ASX/Media release

Cash generation and net assets consistent, Portfolio resilient to market turmoil

Key highlights:

First half FY20		
Group Regular profit after tax*	$124.7 million	- 33.2%
Group Profit after tax	$51.0 million	- 71.5%
WHSP's net asset value (pre-tax)	$5.5 billion	+ 0.2%
Net regular cash from operations	$92.7 million	+ 0.7%
Interim Dividend (fully franked per share)	25 cents	+ 4.2%

Post balance date highlights:

- Merger of Vodaphone and TPG allowed to proceed by Federal Court.
- Resilience of WHSP business model demonstrated since COVID-19.
- Share price has decreased by 10.7% (1 February 2020 to 25 March 2020) against ASX All Ordinaries Index falling 29.7%.

Thursday, 26 March 2020: Diversified investment house, Washington H. Soul Pattinson and Company Limited (WHSP, ASX: SOL) today announced the Group's results for the half year ended 31 January 2020, reporting a Regular net profit after tax* of $124.7 million for the year, down 33% on the previous corresponding period. Group profit after tax was $51.0 million, down 71.5% on the first half of FY19.

Over the past five years, the compound average growth rate of the first half Regular profit has been 8.3%.

WHSP does not consider its earnings to be the key indicator of the Company's performance. As with any investment portfolio, the key drivers of success are growth in the capital value of the portfolio and growing dividends.

** Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Preliminary Final Report – Note 3, Segment Information.*

WHSP remains focused on delivering:

- **Increasing capital value of the Company**
  The gross value of the portfolio increased by approximately 0.2% during the period ending 31 January 2020. The Company's share price as at 31 January was trading at a 5.8% discount to the gross value of the assets in the portfolio.

- **Steady and growing dividends**
  WHSP declares its dividends from the cash it receives from its portfolio (rather than accounting earnings). The regular cash received by WHSP from its investments for the full year FY20 is expected to be in line with the previous year and will support our ability to pay a growing interim and final dividend.

WHSP Chairman, Robert Millner said: "We are pleased that the diversification of the portfolio and focus on resilient businesses which can perform well even in difficult conditions has placed WHSP in a good position to weather the storm we are seeing in financial markets."

"Our biggest investment, TPG, is a consumer staple business and should see increased demand for its products and services as people are increasingly working remotely. We believe the value focused products that will be offered by the merged TPG and Vodafone will become increasingly attractive."

"Since January, Thermal coal prices and demand have been resilient, particularly in Australian dollar terms, which will assist New Hope to maintain profitability."

"Brickworks has the benefit of exposure to TPG and New Hope through its investment in WHSP and also a sizeable industrial property portfolio with long leases which should benefit from lower bond rates."

"The businesses in our pharmaceutical portfolio are also performing quite well. Apex and API have both seen an increase in demand for their products since the outbreak of COVID-19."

WHSP Managing Director, Todd Barlow, said: "Over the last 20 years to 31 January 2020, an investment in WHSP with dividends reinvested has increased by 11.1 times while the Index has increased just 4.2 times."

"While asset valuations were racing away in 2019, largely unsupported by growth in company earnings, WHSP remained cautious. WHSP positioned itself to have financial capacity to make new investments during any market correction."

"We believe that the recent events will provide WHSP with opportunities to make new investments and we are actively looking for opportunities where our long-term, patient and disciplined investment approach can deliver outperformance for shareholders."

1H20 Results

WHSP's Regular net profit after tax was impacted by:

- New Hope Corporation – despite higher ownership of Bengalla and increased production at Bengalla, coal prices during the half were down an average of 29% on the average price achieved in 1H19;

- TPG Telecom - as a result of continuing margin erosion from migration to NBN and amortisation costs associated with the aborted mobile network rollout;
- Brickworks - driven by a decline in building activity and lower property earnings compared with the prior period which included property sales; and
- Round Oak Minerals – increasing losses attributable to lower commodity prices for zinc and copper and higher zinc treatment charges.

These were partly offset by an increase in Parent Company earnings, due mainly to the increase in value of its Small Cap Portfolio.

Subsequent events and outlook

On 13 February 2020, the Federal Court ruled that the merger of TPG and Vodafone should not be blocked on competition grounds. It is now expected that the merger will proceed in July 2020. The merger is a positive for TPG shareholders as it brings together the complementary network infrastructure of the two companies. The merged company will be able to generate significant operational synergies and be in a position to aggressively compete with the other major telecommunications providers.

Since 31 January 2020, WHSP's share price has demonstrated resilience to the impact of the COVID-19 virus on the market. Our share price has fallen by 10.7% (to 25 March 2020) compared to the ASX All Ordinaries Index which has fallen by 29.7%.

WHSP will continue to seek attractively priced investment opportunities in companies with fundamentally strong business models which operate in industries with long-term favourable characteristics.

Interim dividend – increased for the 22nd consecutive year

The Directors declare dividends based on the WHSP's regular cash inflows less regular operating costs. During FY19, WHSP's regular cash generation increased 18% and the first half cash generation in FY20 was consistent with the first half of FY19 (increasing by 0.7%).

For the half year ended 31 January 2020, Directors have declared a fully franked interim dividend of 25 cents per share, an increase of 4.2% over last year's final dividend of 24 cents per share. The interim dividend has grown at a compound average growth of 9% since 2000.

The record date for the dividend will be 23 April 2020 with payment due on 14 May 2020.

WHSP Chairman, Robert Millner said: "Our aim is to pay a stable and growing dividend year on year. During the GFC many companies cut their dividends while WHSP was able to increase dividends and this year's interim dividend is the 22nd consecutive increase."

"Given recent events, there is a likelihood that many ASX listed companies will need to again cut dividends, however, WHSP believes its' portfolio is in a strong position to be able to meet the challenge of continuing the cash generation this year to pay increasing dividends."

Briefing details:

WHSP will present its results together with Brickworks Limited via webcast commencing today at 12.30pm. The webcast can be accessed at:

https://www.streamgate.co/brickworks

About Washington H. Soul Pattinson and Company Limited

WHSP is Australia's second oldest listed company. Beginning as a pharmacy in Pitt Street, Sydney in 1872, the company listed on the Australian Securities Exchange 30 years later. Since listing, WHSP has paid a dividend every year, and grown into a diversified investor across a range of industries, including: telecommunications, building products, mining, equities, pharmaceuticals, property and financial services.

WHSP is a long-term investor with a focus on providing its shareholders with capital growth and increasing fully franked dividends.

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED (ASX CODE: SOL)

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For further information

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