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TO INVITE APPLICATIONS FOR SHARES IN THE COMPANY.



# Milton

CORPORATION LIMITED

## Annual Review 2020

# Highlights

- **Fully franked dividends:**

Final fully franked ordinary dividend of 8.5 cents per share down 18.3%

Full year ordinary dividends of 17.5 cents per share down 9.8%

- **Earnings per share:**

Down 21.4% to 17.45 cents

(including special investment revenue)

Down 17.3% to 16.60 cents

(excluding special investment revenue)

- **Profit after tax:**

Down 20.8% to \$116.9 million

(including special investment revenue)

Down 16.7% to \$111.3 million

(excluding special investment revenue)

- **Net tangible asset backing per share (NTA):**

Down 13.4% to \$4.26 (before provision for tax on unrealised capital gains)

Down 10.9% to \$3.83 (after provision for tax on unrealised capital gains)

- **Management Expense Ratio (MER):**

Milton's annualised MER as at 30 June 2020 was 0.14%

## Dividend Reinvestment Plan (DRP)

The DRP is in operation for the final dividend. The last day for receipt of an election notice for participation in the plan is 17 August 2020.

You may elect to participate online by visiting <https://investorcentre.linkmarketservices.com.au>

## Notes

Comparative figures refer to results for the year ended 30 June 2019.

# Our Value Proposition

## Milton is a long term investor in equities, interest bearing securities and real property

- Assets are not sold to increase profits for distributions
- Portfolio turnover is low

## Milton pays fully franked dividends semi annually

- An ordinary dividend has been paid every year since listing in 1958
- Dividends are paid from income received from Milton's long term investment portfolio

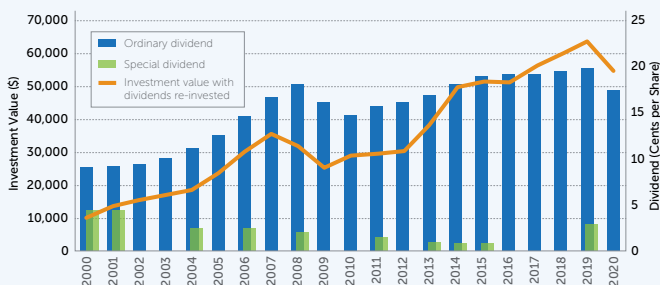
## Milton holds a diverse portfolio of Australian listed companies

- Equity investment portfolio at 30 June 2020 was valued at \$2.7 billion
- Total assets at 30 June 2020 were valued at \$2.9 billion

## Milton is an efficient and low cost manager of investments

- Operating costs represent 0.14% of average total assets
- Milton is internally managed and no management or performance fees are charged

## Dividend and Investment Growth over 20 years



*If \$10,000 invested in MLT in June 2000, and if dividends were re-invested over the 20 years, the value of the investment in June 2020 would be worth \$54,670.*

# Results for the year to 30 June 2020

	2020 \$m	2019 \$m
Ordinary investment revenue	117.2	138.1
Interest	1.5	2.6
Net trading gains	0.8	0.2
Other revenue	0.6	0.5
Net profits of joint ventures	0.9	1.5
Administration costs <sup>(1)</sup>	(4.5)	(4.2)
Operating profit before tax	116.5	138.7
Tax expense	(5.2)	(5.1)
<b>Underlying operating profit after tax</b>	<b>111.3</b>	133.6
Special dividends after tax	5.6	14.1
<b>Net profit after tax</b>	<b>116.9</b>	147.7

# Balance Sheet at 30 June 2020

	2020 \$m	2019 \$m
Investments	2,706	3,141
Cash & liquids	114	110
Joint Ventures	25	23
Other assets	20	20
Total Assets	2,865	3,294
Liabilities	(2)	(2)
<b>Net assets before provision for tax on unrealised capital gains</b>	<b>2,863</b>	3,292
Provision for tax on unrealised capital gains	(289)	(417)
Net assets	2,574	2,875
<b>Net Tangible Assets per share (NTA)</b>		
Before provision for tax on unrealised capital gains	\$4.26	\$4.92
After provision for tax on unrealised capital gains	\$3.83	\$4.30

(1) Administration costs represented 0.14% per annum of average total assets.

## Commentary

Net profit after tax for the year ended 30 June 2020 was \$116.9 million on operating revenues of \$120.1 million with earnings per share of 17.45 cents.

Underlying profit, which excludes special dividends received, decreased by 16.7% to \$111.3 million with underlying earnings per share decreasing by 17.3% to 16.6 cents per share.

Milton declared a fully franked final dividend of 8.5 cents per share bringing the full year ordinary dividends to 17.5 cents per share.

The full year dividends represents a payout ratio of 105.5% of underlying profit.

Sharply lower dividends were received on Milton's investment portfolio in 2020 as many companies reduced dividends to preserve cash. These cash flow concerns arising from COVID19 mandated business lockdowns and elevated uncertainty. Proactive measures were taken by Milton's investment team to reduce exposures to banks and make other targeted portfolio adjustments to reduce this impact.

Reduced liquidity income was received on Milton's cash balances due to reductions in term deposit rates.

Cash balances (before provision for the final dividend) of \$114.1 million were held at 30 June 2020.

Milton has no debt on its balance sheet and net tangible assets before provision for tax on unrealised capital gains of \$2.7 billion at 30 June 2020.

## Total Portfolio Return

Milton's equity portfolio is not aligned with any stock market index, rather it reflects Milton's investment philosophy to invest in quality companies that are expected to grow earnings and dividends over the long term.

Milton's total portfolio return (TPR) for the last 12 months was -9.84% which is net of all operational expenses and tax.

Milton's returns do not include the impact of franking credits which may be of benefit to certain shareholders.

	1 year %	5 years %	10 years %	15 years %	20 years %
TPR	-9.84	3.76	7.10	6.10	8.66
TSR	-9.40	2.47	7.16	6.09	8.91

## Portfolio

2020 was a transformative year for Milton's investment portfolio with bank weightings reduced from 28% at 30 June 2019 to 17% at year-end.

Bank investments were reduced due to concerns over weaker long-term earnings growth from declining credit quality, increased compliance costs and the effects of technology based disruption.

Milton's \$2.9 billion Australian listed equity portfolio is currently comprised of 71 companies.

Investments were increased by \$269.8 million over the year with increases in Macquarie Group, Transurban, BHP, Cleanaway, Sonic Healthcare, Amcor, Altium, REA and Qube and included new investments in Pro Medicus, Johns Lyng and Magellan.

Disposals amounted to \$276.2 million and included complete sales of Milton's holdings in ANZ, Bendigo Bank, Bank of Queensland, Blackmores, New Hope and Adelaide Brighton. Holdings in Westpac and QBE were also reduced.

### The 20 Largest Investments

	Market Value	Share of Total Assets	Total Return
At 30 June 2020	\$m	%	%
Commonwealth Bank	218.0	7.6	(10.9)
Macquarie Group Limited	192.8	6.7	1.9
Westpac Banking Corporation	179.2	6.3	(32.3)
W H Soul Pattinson	179.2	6.3	(8.5)
BHP Group Limited	173.9	6.1	(6.1)
CSL Limited	172.5	6.0	34.8
Wesfarmers Limited	129.0	4.5	28.2
Woolworths Group Limited	109.5	3.8	15.3
National Australia Bank Limited	88.7	3.1	(27.6)
Transurban Group Limited	82.2	2.9	(0.8)
Rio Tinto Limited	65.5	2.3	0.7
AGL Energy Limited	60.9	2.1	(9.2)
Brickworks Limited	51.2	1.8	0.7
Coles Group Limited	49.4	1.7	33.5
Telstra Corporation Limited	47.7	1.7	(14.5)
ASX Limited	46.9	1.6	8.0
A P Eagers Limited	45.9	1.6	(27.3)
ALS Limited	39.9	1.4	(8.2)
Perpetual Limited	36.6	1.3	(24.3)
Amcor PLC	35.2	1.2	(3.9)
Total value of Top 20	2004.2	70.0	
<b>Total assets</b>	<b>2,866.1</b>		

## Outlook

Milton forecasts that company earnings and dividend growth this year will remain limited as uncertainty regarding the impact of COVID19 persists. As a result we expect that Milton's earnings will be lower again in 2021. We note however, that reliable forecasting in such an uncertain environment is very challenging.

A disconnect currently exists between elevated asset prices and this highly uncertain earnings environment. The recent increases in prices seem to have been driven by confidence in the impact of government actions to support individuals and businesses and the effect of historically low interest rates.

It is reasonable to expect that, against this backdrop, the next period will be one of heightened volatility. Milton's investment team will continue to monitor our portfolio and search for opportunities for new investments and income growth.

Milton maintains a strong balance sheet with no debt and sufficient cash on hand. Milton also has available profit reserves and franking credit balances which provide confidence that the fully franked dividend is well supported.

## Key Dates

### Dividend Dates

Ex dividend date:	13 August 2020
Record date:	14 August 2020
Payment date:	2 September 2020
DRP application closing date:	17 August 2020

### Annual General Meeting

The AGM will be conducted as a virtual meeting and the link will be posted on our website.

Meeting date:	20 October 2020 at 3.00pm
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# Corporate Information

## **Directors**

**R.D. Millner** Chairman

**B.J. O'Dea** Managing Director

**G.L. Crampton**

**K.J. Eley**

**J.E. Jarvinen**

**I.A. Pollard**

## **Senior executives**

**B.J. O'Dea** CEO and Managing Director

**D.N. Seneviratne** CFO and Company Secretary

## **Share registry**

Shareholders can manage their holding details by visiting  
**[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)**

Alternatively, you can call Link Market Services on  
(02) 8280 7111 or Toll Free on 1800 641 024

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