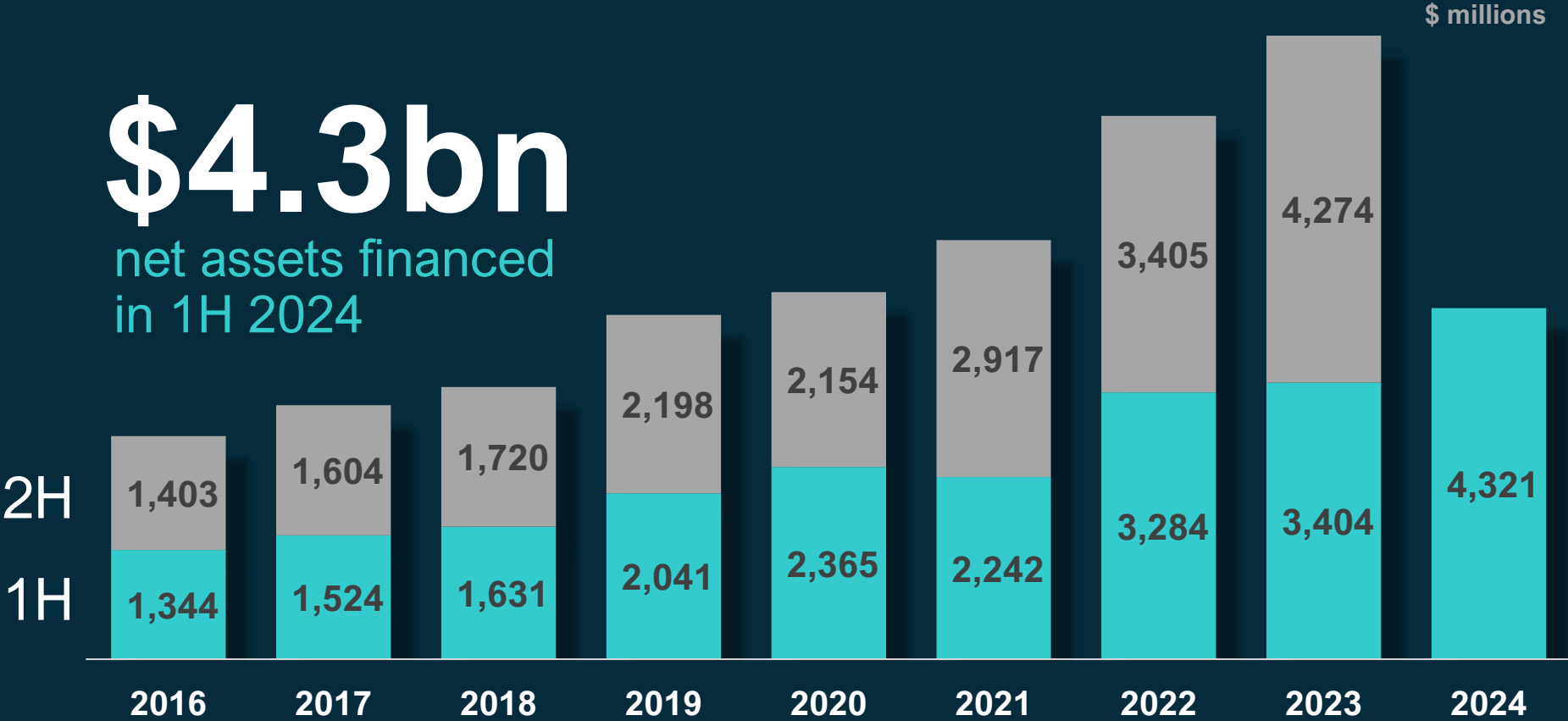
COG has a successful history of acquisition and integration



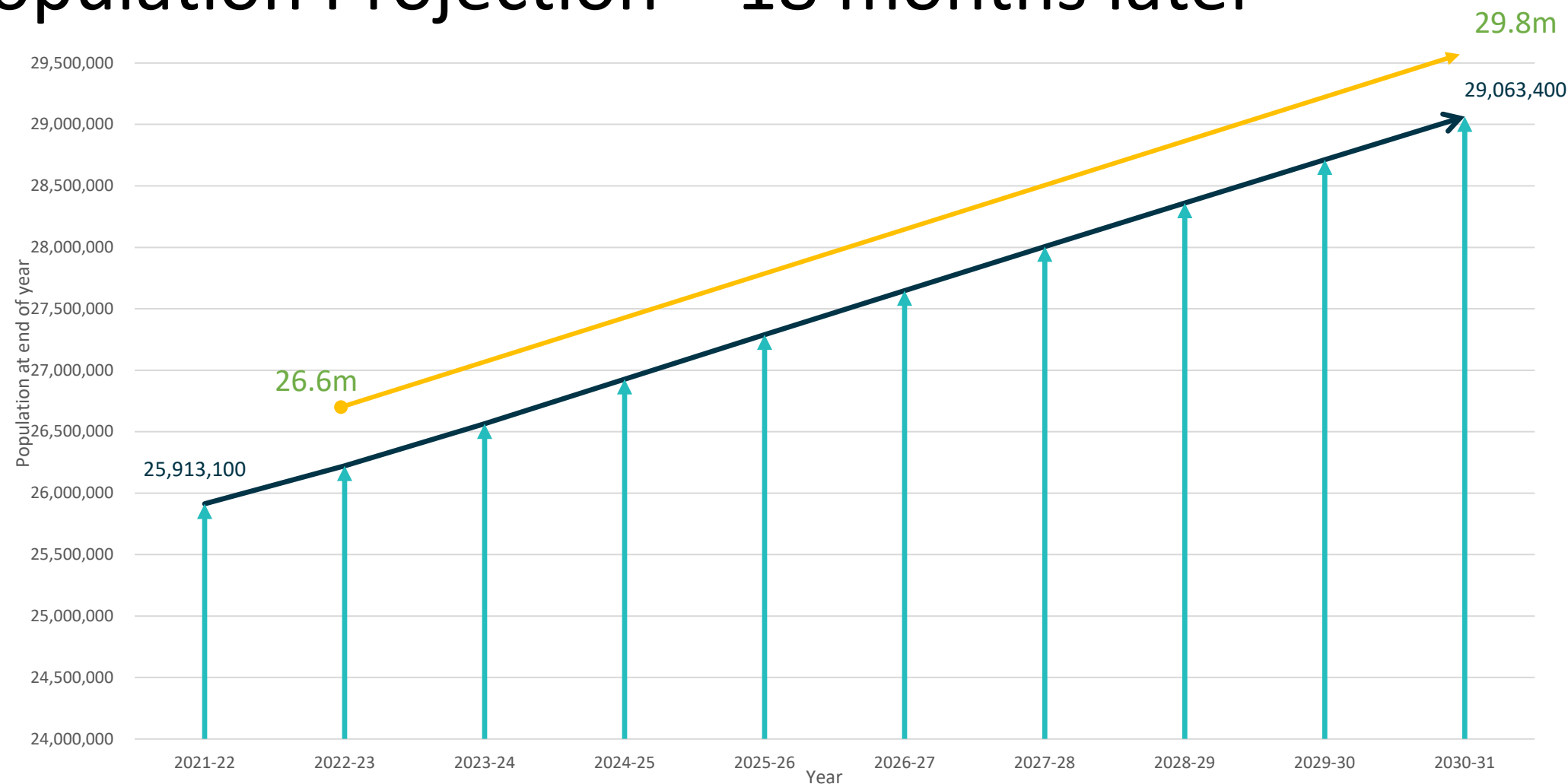
Record volumes in the face of a higher interest rate environment and tight supply

▲ +27% vs PCP

\$4.3bn
net assets financed
in 1H 2024



Population Projection – 18 months later



Source: population.gov.au

Transition of the electricity grid to renewables

Figure 2 Map of the network projects in the optimal development path

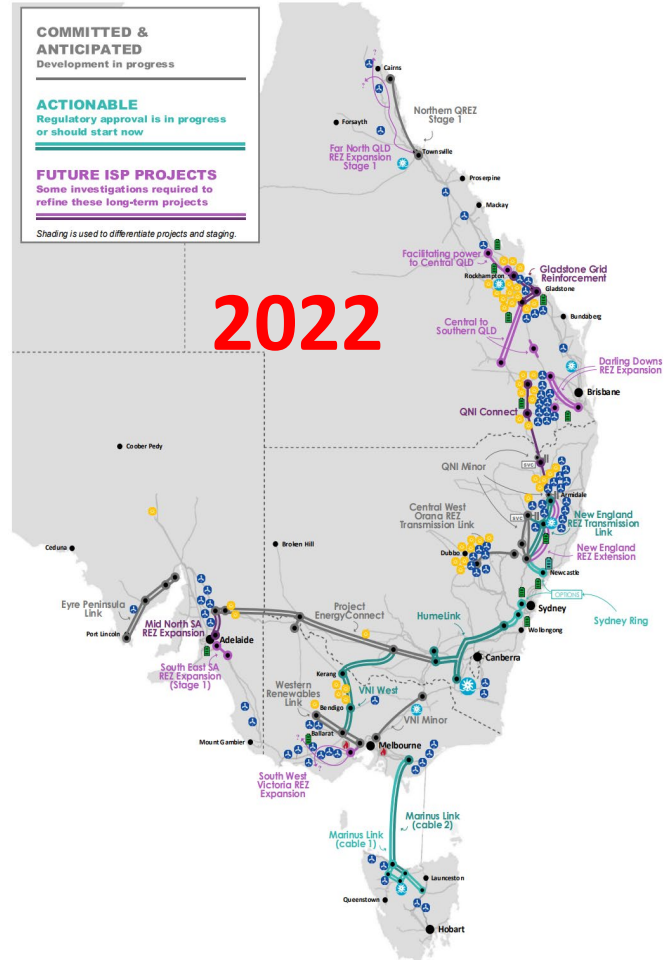
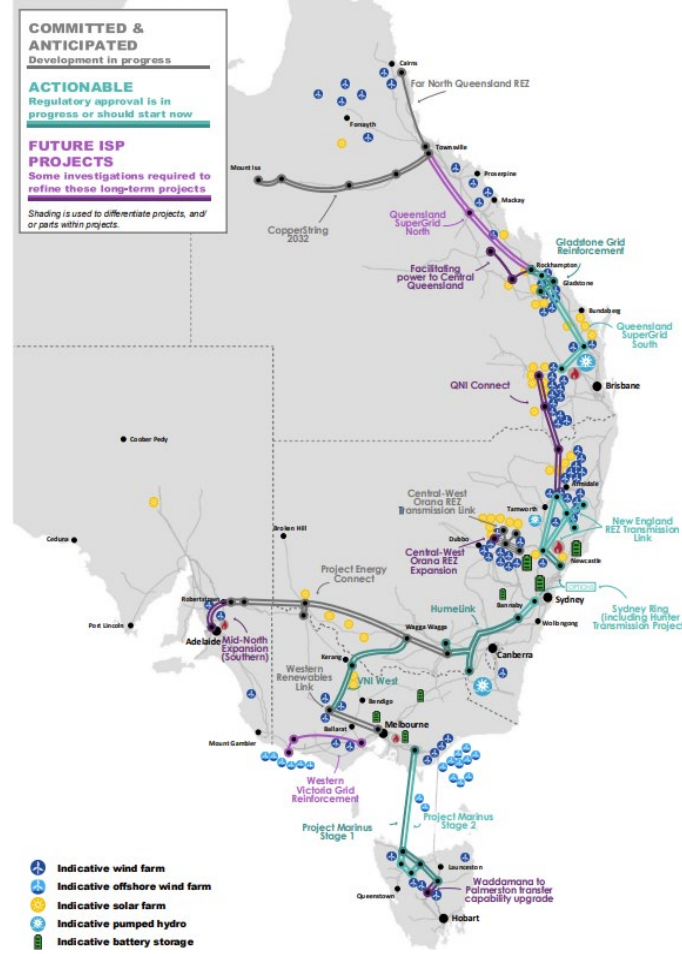




Figure 3 Transmission projects in the optimal development path





NAOS Investee Companies - Key Events Q3 FY24

HOLDING	INDUSTRY	Q3 UPDATE
 (ASX: BRI)	Building Supplies & Distribution	<ul style="list-style-type: none"> ▪ Specialised Laminators, a well-established timber panels business in QLD was acquired for \$10m. First acquisition under new CEO. ▪ 1H FY24 results saw volume & margin declines in certain residential-focused products but also project pipeline strength in Commercial and Build-to-Rent sectors. ▪ Internal investment in people, systems, and processes to drive scalability & realise synergies for BRI over the medium term. ▪ Heightened corporate activity in listed building materials sector (i.e. Boral, CSR).
 (ASX/NZX: MOV)	Transport & Logistics	<ul style="list-style-type: none"> ▪ 1H FY24 results (\$13.2m normalised EBITDA) was a slight improvement over guidance provided in Dec 23, albeit a disappointing result. ▪ Transport & logistics sector has been impacted by the downturn in the NZ economy. Signs of economic recovery appear not too far away. ▪ We believe MOV is becoming a materially better business under new CEO's leadership, and 'Project Blueprint' is underway - company reset across people, systems, culture, pricing and asset base. ▪ Director changes in March: one resignation and two appointments to the Board.

NAOS Investee Companies - Key Events Q3 FY24

HOLDING	INDUSTRY	Q3 UPDATE
 (ASX: UBN)	Software	<ul style="list-style-type: none">Board renewal completed. New Chairman appointed with strong software and listed company experience, and non-executive Director appointment with enterprise SaaS experience.Ongoing contractual negotiations with large APAC strata customer continues.Cost base rationalisation now largely complete. Scalable operating model means incremental revenues should be high margin.At least 10 countries/territories have adopted Australian strata legislation framework.
 (Unlisted)	Financial Services	<ul style="list-style-type: none">Major global player in the Australian commercial distribution finance industry is exiting the marketplace.Significant growth achieved as MitchCap takes market share, expands categories and achieves network effects with customers.~50% growth in number of active dealers using MitchCap. Pipeline of new dealerships remains strong.Risk parameters/credit quality profile metrics all remain at healthy levels.

NAOS Investee Companies - Key Events Q3 FY24

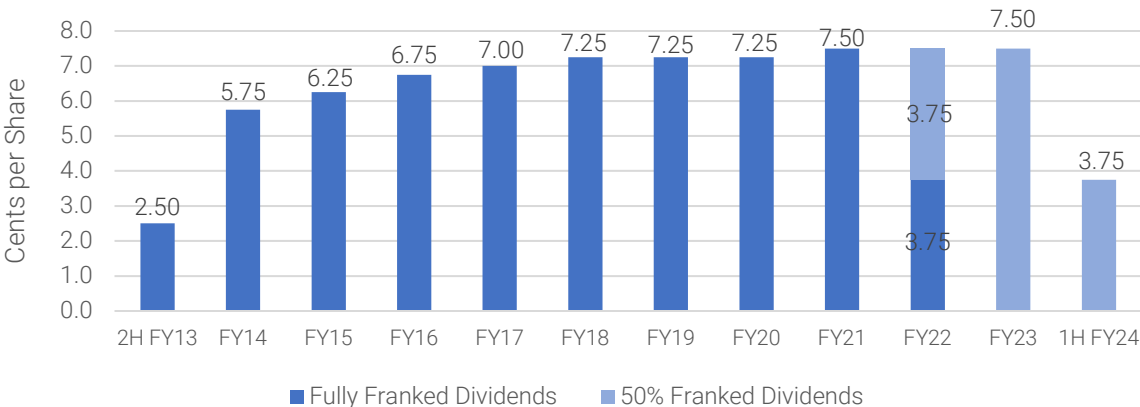
HOLDING	INDUSTRY	Q3 UPDATE
 Dropsuite (ASX: DSE)	Software	<ul style="list-style-type: none"> ▪ CY23 results generated ~35% organic growth in annualised recurring revenue (ARR). Similar growth rates have continued into Q1 CY24. ▪ Industry tailwinds remain very strong with DSE continuing to take market share. ▪ Prudent approach to capital management (M&A discipline, share consolidation, profitable reinvestment).
 think.build.connect.maintain (ASX: BSA)	Solutions & Services	<ul style="list-style-type: none"> ▪ 1H FY24 results demonstrated material margin improvement. NBN work volume momentum remains strong. ▪ Exit of the last remaining 'non-core' business operation has been completed, allowing core focus on Telecommunications and Smart Energy sectors. ▪ Building out capability & track record in Smart Meters and EV charging, which are expected to be future growth drivers. ▪ Financing facilities extended. Working on a more suitable working capital financing arrangement post divestment of loss-making divisions.

Q4 FY24 – Outlook

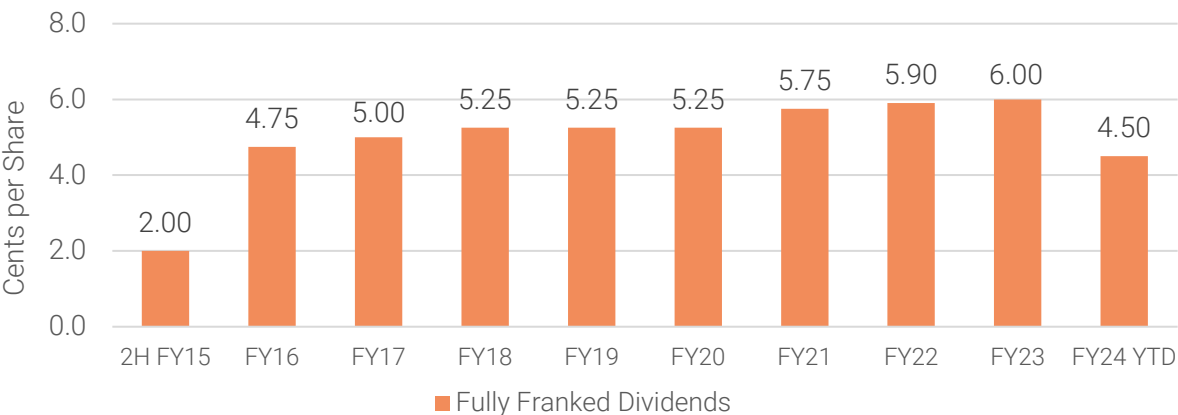
- Could be an eventful end to the financial year due to:
 - Q3 Quarterly updates provided in April i.e., BSA, UBN, COG
 - Trading update if businesses are +/-10% of consensus profit forecasts i.e. BRI
 - Macro backdrop starting to impact business activity.
- April has seen the ASX-200 fall by -4% in large part due to persistent inflation both locally and abroad, as investors' expectations for interest rate cuts get adjusted and pushed out.
- Trading volumes in companies with market caps of <\$300 million remain very subdued.

Dividends

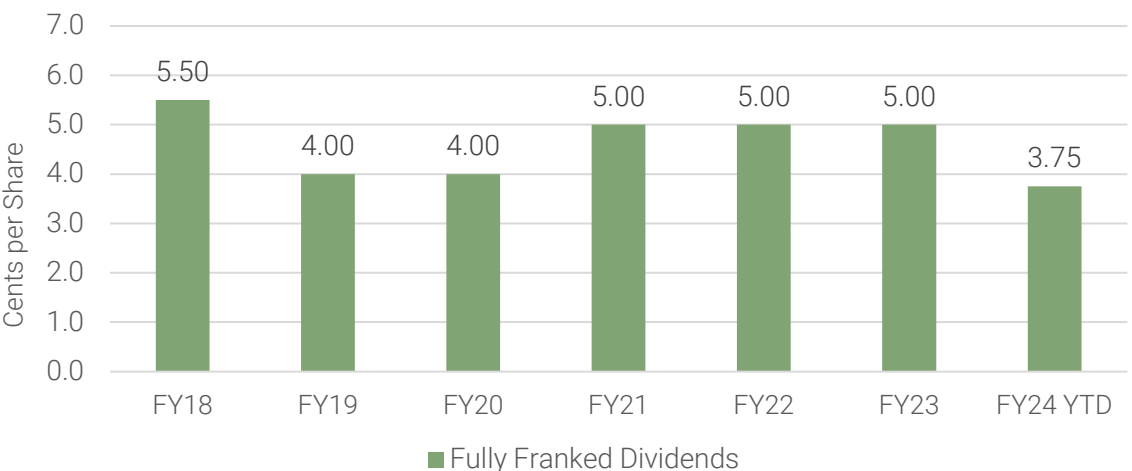
NCC Dividend History



NAC Dividend History



NSC Dividend History



Profit Reserves as at 31 March 2024

NCC	30.2 cps
NAC	42.6 cps
NSC	13.7 cps

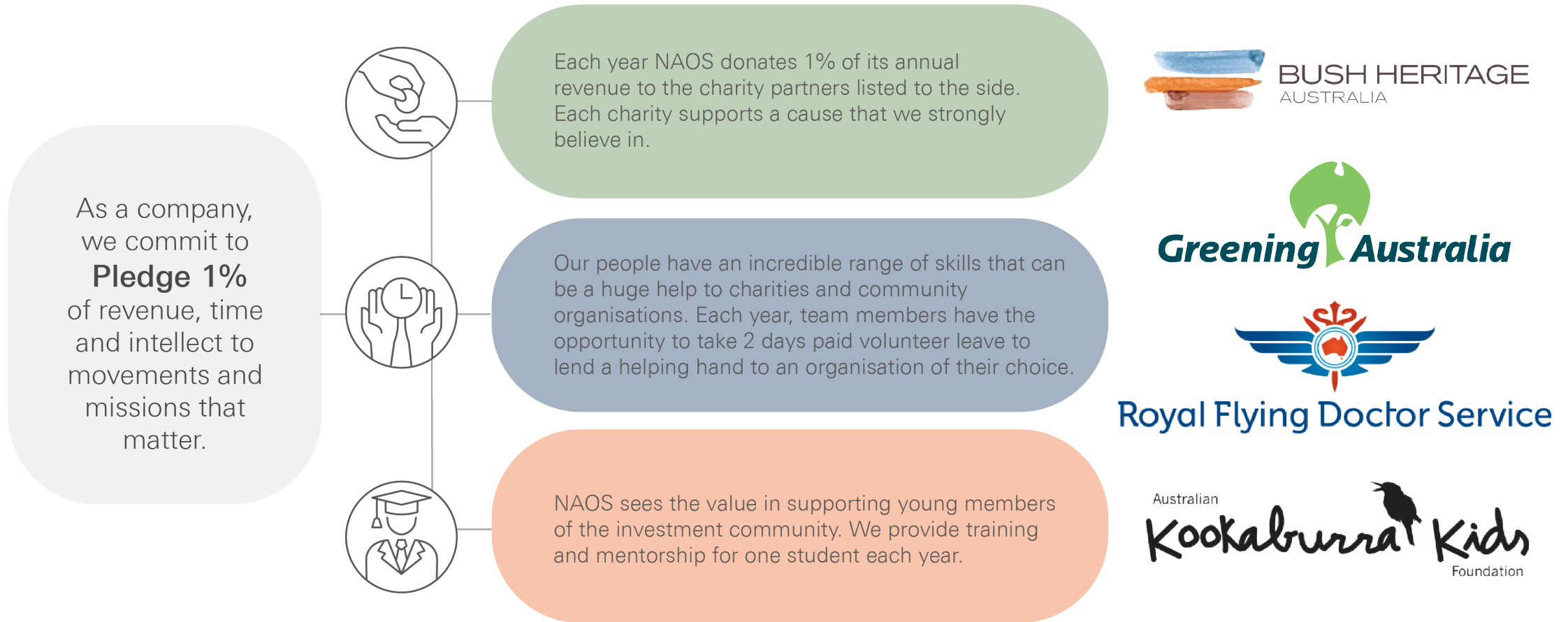
Q&A

Thank you for your continued support.

“Selling out at the bottom – and thus failing to participate in the subsequent recovery – is the cardinal sin of investing. The ability to persevere requires consistent adherence to a well-thought-out approach; control over emotion; and a portfolio built to withstand declines.”

Howard Marks

NAOS Asset Management 1% Pledge



An aerial photograph of a river with a waterfall, surrounded by dense forest with vibrant autumn foliage in shades of orange, yellow, and green. The river is a milky turquoise color, and the waterfall is a white, frothy cascade. A paved road is visible in the lower-left corner.

NAOS

ASSET MANAGEMENT

Appendix

Why Invest via a Listed Investment Company?

We strongly believe LICs are a highly effective structure to give investors the highest quality exposure to specific asset classes, which in the case of NAOS is emerging businesses.

A Listed Investment Company structure:

- Allows the investment manager to build a concentrated portfolio of high-quality investments **without needing to worry about short-term liquidity requirements**.
- **Fund size is generally limited** to the upside, allowing investors to maintain a significant exposure to the underlying investments and not be diluted by new investors, which may occur in an open-ended fund.
- Enables a **smoother distribution profile** as profits can be retained, as opposed to managed funds which distribute all taxable income annually. Dividends from a LIC may also be fully franked.
- Can provide **access to a range of alternative asset classes** which may not be suited to an open-ended structure.

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



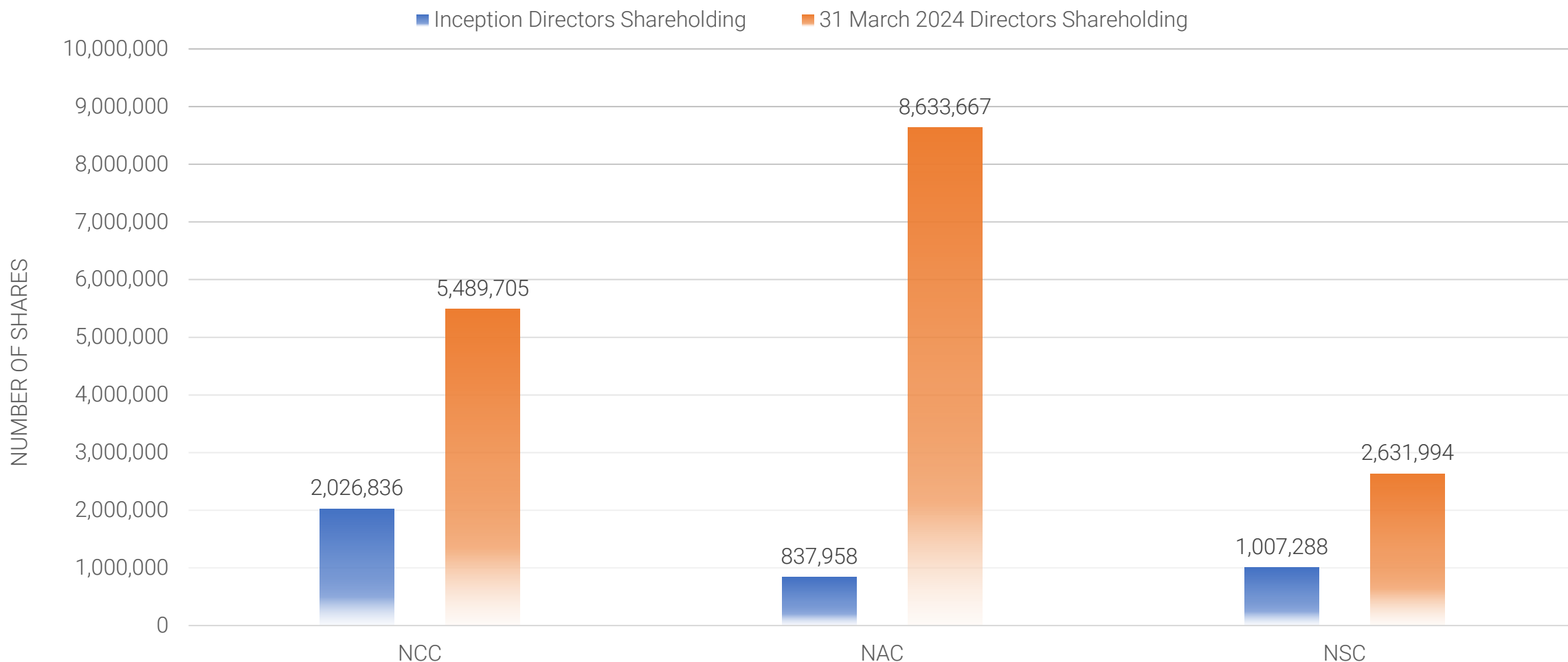
Angela Zammit
Marketing & Communications Manager



Julie Coventry
ESG Officer

NAOS LICs Director Alignment

Directors' shareholdings have significantly increased since the inception of each LIC



Capital Management Initiatives

Performance	<ul style="list-style-type: none"> Maintain a focus on long term performance without deviating from the NAOS investment philosophy.
Dividends	<ul style="list-style-type: none"> Continue to focus on a growing stream of dividends, franked to the maximum extent possible, whilst maintaining an adequate reserve balance.
Alignment	<ul style="list-style-type: none"> Continue to be aligned with shareholders as Directors and Staff are some of the largest shareholders across all 3 of the LICs.
Communication	<ul style="list-style-type: none"> Maintain a very high standard of marketing materials and communications so all current and prospective shareholders have a clear understanding of the NAOS offering.
NSC	<ul style="list-style-type: none"> The share buyback remains active. 34.3 million shares, or 20% of shares on issue, have been bought back on market since the buyback commenced in April 2019.
NAC	<ul style="list-style-type: none"> The share buyback remains active. 25% of shares on issue have been bought back on market since the buyback commenced in June 2019 to date, which has been significantly accretive for shareholders. One-for-four bonus Options (ASX: NACO) were issued in December 2023, allowing shareholders to acquire fully paid ordinary shares exercisable at \$0.90 per Option on or before 31 December 2026.
NCC	<ul style="list-style-type: none"> One-for-five bonus Options (ASX: NCCO) were issued in December 2023, allowing shareholders to acquire fully paid ordinary shares exercisable at \$0.67 per Option on or before 31 December 2026.
DRP	<ul style="list-style-type: none"> Shares purchased on-market to satisfy DRP requirements when shares are trading at a discount to NTA, thus eliminating any dilution for shareholders.

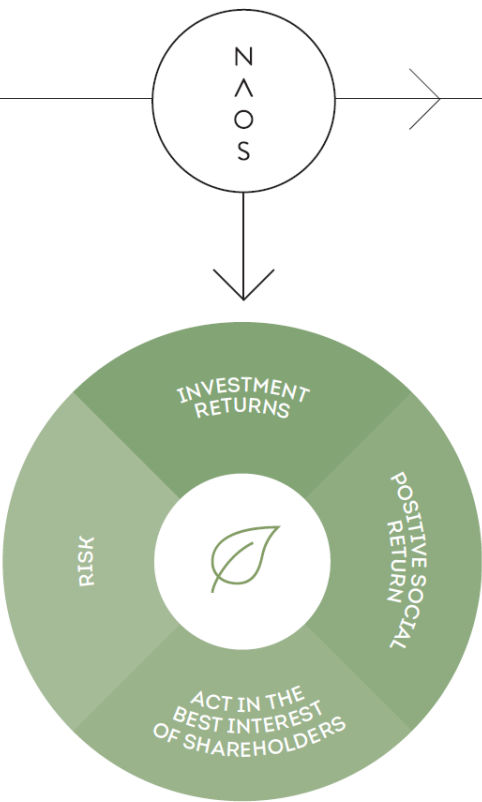
NAOS ESG Framework

01 OUR COMMITMENT TO RESPONSIBLE INVESTMENT

As an investment manager, NAOS recognises and accepts its duty to act responsibly and in the best interests of shareholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors is associated with a sustainable business model over the longer term that benefits not only shareholders but also the broader economy.

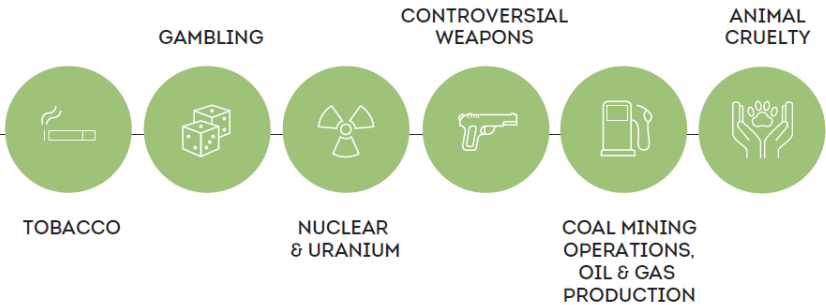
We recognise the material impacts that ESG factors can have on investment returns and risk, and also the wider implications for achieving a positive social return.

NAOS is a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and is guided by these principles in incorporating ESG into its investment practices.



02 NEGATIVE SCREENS

NAOS systematically excludes investing in specific industries and companies that do not align with our responsible investment goals.



03 ESG FRAMEWORK

The types of ESG factors we consider are represented by the following, although from time to time we will consider factors outside this group.



04 THE INCORPORATION OF ESG

The incorporation of ESG considerations into the investment process applies across all NAOS investments and involves regular discussions and engagement with companies over material ESG issues.

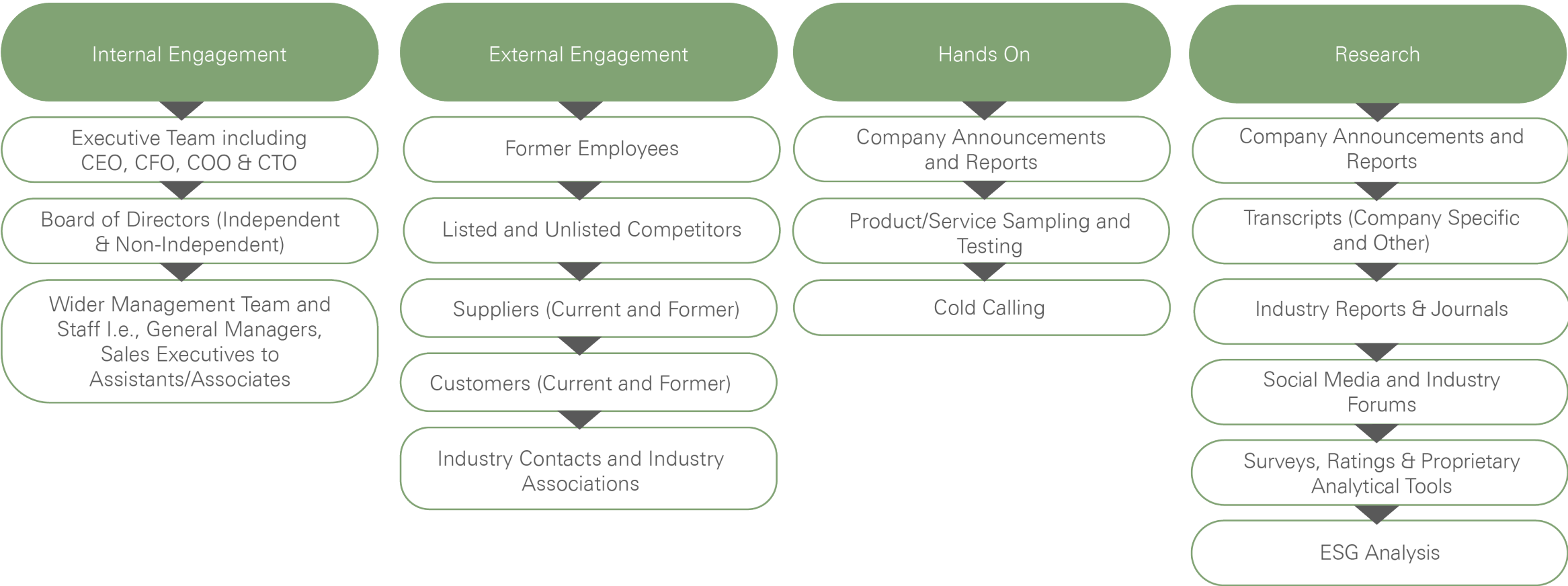
ESG considerations rest at the core of the NAOS investment process. While the investment team screens all prospective investments on an ESG basis, NAOS also ensures that all its investee companies abide by the same principles. NAOS seeks to ensure investee companies are acting in a responsible manner, are setting clear targets and are having a positive impact on their respective stakeholders (i.e. employees, clients, community). Their impact on the environment is foremost among these priorities. As part of this process, NAOS has continued to evolve its ESG questionnaire it provides to all investee companies. This questionnaire provides NAOS with transparent, consistent and granular data on how these companies are both performing and improving upon these focus points.

Signatory of:



What Qualitative Information Sources Does NAOS Use?

The NAOS Investment Team undertakes fundamental analysis on potential and current investments. Some examples of our key focus areas include:



Reasons Not to Invest with NAOS

Our LICs are not for everyone. Some reasons why you may not choose to invest with NAOS include:

- Concentrated portfolios (0-15 investments & shareholdings often >20%)
- Long-term investment philosophy (5+ years)
- Focus on emerging companies (\$20 million - \$500 million market capitalisation)
- Benchmark unaware (no current NAOS investments are within the XSOAI)
- Industrial focus (no exposure to resources or very early-stage businesses)
- Smaller fund size (increases ability to gain a meaningful exposure to smaller businesses)
- ESG aware with a focus on positive impact
- LICs can often trade at discounts and premiums to their underlying net-asset backing

Investor Awareness and Communication

[illegible]

@NaosAssetMgmt



NAOS Asset Management



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