



AROWANA INTERNATIONAL LIMITED

2015 ANNUAL GENERAL MEETING

Executive Chairman's Presentation

13 November 2015

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2015 YEAR IN REVIEW

FY2015 FINANCIAL OVERVIEW

Key Metrics		FY2013	FY2014	FY2015
Revenue ¹	A\$m	nmf	3.3	2.8
EBIT ¹	A\$m	nmf	(3.5)	(2.9)
Net cash / (net debt)	A\$m	2.6	96.8	53.9
NTA / share	A\$	0.03	0.82	0.77
Shares on Issue	#m	163.2	163.2	158.2
Dividends per share	A\$	0.01	0.04	0.03

1. Represents underlying results excluding contribution from divested businesses and non recurring items. Reference 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.



FY2015 KEY ACHIEVEMENTS

1

Recruited first class talent

increasing team's average years of experience significantly

2

Rebuilt investment pipeline

to an Arowana all time record level exceeding \$150m+ of EBIT

3

Launched AFM (Funds Management)

including IPO of AAVOF LIC and SIV compliant AASSF

4

Achieved minimum FUM target

of A\$100m for the Funds Management arm ahead of target

5

Launched Arowana University

our inhouse learning and development programme



FY2015 KEY DISAPPOINTMENTS

1

Performance of Intueri Education

with weaker than expected NZ buffeted by strong growth in AU

2

Recruitment of independent directors

slower than expected with resistance to share ownership

3

Build up of leadership rolodex

for investee businesses has been slower than desired

4

Depletion of investment pipeline

during H1 FY2015, but rebuilt strongly from Feb 2015

5

Limited appetite for Australia from offshore

with investors negative on political volatility and productivity



FY2015 KEY MISTAKES & LESSONS LEARNED

Mistakes

1

“False economy”
cost management

2

Underinvestment in HR
and training

3

Underinvestment in
finance and IT security

Lessons Learned

1

Factor in qualitative costs
and apply value based cost
management

2

Adverse long tailed
multiplier effect results
from underinvestment

3

Enterprise risk mitigated
with enhanced Finance
and IT capabilities





2016 YEAR AHEAD

FY2016 KEY PRIORITIES



ALLOCATE OUR CAPITAL

patiently and creatively



GROW INVESTMENT PIPELINE

of qualified deals to \$200m+ aggregate EBIT



MANAGE OPERATING COMPANIES

to deliver long term EBIT CAGR of 10-20%



BUILD LEADERSHIP ROLODEX

comprising board, C-suite and management



INCREASE FUM BASE

for Arowana Funds Management to \$200m



EXPAND INVESTOR UNIVERSE

to encompass offshore investors



FY2016 PRIORITY 1: ALLOCATE CAPITAL

- ◆ Our job first and foremost is to allocate our capital wisely
- ◆ We are totally focussed on ROIC (Return on Invested Capital)
- ◆ We are also obsessive about ROIT (Return on Invested Time)
- ◆ Our mindset: capital and time are scarce and precious
- ◆ We seek to invest when there is positive asymmetric risk, where we can add disproportionate value
- ◆ “The most dangerous time to be an investor is when you have cash and not enough pipeline”



FY2016 PRIORITY 2: GROW INVESTMENT PIPELINE

- ◆ Grown qualified pipeline from <15 deals (in Nov 2014) to 70+ deals (as at Nov 2015)
- ◆ This is an Arowana all time record
- ◆ Over 75% of these qualified opportunities are proprietary and/or exclusive
- ◆ Key focus sectors: solar energy, food & beverage, education and funds management
- ◆ If we transacted all, we would need \$720m+ of capital (for an aggregate \$150m+ of EBIT)
- ◆ But investing in SMEs is like test cricket: “its equally about the ones you let through to the keeper”

\$721,510,000

71 ACTIVE DEALS



FY2016 PRIORITY 3: MANAGE OPERATING COMPANIES

- ◆ Cost cutting is relatively easy; growing revenue is the hard part
- ◆ Modern revenue management is very different from old school relationship based selling
 - Relationships mean far less in today's world; loyalty is fleeting
 - Amplified by rise of e-procurement
- ◆ Knowing how to build modern revenue architecture is key to growth
- ◆ Understanding of data driven lead generation techniques is also key



FY2016 PRIORITY 4: BUILD MANAGEMENT ROLODEX

- ◆ Goal is to expand our talent bench of Board members, CEOs, CFOs, COOs, GMs, Sales Directors etc
- ◆ This has been done in an unstructured and reactive manner over the past few years
 - With increased investment in HR capabilities, a more formal proactive approach is being adopted
- ◆ This proactive approach also helps us to pixelate our knowledge of an industry
 - Often through meeting management candidates, we get more informed grassroots intel
- ◆ Different players are needed for different stages of a companies' lifecycle
 - Management is dynamic and non linear
 - A good manager of a \$20m EBIT business may be a terrible manager of a \$5m EBIT business
- ◆ Ideal candidates are those who can combine entrepreneurial persistence and flair with corporate discipline
 - Those who have experienced large corporates but run their own businesses are best suited to our model



FY2016 PRIORITY 6: GROW FUM BASE

- ◆ Funds Management is underpenetrated in Asia; strong growth prospects as region matures
- ◆ Australia has a first class Funds Management industry and is a great springboard to Asia
- ◆ Key industry threats include Google (and its algorithms) and continued disintermediation
- ◆ Arowana has a strong funds management ecosystem (through shareholders and advisors)
- ◆ Our long term strategy is to be focussed on innovative and globally scalable fund products
- ◆ Current focus is to deliver outperformance, which provides platform to attract new investors



FY2016 PRIORITY 6: EXPAND INVESTOR UNIVERSE

- ◆ Focus on increasing access to long term minded capital with aligned investment timeframes
- ◆ Rationale: curating shareholder eugenics is paramount
- ◆ Family office investors (especially Europe, US and Asia) tend to have a longer term mindset
- ◆ Meetings with international investors over the last 12 months have been insightful
 - Limited interest in Australia with concerns as to political volatility and productivity
 - This may change as the Australian dollar trends lower, particularly for special situations funds
- ◆ Investment into dedicated Distribution resources necessary in future
- ◆ More investment into Investor Relations resources to be considered also at the right time

Source: Financial Times



FY2016 YTD COMMENTARY

Enterprise Office

Board

Leadership

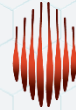
Team

Arowana Uni

Treasury

Operating Companies

THERMOSCAN
FOR ASSET, FOR LIFE



 **vivopower**

 **INTUERI**
EDUCATION GROUP

Funds Management

AAVOF
AROWANA AUSTRALASIAN VALUE OPPORTUNITIES FUND

 **AASSF**
AROWANA AUSTRALASIAN SPECIAL SITUATIONS FUND

 **AROWANA INC.**



FY2016 YTD COMMENTARY: ENTERPRISE OFFICE

Board

- ◆ Expect to announce new independent director before end of the month

Leadership (CEO, CFOO, CIO)

- ◆ Stable and highly experienced spine; focus on capital allocation and risk management

Investment and Operations Team

- ◆ Beefed up team with high performance hires; team primary focus on sourcing and buying

Arowana University

- ◆ Curriculum developed and rolled out internally with regular in-house courses

Treasury

- ◆ Recently converted 85% of our cash reserves to USD



FY2016 YTD COMMENTARY: ENTERPRISE OFFICE



THERMOSCAN

Leading Australian based thermography company

HQ in Queensland with national coverage

AWN owns and controls 100%



VIVOPOWER

Solar developer focussed on PPA projects

Geographic coverage across Australia, Asia and USA

AWN is defacto key shareholder



INTUERI

NZ's leading private education college group

Dual listed on the ASX and NZX

AWN has a 24.9% shareholding



FY2016 YTD COMMENTARY: THERMOSCAN

- ◆ First quarter revenue below budget reflecting slow customer decision making
- ◆ B2B environment expected to remain challenging as it was last year
- ◆ Management continues to focus on driving productivity improvement
 - Cost rationalisation was key to EBIT performance in FY2015
 - Process improvement and optimisation is key for FY2016
- ◆ New business development and marketing campaign also launched
 - Deployment of online tools to generate leads and drive more face to face meetings
- ◆ Arowana Enterprise Office continues to provide support management
 - Rockefeller Habits implementation, corporate development and budget preparation



FY2016 YTD COMMENTARY: VIVOPOWER

- ◆ Launched in August 2014 as a solar developer and IPP (independent power producer)
- ◆ Focus on ground mount and rooftop solar PPA (power purchase agreements) assets
- ◆ Geographic coverage across Australasia, South East Asia and the South Pacific
- ◆ Experienced and dedicated team driving positive momentum
- ◆ Acquired and building first rooftop solar PPA (power purchase agreement):
 - Amaroo school (public school in the ACT)
 - 0.6MW DC; 20 year PPA (with the ACT government)
 - Largest rooftop solar system in ACT (over 2,000 panels)
- ◆ Over 1GW pipeline of projects and opportunities across Australia, SE Asia and the USA



FY2016 YTD COMMENTARY: FUNDS MANAGEMENT DIVISION



AAVOF (A\$49m FUM)

ASX listed investment
company (LIC)

Mandate to invest in
Australasian stocks

Highly forensic research
underpins concentrated
portfolio

AAVOF outperforming
benchmarks as at 31 Oct



AASSF (A\$28m FUM)

Unlisted fund that invests
in growth or turnaround
situations with positive
asymmetric risk and yield
potential

SIV (Special Investor Visa)
compliant fund

Underlying investments
including UPMG, VivoPower
and Arowana Inc. all
delivering with upside risk



ARWA (A\$118m FUM)

NASDAQ listed SPAC
(with US\$82.8m cash)

Managed
by AWN team

Has until October 2016 to
consummate acquisition

Currently reviewing
acquisition opportunities in
solar energy





AROWANA OBSERVATIONS

AROWANA OBSERVATIONS (AUSTRALIA AND NZ)



High youth unemployment

Tracking at 13% in Australia & 20% in NZ

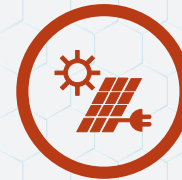
Government funded vocational education; cheap but ostensibly healthy fast food; social media apps



Falling AUD and NZD

Downward trajectory set to continue

Inbound international education; other exporters (including F&B); inbound tourism (especially from China)



Solar grid parity

Now achieved in many parts of Australia

Solar PPA project development (both ground mount and rooftop) and ancillary tech



Chinese capital flows

Flight of capital offshore including to Australia

Funds management (SIV/PIV market); other financial and real estate management services



AROWANA OBSERVATIONS (GLOBAL)



Long term 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, except if it offers cost savings



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



Focus on businesses with global addressable market potential...



... in high ROIC sectors and their technology derivatives (mainly in B2C)...



... that can succeed in the US and Asia (as the latter looks for success in former as validation)



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

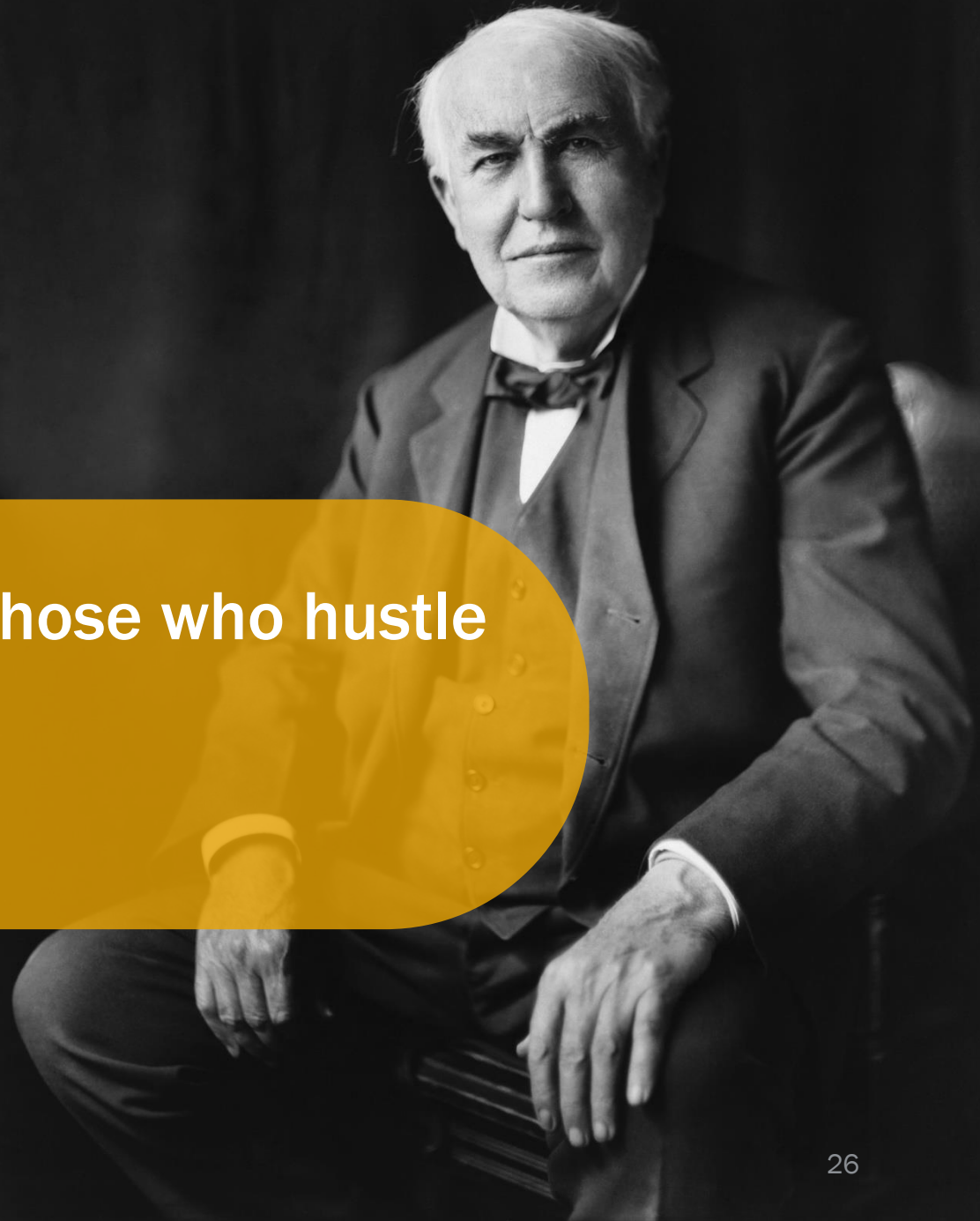


... that maintains a humble attitude to knowledge and can self correct



“ Good things come to those who hustle while they wait. ”

Thomas Edison





QUESTIONS
& ANSWERS

