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TO INVITE APPLICATIONS FOR SHARES IN THE COMPANY.



Milton

CORPORATION LIMITED

Half Year Review

31 December 2020

Highlights

For the half year ended 31 December 2020

- **Fully franked interim ordinary dividend:**
5.75 cents per share (cps), down 36.1%
- **Earnings per share:**
5.71 cents, down 45.6%
(including special investment revenue)
5.55 cents, down 45.1%
(excluding special investment revenue)
- **Profit after tax:**
\$38.4 million, down 45.4%
(including special investment revenue)
\$37.3 million, down 45.0%
(excluding special investment revenue)
- **Net tangible asset backing per share (NTA):**
\$4.82 (before provision for tax on unrealised capital gains), up 13.1% since 30 June 2020
\$4.21 (after provision for tax on unrealised capital gains), up 9.9% since 30 June 2020
- **Management Expense Ratio (MER):**
Milton's annualised MER as at 31 December 2020 was 0.15%

Dividend Reinvestment Plan (DRP)

The DRP is in operation for the interim dividend. The last day for receipt of an election notice for participation in the plan is 12 February 2021.

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

Notes

Comparative figures refer to the half year ended 31 December 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

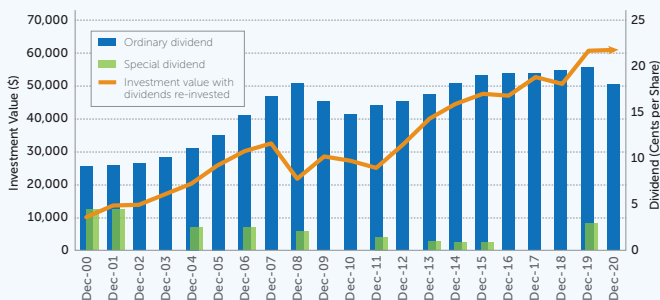
Milton holds a diverse portfolio of Australian listed companies

- Equity investment portfolio at 31 December 2020 was valued at \$3.1 billion
- Total assets at 31 December 2020 were valued at \$3.2 billion

Milton is an efficient and low cost manager of investments

- Operating costs represent 0.15% 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 Dec 2000, and if dividends were re-invested over the 20 years, the value of the investment in December 2020 would be worth \$61,142. Ordinary dividends increased from 8.60cps in FY2000 (adjusted for 5:1 split in Oct 2013) to 17.5cps in FY2020.

Results

for the half year to 31 December	2020 \$m	2019 \$m
Ordinary investment revenue	39.4	71.1
Interest income	0.3	0.8
Net trading gains	1.0	0.0
Other revenue	0.2	0.4
Share of net profits of joint ventures	1.3	0.2
Administration costs	(2.3)	(2.1)
Operating profit before tax	39.9	70.4
Tax expense	(2.6)	(2.7)
Underlying operating profit after tax	37.3	67.7
Special dividends after tax	1.1	2.5
Net profit after tax	38.4	70.2
Earnings per share (cents)	5.71	10.49

Balance Sheet

as at	31 Dec 2020 \$m	30 Jun 2020 \$m
Investments	3,143	2,706
Cash & liquids	60	114
Joint Ventures	23	25
Other assets	14	20
Total Assets	3,240	2,865
Liabilities	(2)	(2)
Net assets before provision for tax on unrealised capital gains	3,238	2,863
Provision for tax on unrealised capital gains	(406)	(289)
Net assets	2,832	2,574
Net Tangible Assets per share (NTA)		
Before provision for tax on unrealised capital gains	\$4.82	\$4.26
After provision for tax on unrealised capital gains	\$4.21	\$3.83

Commentary

Net profit after tax for the six months ended 31 December 2020 was \$38.4 million on income from operating activities of \$43.3 million. Underlying profit, which excludes the impact of special dividends declined by 45% to \$37.3 million.

Dividends received on Milton's diversified investment portfolio declined sharply as companies reduced or eliminated dividends to conserve cash due to the impact of COVID-19.

The dividend decline was pronounced in the banking sector, where Milton holds substantial long-term investments. Actions taken in 2019 to reduce or exit certain bank shareholdings moderated this impact.

Trading income, and the share of profits from Milton's joint ventures, improved in the period, with liquidity income received lower due to reductions in term deposit rates and lower cash balances.

Milton declared a fully franked interim dividend of 5.75 cents per share, representing a payout ratio of 104% of underlying earnings. This ratio is elevated but reflects a desire to continue to deliver shareholders a robust tax effective income stream.

Milton has cash on hand of \$59.7 million, no debt and total assets before provision for tax on unrealised capital gains of \$3.2 billion, or \$4.82 per share.

Total Portfolio Return

Milton's equity portfolio is not aligned with any stock market index, rather it reflects Milton's intention 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 6 months to 31 December 2020 was +15.4%, which is net of all operational expenses and tax. Total shareholder return (TSR) was +19.0%.

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

	6 months %	1 year %	5 years %	10 years %	15 years %	20 years %
TPR	15.36	1.81	5.73	7.62	6.23	8.88
TSR	19.03	0.56	5.25	8.44	5.92	9.48

Portfolio

Milton's long-term listed equity portfolio performed strongly in the period as markets recovered from the COVID-19 driven lows of March 2020. The portfolio benefited from well timed purchases made in mid 2020.

Milton's \$3.1 billion Australian listed equity portfolio is currently comprised of 70 companies.

After an active 2020, where transformative changes were made to Milton's portfolio, the first half of 2021 saw more modest changes to the portfolio.

\$60.7 million of additional investments were made in the 6 months to 31 December 2020.

Investments were increased in Johns Lyng Group, Magellan Financial Group, Amcor, Cleanaway, Equity Trustees and IOOF and a new investment was made in IPH Limited.

Disposals of \$12.1 million included the complete exit of Milton's shareholdings in QBE and Sims Group.

Cash of \$48.6 million was used to fund the investments, which were timed to take advantage of market volatility and available liquidity.

The 20 Largest Investments

	Market Value	Share of Total Assets	Total Return
At 31 December 2020	\$m	%	%
W H Soul Pattinson	276.1	8.5	55.9
Commonwealth Bank	257.9	8.0	19.7
Macquarie Bank Limited	225.2	6.9	17.9
BHP Group Limited	206.0	6.4	20.6
Westpac Banking Corporation	193.4	6.0	9.6
CSL Limited	170.2	5.3	(0.8)
Wesfarmers Limited	145.0	4.5	14.5
Woolworths Limited	115.5	3.6	6.7
National Australia Bank	110.0	3.4	25.7
A P Eagers Limited	90.3	2.8	96.9
Transurban Group	79.4	2.5	(2.3)
Rio Tinto Limited	76.2	2.4	18.4
Brickworks Limited	62.1	1.9	23.8
ALS Limited	58.4	1.8	47.8
Coles Group Limited	52.2	1.6	7.3
Telstra Corporation	45.4	1.4	(2.2)
Amcor Limited	44.2	1.4	6.8
Perpetual Limited	42.8	1.3	18.8
AGL Energy Limited	42.7	1.3	(26.9)
ASX Limited	39.5	1.2	(14.2)
Total value of Top 20	2,332.5	72.2	
Total assets	3,240.5		

Outlook

Milton forecasts that ordinary dividends to be received in the second half of the 2021 financial year will be higher than the first half and the previous comparable period as widespread dividend deferrals and cuts ease.

Restrictions imposed on bank dividends by regulators have now been removed and we expect increased dividends from our bank shareholdings as a result. Bank performance has been robust with loan delinquencies not as bad as initially feared.

Special dividends are expected to continue to decline from the elevated levels seen in 2020.

Milton's joint ventures are expected to perform well due to Government stimulus and low rates.

Earnings overall are expected to be flat to the previous comparable period.

Government stimulus, low interest rates and positive vaccine news have driven listed equity prices higher. As a result, the market is expensive by traditional measures.

Company earnings and dividends will need to rise to justify current market levels. We remain optimistic that this will be the case over the medium term but expect elevated market volatility in the interim.

Milton maintains a strong balance sheet with no debt and cash on hand to respond to new and existing opportunities identified by our investment team.

Milton also has substantial profit reserves and franking credit balances.

Key Dates

Interim Dividend Dates

Ex dividend date	10 February 2021
Record date	11 February 2021
Payment date	4 March 2021

DRP

Last day for participation	12 February 2021
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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

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

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