

BKI INVESTMENT COMPANY LIMITED

Results for the full year ended 30 June 2020



*BKI is managed by Contact Asset Management
AFSL 494045*



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Highlights

For the full year ended 30 June 2020



Result excluding special investment revenue	2020	2019	Movement
Investment revenue – ordinary	\$45.4m	\$52.3m	-13%
Revenue from operating activities	\$46.7m	\$54.3m	-14%
Net operating profit after tax	\$41.6m	\$49.2m	-15%
Earnings per share	5.67c	6.75c	-16%
Dividends per share	5.945c	7.325c	-19%
Result including special investment revenue	2020	2019	Movement
Net operating profit after tax	\$48.6m	\$74.7m	-35%
Earnings per share	6.63c	10.26c	-35%
Special dividends per share	1.00c	2.50c	
Total dividends per share	6.945c	9.825c	-29%

BKI's Net Operating Profit After Tax, including special investment revenue for FY2020 was \$48.6 million, down 35% on the previous corresponding period. The main contributing factor for BKI's significant decrease in Net Operating Profits from the previous year was due to the large number of special dividends received in FY2019 after the acceleration of payments by many companies reacting to the possible threat of legislation to remove the benefit of franking credits. The special dividends received in FY2019 also included the fully franked special dividend component of the BHP off-market buy-back, and a non-cash unfranked dividend recognised from the Coles-Wesfarmers demerger.

Dividends Received

Cuts, Deferrals and Cancellations

Dividend Cuts



Dividend Cancellations



Special Dividends



Source: BKI, Contact Asset Management, Factset.

Final Dividends and Key Dates

BKI is paying a fully franked final ordinary dividend of **2.32cps**.

BKI will also pay a **1.00cps** fully franked special dividend.

Last trading date to be eligible for the BKI FY2020 final dividends is **Thursday 6 August 2020**.

Key Dates	
Last trading date to be eligible for the dividends	Thursday 6 August 2020
Ex-dividend date	Friday 7 August 2020
Record date	Monday 10 August 2020
DRP nomination	Tuesday 11 August 2020
Payment date	Thursday 27 August 2020

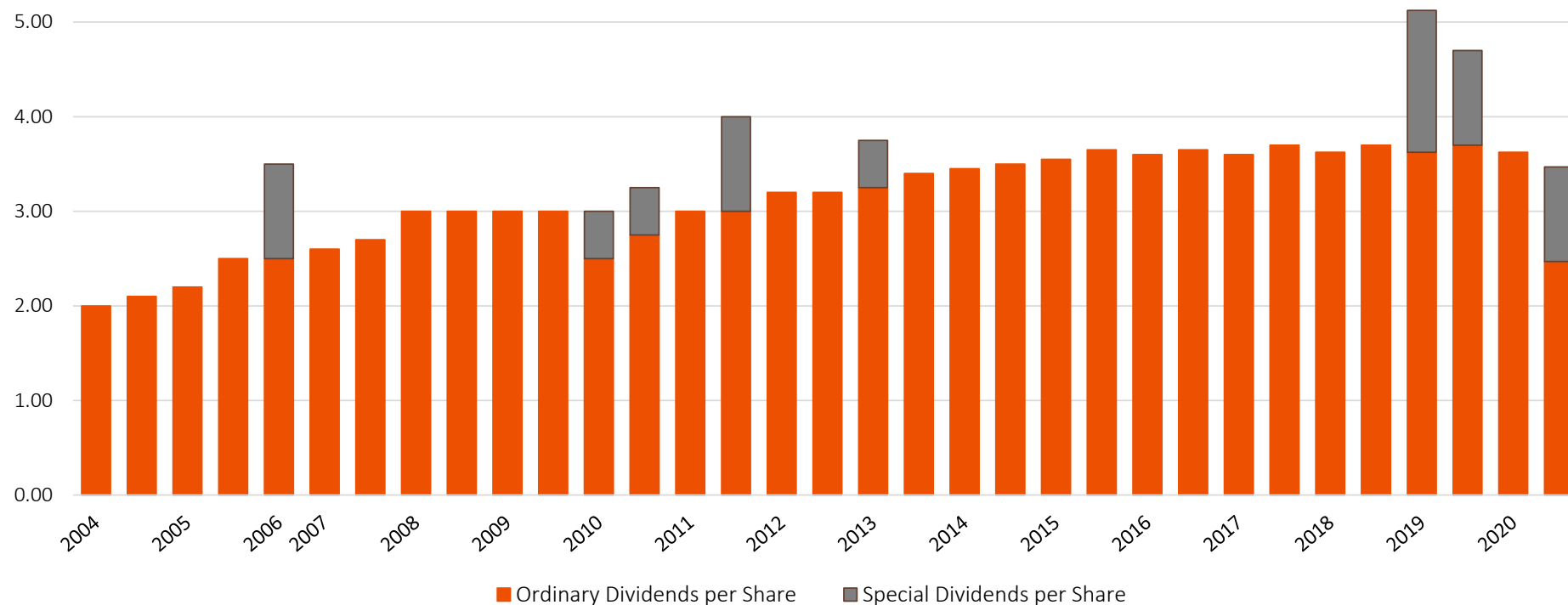
*BKI's DRP offers shareholders the opportunity to acquire further ordinary shares in BKI.
The DRP will not be offered at a discount.*

*To obtain access to a DRP form please use the link below:
www.bkilimited.com.au/dividend-reinvestment-plan/*

Dividend History



BKI's fully franked dividend yield is currently 4.3%, while the grossed up yield is 6.3%**



BKI has paid out \$1.09 per share, or over \$700m in dividends and franking credits to shareholders since listing in 2003#

Note: *Includes FY2020 Final Dividend of 2.32cps and FY2020 Interim Dividend of 3.625cps. Based on share price of \$1.385 as at 30 June 2020. Grossed up yield includes franking credits and is based on a tax rate of 30%. # Includes FY2020 Final Dividend of 2.32cps and Special Dividend of 1.00cps.

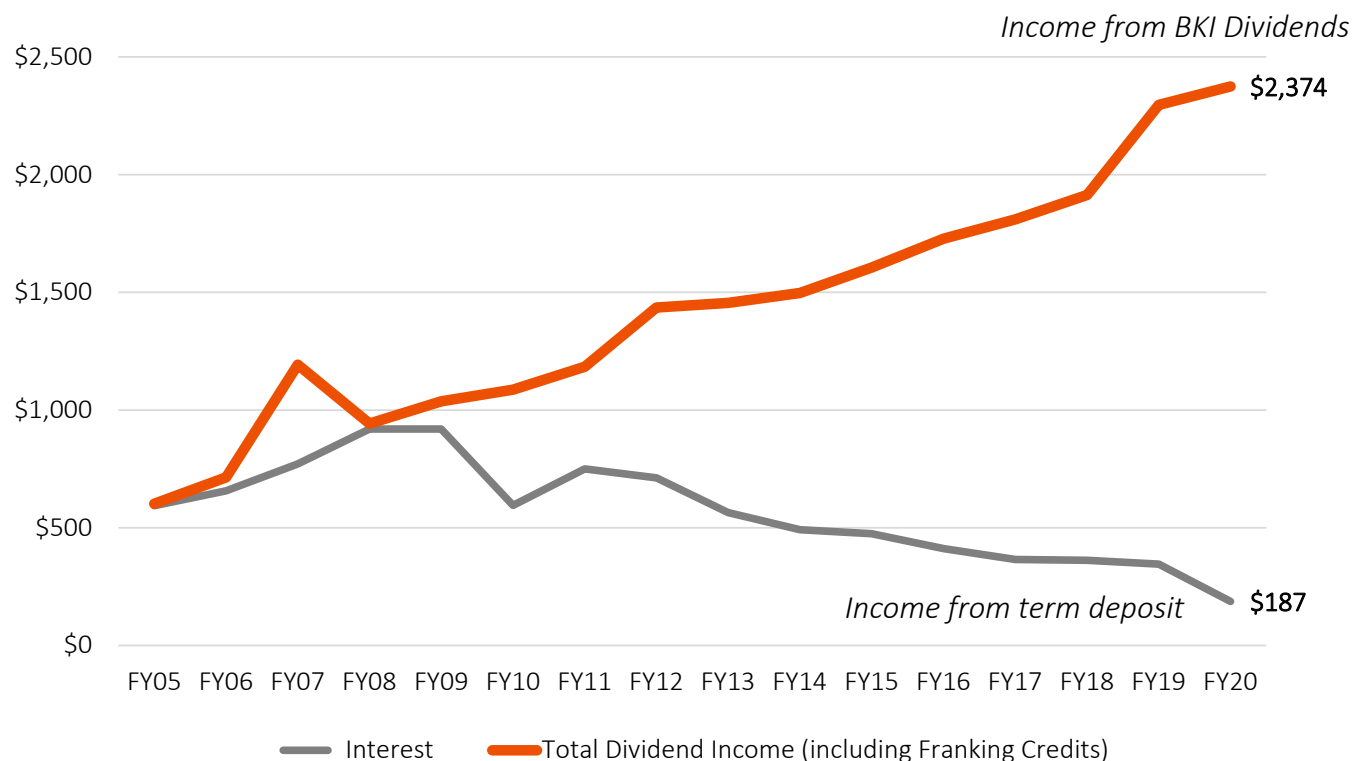
Income Generation

Long term dividend income

An investment of \$10,000 to purchase BKI shares upon listing in December 2003 would now be receiving fully franked dividends of \$1,662pa.

The franking credits enhance the income by a further \$712pa, assuming a tax rate of 30% (total income of \$2,374).

The same investment in a term deposit (based on the cash rate + 0.50%) would be earning \$187pa, pre tax and with no franking credits attached.



Source: BKI, Contact Asset Management, Bloomberg. Assumes the reinvestment of all dividends.

Performance

For the full year ended 30 June 2020



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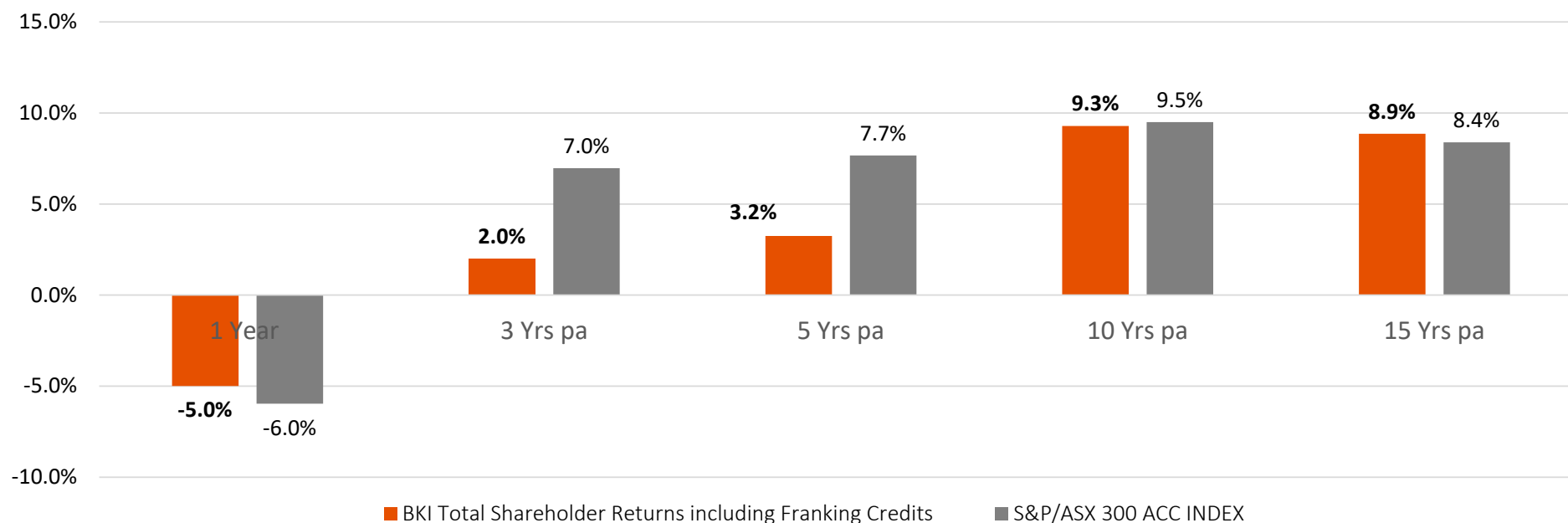
Total Shareholder Returns

As at 30 June 2020



BKI's One Year Total Shareholder Return, including franking credits, was negative 5.0%.

BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2020 was negative 8.2%.



Source: BKI, Contact Asset Management, Factset. Total Shareholder Returns as at 30 June 2020. Including Franking Credits. The S&P/ASX300 Accumulation Index has been franked at 80%.

Positioning BKI for the Future

Actively managed portfolio for an attractive fee



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Investment Process

Research driven, active management

Through a research driven, active management approach BKI invests for the long term in profitable, well managed companies that offer a compelling yield and growth opportunities.

We invest using the five fundamentals below as part of the stock selection process:

Principal Activity

Sustainable business model, competitive advantage, barriers to entry and industry structure.

Income

Dividend yields, franking credits, dividend sustainability and pay out ratios.

Balance Sheet

Debt levels, gearing ratios, coverage ratios.

Management and Board

Alignment, experience, skill set, creating shareholder wealth.

Earnings and Valuations

Earnings profiles, PE multiples, EV/EBITDA multiples and DCF valuations.



Portfolio Positioning

For the full year ended 30 June 2020

Top 10 Investment Increases



Investments Sold



Investments Reduced



Source: BKI, Contact Asset Management.

Major Overweight/Underweight by Stock

As at 30 June 2020

Overweight Positions

Company	Active Weight
APA Group	5.0%
Macquarie Group	5.0%
TPG Telecom	4.1%
Transurban Group	2.7%
Woolworths Limited	2.2%
New Hope Group	2.2%
Ramsay Healthcare	2.2%
ASX Limited	2.1%
Wesfarmers Limited	1.8%
Sonic Healthcare	1.8%

Underweight Positions

Company	Active Weight
CSL Limited	(8.0%)
ANZ Banking Group	(3.2%)
Rio Tinto	(2.2%)
Westpac Banking Group	(1.8%)
Newcrest Mining	(1.5%)
Fortescue Metals	(1.4%)
Aristocrat Leisure	(1.0%)
A2 Milk Company	(0.8%)
Afterpay Limited	(0.8%)
QBE Limited	(0.8%)

Source: Contact Asset Management, Iress.

Top 25 Investments

As at 30 June 2020



Stock	% of Total Portfolio	Stock	% of Total Portfolio
1 Macquarie Group	7.2%	14 Telstra Corporation	2.5%
2 Commonwealth Bank	6.6%	15 Woodside Petroleum	2.3%
3 BHP Limited	6.4%	16 New Hope Corporation	2.3%
4 APA Group	5.9%	17 Westpac Banking Corporation	2.2%
5 Transurban Group	5.3%	18 Magellan Financial Group	2.1%
6 Woolworths Limited	4.9%	19 AGL Energy	1.9%
7 Wesfarmers Limited	4.7%	20 Coles Group	1.8%
8 TPG Telecom	4.6%	21 IAG Limited	1.6%
9 National Australia Bank	3.6%	22 Amcor Corporation	1.6%
10 Ramsay Healthcare	3.2%	23 Invocare Limited	1.6%
11 ASX Limited	3.1%	24 ARB Corporation	1.6%
12 Sonic Healthcare	2.7%	25 Goodman Group	1.3%
13 Sydney Airport	2.7%		
		Cash & Cash Equivalents	5.5%
		Total	89.2%

Source: BKI, Contact Asset Management.

Insights from the Investment Manager

The Market



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Cautious on Market Valuations

Average price to earnings multiple of 15.3x since 2008

Despite the global economic issues seen over the last six months, the forecast One Year S&P/ASX300 PE multiple has increased from 18.9x in December 2019 to 20.3x in June 2020.

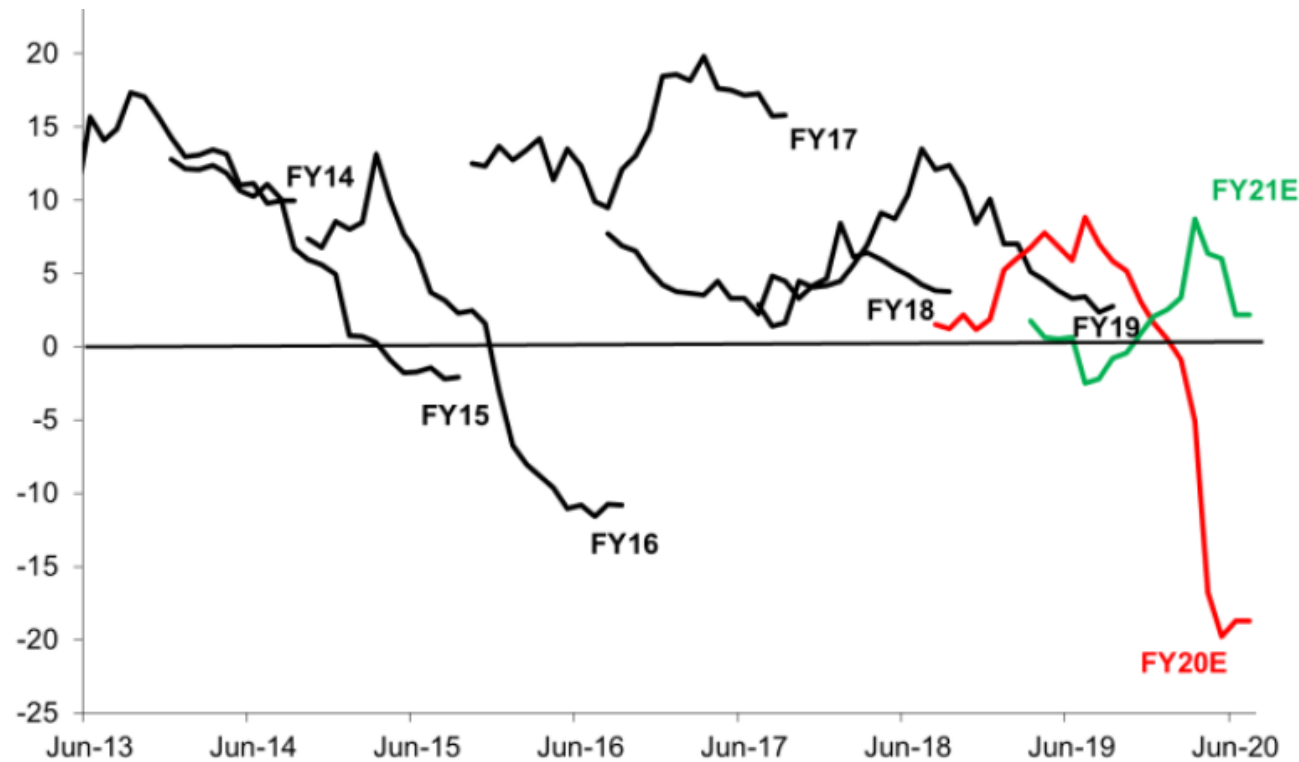


Source: Contact Asset Management, Factset.

Even More Cautious of Forward EPS Forecasts

Very rarely does the market get it right!

Australian Market EPS Growth Profile



Source: Contact Asset Management, Macquarie Research, Bloomberg, Factset

Australia's Economic Stimulus Packages

Our Government and Banks to the rescue!



Australian Government
The Treasury

Economic Response to the Coronavirus

“The Government’s economic support package totals almost \$260 billion. Direct fiscal measures are equivalent to around 6.9% of GDP”

treasury.gov.au/coronavirus



SUPPORT FOR

Individuals and Households



SUPPORT FOR

Businesses and Employers



SUPPORTING THE

Flow of Credit



779,458

Loan deferrals



\$236Bn

Total of all loans deferred



\$125Bn

In new business lending



485,063

Mortgages deferred

**BANKING
ACTIVITY
UPDATE**

19 JUNE 20



108,240

New business loans



216,372

Business loans deferred



\$1.6Bn

SME Loan Guarantee
total approved loans



\$9.3Bn

Increase to existing loans

Source: Contact Asset Management, Australian Banking Association, The Australian Government – The Treasury treasury.gov.au/coronavirus,

Insights from the Investment Manager

Key Long-Term Themes



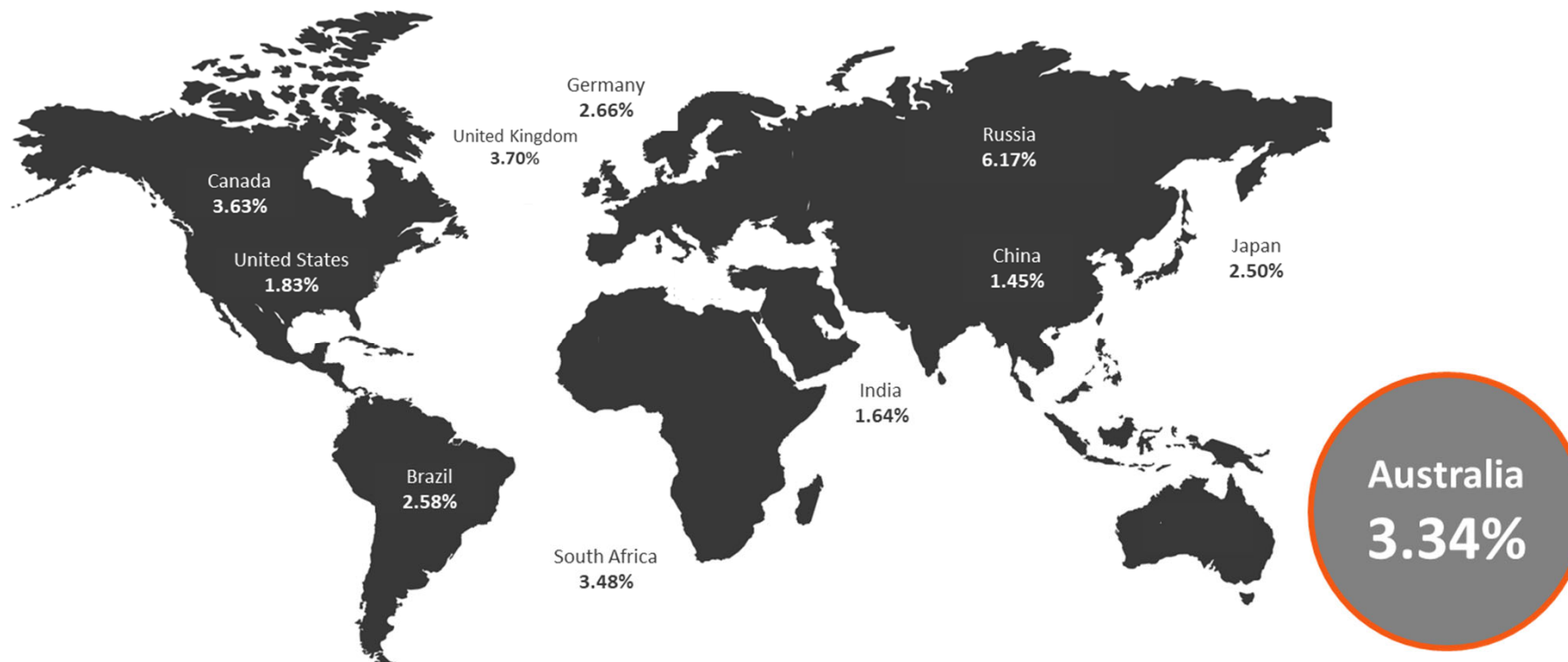
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Australia's Equity Yield is Attractive

We expect to see a substantial flight of global capital to Australia

Dividend Yield Global Comparison (excluding Franking)

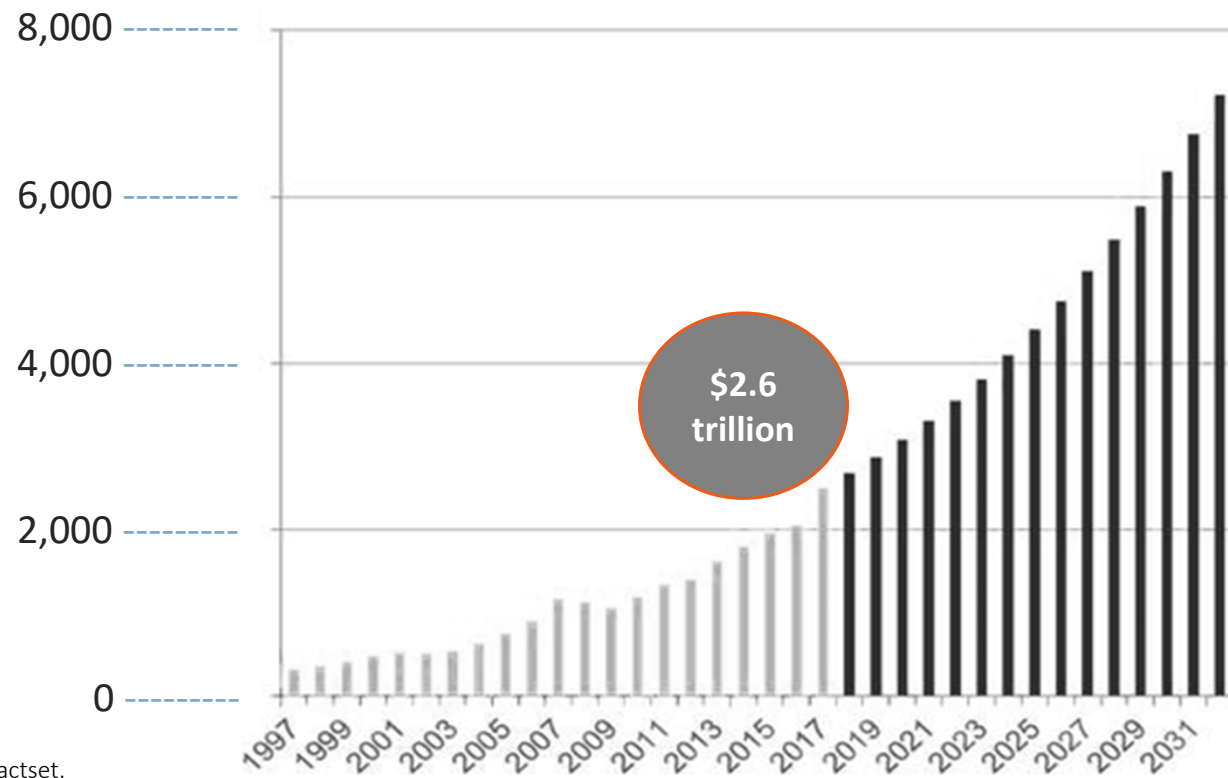


Source: Contact Asset Management, Factset, Eaton Vance July 2020.

Australia's Funds Growth

The growth in superannuation assets in Australia is going to be substantial

Australian Superannuation System Forecasts (\$bn)



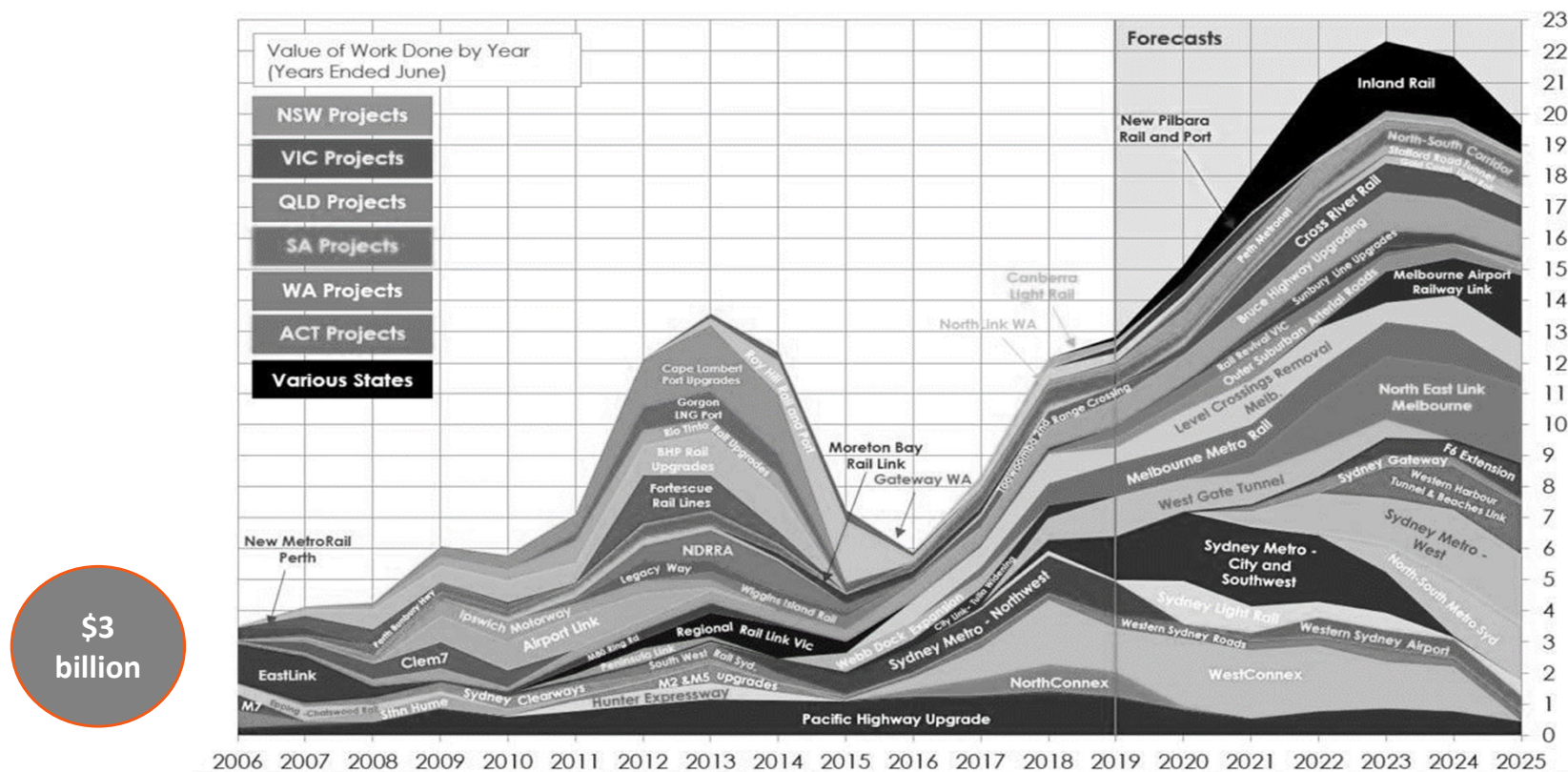
Source: Contact Asset Management, Factset.

Major Transport Infrastructure Projects - Australia

Infrastructure spend is currently at levels never seen before and will continue for many years

Governments are now bringing forward further major building projects to boost the economy

**\$23
billion**



Source: Macromonitor - Major Transport Infrastructure Projects - Australia as at 30 June 2019 Contact Asset Management, Factset

BKI Overview

Benefits of investing in BKI



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Benefits of Investing in BKI



Income Focused

Reliable, fully franked income stream. Multiple Special Dividends returned to shareholders.



Low Fee Structure

Managed for 0.10%, no performance fee.



Alignment

BKI Directors and Portfolio Managers are shareholders, creating strong alignment of interests.



Long Term Performance

History of delivering attractive returns over the long term.
15 year TSR of 8.9% p.a.
(including franking credits)



Actively Managed, Research Driven

BKI benefits from an experienced Board and Investment Manager.



Attractive Dividend Yield

6.3% Grossed up dividend yield compared to a cash rate of 0.25%.