

ASX and Media Release

20 July 2022



Record Result for BKI

Ordinary Dividend up 22% and 1cps Special Dividend

Result <u>excluding</u> special investment revenue	FY2022	FY2021	Movement
Ordinary revenue from Investment Portfolio	\$62.6m	\$39.7m	58%
Total Revenue - Ordinary	\$63.4m	\$40.2m	58%
Operating result after tax	\$58.1m	\$35.7m	63%
Earnings per share	7.84c	4.83c	62%
Final Ordinary Dividend per share	3.65c	3.00c	22%
Result <u>including</u> special investment revenue	FY2022	FY2021	Movement
Net profit after tax	\$100.8m	\$36.6m	175%
Earnings per share	13.60c	4.97c	173%
Final Special Dividend per share	1.00c	0.00c	100%
Total Dividends	FY2022	FY2021	Movement
Total FY2022 Dividends	8.65c	5.00c	73%

Wednesday, 20 July 2022: BKI Investment Company Limited (BKI, ASX: BKI) today announced the Group's results for the year ended 30 June 2022. Today's full year Operating Result after tax and excluding special dividends of \$58.1 million, an increase of 63%, and Net Profit after tax and including special dividends of \$100.8 million, an increase of 175%, are both record profit results for the company.

BKI Performance Overview

The Australian economy greatly benefited from a variety of stimulus packages over the last couple of years. This created a huge tailwind to households, consumers and businesses across Australia and the world. These strong economic conditions prevailed throughout FY2022 which saw company profits improve and dividends paid by Australian equities increase significantly throughout the year. The increase in dividends from Australian equities sharply improved BKI's results for FY2022.

Today's result is a record for BKI which saw Ordinary Revenue from Investment Portfolio lift 58% to \$62.6 million. The result was boosted by higher ordinary dividends received from major holdings including BHP Group, New Hope Corporation, Rio Tinto, Woodside Energy, National Australia Bank, Macquarie Group and Commonwealth Bank.

BKI realised \$0.6 million from the trading portfolio, after participating in some minor trading positions. Due to the extremely low interest rates on offer, BKI's interest received was only \$0.1 million, down 29% on FY2021. BKI's Operating Result after tax, before special investment revenue, was a record \$58.1 million, an increase of 63% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 62% higher to 7.84 cents per share.

Special Investment Revenue was significantly higher in FY2022, rising from \$1.0 million to \$42.7 million. Special Dividends were received from New Hope Corporation, Telstra Corporation, Smartgroup Limited and Rio Tinto Limited. BKI participated in off market buy-backs conducted by Commonwealth Bank, Woolworths Limited and Metcash Limited. Also, during the period, BKI received a fully franked in-specie distribution following the Woodside Energy (formerly Woodside Petroleum) acquisition of BHP Petroleum International Pty Ltd. The distribution was non-cash with BKI receiving additional Woodside Energy shares post the transaction.

This significant lift in Special Investment Revenue resulted in BKI's Net Profit After Tax, including special investment revenue for FY2022 of \$100.8 million, up 175% on the previous corresponding period and a record for the company. BKI's FY2022 basic earnings per share, including special investment revenue, increased 173% to 13.60 cents per share from 4.97 cents per share in FY2021.

Dividend Information

The BKI Board has declared a final ordinary dividend of 3.65cps. In addition, the Board has also declared a final special dividend of 1.00cps. Both dividends will be fully franked. This takes total dividends paid for the FY2022 year to 8.65cps, up 73% on last year. Including the payment of today's dividends, BKI has now paid out \$878 million or \$1.23 per share in dividends and franking credits to Shareholders since listing.

Based on the 4.00cps FY2022 interim dividends and today's 3.65cps FY2022 final dividend and 1.00cps special dividend, the current BKI grossed up dividend yield is 7.4%, based on a tax rate of 30% and a share price of \$1.66, as at 30 June 2022.

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 Thursday 11 August 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 Monday 8th August 2022. Key dates for the dividends are as follows:

Event	
Last trading date to be eligible for the dividends	Monday 8 August 2022
Ex-dividend date	Tuesday 9 August 2022
Record date	Wednesday 10 August 2022
DRP nomination	Thursday 11 August 2022
Payment date	Tuesday 30 August 2022

Management Expense Ratio (MER)

BKI's MER as at 30 June 2022 was maintained at 0.17%, 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.

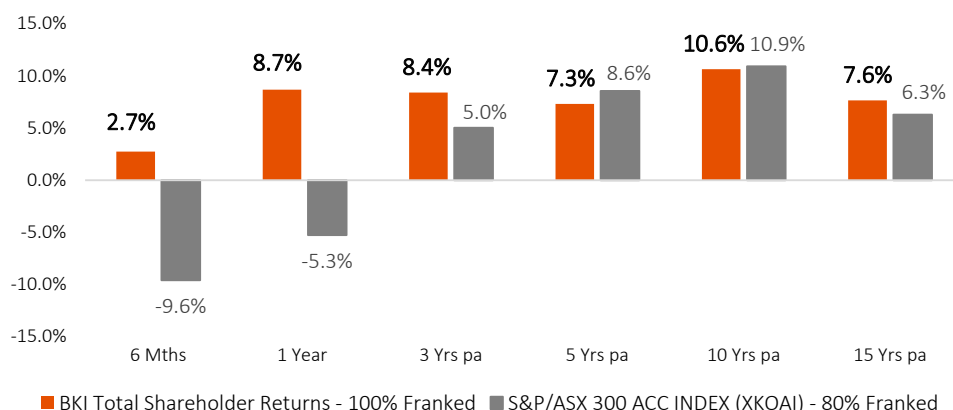
Performance

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 year to 30 June 2022 was positive 1.5% compared to the S&P/ASX 300 Accumulation Index which returned negative 6.8% for the same period.

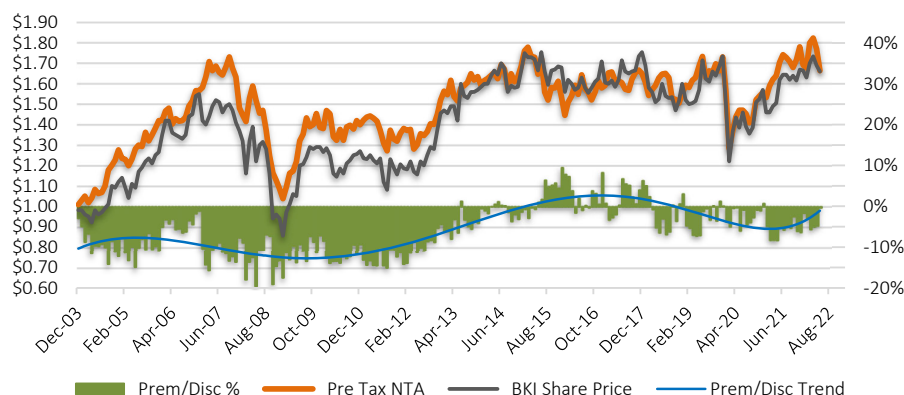
Total Shareholder Return

For the year to 30 June 2022, BKI's Total Shareholder Return (including franking credits) was positive 8.7% compared to the S&P/ASX 300 Accumulation Index (franked at 80%) which returned negative 5.3% for the same period, an outperformance of 14.0%.



Net Tangible Assets

BKI's Pre-tax Net Tangible Assets as at 30 June 2022 was \$1.66 and represented a 0% discount to the BKI share price.



Portfolio Movements

In the first half of this financial year, we realised approximately \$80 million worth of sales through exiting positions in Brambles, Platinum Asset Management and Magellan Financial. These sales were prompted by a reduction in our confidence for these companies to increase dividends over the short to medium term. 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 reduced its exposure to ASX Limited and reduced positions in Commonwealth Bank, Woolworths Limited and Metcash Limited following their off-market buybacks.

This enabled us to add to several existing positions, all of which offered significant grossed up dividend yields. They are companies well known to the BKI Investment Committee and provided a very good opportunity to increase BKI's Investment Revenue and Net Profits. The main investments over the first half of FY2022 were made in Aurizon Holdings, Rio Tinto, BHP Group, Fortescue Metals, Harvey Norman, APA Group, Pendal Limited, Suncorp Group and Metcash Limited. BKI also accepted the Washington H. Soul Pattinson (SOL) Proposal to merge with Milton Corporation, which was implemented on 5 October 2021. BKI now holds 391,908 shares in SOL.

In the second half of FY2022 BKI realised approximately \$40 million worth of further sales with the exit of positions in Fortescue Metals and ASX Limited. These divestments allowed BKI to reinvest capital into other companies within the portfolio including BHP Group, Metcash Limited and Aurizon Holdings. We also added Ampol Limited and Smartgroup Corporation to the portfolio. Following the Woodside Energy (formerly Woodside Petroleum) acquisition of BHP Petroleum International Pty Ltd, BKI received a non-cash distribution from the transaction by receiving 477,049 additional Woodside Energy shares.

As at the end of June 2022, there were 39 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 93.1% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.24 billion, with the cash position of \$80 million representing 6.5%.

Top 25 Investments

	Stock	% of Total
1	BHP Group	8.8%
2	Macquarie Group	8.7%
3	APA Group	8.0%
4	Commonwealth Bank	6.7%
5	National Australia Bank	5.5%
6	Woodside Energy Group	4.3%
7	Transurban Group	4.1%
8	Wesfarmers Limited	3.8%
9	New Hope Corporation	3.6%
10	Woolworths Limited	3.3%
11	Ramsay Healthcare	3.1%
12	TPG Telecom Limited	2.8%
13	Telstra Corporation	2.7%

	Stock	% of Total
14	Sonic Healthcare	2.6%
15	Rio Tinto Limited	2.5%
16	Amcor	2.4%
17	ARB Corporation	2.2%
18	Harvey Norman Holdings	2.1%
19	Coles Group	1.6%
20	Aurizon Holdings	1.4%
21	Invocare Limited	1.4%
22	Goodman Group	1.4%
23	Suncorp Group	1.4%
24	Metcash Limited	1.2%
25	Pendal Group	1.0%
Cash and cash equivalents		6.5%
Total of Top 25 including cash and cash equivalents		93.1%

Outlook

The last couple of years were extraordinary and we continue to experience the secondary effects of flooding the world economy with cash through global stimulus packages distributed during 2020 and 2021. Throughout the remainder of 2022, we expect to see further challenges emerging from the war in Ukraine, labour shortages, localised flooding, inventory shortages and disruptions to energy supply. We believe that Central Banks around the world will continue to lift interest rates. This will continue to impact our economy and equity markets over the short to medium term.

Portfolio Manager Mr Tom Millner comments: “Despite times of uncertainty, there are always opportunities to invest within equity markets. Our goal is to 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 an attractive and sustainable dividend stream throughout the cycle. We will target those companies that have pricing power and the ability to pass on prices to their customers in this environment to ensure continued profitability, earnings growth and dividend growth for BKI shareholders.”

“Commodity markets were generally strong over the year, led by Energy. Oil, Gas and Thermal Coal prices which continue to trade at elevated levels and demand continues to be very strong. While Oil prices finished the year off its highs at US\$114/bbl after hitting US\$120/bbl, the price is well above where it was a year ago when it traded at US\$75/bbl and was on a downward trajectory. Thermal Coal had a spectacular year, with the Thermal Coal gc NEWC (6,000 kcal/kg NAR) price closing in record territory. While Iron Ore is off its recent highs, demand remains robust and we are confident on the future of this sort after commodity. The lower Australian Dollar is also a positive tailwind for Australian resource companies and helps underpin our investment case in the sector.” Mr Millner said.

BKI holds a portfolio of high-quality dividend paying stocks and has no debt. We are well positioned to take advantage of any market opportunity which may present itself over the year ahead with 6.5% of the portfolio currently in cash. BKI will continue to look to invest in businesses at a reasonable price with a view of holding them for the long-term.

For further information:

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