



**AROWANA AUSTRALASIAN VALUE
OPPORTUNITIES FUND LIMITED**

(“AWQ”)

Investor Presentation

March 2017

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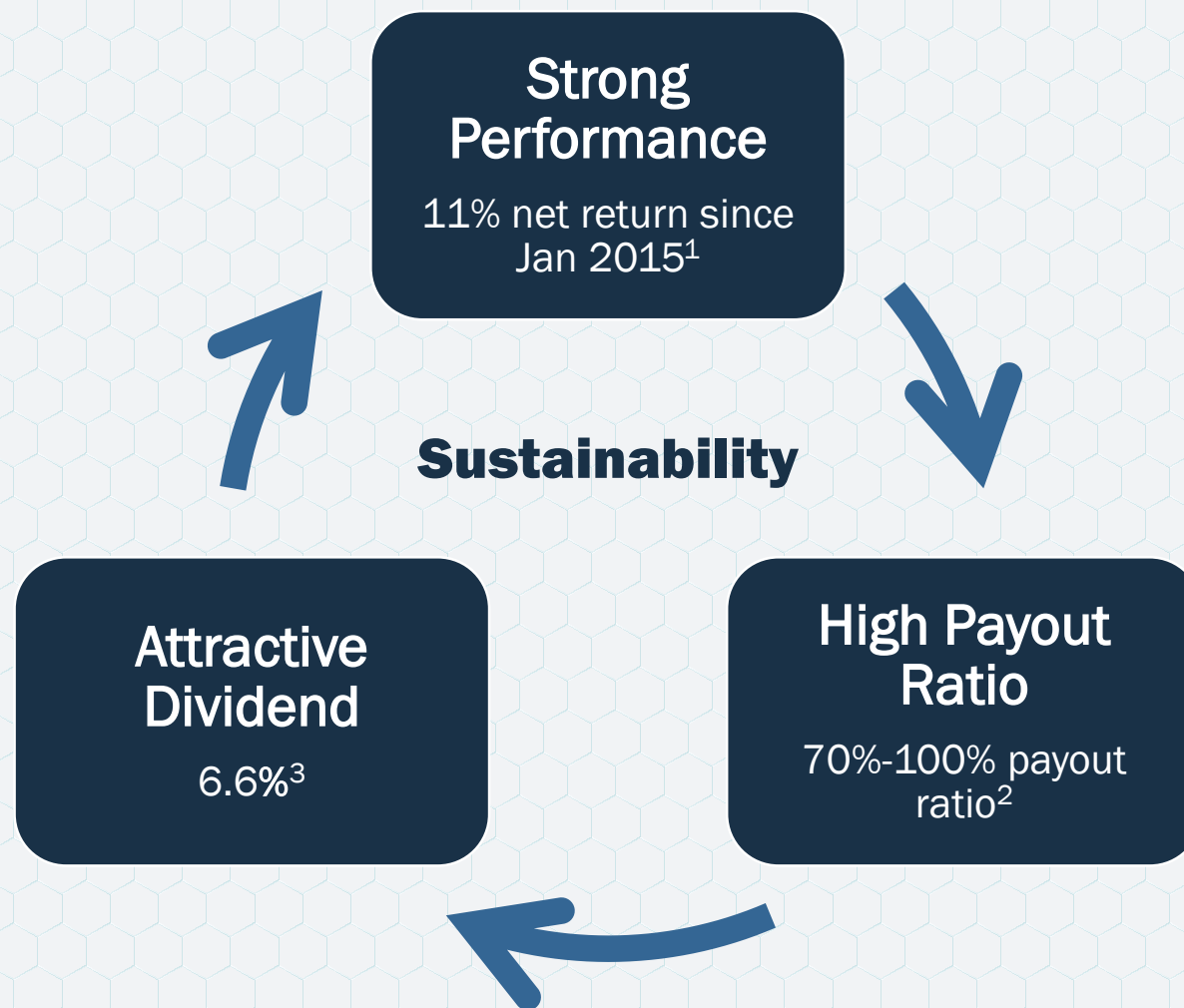
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AWQ: OUR CORE OBJECTIVES

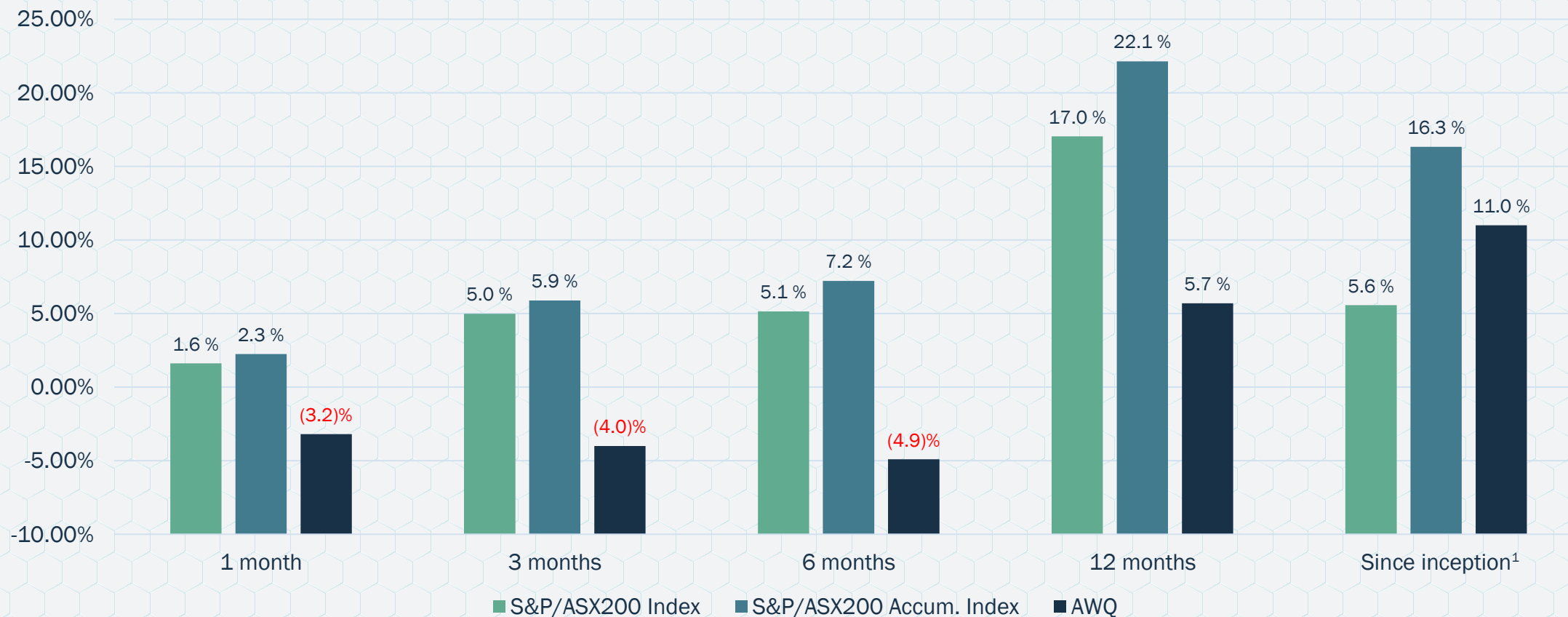


1. As at 28 February 2017; net return **after** all fees and other costs and before providing for estimated tax on unrealised gains. Many LIC managers quote returns before fees which may grossly overstate returns over long periods of time
2. Policy of distributing 70%-100% of post tax income as dividends
3. Annualised yield based off 4 cents per share dividend for half year ending 30 June 2016, and 2 cents per share for half year 31 December 2016 and stock price of \$0.91 as at 28 February 2017



AWQ: OUR PERFORMANCE (TO 28 FEBRUARY 2017)

Average cash holding since inception 57%; below returns achieved on <50% of capital



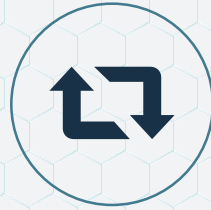
1. Returns are post fees & company taxes and pre taxes on unrealized gains. Fund inception 5 January 2015



AWQ: OUR ADVANTAGES



Deep research
methodology



Absolute return
mindset



Concentrated
portfolio



Global
perspective



Highly
experienced
team



Accountability



Transparency



Communication



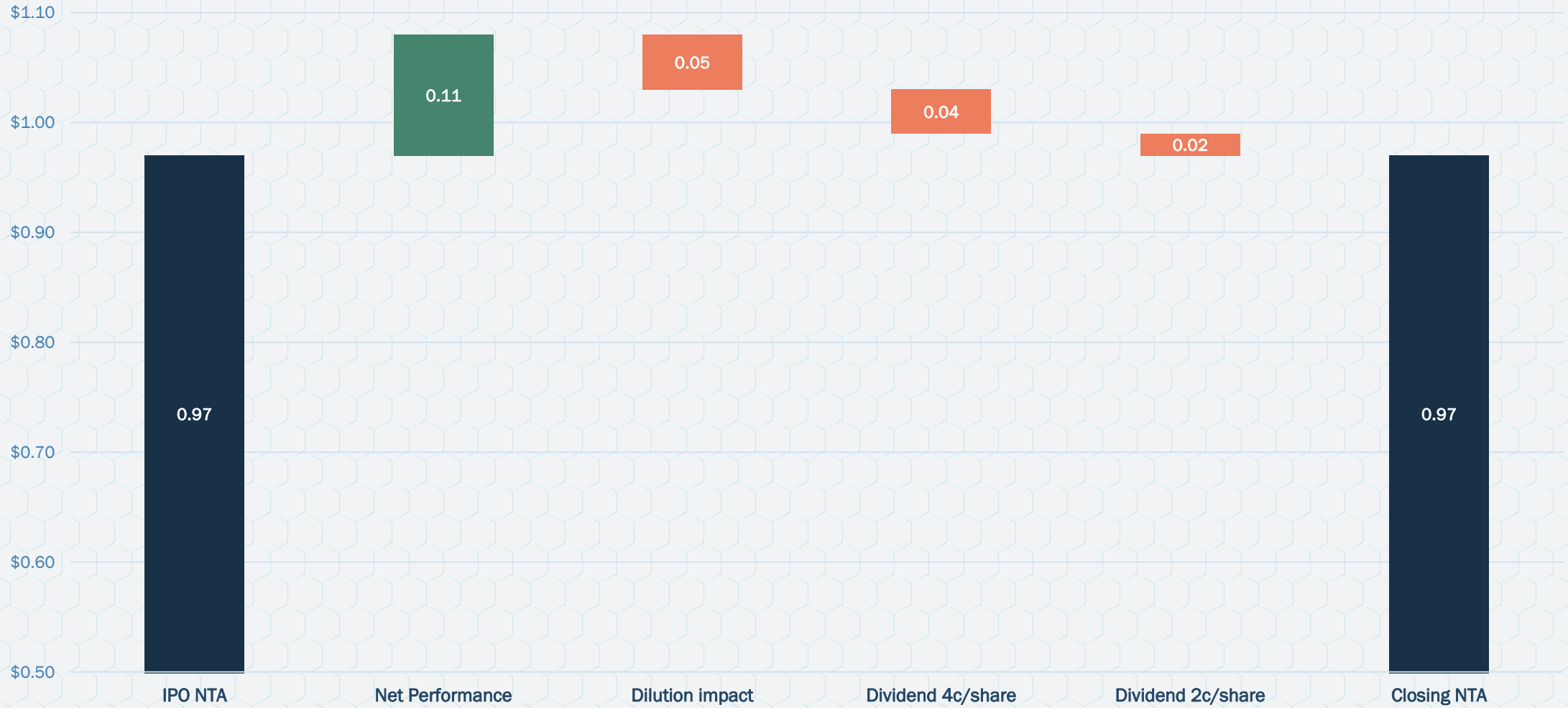
Consistency



High dividend
yield



AWQ NTA PER SHARE (AU\$)



AWQ: OUR INVESTMENT TEAM



Gary Hui

Lead Analyst/ Chief Investment Officer

- ◆ CIO since inception of AWQ
- ◆ 7 years Indus Capital (Asian / global hedge fund)
- ◆ 8 years J.P. Morgan (Proprietary Trading, ECM and M&A)
- ◆ 5 years Deloitte (corporate finance, audit)



Conor Byrne

Chief Financial & Operating Officer

- ◆ CFOO since inception of AWQ
- ◆ 8 years as COO of Investors Mutual
- ◆ 9 years Treasury Group Investment Services



Ben Wolrige

Analyst

- ◆ Analyst since May 2015
- ◆ 3 years Corality Financial Group (specialist infrastructure modeling)
- ◆ 2 years VGI Partners (global hedge fund)



Benn Lim

Director, Head of Investor Relations

- ◆ IR & Bus. Dev. AWQ & AWN
- ◆ 9 years Financial Adviser at UBS WM
- ◆ 5 years Financial Adviser at Commonwealth Private



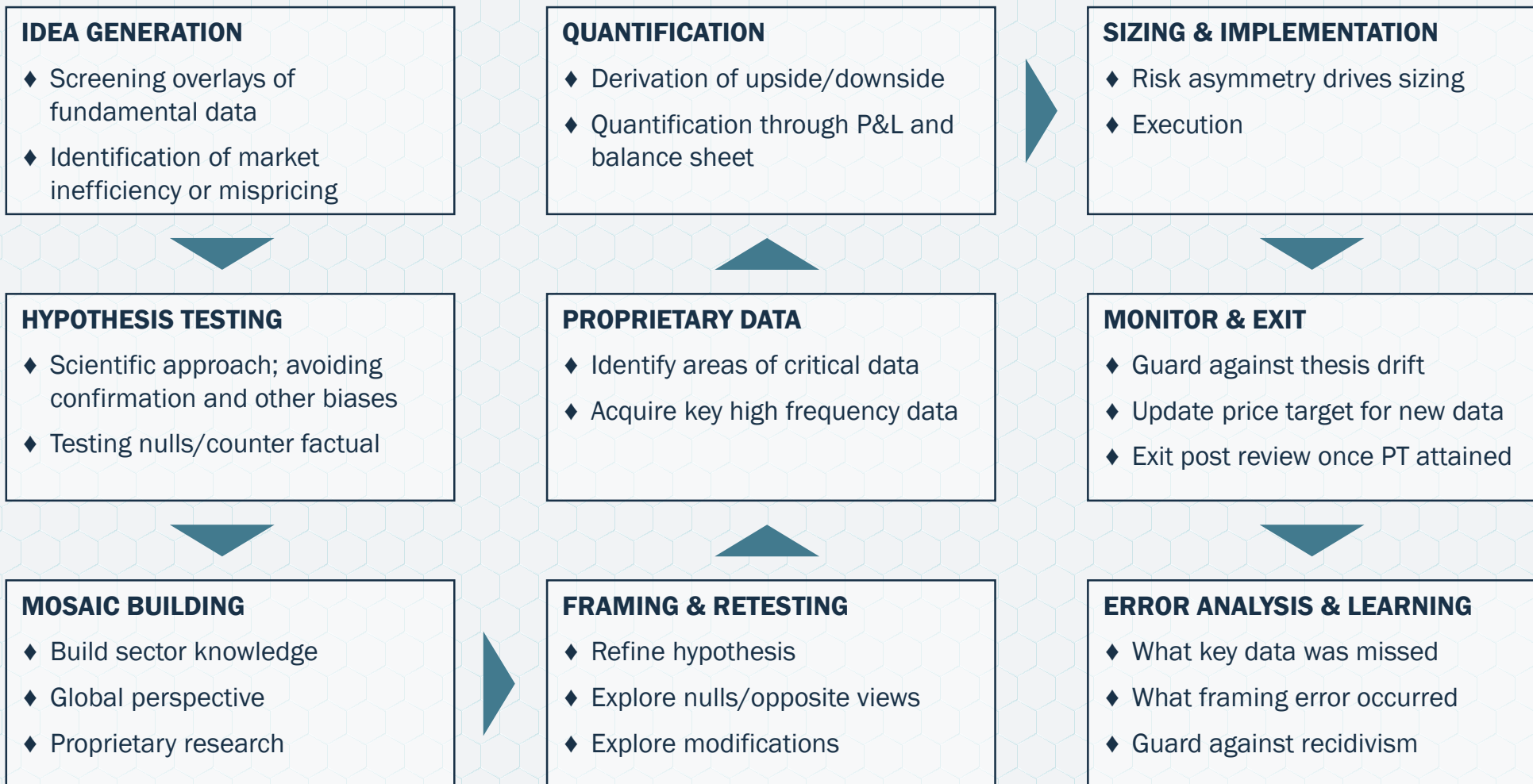
Elizabeth Hickey

Office & Quality Assurance Manager

- ◆ 15+ years administrative experience
- ◆ 8 years specifically focused on business support within the financial sector



AWQ: DATA DRIVEN INVESTMENT PROCESS



NO VIEWS – ONLY DATA!



PORTFOLIO AT 28 FEBRUARY 2017

AAVOF Asset Allocation

Asset class	A\$m	%**
Australian Equities	30.3	45%
AUD cash and equivalent	33.1	49%
USD cash and equivalent	4.1	6%
Australian Hybrids & Bonds	-	0%
International Equities	1.2	2%
Hedges	(1.0)	(2)%
Portfolio value*	67.7	100%

* Total may not sum due to rounding

** Percentage of gross portfolio value

Top 5 Holdings

Ticker		%**
IFN	Infigen Energy	11%
SIV	Silver Chef Limited	10%
USD	USD ETF	6%
ELD	Elders Limited	6%
AFY	Afterpay Holdings	6%
Top 5 as a % of gross portfolio		39%



INFIGEN ENERGY



- ◆ Very strong revenue and earnings growth
- ◆ Exceptionally strong cash generation
- ◆ Debt levels are falling rapidly, expanding equity value in the process
- ◆ Company recently announced an 18% increase in future production capacity
- ◆ Portfolio of operating assets remains 100% Australian
- ◆ Position has been reduced in size to more manageable levels
- ◆ Infigen continues to trade cheap relative to comparable companies, representing opportunity

Infigen Energy overview

Ticker	IFN
Price ¹	A\$0.99
Mkt cap ¹	A\$773m
Enterprise Value ¹	A\$1,338m
EV/EBITDA (FY17F) ²	9.1x
Free Cashflow/Mkt Cap (FY17F) ²	12.6%
AWQ position size ¹	11%

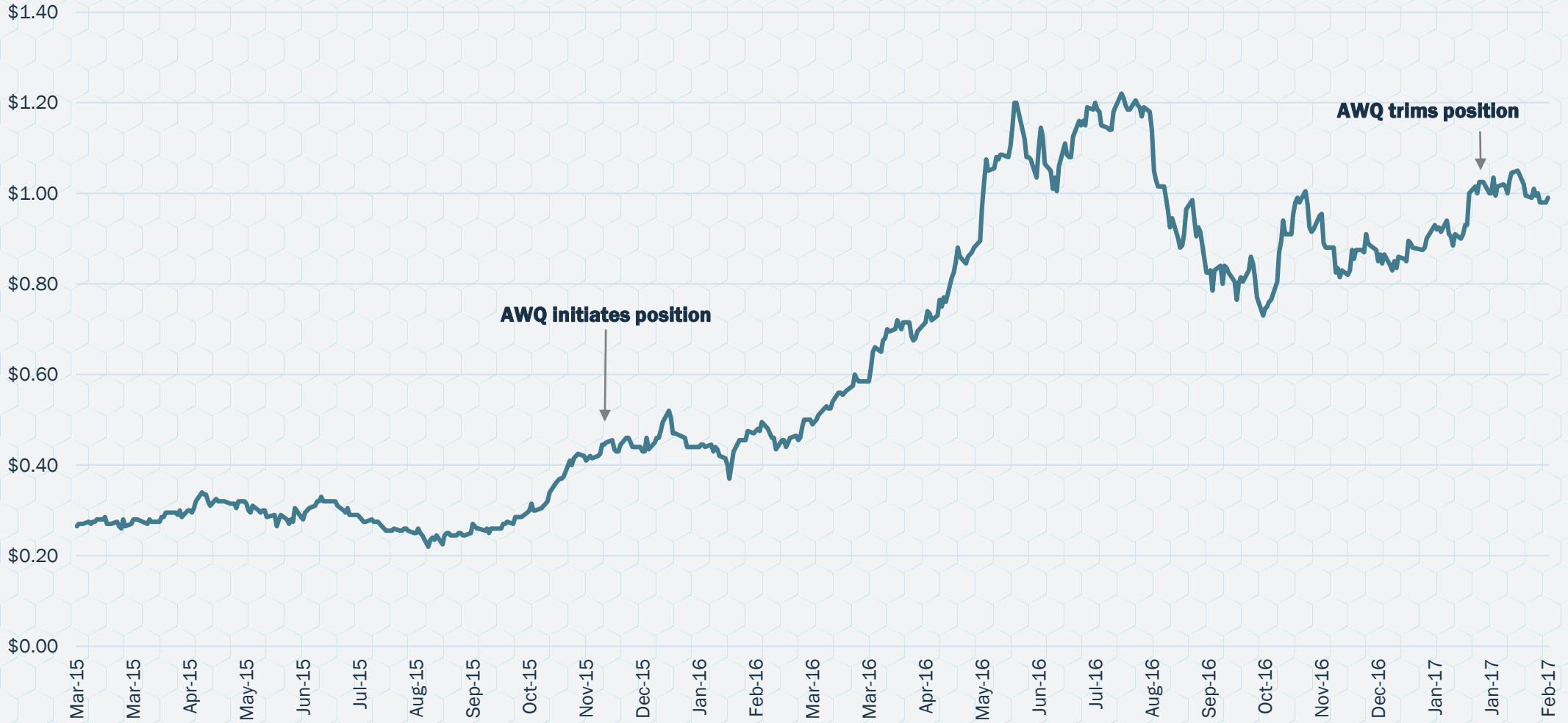
1. As at 28 February 2017

2. Based on available Bloomberg consensus forecast



INFIGEN ENERGY

IFN Share Price (AUD)



Source: Bloomberg; AWQ



SILVER CHEF



- ◆ Long term compounder...unique hospitality franchise expanding rapidly in New Zealand and Canada
- ◆ Recent earnings pressure stems from lower quality general equipment business “Go Getta” driving a bad debt cycle
 - ◆ Credit costs / NPL influx has peaked
 - ◆ Provision coverage has never been stronger
 - ◆ Short tenor leases...NPL formation occurs quickly...bad news flushes out fast
- ◆ Earnings into 2H-2017 and 2018 are a coiled spring
 - ◆ Price rises taken late in 1H 2017 fully cycle
 - ◆ Provisions buffer NPL influx

Silver Chef overview

Ticker	SIV
Price ¹	A\$7.20
Mkt cap ¹	A\$266m
P/E (FY18F) ²	7.6x
RoE (FY17F) ³	19.3%
Yield (FY17F) ³	6.6%
AWQ position size ¹	9.7%

1. As at 28 February 2017

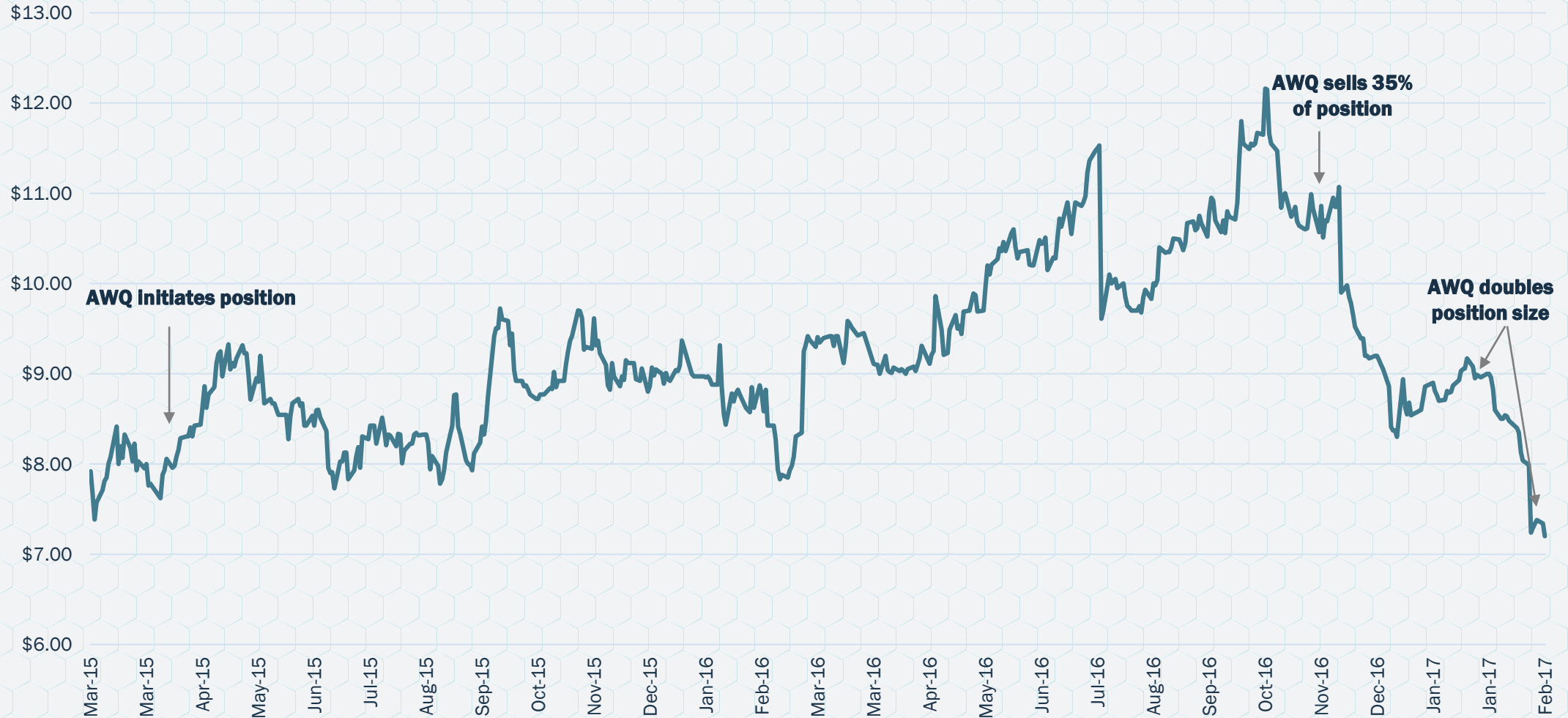
2. Based on AWQ forecasts

3. Based on available Bloomberg consensus forecasts



SILVER CHEF: FEAR IS ALWAYS THE OPPORTUNITY

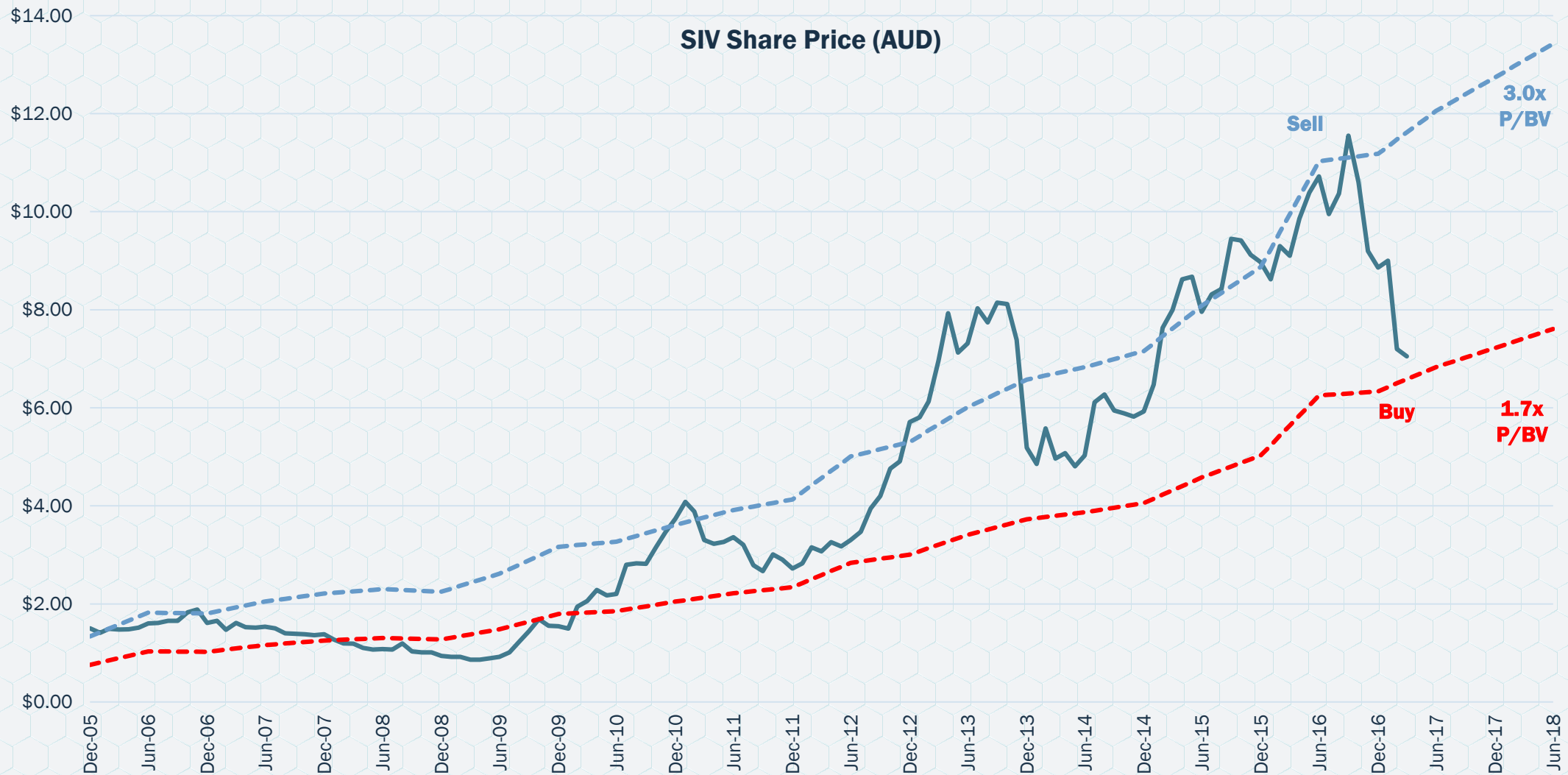
SIV Share Price (AUD)



Source: Bloomberg; AWQ



SILVER CHEF: FUNDAMENTALS, NOT FEAR DRIVE OUR INVESTMENT DECISIONS

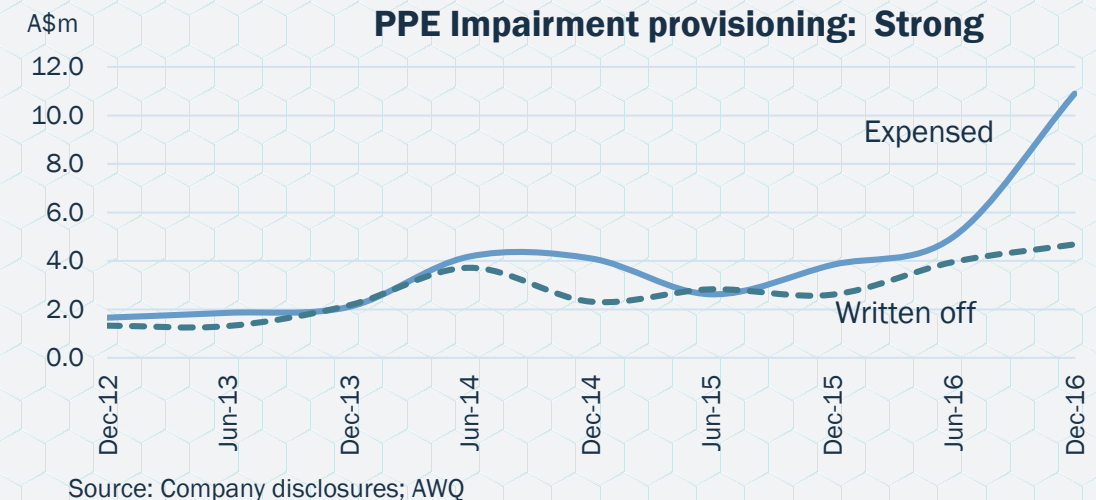
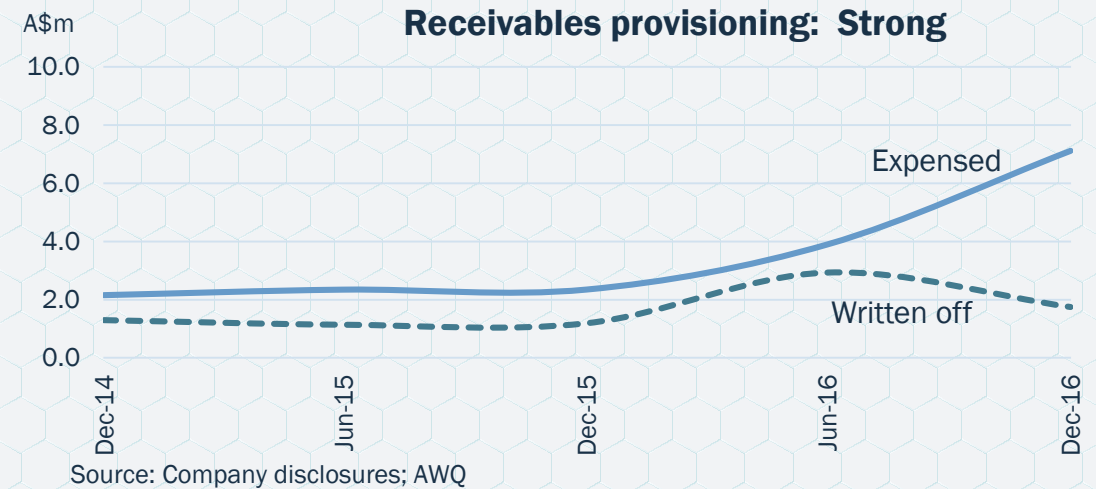


Source: Bloomberg; AWQ



SILVER CHEF: A COILED SPRING

- ◆ 1H-2017 *earnings* were impacted by large credit related charges
 - ◆ These charges were significantly in excess of write off levels and credit influx
 - ◆ Resulting in significant buffering of provisions carried on the balance sheet
- ◆ Meanwhile, book value continues to grow
 - ◆ With no impairment to book value, there is significant downside margin of safety
 - ◆ Because in 1H-17 the credit expense rate was well ahead of actual credit cost experience, 2H-17 and 2018 earnings will rebound...very sharply
- ◆ Earnings, and stock price, should rebound like a coiled spring



STOCK UPDATE: ELDERS SHARES (“COMMON”)



- ◆ Nearing final phase of three year recovery story
- ◆ Completion of Hybrid security restructure imminent
- ◆ Paves the way for resumption of dividends
- ◆ Remains fundamentally cheap...iconic Australian brand

Elders overview

Ticker	ELD
Price ¹	A\$4.35
Mkt cap ¹	A\$495m
P/E (FY17F) ²	11.4x
RoE (FY17F) ²	22.0%
Yield (FY17F) ²	2.4%
AAVOF position size ¹	6.1%

1. As at 28 February 2017

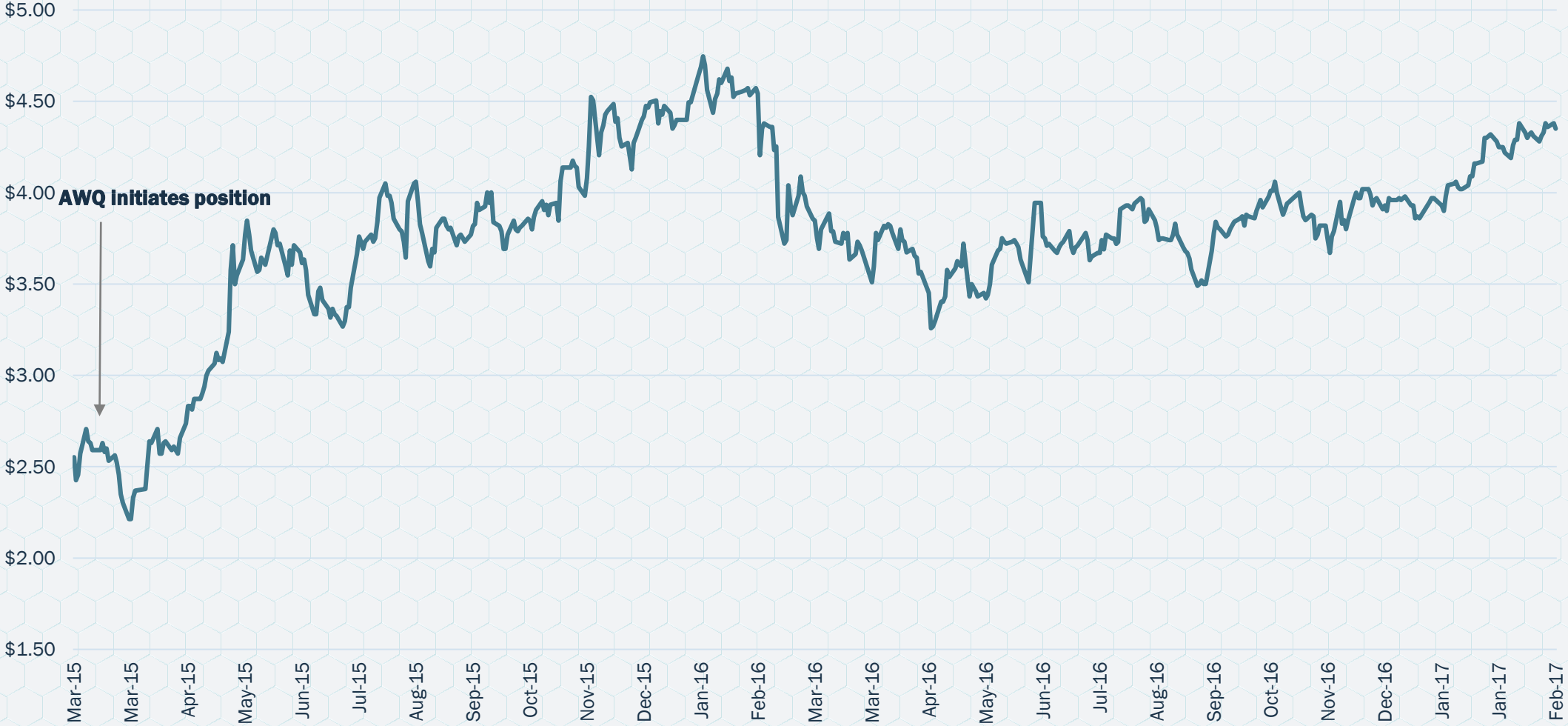
2. Based on available Bloomberg consensus forecasts



STOCK UPDATE: ELDERS



ELD Share Price (AUD)



Source: Bloomberg; AWQ



TOUCHCORP: ONE THAT DIDN'T WORK



- ◆ Acquired for leverage to growing e-payments platform processing volumes
- ◆ Excessive investment in business development impaired cashflow
- ◆ Tragic passing of CEO highlighted a lack of succession planning
- ◆ Earnings impacted, stock traded below liquidation value
- ◆ Led to takeover from largest customer

Touchcorp overview

Ticker	TCH
Price ¹	A\$1.32
Mkt cap ¹	A\$177m
Enterprise Value ¹	A\$149m
NTA (underlying)	A\$153m
AWQ position size ¹	2.5%

1. As at 28 February 2017



TOUCHCORP



TCH Share Price (AUD)



Source: Bloomberg; AWQ



AFTERPAY: UNICORN POTENTIAL IN AN ASX LISTED SMALL CAP



- ◆ Afterpay offers a unique online payment system which:
 - ◆ Is *proven* to *materially increase* merchants sales
 - ◆ Is *proven* to *materially reduce* merchants payment fraud costs
 - ◆ Provides consumers a *faster* and *more secure* method to buy online
- ◆ Customer acquisition, merchant acquisition and GMV growth rates are *going viral*
- ◆ Structural growth story...extremely large TAM (total addressable market)
- ◆ “Secret sauce” is the credit engine...140+ rules based real time transaction approval...association database that becomes stronger with volume growth
- ◆ Business has significant positive operating leverage
 - ◆ Earnings are at point of inflexion; earnings growth is likely to surprise given GMV trends and operating leverage

Afterpay overview

Ticker	AFY
Price ¹	A\$2.23
Mkt cap ¹	A\$402m
P/E (FY18F) ²	37.5x
EV/EBITDA (FY18F) ²	25.0x
Position Size ¹	5.9%

1. As at 28 February 2017

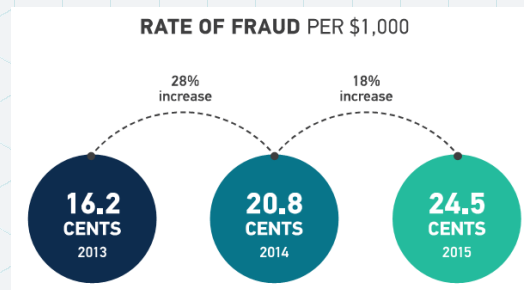
2. Based on available Bloomberg consensus forecasts



MERCHANT PERSPECTIVE

The Problem for Merchants

- ◆ Merchants (stores) are going online increasingly...this is where the growth is
- ◆ Online retail is highly prone to fraud
 - ◆ CNP (card not present) environment fraud drives almost 80% of fraud losses in Australia
- ◆ 3 & 4 party Credit Card networks recharge all fraud costs to merchants
- ◆ Cost of fraud “chargebacks” can be 3-4x cost of card interchange fees
- ◆ “[merchant] has chargebacks imposed on it by card scheme’s systems that have caused the chargeback issue to arise in the first place.”¹



Source: Australian Payments Fraud: Details and Data 2016, Australian Payments Clearing Association

¹ Submission to RBA Card Payment System Review, 2016

The Afterpay solution for Merchants

- ◆ No chargebacks...ever
- ◆ Payment within 48 hours
- ◆ Results in significant cost and administration saving for merchants
- ◆ Ease of shopping for consumers drives higher basket value and conversion rates
- ◆ Becomes a “must have” payment option for any online retail merchant

DELIVERING VALUE

ILLUSTRATIVE RESULTS

	AVERAGE ORDER VALUE	CONVERSION RATE	TOTAL ONLINE SALES
VERONIKA MAINE	+25%	+22%	+19%
General Pants Co.	+20%	+28%	+17%
TONY BIANCO	+18%	+22%	+21%
COTTON:ON	+20%	NOT DISCLOSED	
CUE	+24%	+19%	+31%

Source: Afterpay presentation

CONSUMER PERSPECTIVE



The Problem for Consumers

- ◆ Desire for greater convenience & transaction speed
- ◆ Fraud risk with provision of card details to multiple online merchants
- ◆ Typically only 30 days interest free on credit cards...then very high rates of interest

The Afterpay solution for Consumers

- ◆ Extremely simple online purchasing system...significantly faster than keying in credit card details
- ◆ Much lower incidence of CNP (card not present) fraud...when the card isn't involved in the transaction
- ◆ Up to 56 days interest free...effectively increases consumption capacity
- ◆ No interest, establishment or monthly fees
- ◆ Tools for consumer to responsibly manage their spending



AFTERPAY: EXCEPTIONALLY HIGH RETURN BUSINESS MODEL, VERY LARGE ADDRESSABLE MARKET



- ◆ Blue ocean business model. Solves problems for merchants and consumers with a unique approach
- ◆ Unique rules based credit engine is extremely effective, driving structurally lower cost to serve
- ◆ Generates exceptional returns on capital
 - ◆ Very short tenor receivables...behavioural tenor ~30 days
 - ◆ Thus, the receivables book “spins” 12x per year
 - ◆ Current net transaction margin ~2.5%
 - ◆ $12 \times 2.5\% = 30\%$ return on capital invested in receivables...simple bar coaster math shows return on equity potential over 50!
- ◆ Business is at point of profit inflexion...very significant positive operating leverage
- ◆ Customer acquisition, merchant acquisition and GMV growth rates are going viral
- ◆ Our price target significantly greater than current stock price



AFTERPAY

AFY Share Price (AUD)



Source: Bloomberg; AWQ

