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TO INVITE APPLICATIONS FOR SHARES IN THE COMPANY.



Milton

CORPORATION LIMITED

Annual Review
2021

Highlights

- **Fully franked dividends:**

Final fully franked ordinary dividend of 8.0 cents per share down 5.9%

Full year ordinary dividends of 13.75 cents per share down 21.4%

- **Earnings per share:**

Down 21.3% to 13.73 cents
(including special investment revenue)

Down 19.4% to 13.38 cents
(excluding special investment revenue)

- **Profit after tax:**

Down 21.0% to \$92.4 million
(including special investment revenue)

Down 19.1% to \$90.0 million
(excluding special investment revenue)

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

Up 29.1% to \$5.50 (before provision for tax on unrealised capital gains)

Up 22.5% to \$4.69 (after provision for tax on unrealised capital gains)

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

Milton's annualised MER as at 30 June 2021 was 0.14%

Dividend Reinvestment Plan (DRP)

Milton's dividend reinvestment plan has been suspended due to the proposed merger with WHSP and all shareholders will be paid their dividend in cash

Notes

Comparative figures refer to results for the year ended 30 June 2020.

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

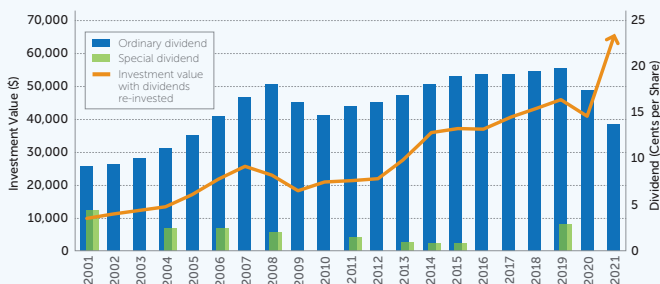
Milton holds a diverse portfolio of Australian listed companies

- Equity investment portfolio at 30 June 2021 was valued at \$3.6 billion
- Total assets at 30 June 2021 were valued at \$3.7 billion

Milton is an efficient and low cost manager of investments

- Annual 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 2001, and if dividends were re-invested over the 20 years, the value of the investment in June 2021 would be worth \$66,087.

Results

for the year to 30 June	2021 \$m	2020 \$m
Ordinary dividends and distributions	95.7	117.2
Interest	0.4	1.5
Net trading gains	1.0	0.8
Other revenue	0.5	0.6
Net profits of joint ventures	3.1	0.9
Administration costs ⁽¹⁾	(4.8)	(4.5)
Operating profit before tax	95.9	116.5
Tax expense	(5.9)	(5.2)
Underlying operating profit after tax	90.0	111.3
Special dividends after tax	2.7	5.6
Merger and acquisition related costs	(0.3)	–
Net profit after tax	92.4	116.9

Balance Sheet

at 30 June	2021 \$m	2020 \$m
Investments	3,581	2,706
Cash & liquids	79	114
Joint Ventures	24	25
Other assets	26	20
Total Assets	3,710	2,865
Liabilities	(2)	(2)
Net assets before provision for tax on unrealised capital gains	3,708	2,863
Provision for tax on unrealised capital gains	(545)	(289)
Net assets	3,163	2,574
Net Tangible Assets per share (NTA)		
Before provision for tax on unrealised capital gains	\$5.50	\$4.26
After provision for tax on unrealised capital gains	\$4.69	\$3.83

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

Commentary

Total investment revenues for the year ended 30 June 2021 were \$103.5 million. Net profit after tax was \$92.4 million with earnings per share of 13.73 cents.

Underlying profit, which excludes special dividends received, decreased by 19.1% to \$90.0 million with underlying earnings per share decreasing by 19.4% to 13.38 cents per share.

Milton declared a fully franked final dividend of 8.0 cents per share bringing the full year ordinary dividends to 13.75 cents per share.

The full year dividends represents a payout ratio of 102.9% of underlying profit.

Whilst lower dividends were received on Milton's diversified investment portfolio in the H1 2021, dividends received in the second half of 2021 increased by 17.8% from H2 2020.

On a full year basis dividend income declined by 19.9% as companies reduced dividends to preserve cash due to COVID lockdowns and elevated uncertainty in the first half of 2021. This was partially reversed in the second half as business conditions improved.

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

Milton's JV investments had a very strong 2021 financial year with profits increasing by 246.0% on robust land sales volumes.

Milton has cash balances of \$79 million, no debt and net tangible assets before provision for tax on unrealised capital gains of \$3.7 billion at 30 June 2021.

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 33.2% 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	33.20	9.75	9.20	6.96	8.84
TSR	59.14	12.60	12.01	7.69	9.90

Portfolio

Milton's \$3.6 billion diversified Australian listed equity portfolio is currently comprised of 75 companies.

The 2021 financial year saw a sustained recovery in the Australian stock market from the mid-2020 lows due to supportive monetary conditions and the re-opening of global economies. Key economic measures are currently strong and corporate profits are rebounding. This has provided a very favourable backdrop for equity markets.

Investments were increased by \$79.8 million over the year with increases in Johns Lyng Group, Magellan Financial Group, Amcor PLC, Pro Medicus, Carsales.com, EQT Holdings, Coles Group, Pendal Group, IOOF Holdings and Cleanaway Waste Management and also included a new investment IPH.

Disposals amounted to \$43.2 million and included complete sales of Milton's holdings in Coca Cola Amatil, QBE Insurance Group and Sims. Milton's Holding in the Charter Hall Long WALE REIT was reduced.

The 20 Largest Investments

	Market Value	Share of Total Assets	Total Return
At 30 June 2021	\$m	%	%
Commonwealth Bank	313.6	8.5	47.4
W H Soul Pattinson	309.5	8.3	75.8
Westpac Banking Corporation	258.0	7.0	48.7
Macquarie Bank Limited	254.4	6.9	35.9
BHP Group Limited	235.8	6.4	41.4
CSL Limited	171.5	4.6	0.4
Wesfarmers Limited	170.1	4.6	35.9
National Australia Bank Limited	128.0	3.5	48.7
Eagers Automotive Limited	112.5	3.0	149.0
Woolworths Limited	112.0	3.0	21.9
Rio Tinto Limited	84.7	2.3	36.8
Transurban Group	82.7	2.2	3.3
Brickworks Limited	81.1	2.2	62.2
ALS Limited	79.3	2.1	102.3
Telstra Corporation Limited	57.3	1.5	25.2
Coles Group Limited	51.2	1.4	2.9
Perpetual Limited	49.3	1.3	39.5
Amcor PLC	48.7	1.3	7.2
Johns Lyng Group	46.5	1.3	84.8
ASX Limited	42.7	1.2	(6.2)
Total value of Top 20	2,688.9	72.6	
Total assets	3,710.2		

Outlook

Milton forecasts that company earnings and dividend growth in 2022 will improve as the economy remains supported by low rates and ample liquidity. As a result, we expect that Milton's earnings will be higher in 2022.

We note however that COVID uncertainties remain and, with elevated valuations across many asset classes, the next period will be one of heightened volatility.

Milton maintains a strong balance sheet with no debt and sufficient cash on hand giving us the financial flexibility to invest should opportunities present.

Milton/WHSP Scheme of Arrangement

On 22 June 2021, Milton announced a proposed merger with W H Soul Pattinson (WHSP) where WHSP would acquire 100% of the share capital of Milton via a scheme of arrangement.

Should the transaction be approved by Milton's shareholders they will receive WHSP shares calculated with reference to Milton's NTA before tax (adjusted for any final and special dividends) plus a 10% premium, capped at \$31 per WHSP share.

Milton's Independent Board committee has considered the offer and unanimously recommends the merger to be in the best interest of our shareholders, subject to the independent experts report, which is expected to be sent, together with the scheme booklet in August 2021.

Key Dates

Dividend Dates

Ex dividend date	31 August 2021
Record date	1 September 2021
Payment date	14 September 2021

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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