

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868



ASX and Media Release

19 January 2022

A Record Half Yearly Result for BKI Another Special Dividend and Ordinary Dividend up 75%

Result <u>excluding</u> special investment revenue	1H 2022	1H 2021	Movement
Investment revenue – ordinary	\$31.5m	\$16.6m	90%
Revenue from operating activities	\$32.2m	\$16.2m	99%
Net operating profit after tax	\$29.5m	\$14.5m	104%
Earnings per share	3.98c	1.96c	103%
Dividend per share	3.50c	2.00c	75%

Result <u>including</u> special investment revenue	1H 2022	1H 2021	Movement
Net operating profit after tax	\$55.7m	\$14.9m	273%
Earnings per share	7.53c	2.02c	273%
Special dividends per share	0.50c	0.00c	N/A
Total 1H FY2022 Dividends	4.00c	2.00c	100%

Wednesday, 19 January 2022: BKI Investment Company Limited (BKI, ASX: BKI) today announced the Group's results for the half year ended 31 December 2021. Today's half yearly Net Operating Profit after tax and excluding special dividends of \$29.5 million, an increase of 104%, and Net Operating Profit after tax and including special dividends of \$55.7 million, an increase of 273%, are both record profit results for the company.

BKI Performance Overview

Improved economic conditions throughout FY2021 continued into the first half of FY2022 and so we saw company profits improve and dividends paid by Australian equities rise significantly. The increase in dividends from Australian equities sharply improved BKI's results for the first half of FY2022. This is a record half yearly result from BKI which saw Ordinary Investment Revenue lift 90% to \$31.5 million. The result was boosted by higher ordinary dividends received from most positions within the portfolio. Major holdings including BHP Group, Rio Tinto, National Australia Bank, Fortescue Metals, Commonwealth Bank, Macquarie Group and Reece Group all lifted their dividends by more than 100% on last year.

BKI realised \$0.65 million from the trading portfolio, after the sale of Endeavour Group, received as a demerger dividend from Woolworths and the sale of Transurban Rights, received as part of the entitlement offer following the successful bid for Westconnex Assets. As has been the case for several years now, BKI's interest received was minimal due to extremely low interest rates.

BKI's Net Operating Profit After Tax, before special investment revenue, was \$29.5 million, up 104% over the previous corresponding period. BKI's basic earnings per share before special investment revenue increased 103% to 3.98 cents per share.

BKI has also received \$26.2 million in Special Dividend Income in the first half of FY2022, up from \$0.5 million last year, after special dividends from Rio Tinto Limited, Suncorp Group, Milton Corporation, Telstra Corporation and participating in the Metcash Limited, Commonwealth Bank and Woolworths Limited off market share buy backs.

BKI's Net Operating Profit After Tax, including special investment revenue for the first half of FY2022 was \$55.7 million, up 274% on last year. BKI's basic earnings per share, including special investment revenue, increased 273% to 7.53 cents per share from 2.02 cents per share last year.

During the half, BKI was recognised at the Self Managed Super Fund Awards for 2021 as a Finalist in the Listed Investment Company Advisor Choice category. Lonsec Research completed their product review with BKI maintaining its Recommended Rating and Independent Investment Research reaffirmed the Recommended Plus rating for BKI Investment Company.

Dividend Information

The BKI Board today declared an interim ordinary dividend of 3.50cps, up 75% on last year. The Board also announced a 0.50cps special dividend. Including these two dividends declared today, BKI has now paid out over \$820 million or \$1.18 per share in Dividends and Franking Credits to Shareholders since listing.

The current BKI grossed-up dividend yield is 6.0%, based on the 3.00cps FY2021 final dividend and today's 3.50cps FY2022 interim dividend and 0.50cps special dividend, a tax rate of 30% and the share price of \$1.67 as at 31 December 2021.

The BKI Board confirmed that BKI's Dividend Reinvestment Plan (DRP) will be maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI. The DRP will not be offered at a discount. The last day to nominate for participation in the DRP is Tuesday 15 February 2022. To complete a DRP form please follow the following link:

bkilimited.com.au/dividend-information/

The last trading day to be eligible for BKI's fully franked dividends is Thursday 10 February 2022.

Key dates for the dividends are as follows:

Event	
Last trading date to be eligible for the dividends	Thursday 10 February 2022
Ex-dividend date	Friday 11 February 2022
Record date	Monday 14 February 2022
DRP nomination	Tuesday 15 February 2022
Payment date	Thursday 3 March 2022

Management Expense Ratio (MER)

BKI's MER as at 31 December 2021 was 0.16%, in line with last year. BKI's MER continues to compare very favourably to other externally managed LICs, ETFs and managed funds in the domestic market that provide a similar broad-based exposure to Australian equities.

The Board and Portfolio Managers are shareholders in BKI. We invest for the long term and do not charge excessive external portfolio management fees or any performance fees. Our focus is creating wealth for all shareholders by keeping costs low, increasing fully franked dividends and generating capital growth over the long-term. BKI has no debt and thus shareholder returns are not diluted by the interest payable on such a facility.

Performance

Cumulative Share Price Performance

Assuming all dividends were reinvested and using the benefit of franking credits, the cumulative share price of BKI shares is currently \$5.33 per share as at 31 December 2021.



Portfolio Return

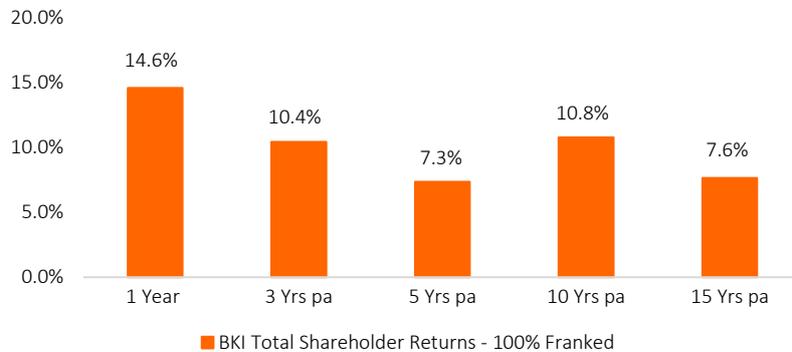
BKI's Net Portfolio Return (after all operating expenses, provisions and payment of both income and capital gains tax and the reinvestment of dividends) for the 6 months to 31 December 2021 was 6.3%. This compared to the S&P/ASX 300 Accumulation Index that returned 4.0% for the same period.

BKI's Net Portfolio Return (after all operating expenses, provisions and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 31 December 2021 was 19.2%. This compared to the S&P/ASX 300 Accumulation Index that returned 17.5% for the same period.

Total Shareholder Return

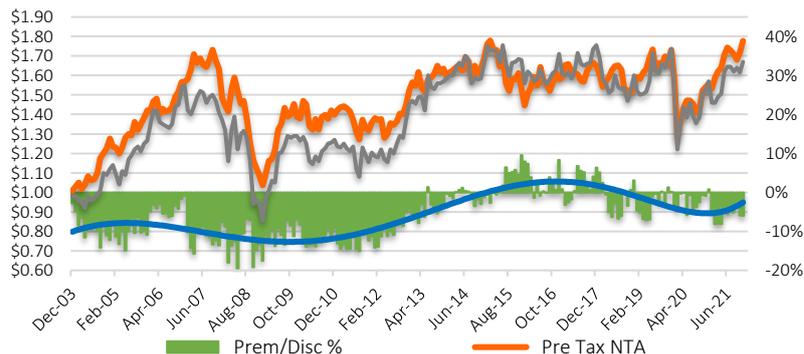
BKI's Total Shareholder Return was 13.0% for the year to 31 December 2021. The S&P/ASX 300 Accumulation Index return was 17.5% over the same period.

BKI's Total Shareholder Return including franking credits for the year was 14.6%.



Net Tangible Assets

BKI's Pre-tax Net Tangible Assets as at 31 December 2021 was \$1.78, up from \$1.54 last year.



Portfolio Movements

During the first half of FY2022, we added to existing positions, all of which offered significant grossed up dividend yields. They are positions well known to the BKI Investment Committee and provided a very good opportunity to increase BKI's Investment Revenue and Net Profits. Main investments were made in Aurizon Holdings, Rio Tinto, BHP Group, Fortescue Metals, Harvey Norman, APA Group, Pendal Limited, Suncorp Group and Metcash Limited. BKI accepted the Washington H. Soul Pattinson (SOL) Proposal to merge with Milton Corporation, which was implemented on the 5 October. BKI now holds 391,908 shares in SOL, accounting for 0.9% of the portfolio.

Endeavour Group was traded out of the portfolio after receipt as a demerger dividend from Woolworths. BKI also traded the Transurban Rights received as part of the entitlement offer following the successful bid for the Westconnex Assets.

BKI exited and reduced the weighting in some positions over the half. The exposure to ASX Limited was reduced after the company announced a fall in profits, a cut in dividends and a poor delivery of their capital expenditure program. BKI reduced positions in Commonwealth Bank, Woolworths Limited and Metcash Limited following their off-market buybacks. BKI exited positions in Brambles, Platinum Asset Management and Magellan Financial, with these sales prompted by a reduction in our confidence for these companies to increase dividends over the short to medium term.

Top 25 Investments

	Stock	% of Total Portfolio
1	MACQUARIE GROUP	10.2%
2	BHP GROUP	7.6%
3	APA GROUP	6.7%
4	COMMONWEALTH BANK	6.6%
5	NATIONAL AUSTRALIA BANK	5.5%
6	WESFARMERS LIMITED	5.1%
7	ARB CORPORATION	3.8%
8	TRANSURBAN GROUP	3.7%
9	SONIC HEALTHCARE	3.4%
10	WOOLWORTHS GROUP	3.3%
11	RAMSAY HEALTH CARE	2.8%
12	TELSTRA CORPORATION	2.7%
13	HARVEY NORMAN	2.6%
14	TPG TELECOM	2.6%
15	RIO TINTO LIMITED	2.2%
16	NEW HOPE CORPORATION	2.2%
17	AMCOR PLC	2.1%
18	FORTESCUE METALS	2.0%
19	WOODSIDE PETROLEUM	2.0%
20	GOODMAN GROUP	1.9%
21	COLES GROUP	1.5%
22	ASX LIMITED	1.5%
23	INVOCARE LIMITED	1.5%
24	SUNCORP GROUP	1.3%
25	PENDAL GROUP	1.2%
Cash and cash equivalents		5.0%
Total of Top 25 including cash and cash equivalents		91.0%

Outlook

2021 was an extraordinary year. We continue to experience the secondary effects of flooding the world economy with cash through global stimulus packages distributed during 2020 and 2021. We had our concerns with production capacity challenges, price rises and a global supply chain bursting at the seams and we managed the BKI portfolio accordingly through the year.

As we enter 2022, we face further issues involving inflation, a lack of service and labour shortages. Several companies enjoyed solid revenue growth for the first quarter of FY2022, but while revenue growth has been robust for many, the unexpected costs of COVID-19 is beginning to crimp margins.

Despite times of uncertainty there are always opportunities to invest within equity markets. Our goal is to always invest in high quality businesses with a strong balance sheet, competitive advantage and managed by capable and trustworthy people. We seek to invest in businesses that will pay us an attractive and sustainable dividend stream and we look to invest in these businesses at a reasonable price with a view of holding them for the long-term.

Portfolio Manager Mr Tom Millner comments: “Despite ongoing concerns in 2022 with production, price rises, supply chains, inflation, serviceability and labour availability, we will continue to focus on investing in quality companies. We will target those companies that also have pricing power and the ability to pass on prices to their customers to ensure continued profitability, earnings growth and dividend growth for their shareholders. We believe it will be these businesses that will prove to be the standout investments during this period of uncertainty.”

BKI continues to be well positioned with a portfolio of high-quality dividend paying stocks, available cash and no debt.

This announcement was authorised by the Board of BKI Investment Company Limited.

For further information:

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