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

ABN 49 169 448 837

12 November 2024

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Annual General Meeting 2024 – 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 9:00am (AEDT).

Authorised by:

Rajiv Sharma
Company Secretary

Chair's Address

Annual General Meeting of NAOS Ex-50 Opportunities Company Limited 12 November 2024, 9:00am (AEDT)

Held at The Macquarie Room, State Library of NSW, 1 Shakespeare Place, Sydney, NSW,
2000

Dear Fellow Shareholders,

I would like to thank all shareholders for your continued support and welcome all new shareholders who joined our Company through FY24.

The Board declared and paid a fully franked final quarterly dividend of 1.50 cents per share, bringing the FY24 total dividend to 6.0 cents per share. This marks the tenth consecutive year in which the Company's dividend has either been maintained or increased. The Directors are aware of shareholders needs for regular tax effective income, and the payment of a sustainable stream of dividends, franked to the maximum extent possible, remains one of the Company's key objectives.

The FY24 dividend represents a 12.0% fully franked yield on the 30 June 2024 closing share price of \$0.50. The profits reserve of the Company stands at 41.2 cents per share as at 30 June 2024, and enables the Company to pay dividends in periods such as this financial year, where it has been more difficult to generate significant performance. Since inception, the Company has now declared an aggregate 51.15 cents per share of fully franked dividends, or 72.93 cents per share on a grossed-up basis.

FY24 was a difficult year for the NAC Investment Portfolio and the Company. The Company recorded an after-tax loss of \$13.31 million (FY23 after-tax profit of \$5.82 million). The NAC Investment Portfolio returned -27.98%, underperforming the Benchmark S&P/ASX 300 Industrials Accumulation Index, which returned +17.70%.

FY24 was marked by significant volatility in macro conditions, and higher interest rates started to be more keenly felt by both households and businesses alike. Due to exposure to smaller businesses that are more sensitive to economic changes, the NAC Investment Portfolio experienced a negative impact on its returns. This was also compounded by a continued lack of demand for emerging equities, and the continued appetite for more passive investment strategies focused on the largest and most liquid equities, resulting in a significant dislocation in valuation between small and large listed businesses.

The pre-tax Net Tangible Asset backing (NTA) per share of the Company decreased from \$1.03 to \$0.54 over the financial year. The impact of gearing in the Company magnifies the impact of the Investment Portfolio performance on the NTA per share.

An active capital management strategy remains at the forefront of the Board's mind to ensure returns to shareholders are maximised over the long term. This strategy was once again active in FY24 via the following measures:

- **Dividends** – The Company will continue to focus on delivering a sustainable stream of quarterly dividends, franked to the maximum extent possible while maintaining an adequate profit reserve balance.
- **No Dilutionary Share Issues** – For those shareholders who participate in the Dividend Reinvestment Plan (DRP) it is important to note that if shares are trading at a discount to NTA the Company acquires shares on-market to ensure this capital management activity is completed without any potential dilution for existing shareholders.

- **On-market Share Buyback** – The Company continued its active share buyback program in FY24, acquiring and cancelling 1.05 million shares, which has been accretive for all shareholders. The Directors believe that 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 at a discount to the current NTA of the Company, but at what may prove to be a greater discount to the potential future value of the investee companies.
- **Differentiated and Consistent Investment Strategy** – The Company continues to follow its investment strategy and there will be no significant deviation from this over the long-term, ensuring that all shareholders understand what the Company is aiming to achieve. The Board believes the strategy is unique and differentiated, with little scope for it to be replicated.
- **Shareholder Communications** – Directors also place significant value on providing all shareholders with timely, transparent and informative updates. This ensures that shareholders are well informed on the investment strategy, notable changes in the Investment Portfolio, and as part of quarterly webinars, receive direct presentations from CEOs of the respective investee companies. With a minimal share price discount to NTA at the time of this letter the Directors view the communications as playing a vital part in this result.

Finally, the Board and Investment Manager continued to increase their ownership of NAC shares during the year, and have increased their holdings significantly since inception. In May 2024, the Investment Manager also committed to reinvest up to 10% of its management fees each month to purchase NAC shares on-market, as a 'Fee Reinvestment Commitment'. As at the end of the financial year, Directors own a total of 8.7 million NAC shares.

While the current macro environment may continue to prove challenging for smaller companies as we move through FY25, the Board strongly believes that our investee companies will emerge from the current challenging economic conditions in a manner that can deliver the long-term returns that our shareholders expect.

We remain committed to providing our shareholders with a unique exposure to emerging companies over a long-term time horizon, via a concentrated portfolio structure and an active management style.

My fellow Directors and I would like to thank all shareholders for their ongoing support especially in these difficult times, and I would also like to thank the staff of the Investment Manager for their efforts and dedication over the course of the financial year.

Sarah Williams
Independent Chair, NAOS Ex-50 Opportunities Company Limited