

NAOS

NAOS QUARTERLY INVESTMENT REPORT

Q2 FY26

ASX: NAC | NAOS EX-50 OPPORTUNITIES COMPANY LIMITED

ABN 49 169 448 837

ASX: NCC | NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

ABN 58 161 106 510

ASX: NSC | NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED

ABN 47 107 617 381

Certified



Corporation

NAOS Asset Management
Limited is B Corp Certified

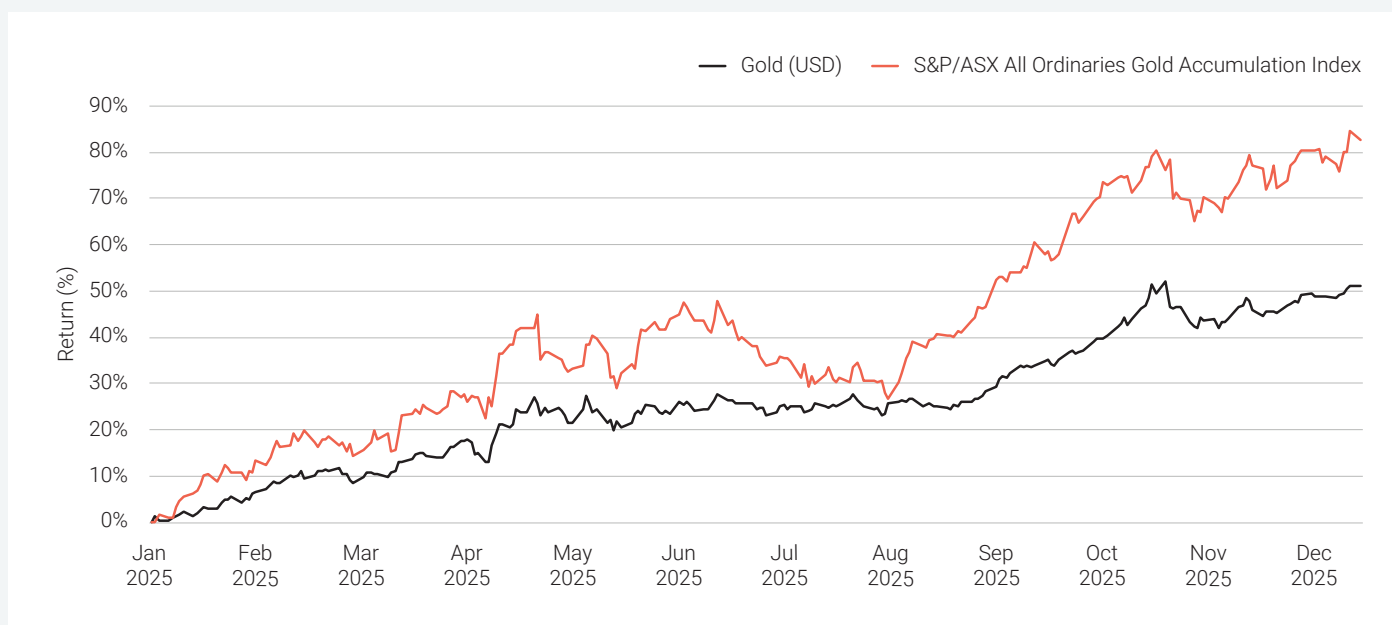
Q2 FY26 SUMMARY

Dear fellow shareholders,

Q2 FY26 marked the conclusion of calendar year 2025 (CY25), during which the S&P/ASX 200 Accumulation Index (XJOAI) delivered a +10.3% return. However, the index recorded a -1.0% return for Q2 FY26. In contrast, smaller companies on the ASX outperformed their larger peers, with the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) achieving a strong +25.0% return for CY25 and a +1.8% gain in Q2 FY26.

A standout feature of CY25 was the strong resurgence in resources companies, which accounted for the majority of returns in both the XJOAI and XSOAI. Underscoring this performance, all 10 top performers in the ASX 100 Index were resource companies. Gold-related companies led the way, supported by record gold prices. The gold sector within the ASX All Ordinaries Index posted an impressive +82% return, significantly outpacing the +51% increase in the gold price itself.

Gold (USD) & ASX Gold Sector



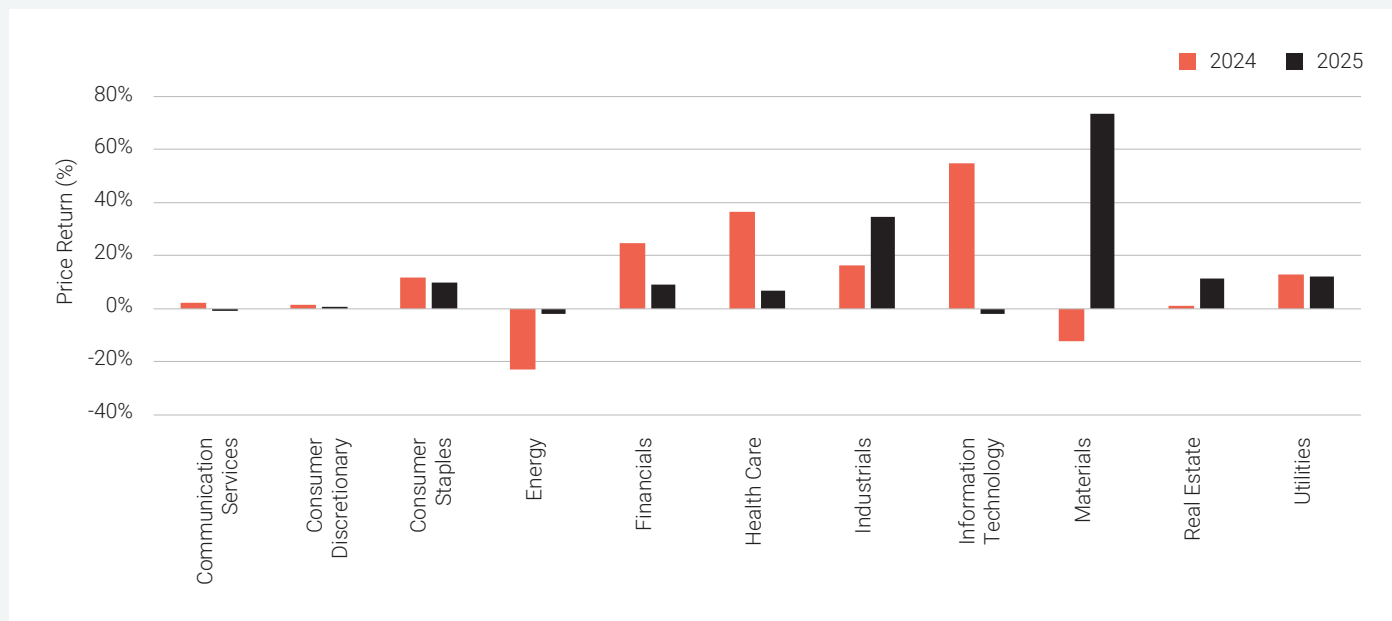
Source – Iress & Koyfin

Outside of the stellar performance of gold equities, another key takeaway from CY25 was the significant underperformance of numerous 'blue chip' companies within the ASX 100 Index.

Notable underperformers included CSL Ltd (ASX: CSL), which fell -37% amid multiple downgrades and a valuation derating; Treasury Wine Estates Ltd (ASX: TWE), down -50% following repeated downgrades; and WiseTech Global Ltd (ASX: WTC), which declined -43% due to management and board concerns alongside a shifting revenue model.

Remarkably, several of the prior year's top performers, despite ongoing exposure to structural growth themes, failed to deliver positive returns in CY25. These included Pro Medicus Ltd (ASX: PME) at -12%, NextDC Ltd (ASX: NXT) at -17%, Xero Ltd (ASX: XRO) at -32%, and Goodman Group Ltd (ASX: GMG) at -12%.

ASX Sector Performance - CY24 vs CY25



Source – Koyfin

While value outperformed growth in CY25, arguably supported by the lower interest rates seen during that period, CY26 is shaping up to be much more uncertain. The future trajectory of interest rates domestically is more uncertain than ever, but not purely due to economic growth factors. There are also concerns with the lack of 'spare capacity' within the economy, not to mention other structural concerns.

If we overlay this with a volatile global geopolitical environment and the emergence of new age industries related to artificial intelligence, many of which are in their infancy, it's not hard to paint a volatile picture for domestic equity returns in CY26.






Expectations for FY26 earnings growth continue to soften, with earnings per share (EPS) growth for industrial companies (excluding banks and REITs) now sitting at just 3.9%. Looking further ahead, FY27 projections appear more robust at 8.8%, though history reminds us that downward revisions are common as we approach the period. From a valuation perspective, this places the FY26 price-to-earnings (P/E) ratio of the All Industrials Index at 20.3x according to Macquarie, leaving the market in somewhat of a holding pattern until greater conviction emerges around the earnings trajectory.







INVESTMENT PORTFOLIO PERFORMANCE SUMMARY




Investment Portfolio	Q2 FY26 Performance	1 Year Performance	3 Year Performance (p.a.)	5 Year Performance (p.a.)	Inception Performance (p.a.)
NCC Investment Portfolio Performance*	+7.77%	+13.68%	-2.99%	-1.55%	+6.50%
S&P/ASX Small Ordinaries Accumulation Index	+1.80%	+24.96%	+13.44%	+6.85%	+6.75%
NAC Investment Portfolio Performance*	+7.42%	+58.35%	+7.59%	+2.73%	+9.11%
S&P/ASX 300 Industrials Accumulation Index	-4.42%	+4.09%	+12.28%	+9.23%	+7.99%
NSC Investment Portfolio Performance*	-2.27%	-1.99%	-6.73%	-2.12%	-1.09%
S&P/ASX Small Ordinaries Accumulation Index	+1.80%	+24.96%	+13.44%	+6.85%	+7.09%

*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.) 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 December 2025. NAC Benchmark= S&P/ASX 300 Industrials Accumulation Index, NCC & NSC Benchmark= S&P/ASX Small Ordinaries Accumulation Index.

NAOS CORE INVESTMENTS

		ASX Code	NAOS % Ownership (<5%, 5-20% or >20%)	Market Cap (as at 31 December 2025)
 BIG RIVER	Big River Industries	ASX: BRI	>20%	\$132 million
<p>Big River Industries Limited (BRI) is a leading manufacturer and distributor of value-added timber and building material products in Australia and New Zealand. BRI has gained scale in recent years through the acquisition of bolt-on businesses to diversify its product offering and expand its geographical network, which now sits at 26 sites. BRI operates in the commercial sector, with customers using BRI products in real estate developments (detached and multi-residential), commercial construction projects and civil construction, among others. BRI has over 9,000 active trading accounts, serviced by ~640 staff members. BRI achieved \$415 million in revenue in FY24.</p>				
 COG	COG Financial Services	ASX: COG	<5%	\$443 million
<p>COG Financial Services (COG) is Australia's leading aggregator of finance brokers and equipment leasing services to small and medium-sized enterprises (SMEs). COG's operations are spread across three complementary business divisions: Finance Broking & Aggregation (FB&A), Lending & Funds Management, and Novated Leasing, all of which service the financial needs of SMEs nationwide. As at the end of FY24, COG had a ~21% market share of the Australian Asset Finance Broking market, with the COG network financing \$8.9bn in assets for SMEs in FY24. COG has been highly acquisitive in recent years, acquiring finance brokers, insurance brokers, as well as funds management and novated leasing businesses.</p>				
 SAUNDERS <small>INTERNATIONAL</small>	Saunders International	ASX: SND	5-20%	\$113 million
<p>Saunders International Limited (SND) has expertise in engineering and construction projects, having worked across Australia for over 70 years. Today, SND has over 500 employees, who work on projects in the Energy, Water, Power, Defence, Resource and Infrastructure sectors. The projects SND executes are of critical importance to its clients in federal/state governments and the private sector. Clients of SND include Western Sydney Airport, NSW Government (Bridges Program), BP and the Australian Defence Force.</p>				
 MAXIPARTS LIMITED	MaxiPARTS	ASX: MXI	>20%	\$124 million
<p>MaxiPARTS (MXI) is a supplier of commercial truck and trailer aftermarket parts to the road transportation industry. In operation for over 30 years, MXI is one of the largest operators in Australia, with a unified support and distribution network providing over 162,000 different parts across 29 sites nationwide.</p>				
 MOVE	MOVE Logistics	ASX/NZX: MOV	5-20%	\$33 million (NZX)
<p>MOVE Logistics (MOV) is one of the largest freight and logistics providers in New Zealand with its origins dating back to 1869. With a team of over 1,100 experts, the business provides end to end supply chain services and has the capability to serve more than 3,500 customers across its large network, which includes 40 branches spread across the two main islands of New Zealand.</p>				

		ASX Code	NAOS % Ownership (<5%, 5-20% or >20%)	Market Cap (as at 31 December 2025)
	Urbanise.com	ASX: UBN	>20%	\$57 million
Urbanise.com (UBN) is an Australia-headquartered cloud-based software business, providing solutions for both the strata management industry as well as the facilities management industry in the Asia-Pacific and Middle East regions. The Urbanise Strata Platform is a market-leading accounting and administration software system used by strata managers across ~650,000 individual strata lots. The Urbanise Facilities Management Platform is used to aid the maintenance of property assets and supervision of contractors across various sectors including aged care, retail, commercial and essential infrastructure.				
	BTC Health	ASX: BTC	>20%	\$22 million
BTC health (BTC) is a distributor of medical devices and medical consumables to hospitals across Australia and New Zealand. It specialises in the areas of acute pain management, neuro spinal surgery as well as pharmaceutical medicines in niche markets. It also recently launched a new division which focuses on highly specialised cardiovascular equipment and consumables used by cardiac surgeons and critical care experts.				
	XRF Scientific	ASX: XRF	<5%	\$295 million
XRF Scientific Limited (XRF), based in Perth, Australia, manufactures equipment and chemicals which is used in the preparation of samples for analytical testing and quality control. With facilities in Australia, Europe, and Canada, plus global distributors, their products are distributed globally and used by miners, construction companies and commercial analytical laboratories.				
	Pharmx	ASX: PHX	<5%	\$96 million
Pharmx (PHX) is ANZ's leading independent pharmacy platform, powering ~\$20 billion in annual transactions through its supply-chain Gateway, launched in 2006. Its technology connects pharmacies, suppliers, brands, government, and partners like the NDSS, driving innovation and efficiency. Focused on seamless multi-channel ordering, Pharmx enhances healthcare outcomes and supports a vital industry fuelled by growth, demographics, and regulatory change, with recent expansion into New Zealand.				
	Bravura Solutions	ASX: BVS	<5%	\$1,152 million
Bravura Solutions (BVS), headquartered in Australia, is a leading technology provider to the global funds and wealth management industries. Its solutions automate processes, connect to financial networks, and innovate for efficiency, enabling in-house control over operations. Managing in excess of A\$10 trillion in client assets on its systems and processing tens of millions of straight-through transactions each month, with a team of approximately 1,000 people, offices worldwide, and a clean balance sheet with A\$58.7 million in cash and zero debt, Bravura continues to deliver scalable technology and strong financial performance in FY25.				
	Hancock & Gore	ASX: HNG	<5%	\$115 million
Hancock & Gore (HNG) is a listed investment company. Its wholly owned operating business Global Uniform Solutions (GUS) represents ~80% of the group's gross asset value. GUS is a leading supplier & e-commerce retailer of school uniforms in both the Australian and the United Kingdom markets.				

		ASX Code	NAOS % Ownership (<5%, 5-20% or >20%)	Market Cap (as at 31 December 2025)
 Global Cloud Communications	Comms Group	ASX: CCG	5-20%	\$36 million
<p>Comms Group (CCG) provides a full range of IT and Communications services from the Cloud, including IT managed services, cloud hosting, cloud communications and Unified Communications (UCaaS) and CPaaS services. Our three strategic growth pillars are International; Domestic - through the Next Telecom and on Platinum brands; and Wholesale and Partner services. Its customer base ranges from Australian Government departments to SME's</p>				
 SomnoMed	SomnoMed	ASX: SOM	<5%	\$169 million
<p>SomnoMed (SOM) is a global leader in providing oral appliances for sleep apnea treatment, operating in 28 countries. Since 2004, the company has delivered over one million devices, offering a comfortable alternative to CPAP machines. By repositioning the jaw to keep airways open during sleep, SomnoMed's high-quality, medically certified devices improve sleep quality for patients and their families worldwide.</p>				
 Firmus	Firmus	Unlisted	Undisclosed	Undisclosed
<p>Firmus Technologies builds world-class, highly-efficient AI factories, utilising its proprietary technology to drive down total cost of ownership and accelerate AI adoption. With offices in Australia and Singapore, Firmus partners with government, enterprise, education and the innovators of tomorrow to create sustainable, sovereign AI solutions.</p>				



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NOTABLE INVESTEE
COMPANY UPDATES

Note: The LICs listed in brackets had exposure of more than 5% to the applicable investee company at quarter-end.

BIG RIVER INDUSTRIES LTD

(NAC, NCC, NSC)

(ASX: BRI)

Acquisition of John's Building Supplies (JBS) & New Corporate Substantial Shareholder

In December, BRI announced the acquisition of Western Australian-based John's Building Supplies (JBS) for a total consideration of \$17 million. The acquisition was funded via a fully underwritten \$10 million rights issue, \$2 million in vendor equity, and the balance split between an earnout component and drawdown on existing debt facilities.

Over the past three financial years, JBS has generated average annual revenue of approximately \$41 million and EBITDA of \$5.2 million (post AASB 16).

Strategically, the JBS acquisition meets all of the major criteria BRI would seek in any acquisition, specifically:

- JBS offers significant exposure to higher margin products (or value-add products), such as cladding, that benefit from structural long-term growth trends. This supports BRI's ongoing strategy to increase its mix of these products, driving gross margins toward 30%.
- As JBS is entirely based in WA, the deal enhances BRI's presence in that market and balances out its overall geographic exposure. BRI currently has two somewhat subscale sites in WA, and with the addition of the JBS business, it will give BRI a more complete offering. This, in theory, will be more attractive when dealing with larger and more sophisticated clients.
- JBS is a scaled operation with over \$40 million in annual revenue, serving more than 800 customers across diverse end-markets, including residential building, commercial fit-outs, and commercial construction. In our view, these acquisitions carry lower risk than smaller acquisitions, which have a smaller customer base and lower industry diversification. Furthermore, in an environment of elevated industrial rents, larger, scaled players are likely to enjoy a meaningful competitive advantage over smaller operators.

Concurrently with the acquisition announcement, BRI provided a trading update, noting that year-on-year revenue was down 3.2% for the period. However, this implies a positive run-rate of +1.7% from the start of Q2 FY26 (to the end of October 2025), with the company confirming that this improvement continued into November.

Finally, on 30 December 2025, a substantial holder notice revealed that CTL (Australia) Pty Ltd had acquired a 5.39% stake in BRI. Further investigation links this entity, through its sole director, to United Steel, a steel distribution business that also controls Calibre Steel and GAM Steel (both of which are related to Coil Steels).

The timing and background of this investment are noteworthy, given the acquirer's existing substantial interests in the broader building materials supply chain and the fact that shares were accumulated from late September 2025 onward. The strategic intent remains unclear at this stage.



FIRMUS TECHNOLOGIES

(NAC, NCC)

(PRIVATE INVESTMENT: FIRMUS)

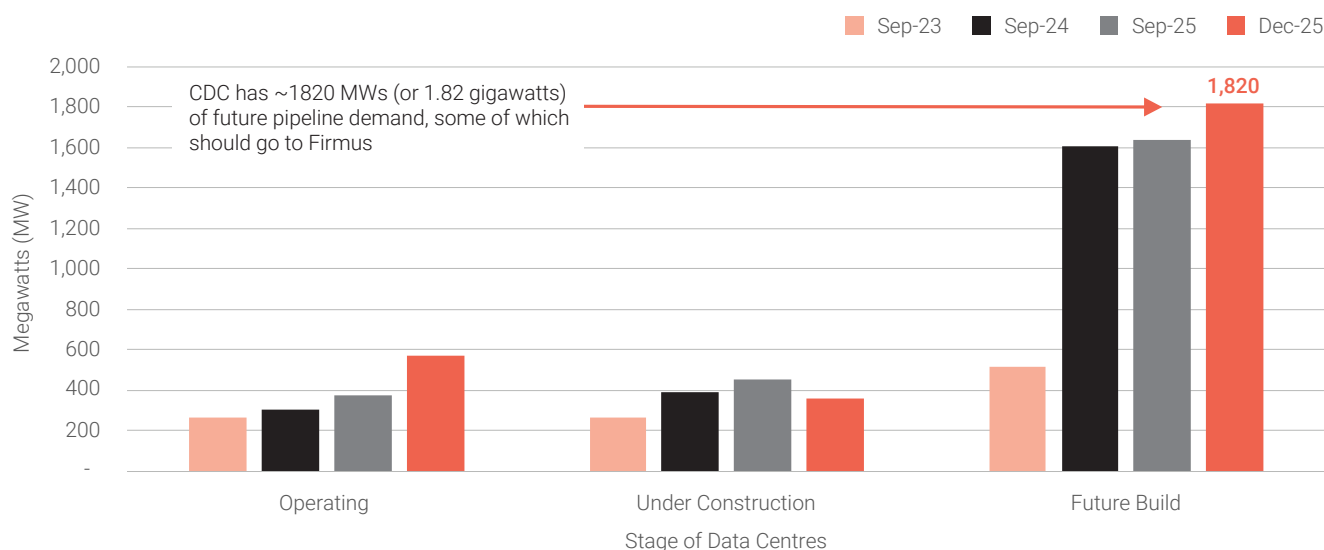
Equity Raise, Debt Commitment & CDC Partnership

In the previous Quarterly Investment Report, we featured Firmus in the 'Investment In Focus' section. Investors are encouraged to revisit that discussion for foundational context on the company. As a reminder, NAOS entities participated in the AUD\$330m capital raising in September 2025, which also included NVIDIA Corp. (NDQ: NVDA), the world's most valuable company, as a participant on the same terms as other shareholders.

In October 2025, Firmus announced a strategic partnership with CDC Data Centres (CDC) and NVIDIA to expand its Tasmanian AI factory, known as Project Southgate, onto the Australian mainland. For context, CDC (formerly Canberra Data Centres) is a leading developer, owner and operator of highly secure, sovereign data centres across Australia and New Zealand. CDC is partially owned by listed infrastructure company Infratil Ltd (ASX: IFT), in addition to The Future Fund and the Commonwealth Super Corp. According to public filings, its most recent valuation in December 2025 was AUD\$14 billion.

Under the partnership, Firmus acts as the builder and operator of the AI factories, taking capacity within CDC facilities. NVIDIA's role has evolved beyond equity investor to include supplier, operational partner, and customer. According to the numbers released, this strategic alliance (which also includes Firmus' Tasmanian operations) has the potential to scale from ~150MW (megawatts) in 2026 to 1.6 GW (gigawatts) through 2028 (approximately a 10x increase) with total build costs potentially reaching up to \$73.3 billion.

CDC Built Data Centre Capacity Pipeline to 2034



Source: Infratil

The obvious question then becomes funding this buildout process. In November 2025, Firmus completed a subsequent equity capital raising of ~AUD\$500 million. The valuation for this capital raising was significantly higher than that of the capital raising NAOS had previously participated in. NAOS did not take part in this subsequent round.

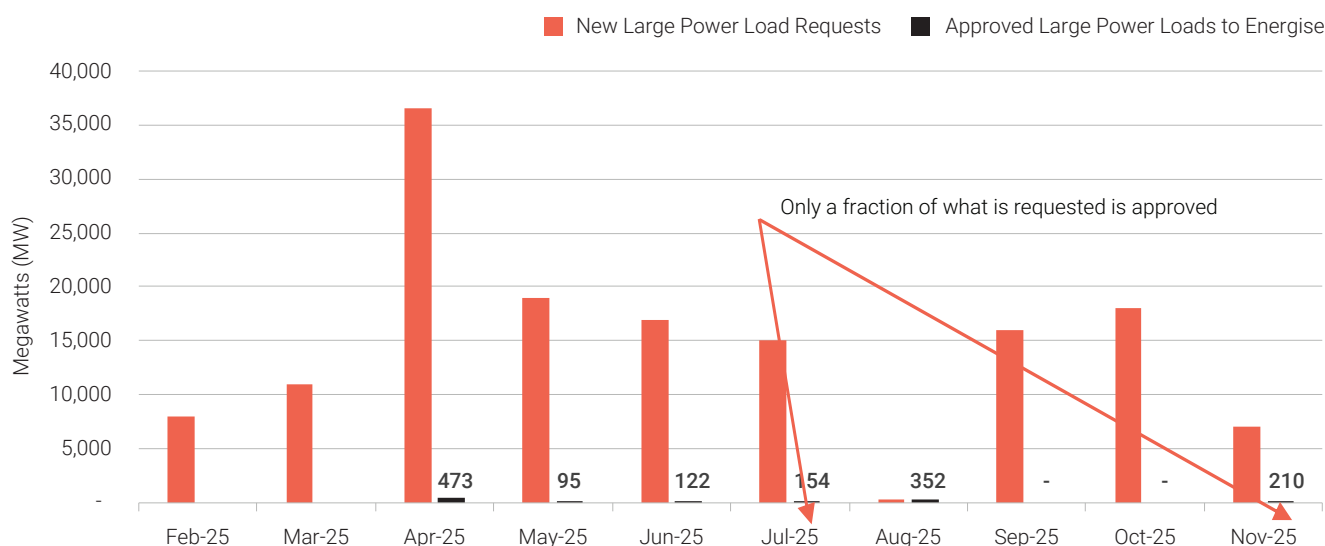
The formation of the strategic alliance with CDC and NVIDIA has driven a substantial re-rating of Firmus' valuation. Separately, late-2025 media reports indicated advanced negotiations for a potential multi-billion-dollar asset-backed debt financing facility with global investor Blackstone - building on its prior acquisition of AirTrunk for A\$24 billion. Any such facility would primarily fund the acquisition of NVIDIA GPUs, a critical component of AI factories, and represent a material de-risking milestone if completed.

In December 2025, Firmus signed an agreement with the electrical infrastructure subsidiary (JLE Group) of Maas Group Holdings Ltd (ASX: MGH). Under the ~A\$200 million contract, JLE will provide turnkey modular electrical systems for the initial 100MW phase of Project Southgate in Launceston, Tasmania. Interestingly, the associated ASX announcement references the potential for a further staged rollout of 500MW of AI factory capacity in Tasmania by the end of CY28. Given that CDC's operations are predominantly mainland-focused, this could suggest that part of the additional 500MW may be over and above what has been referenced by the strategic alliance (1.6GW).

There is no question that the scale of capital investment required to construct AI factories is unprecedented, prompting debate over economic viability and long-term sustainability. AI proponents, however, highlight a unique confluence of demand drivers—explosive growth in generative AI, the emergence of agentic AI, and the ongoing transition from traditional CPU-based workflows to GPU-accelerated computing—as creating a once-in-a-generation opportunity.

Perhaps the more immediate debate should be centred on securing sufficient reliable power supply for these facilities. This appears to be a global issue that is already affecting rollout schedules, with revenue generation shifted to the right. For context, Texas, USA, is somewhat the epicentre for new AI factory builds. Judging from the graph below, the imbalance between requests for power from AI factories and what is being approved appears remarkable.

Power Requests Vs. Approved in Texas, USA



Source: SemiAnalysis

In our view, Firmus' partnerships with high-quality, well-capitalised entities - such as NVIDIA and CDC Data Centres - positions it strongly for future success across operations, funding, and execution. Access to cost-effective capital is a very important input into future success, and we hope to see this finalised shortly. Equally vital is access to reliable power. Attention now turns to executing the buildout of the facilities and finding other customers to take the capacity being built. Firmus remains on track to conduct the reported IPO in the first half of calendar year 2026.

MOVE LOGISTICS GROUP LTD

(NAC, NSC)

(ASX: MOV)

Annual General Meeting and Trading Update

Members of the NAOS Investment Team travelled to New Zealand to attend MOV's Annual General Meeting and meet with key members of the leadership team. Concurrently, the company released a trading update for Q1FY26.

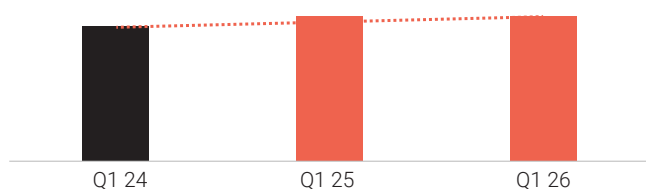
The first quarter is generally MOV's weakest of the year, given the seasonality, which can be magnified by the trading patterns of its major customers in the consumer discretionary and construction sectors. Despite the challenging environment, normalised profit before tax (PBT) improved markedly, with the Q1 FY26 loss narrowing by 68% year-on-year.

We estimate that the Q1FY25 PBT loss was circa NZD-\$4 million, so the loss for Q1FY26 was circa NZD-\$1.3 million. Revenue was down 3.5% YOY, with the company stating that the economic environment has yet to show any meaningful signs of improvement. Importantly, MOV reaffirmed its guidance to return to profitability in FY26. We believe this remains achievable given:

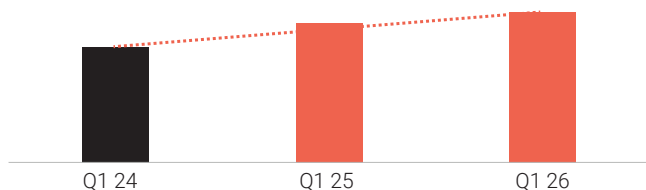
- Q2 and Q4 are historically the strongest quarters of the financial year. The second half of FY26 will benefit from the full-year impact of implemented cost-saving and efficiency initiatives, particularly those addressing onerous leases.
- The New Zealand economy is expected to continue recovering from two consecutive years of negative growth, which materially affected logistics operators through:
 - **Supply/demand rebalancing** – Post-COVID excess capacity (primarily new trucks) coincided with weakening demand. Over the past 12 months, several smaller operators have ceased trading, gradually reducing excess supply. While demand has not yet recovered significantly, any meaningful upturn is likely to have a pronounced positive impact on this imbalance.
 - **Improvement in interest-rate-sensitive sectors** – Despite recent positive GDP data, construction and retail remain notable laggards. As consumer and business confidence improves with lower interest rates, activity in these logistics-intensive sectors should rebound.
 - **Shift toward service-led tenders** – As demand strengthens, customer priorities are likely to shift from pure price competition to broader service quality and reliability. This should favour larger, more sophisticated providers like MOV, enhancing pricing power, securing more profitable contracts, and delivering scale advantages.

Even following the recent share price rise of more than 35%, MOV's market capitalisation remains around NZD \$33 million. In our view, this continues to ascribe only minimal probability to the company generating a sustainable NPAT in excess of NZD \$10 million on its >NZD \$300 million revenue base over the next 12–24 months.

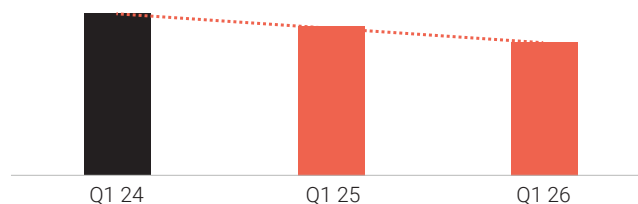
Gross Margins \$
+1% YOY



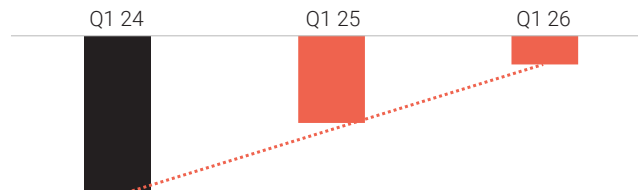
Gross Margin %
+1.2pp YOY



Total Sales Revenue
-3.5% YOY

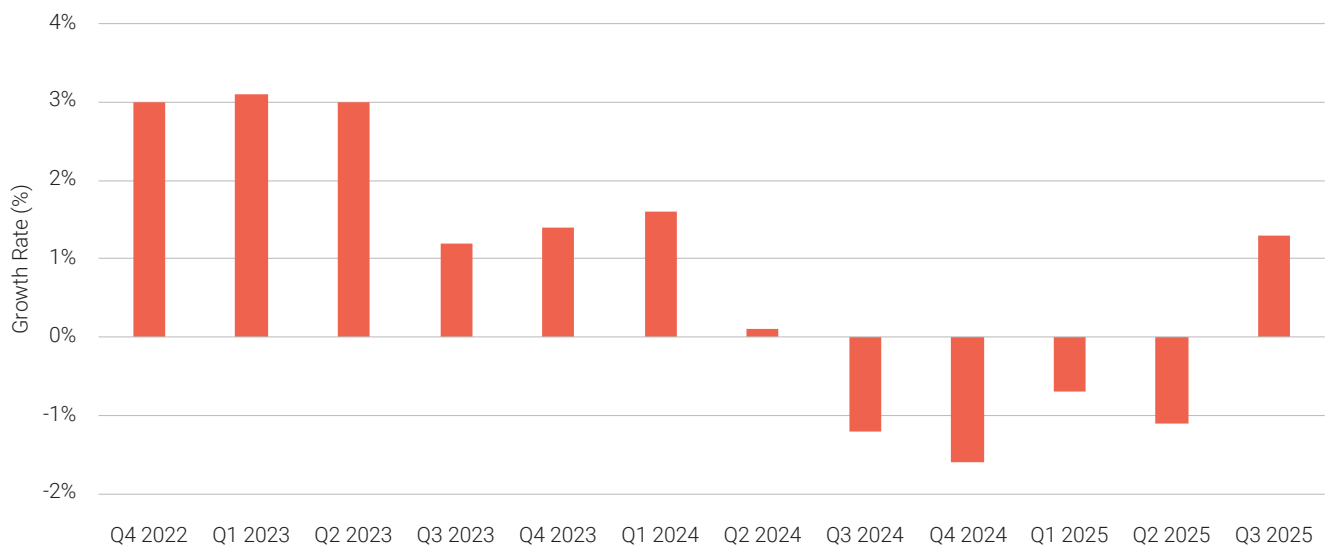


Normalised Earnings Before Tax (NEBT)
+67.9% YOY



Source – Move Logistics AGM Presentation

NZ GDP Growth Rate



Source – Trending Economics

SAUNDERS INTERNATIONAL LTD

(NCC, NSC)

(ASX: SND)

FY26 Guidance & Defence Contract Win

Calendar year 2025 proved turbulent for SND, marked by three earnings downgrades (including one for 1H FY26), the resignation of a longstanding Managing Director (MD) and finally the acquisition of Aqua Metro, a company with a revenue base of approximately half the size of SND's. With the new MD in the role for roughly three months, the FY25 AGM carried particular significance.

The primary negative update was the persistence of challenges from 2H FY25 into 1H FY26. Combined with what appears to be a thorough "clearing of the decks" under new leadership, this is expected to result in breakeven EBITDA (implying an NPAT loss) for 1H FY26.

On a full-year basis, management issued FY26 EBITDA guidance of \$11–15.5 million. Given the 1H outlook, this implies a substantially stronger 2H FY26 performance. Annualising the implied 2H run-rate on a normalised basis suggests potential steady-state EBITDA of \$22–31 million, equating to margins of 7–9%. This compares favourably to the company's current market capitalisation of approximately \$110 million, supported by a net cash balance sheet.


Post the AGM, SND announced two notable contract wins: one in the water sector and the other in Defence. The \$20 million Defence contract involves fuel infrastructure works at RAAF Base Learmonth in Western Australia.

This is notable as the base is undergoing a significant redevelopment. Other publicly listed contractors have highlighted ongoing tender activity at the site. Successful execution of this initial contract should position SND favourably for additional works at Learmonth and at other RAAF bases expected to undergo similar upgrades over the next 12–48 months.

The next six months will be critical for SND to prove to the market that its strategy remains sound and that the team executing it is the right one. Some of the milestones that could occur over the next 6 months to ensure this is the case include:

- Achieving the stated FY26 guidance;
- Providing greater visibility on the two recently secured Sydney Water panel appointments;
- Securing further sizeable and complex contracts in defence and water infrastructure;
- Delivering a seamless integration of Aqua Metro as it approaches the one-year anniversary.


Defence Opportunity Landscape





Strategic Position

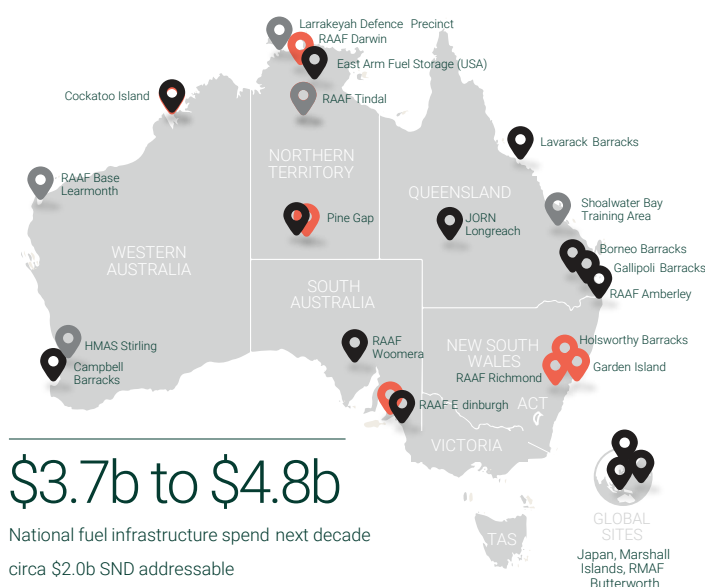
Despite ongoing delays in the fuel resiliency program, Saunders continues to enhance its position in Defence with active projects across the Defence estate and the securing of annuity-style maintenance contracts.

We are executing complex works in fuel, water, fire and power infrastructure, with our acquisition strategy proving effective. A record Defence tender pipeline is now in play, including shortlisting in a number of key upcoming opportunities direct to Defence.

 = Projects under delivery (FY2025 -FY2026)

 = Pipeline Opportunities

 = Completed projects



Opportunity Outlook

Largest Defence Pipeline in Company History

Shortlisted or pending tenders across **20+ bases and programs**

National footprint positions Saunders **strongly for regional programs**

Focus on **high-security and high-compliance** scopes

Targeting **long-term**, recurring revenue opportunities under Defence Fuel Resilience Program (DFRP) and Strategic Programs

Pipeline includes **international** US-funded works in Japan and the Pacific

Source: Saunders AGM Presentation

COMMS GROUP LTD

(NCC)

(ASX: CCG)

Trading Update & Debt Refinance

Comms Group continued to rebuild investor confidence through a series of announcements in late 2025, signalling progress on its turnaround strategy. Key developments, in chronological order, included:

- **Q1 FY26 Trading Update** – CCG reported Q1 FY26 revenue \$19.4 million and EBITDA of \$2.2 million. Management reaffirmed its annualised run-rate guidance of approximately \$75 million in revenue and \$9–10 million in EBITDA. All divisions contributed positively, with the recently acquired TasmaNet performing in line with expectations. The company also highlighted ~\$2 million in anticipated annualised synergies from network rationalisation, expected to be largely completed by Q4 FY26 and therefore primarily benefiting FY27 earnings.
- **Debt Refinance** – Subsequent to the trading update, CCG announced an agreement with a Big-4 bank to refinance the group's existing debt facilities (previously held with a private credit fund). This facility will not only provide CCG with a potentially material cost-of-funds benefit but also increased flexibility and capacity should CCG seek to acquire a business that is complementary to its current offering.
- **AGM Presentation** – The detailed AGM materials reiterated much of the above but provided additional insights, including:
 - Approximately 5 million in new annualised recurring revenue contracted year-to-date across a range of corporate and government clients, with management noting a building sales pipeline.
 - From a capital management standpoint, the Board has prioritised debt reduction, whilst maintaining distributions and investing in growth initiatives. In our view, this underscores a commitment to avoiding equity issuance for growth, with a clear focus on organic opportunities and shareholder returns.

With a market capitalisation of just \$40 million, CCG remains under the radar of most investors. If the Board and management can continue to execute, we can see a day when the business is debt-free and producing free cash flow in excess of \$7 million annually.

The telecommunications and, to a lesser extent, the managed IT services industry have consolidated significantly over the past 5 years and in our view, this has left significant opportunities for firms such as CCG to capture customers seeking superior service offerings.

HANCOCK & GORE LTD

(NCC)

(ASX: HNG)

FY25 Full-Year Results

The FY25 full-year results, released in late November 2025 (for the September year-end), effectively drew a 'line in the sand' for HNG. The company has long resembled a complex puzzle with a clear end vision, transitioning into a focused global school uniforms platform, but assembling the pieces has taken longer than initially anticipated.

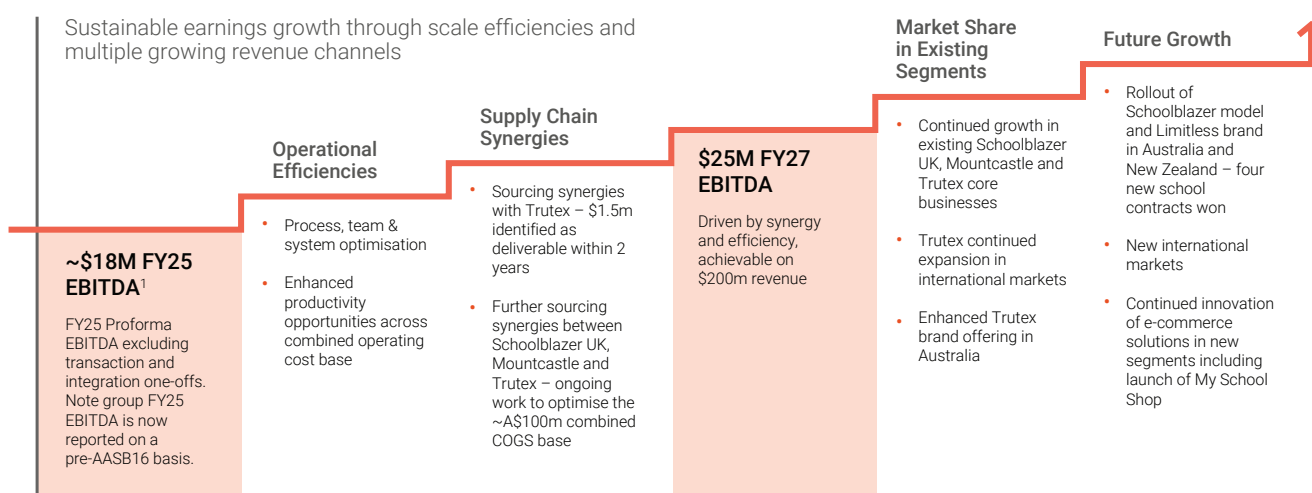
Specifically in relation to the FY25 result, there was little that was not already known, but the most notable points were as follows:

- Management outlined FY27 as the target year for the soon-to-be-renamed Schoolblazer Group Ltd to achieve \$25 million in EBITDA (pre-AASB 16) on a \$200 million revenue base.
- Post financial year-end, HNG secured a new financing facility to fund the payment due to the founders of Schoolblazer Group. HNG stated that it expects this debt to be repaid in an orderly manner as some of the remaining on-balance-sheet investments are progressively realised.
- Additional details were provided on HNG's largest unlisted investment, Disruptive Packaging, which grew revenue to approximately \$40 million in FY25, a ~60% increase from FY24. Buoyed by successful entry into new markets, including North America, the business anticipates further substantial growth in FY26. At the time of the results, Disruptive Packaging was nearing completion of a material strategic investment in North America. Depending on the transaction structure, this could enable an upward revaluation of HNG's stake and potentially facilitate a partial sell-down if external interest materialises.

Looking ahead, we continue to believe the HNG strategy is sound, with the people executing it proven performers and highly aligned, given their near-20 % shareholding in HNG. FY26 will be a pivotal year for the business as it has numerous catalysts in front of it that increase the overall transparency of HNG so investors can better gauge the value of the HNG business. Some of these events, in our opinion, include:

- A full year of consolidated accounts (shifting away from investment accounting).
- Successful onboarding of Schoolblazer's first Australian school customer (Kambala);
- Further Schoolblazer customer wins in Australia;
- Completion of the Disruptive Packaging external investment process;
- Tangible evidence of gross margin improvement across the group;
- Continued deleveraging through stronger cash flows and realisations of non-core assets.

Growth Drivers



¹ Unaudited on a consolidated basis due to differing financial year ends. Excludes synergies, pre-AASB 16 for all business units including Mountcastle which historically reported on a post-AASB16 basis (which adds \$2.1 million to the above EBITDA figures). FY25 excludes \$5.6 million non-recurring transaction and integration costs.

Source - HNG FY25 Results Presentation



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INVESTMENT IN FOCUS
(SITE VISIT/INVESTMENT)

URBANISE.COM LTD

(NAC)

(ASX: UBN)

If one NAOS investee company stands out as facing a truly pivotal calendar year (CY26), there is little doubt within the NAOS team that UBN would rank at the very top of the list.

For context, UBN has been on this journey in one way or another for over 10 years, raising tens of millions of dollars along the way, together with a long list of former CEOs and Chairpersons who have not been able to execute on the opportunity available.

For UBN, CY26 will hinge on successful execution in delivering a long-awaited integrated payments and data service to a strata market that has seen minimal disruption over the past decade. Back in May 2025, National Australia Bank Ltd (ASX: NAB) and UBN entered a partnership to launch a data and payments integration service tailored for strata managers and their clients. As part of this partnership, NAB acquired a 15% stake in UBN at ~\$0.75 per share, with an option to increase its stake to 19.9% at \$1.25 per share.

In simple terms, an integrated data and payments product enables strata managers and lot owners to:

- Settle payments for bills, etc., using a variety of methods such as EFT and BPAY;
- A seamless (and automated) reconciliation process between payments, accounting and reporting;
- An ability to produce detailed reports as and when required by the strata manager and/or owner;
- A platform which can integrate seamlessly with other software providers and therefore provide a more holistic offering to the end user.

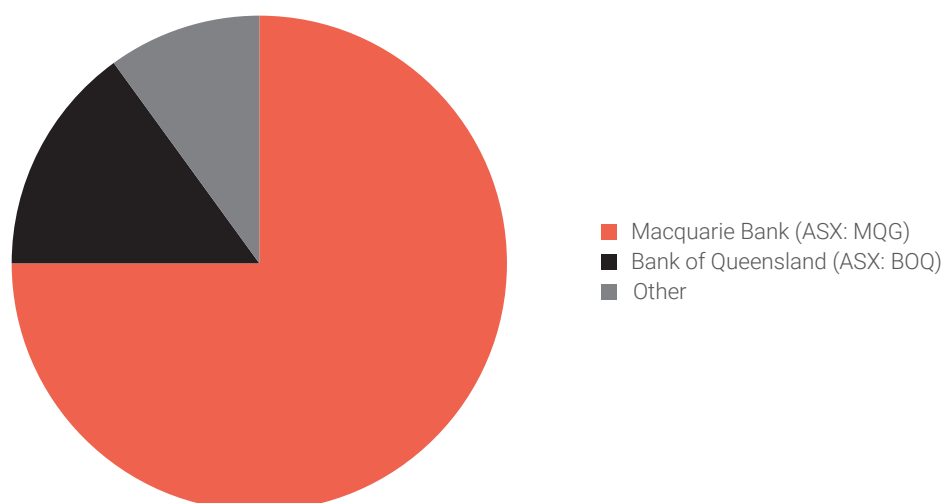
From a market perspective, two key metrics underscore the opportunity:

1. **Number of strata lots** – There are approximately 2.3 million strata-titled properties (also known as lots) in Australia.
2. **Total cash deposits** – Within these 2.3 million lots, it's estimated that >\$10 billion is held within bank accounts directly related to these strata lots in the form of body corporate admin and capital works funds (\$3000-\$5,000 per lot).

This second point is important as the majority of the >\$10 billion does not attract a market interest rate and therefore this is highly attractive for a bank that gains the lion's share of these deposits as they can be used to fund other assets such as mortgages, etc. and increase their overall net interest margin (NIM). In our opinion, the reason why interest is generally not paid on the majority of funds associated with body corporates, etc., is that given the small amount of interest that would be earned, this would create a requirement for a yearly tax return, which in most cases would more than offset what had been earned via the interest income.

Based on publicly available information, we estimate that >75% of deposits related to strata accounts are held with Macquarie Bank (ASX: MQG), with the nearest competitor being Bank of Queensland (ASX: BOQ), at circa 15%.

Strata Deposits



Turning to the competitive landscape for strata management software, a fragmented picture emerges. Key players include:

- **Property IQ**
 - Cloud-based software
 - Owned 100% by Macquarie Bank
- **Strata Max**
 - On-premise-based software
 - Privately owned
 - Closely aligned with Bank of Queensland (ASX: BOQ)
- **Strata Master**
 - On-premise-based software
 - Owned by the US software group MRI Software LLC

We estimate these providers (including UBN) each hold broadly similar market shares, though many strata managers (~25% by lots) still rely on rudimentary systems or spreadsheets. UBN stands out as a fully cloud-native platform.

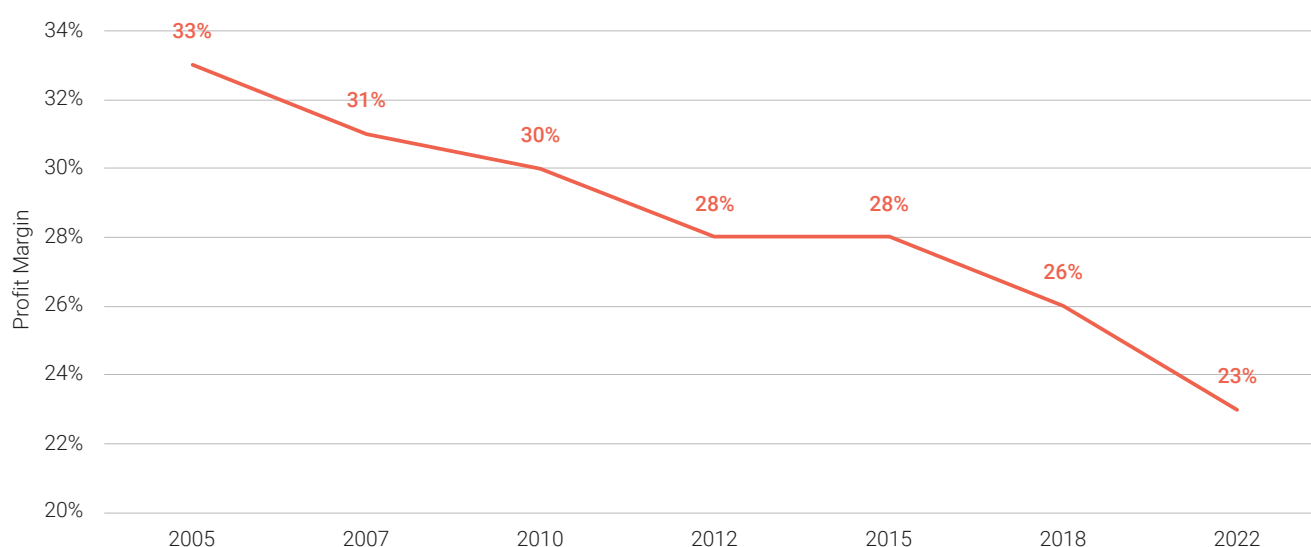
UBN disclosures highlight that ~60% of existing strata software remains DOS/Windows-based (on-premise), and that virtually all integrated banking/payment systems rely on legacy infrastructure over 20 years old. Features taken for granted elsewhere, such as remote access, real-time reconciliation, and customisable reporting, are not yet commonplace in this sector.

As previously noted, the strata management industry has faced structural declines in profit margins since 2005, as reflected in the most recent data available in 2022, as reported in the Macquarie Bank Strata Management Benchmarking Report.

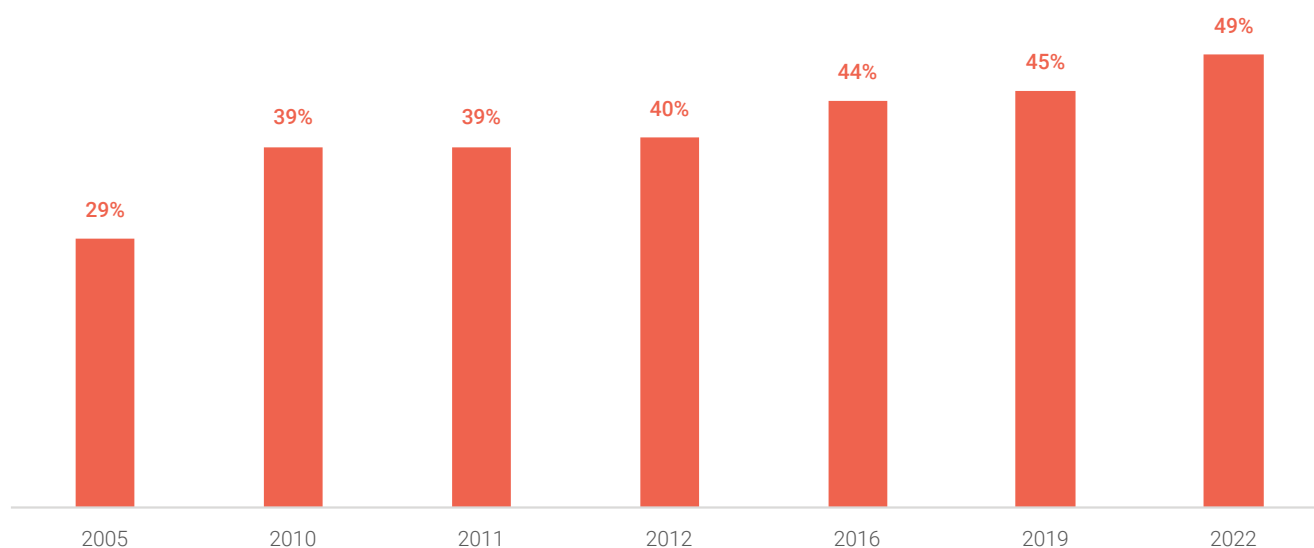
Even though, as an industry, it has benefited from numerous tailwinds, such as large addressable markets and consistent growth (due to population growth), to date, this industry growth has not been supported by efficient, intuitive systems for those managing it, namely strata managers.

Many core tasks remain manual, repetitive, and labour-intensive, forcing businesses to scale via headcount rather than productivity gains. This exacerbates margin pressure amid rising wage inflation and staff turnover in a competitive talent market.

Strata Managers - Average Profit Margin



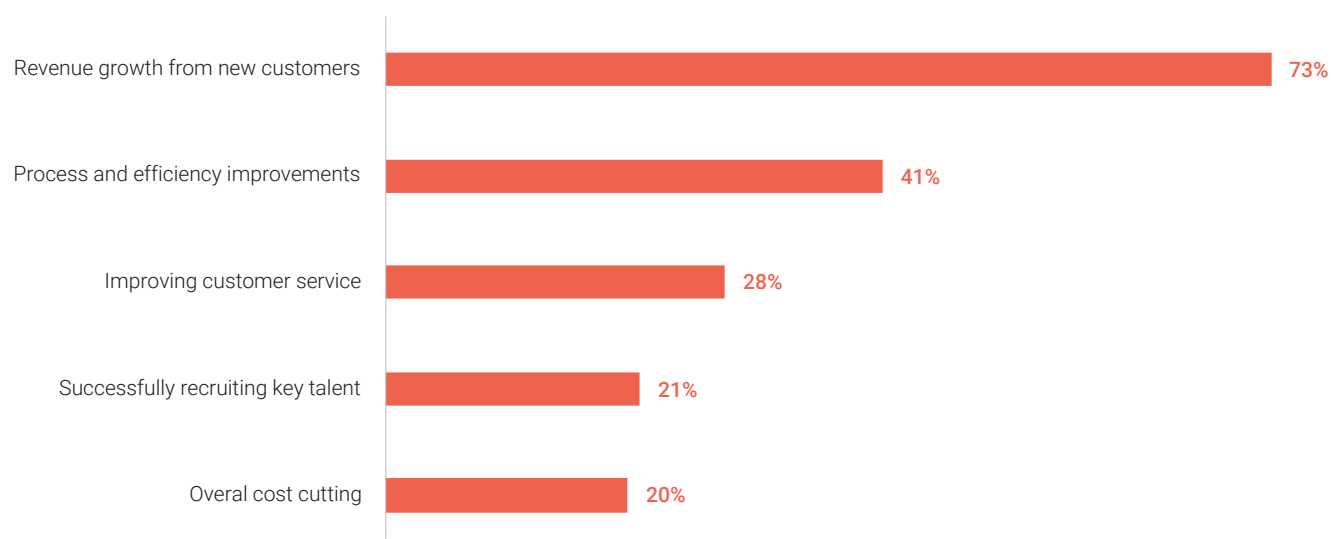
Source – Macquarie Strata Report

Salaries as a % of Total Revenue

Source – Macquarie Strata Report

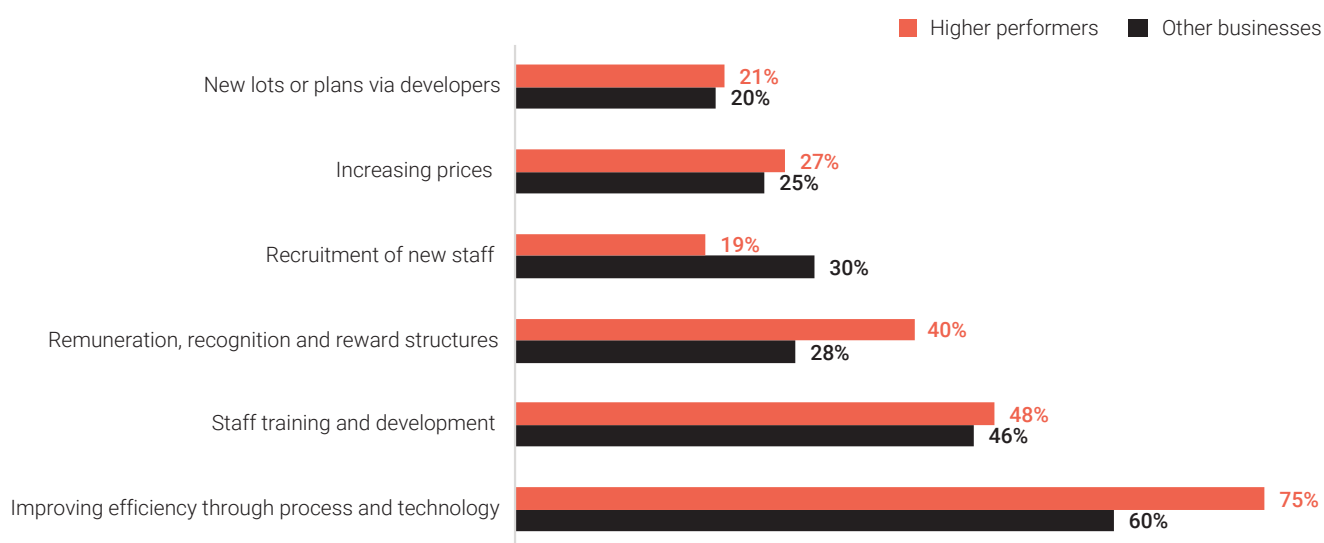
More recently, the strata management industry, most likely due to its consistent growth rates and cottage-style industry characteristics, has attracted significant interest from sophisticated investors, including private equity firms and overseas corporations. Examples include PICA Group, which is now jointly owned by Irish-based Fexco and Nippon Kanzai Co. out of Japan; Bright & Duggan, which was acquired by Johns Lyng Group and, more recently, the well-known private equity firm Pacific Equity Partners. Even in New Zealand, where the leading player, Crockers (a UBN customer), is owned by Waterman Private Equity.

With sophisticated investors increasingly focused on profit margins rather than revenue growth for its own sake, we are seeing more mid-sized and larger strata managers look to technology to improve efficiency, thereby increasing profit margins and lowering customer churn over time. Even though the data in the responses are now somewhat dated (see below), we can see that technology and efficiency gains are among the top two areas of focus for growing profitability over the medium term.

Top Profitability Drivers

Source – Macquarie Strata Report

Most Important Focus Areas for Strata Businesses in the Next 12 Months



Source – Macquarie Strata Report

So, for UBN, what does all of this mean? In summary, successful execution is paramount: UBN must deliver a compelling, differentiated product that clearly addresses pain points for strata managers, while ensuring a low-risk, minimally disruptive onboarding process for transitions to the integrated UBN/NAB platform. If these hurdles are cleared, the focus shifts to market share capture and the associated revenue uplift.

Today, UBN generates about \$11 million in revenue p.a. As part of this NAB partnership, UBN receives a recurring fee of \$1.3 million p.a. to manage the payments portal. In Australia, we estimate UBN manages over 300,000 strata lots on its existing platform (noting the company's global total exceeds 600,000 lots). These represent the most immediate opportunity for migration to the new integrated payments solution.

We are unsure of what remuneration structure UBN has agreed with NAB, so we can only make some basic assumptions. From NAB's perspective, the focus will be on the total amount of funds that move to their accounts. So, if, on average, a strata-related bank account has \$3,500 and NAB's net interest margin is 1.78%, each account is worth \$62 p.a. Another way of looking at this is that, as a rough guide, NAB's average cost of deposits would be around the 2-2.50% range. So, if NAB can access funds at a level below this, it has the capacity to pay a fee. If we assume a fixed fee of \$30 per account that uses NAB, this would equate to 0.8%.

In the Chairman's Address at UBN's most recent Annual General Meeting, the Chairman stated that "roll-out of the solution across the current customer base alone has the potential to double the Company's strata management revenue." In FY25, total strata management revenue in Australia was ~\$6 million, and against the assumption of ~300,000 lots, this would imply a fee per lot/bank account of >\$20 p.a.

The matrix below provides a basic view of the extra recurring revenue UBN could achieve based on the assumptions of a given value per account or lot, along with the corresponding annual fee. This does not account for the circa \$12 million of recurring revenue UBN already has. From our perspective, any recurring revenue associated with the strata industry should command a high valuation multiple of >7 times annualised recurring revenue (ARR), given the industry's attractive structural characteristics.

ARR Sensitivity Based on Fee per Lot & Number of Lots

		\$20	\$23	\$26	\$29	\$32	\$35
Number of lots	50,000	\$1,000,000	\$1,150,000	\$1,300,000	\$1,450,000	\$1,600,000	\$1,750,000
	100,000	\$2,000,000	\$2,300,000	\$2,600,000	\$2,900,000	\$3,200,000	\$3,500,000
	150,000	\$3,000,000	\$3,450,000	\$3,900,000	\$4,350,000	\$4,800,000	\$5,250,000
	200,000	\$4,000,000	\$4,600,000	\$5,200,000	\$5,800,000	\$6,400,000	\$7,000,000
	250,000	\$5,000,000	\$5,750,000	\$6,500,000	\$7,250,000	\$8,000,000	\$8,750,000
	300,000	\$6,000,000	\$6,900,000	\$7,800,000	\$8,700,000	\$9,600,000	\$10,500,000
	350,000	\$7,000,000	\$8,050,000	\$9,100,000	\$10,150,000	\$11,200,000	\$12,250,000
	400,000	\$8,000,000	\$9,200,000	\$10,400,000	\$11,600,000	\$12,800,000	\$14,000,000
	450,000	\$9,000,000	\$10,350,000	\$11,700,000	\$13,050,000	\$14,400,000	\$15,750,000
	500,000	\$10,000,000	\$11,500,000	\$13,000,000	\$14,500,000	\$16,000,000	\$17,500,000
	550,000	\$11,000,000	\$12,650,000	\$14,300,000	\$15,950,000	\$17,600,000	\$19,250,000
	600,000	\$12,000,000	\$13,800,000	\$15,600,000	\$17,400,000	\$19,200,000	\$21,000,000

CY26 undoubtedly represents a pivotal period for UBN. This is the year in which the company must demonstrate to the market and the strata industry that they can deliver a product that truly adds value for strata managers and their clients, while featuring a thoughtfully designed onboarding process that minimises risk, disruption, and time commitment for those transitioning to the new platform.

Since completing the NAB Partnership, there is no doubt that UBN has provided little in terms of updates on the partnership's progress, what their product offers, and a detailed timeline for a product launch and first customers' onboarding.

This is understandable given that only seven months have elapsed since the agreement was signed—developing and bringing a robust, integrated banking and payments solution to market in such a short timeframe is inherently challenging. Even so, as we inch closer to this event, we will be looking for more detailed, investor-friendly releases from UBN so current and potential investors can better understand the business and its future potential.

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OUTLOOK

OUTLOOK

The final months of calendar year 2025 proved highly eventful for many NAOS investee companies, with the majority of developments signalling positive implications for their long-term earnings trajectories.

As we enter Q3 FY26, attention turns to the upcoming half-year reporting season in mid-to-late February. Given the general trading updates provided at recent AGMs, we anticipate few material surprises in the results. Investor focus will naturally shift toward outlook commentary, particularly trading conditions in the second half of FY26 and any emerging changes in activity levels driven by external factors.

We do not foresee significant shifts in the broader environment. If anything, conditions are likely to remain consistent with the low-growth backdrop observed for some time, albeit potentially with modest margin relief as cost pressures ease and efficiency initiatives bear fruit.

The NAOS team sincerely appreciates the ongoing support of our shareholders and for entrusting us with your capital.

If you have any questions or suggestions, please do not hesitate to contact me directly or any member of our team.

Warm regards,



Sebastian Evans

Managing Director and Chief Investment Officer
NAOS Asset Management Limited

