



**AROWANA INTERNATIONAL LIMITED FY2014
Annual General Meeting**

Managing Director's Presentation

26 November 2014
Sydney, Australia

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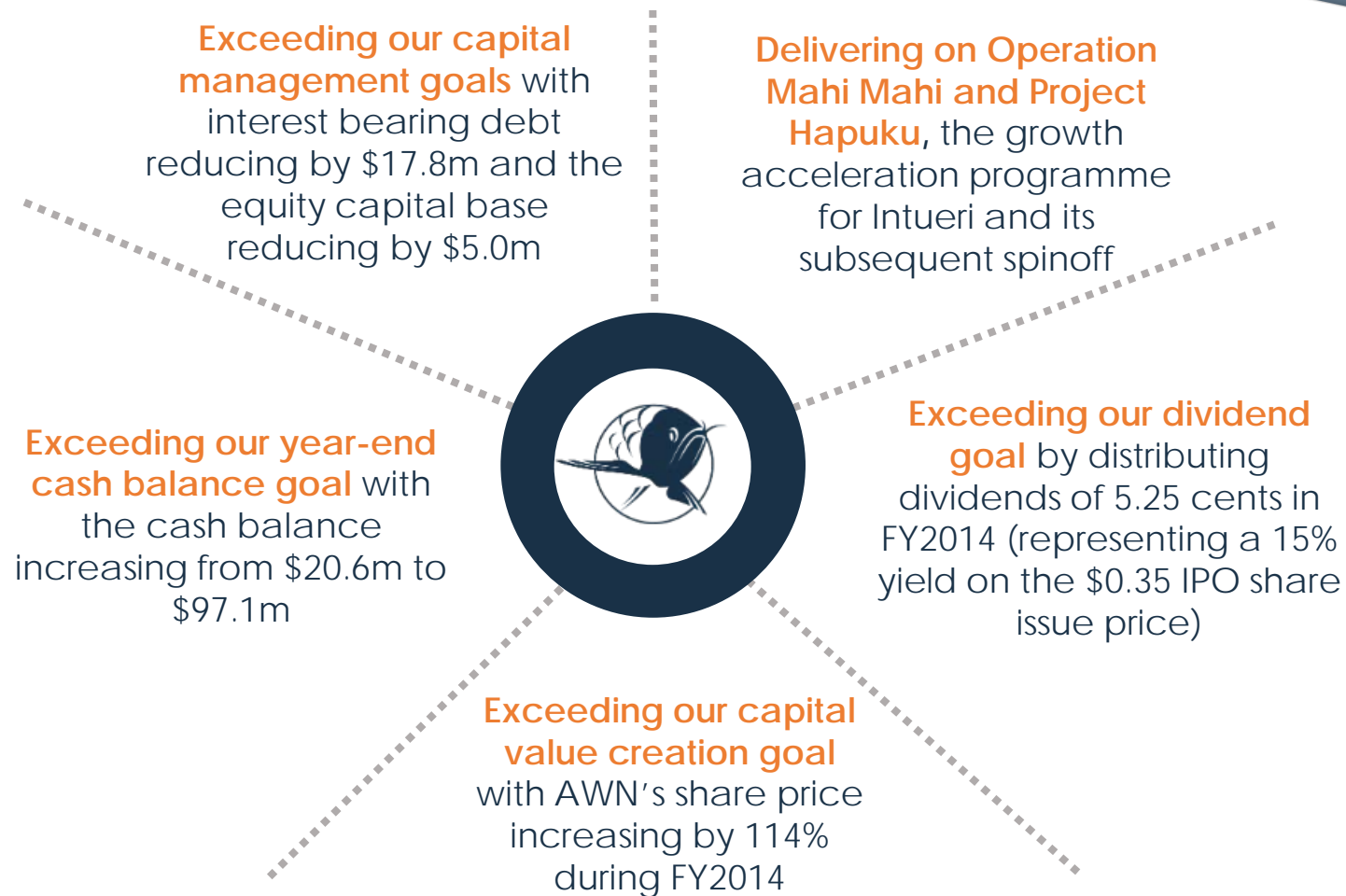
Non-IFRS financial information has not been subject to audit or review.



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FY2014 Year in Review

2014 KEY ACHIEVEMENTS



2014 KEY DISAPPOINTMENTS

Productivity leakage on Project Hapuku which encompassed two acquisitions and the IPO of Intueri; The team spent significant time performing corporate finance and advisory work



Delay in launch of Arowana Executive University, the in-house training programme that will capture the art of sourcing, buying, managing and selling a business

Thermoscan's failure to achieve budget due to customers deferring spending decisions to next year as well as our decision to invest in growth opex ahead of the curve

FY2014 KEY MISTAKES & LESSONS LEARNED



Key Mistakes

Recruitment errors including at executive level during calendar 2013

Advisor / consultant selection errors



Key Lessons Learned

Recruitment and interview process modified with "AQ" (being Adversity Quotient or in other words having a high threshold of pain and perseverance) being a key trait now tested

Not to trust recommendations made by credible people without rigorous internal validating and checking. More stringent advisor / consultant selection process has been rolled out

FY2014 FINANCIAL COMMENTARY

- 💧 FY2014 audited statutory NPAT: **\$109.5m**
- 💧 Underlying¹ FY2014 EBIT result exceeded AWN's stated objective of delivering 10-20% sustainable annual growth
- 💧 Successful completion of the Intueri Education Group Limited ("Intueri") IPO in May 2014 and associated sell-down of AWN's interest and revaluation of AWN's retained 24.9% interest generated **\$132.7m²** or **\$0.81 per share** gain on sale for shareholders (post costs)
- 💧 Cash balance increased from **\$20.6m** (as at 30 June 2013) to **\$97.1m** (as at 30 June 2014)
- 💧 FY2014 dividends paid: **5.25 cents** per share (resulting in a dividend yield of 15% based on AWN's \$0.35 IPO share issue price in April 2013)

¹ Underlying EBIT includes adjustments in relation to the exclusion of corporate enterprise management fees and one-off non recurring items.

² Breakdown of the total \$132.7m - gain on sale is \$95.2m gain from sell down of 75.1% interest in Intueri, \$48.6m gain from revaluation of 24.9% retained interest, less \$11.1m in IPO costs.

Note: References to "underlying" information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.



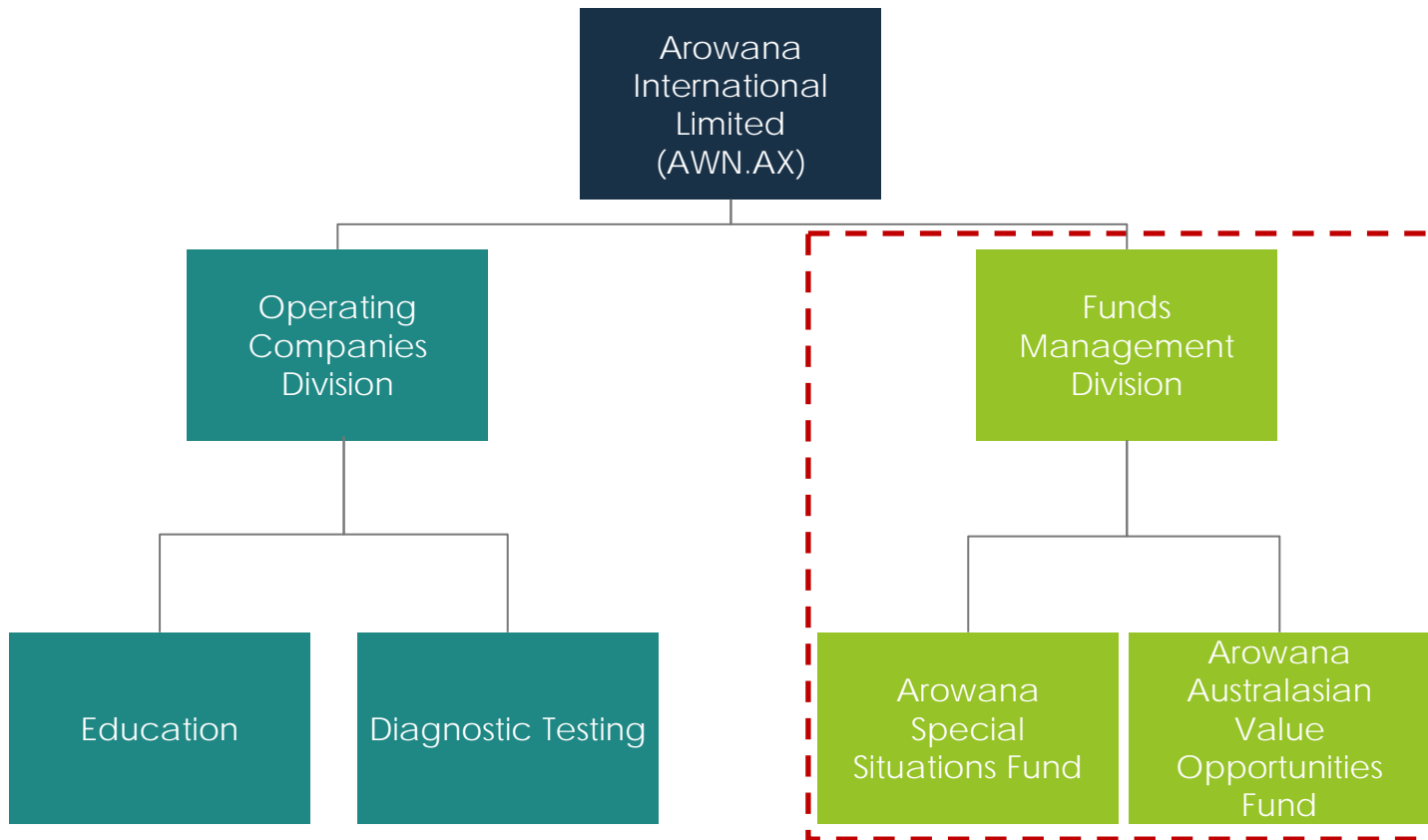
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FY2015 Outlook

NEW FUNDS MANAGEMENT DIVISION

- ◆ On 30 July 2014, AWN announced the launch of the Funds Management Division
- ◆ Initially AWN will seek to **raise \$100m** of external capital across 2 different funds with **separate investment mandates**:
 - Arowana Special Situations Fund (“SSF”)
 - Arowana Australasian Value Opportunities Fund (“AAVOF”)
- ◆ The rationale for the establishment of this Division is as follows:
 - Increase the pool of long term investment capital for AWN without diluting shareholders
 - Accommodate demand from external investors
 - Develop a highly scalable new division with a strong ROIC profile
 - Facilitate investment exposure to high growth Asian opportunities in a lower risk earnings accretive manner
 - Complement the existing Operating Companies Division and fully utilise the skills and experience of AWN team members

AROWANA INTERNATIONAL NEW STRUCTURE



AROWANA SPECIAL SITUATIONS FUND ("SSF")

- Open for investment to local and international institutions and other sophisticated and professional investors
- AWN has seeded the SSF with **\$25.0m** from its existing cash balance
- Investment mandate will focus on sectors exposed to rising middle class megatrend in South East Asia, specifically the **education, power and consumer industries**
- AWN **owns the management entity** of the SSF and will receive management and performance fees in that capacity
- Management fees will be a minimum of 1.5% per annum of total funds under management with performance fees being a minimum of 20.0% above a hurdle rate of 8.0%
- The minimum life of the SSF will be 10 years

AROWANA AUSTRALASIAN VALUE OPPORTUNITIES FUND ("AAVOF")

- ◆ Arowana Partners Group managed a fund called the Australasian Value Opportunities Fund ("AVOF") which achieved an annualised return of **18.4%** (versus 10.5% for the S&P/ASX 200 accumulation index) in the 5+ year period between inception and 30 September 2014
- ◆ Arowana Australasian Value Opportunities Fund Limited has recently been established ("AAVOF") and will employ the same **value based investment approach** as the prior AVOF
- ◆ AAVOF has lodged a prospectus with the ASX and is expected to list in **December 2014**
- ◆ AAVOF will **invest in listed securities in Australia and New Zealand** on a long only ungeared basis
- ◆ AAVOF **owns the management entity** ("Manager") of the AAVOF
- ◆ The Manager will receive management fees of 1.0% per annum of total funds under management, with performance fees of 20.0% above a hurdle rate of:
 - 8.0% where the S&P/ASX 200 accumulation index is positive for the period
 - 0.0% where the S&P/ASX 200 accumulation index is zero or negative for the period

Note: The offer of Shares in Arowana Australasian Value Opportunities Fund Limited is only made through the prospectus (Prospectus) which applicants should consider in deciding whether to apply for Shares. To apply, applicants need to complete the Application Form in or accompanying the Prospectus. The Prospectus may be obtained by visiting www.aavof.com or calling 1300 737 760.

ICARNEGIE GLOBAL LEARNING STRATEGIC DISTRIBUTION AGREEMENT

- 💧 On 8 October 2014, AWN entered into an agreement with iCarnegie Global Learning LLC (“iCarnegie”) to distribute software development and digital arts & entertainment programs to educational institutions and their students **across Australia, New Zealand and Indonesia** (with additional countries being negotiated)
- 💧 iCarnegie is a trusted global education business dedicated to shaping and transforming education systems that help students succeed in the global marketplace
- 💧 This initial agreement has been structured with **rolling one year terms** and license fees calculated in reference to course enrolments
- 💧 This agreement is part of AWN’s long term strategy to expand its presence in the education sector in areas of increasing relevance to employers such as software development, digital arts and game development
- 💧 This strategic initiative is separate from AWN’s investment in Intueri Education Group Limited and reflects a **new business unit** AWN is developing

DIVESTMENT OF HRM ASIA

- 💧 On 17 October 2014, AWN announced the **sale of 100% of HRM Asia Pte Ltd**, its training and events division
- 💧 Cash proceeds to Arowana from the sale (before transaction related costs) were **SG\$9.8m** with 10% of the proceeds being held in escrow for a period of 12 months
- 💧 HRM Asia had benefited from the roll out of the Gazelles “Rockefeller Habits” growth operating methodology during FY2014
- 💧 The rationale for the divestment was as follows:
 - Realise the value created in the division
 - Sale price was value accretive and increased AWN’s net assets
 - Enhanced AWN’s financial and operational flexibility to pursue other growth opportunities including the recently announced iCarnegie Global Learning strategic distribution agreement

OPERATING COMPANIES DIVISION OUTLOOK

- Operating Companies Division will remain the **primary focus** of AWN notwithstanding the launch of the Funds Management Division
- Currently in **investment mode** and assessing a number of platform acquisition and business development opportunities
- AWN is conscious that the most dangerous time to be an investor is when you have surplus cash – our discipline accordingly is heightened at such a time
- AWN's investment criteria remains unaltered despite increasing asset prices
- Majority of surplus cash will be deployed towards the acquisition of private operating companies (as the team has done for years)

AROWANA OBSERVATIONS (AUSTRALIA AND NZ)



Youth unemployment

- Tracking at 13.2% in Australia (lower than the European Union at 21.6% but higher than a number of European countries e.g. Germany 7.6%, Austria 9.1%, Netherlands 9.8%)



Falling Australian dollar

- AUD has been particularly weak against USD but less so on a trade weighted index (TWI) basis



Fitness & diet fanaticism

- "Tipping point" boom observed in numerous fitness, nutrition and health related businesses



Productivity hacking

- Productivity hacking becoming increasingly popular and prevalent with flow on benefits for businesses that provide "personal outsourcing"

IMPLICATIONS FOR LONG TERM INVESTING & OPERATING (AUSTRALIA & NZ)



Government funded vocational education; cheap but ostensibly healthy fast food; social media apps



Inbound international education; other exporters (including food & beverage); inbound tourism (especially from China)



Supplements based businesses; health, fitness and well being based education and training



Virtual assistant businesses; food, cleaning and other outsourcing based businesses

AROWANA OBSERVATIONS (GLOBAL)



Megatrends

- (i) globalisation; (ii) electrification of society; (iii) rising middle class in emerging markets; (iv) online engagement and commerce; and (v) increasing deployment of robots

Key point: *It is easier today to run a global business than at any other time in history*



B2B versus B2C

- (i) B2B pricing power down 89% versus B2C pricing power down 41%; (ii) Look out for Amazon in B2B; and (iii) demand profiling, validation & segmentation easier in B2C today

Key Point: *B2B will get harder and harder to operate in*



Speed and information

- (i) business operates at a much faster pace today; (ii) enduring competitive advantage faster to attain but also harder to maintain; and (iii) information is nearer to perfect and democratised

Key Point: *Pace, power (GRIT) and precision will win in business just as in sport and battle*



Technology literacy

- (i) tech is far greater risk to business today than at any other time in history; (ii) key disruptive tech trends to watch; (iii) "Excel is a crutch for those who don't know how to code"

Key Point: *Tech illiteracy is just as dangerous as financial illiteracy in today's business world*

IMPLICATIONS FOR LONG TERM INVESTING & OPERATING (GLOBAL)



Focus on businesses with global market potential...



... in high ROIC B2C sectors (education, healthy food & beauty FMCG brands etc)



... particularly in Asia (especially ASEAN)...



Continue to build robust Arowana team with high AQ, EQ and IQ...



... and continue to enhance team tech literacy

Q&A

