



ASX/Media release

Continued delivery of long-term total shareholder returns

Milton merger provides further diversification and scale

Key highlights:

Full year FY21		
Group Regular profit after tax*	\$328.1 million	+ 93%
Group Profit after tax attributable to members	\$273.2 million	- 71%
WHSP's net asset value (pre-tax)**	\$5.8 billion	+ 12%
Net cash flows from investments**	\$180.3 million	- 29%
Total FY21 Dividend per share (fully franked) including a final dividend of 36 cents	62 cents	+ 3%

- 1,140% total shareholder return over 20 years outperforming the market by 4.7% per annum over this time
- Only company in the All Ordinaries Index to have increased its dividends every year for the past 20 years
- Milton merger will increase scale, diversification and liquidity as well as expand the WSHP investment team

Regular Profit up 93%

Thursday, 23 September 2021: Diversified investment house, Washington H. Soul Pattinson and Company Limited (**WHSP, ASX: SOL**) today announced the Group's results for the year ended 31 July 2021, reporting a Group Regular profit after tax* of \$328.1 million for the period, compared to \$169.8 million in FY20 (an increase of 93%).

*Group 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 *FY21 ASX Appendix 4E and Preliminary Final Report – Alternative Performance Measures*.

**Refer to the *FY21 ASX Appendix 4E and Preliminary Final Report – Alternative Performance Measures* for the definition of net asset value and net cash flows from investments.

Group Profit after tax was \$273.2 million, down 71% on the FY20 result. The decrease in the Group Profit after tax was mainly attributable to the FY20 year including a large one-off accounting gain (after tax) of \$1.05 billion as a result of WHSP derecognising TPG as an associate following its merger with Vodafone. This was treated as a non-regular gain in FY20.

Group Regular profit excludes one-off items and is considered by the Board to be a better reflection of the underlying performance of major investments. Group Regular NPAT was up 93% primarily due to the following:

- Brickworks contributing \$82 million, a 95% increase from improved performance in the Building Products Australia division and a strong result from its Property division;
- New Hope contributing \$61 million, up 45% on FY20 caused by a strong recovery in thermal coal markets;
- Round Oak Minerals increasing its profit contribution by \$103 million through improved production levels at all operations combined with a strengthening of commodity prices and lower ore treatment charges; and
- Other investing activities increasing their contribution by 87% to \$129 million as markets recovered from Covid-19 disruptions.

Partially offsetting these increases was a \$54 million reduction in the contribution from TPG, largely due to the derecognition of TPG as an equity accounted investment. This change in accounting treatment resulted in the earnings of TPG no longer being included in Group Regular profit with only dividends received being included in the current year.

Diversified portfolio continues to deliver strong shareholder returns

Commenting on the result, WHSP Chairman, Robert Millner said: “We are very pleased to report significant uplifts in the underlying profitability of most of the major assets in our portfolio.”

“Round Oak Minerals had a very strong year as a result of increased production levels and higher commodity prices in zinc and copper. We also saw a significant turnaround in thermal coal commodity prices with the Thermal Coal gc NEWC (6,000 kcal/kg NAR) FOB price rising from below US\$50/tonne in September 2020 to above \$170/tonne in September 2021. In addition, Brickworks delivered another record result from improved Australian building products performance together with further revaluations of the industrial property assets. The TPG and Vodafone merger integration is progressing well and the business appears to be well placed to achieve growth in a number of areas. However, the business continues to be impacted by Covid pandemic related restrictions on overseas travel.”

“Our goal at WHSP is to pay consistent and growing dividends to shareholders and increase their capital wealth over the long term. These factors are together measured by total shareholder return (TSR).”

“We have continued to reward our shareholders with another increase in the full year dividend and strong share price growth. Over the last 20 years, WHSP’s annualised TSR has grown by 13.4% per annum which compares very favourably to the market return of 8.7% per annum.”

Milton merger provides increased diversification, liquidity and scale

On 13 September 2021, Milton shareholders approved the Scheme of Arrangement whereby Milton shares will be exchanged for shares in WHSP. The combination of these two great investment houses, with aligned values and long term investment philosophies, will create a leading more diversified Australian investment group focused on continuing long term market outperformance and dividend growth. In addition, the merger will:

- further diversify WHSP's portfolio and provide liquidity to pursue new investments in growth asset classes;
- increase cash generation from higher portfolio dividends;
- increase the Net Asset Value per share;
- significantly increase the number of WHSP shareholders creating greater liquidity for WHSP shares;
- Increase the free-float and index weighting of WHSP; and
- expand the WHSP investment team with the addition of the Milton team who bring complementary skills and experience.

The merger, including the issue of SOL shares to Milton shareholders, is on track for completion on 5 October 2021.

Increased final dividend

WHSP Chairman, Robert Millner said: "One of the strengths of WHSP's portfolio over the years is the way that the cash generation from assets has supported increasing dividends through any market conditions."

"While the cash generation was less than the prior year due to a large special dividend paid by TPG in FY20, the cash from the portfolio remains strong and has again supported increased dividends to shareholders. Total dividends paid by WHSP in FY21 represents 82% of Net cash flows from investments."

Directors have resolved to pay a fully franked final dividend of 36 cents per share. This brings total dividends for the year to 62 cents per share fully franked (up 3%).

The record date for the dividend will be 22 November 2021 with payment due on 14 December 2021.

WHSP is the only company in the All Ordinaries Index to have lifted its dividends every year for the last 20 years.

Outlook

WHSP Managing Director, Todd Barlow, said: "Our core portfolio of quality assets, generating good cashflows that are resilient through the business cycle continues to perform very well. Despite ongoing Covid-19 disruptions in Australia, the operating conditions for our investments remains strong."

“However, markets remain volatile and there is a need to constantly adjust the portfolio allocations through active management. In FY21, WHSP was an active investor in the recovery from market volatility caused by Covid-19, completing around \$1.1 billion in investments and disposals.”

“We are very excited about our merger with Milton which will deliver a significant increase to the scale of the business and provide additional liquidity to fund our strong deal flow and diversification strategy.”

“We look forward to welcoming Milton employees and Milton shareholders to WHSP.”

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, financial services, agriculture and property.

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)

www.whsp.com.au

For further information

Investor enquiries:

Robert Millner, Chairman – 02 9210 7070

Todd Barlow, Managing Director – 02 9210 7070

Media enquiries:

Citadel-MAGNUS

James Strong, 0448 881 174

Peter Brookes, 0407 911 389