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ASX / Media Release

Argo reports record profit and increases fully franked final dividend

Argo Investments Limited (ASX code: ARG), announces a record full year profit of \$312.9 million. The Board declared a fully franked final dividend of 17 cents per share, an increase of +21.4%.

Summary of financial results	2022	2021	Change
Profit	\$312.9 million	\$174.0 million	+79.9%
Profit excluding demerger dividends	\$251.2 million	\$154.9 million	+62.2%
Earnings per share excluding demerger dividends	34.3 cents	21.4 cents	+60.3%
Final dividend per share (fully franked)	17 cents	14 cents	+21.4%
LIC capital gain component	15 cents	8 cents	+87.5%
Full year dividends per share (fully franked)	33 cents	28 cents	+17.9%
Shareholders	96,064	94,086	+1,978
Management Expense Ratio	0.14%	0.14%	unchanged

Argo's profit was driven by record dividend income received from companies in the investment portfolio, including significantly higher dividends from BHP and Rio Tinto. Profit was also bolstered by one-off, non-cash income of \$61.7 million due to the merger of BHP's oil and gas assets with Woodside Energy and Tabcorp's demerger of The Lottery Corporation.

Investment outperformance

During a volatile period, particularly in the second half, Argo outperformed the Australian share market by +4.2%. Our investment performance, measured by NTA return after management costs, was -2.3% compared to the S&P/ASX 200 Accumulation Index return of -6.5% over the 12 months to 30 June 2022.

This strong relative performance reflects Argo's conservative investment approach which focuses on company fundamentals, including profitability. As a result, we avoided several companies and sectors with inflated valuations, including many overpriced technology stocks and speculative mining businesses which fell sharply during the year.

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Argo's share price returned +1.6%, outperforming Australian shares by +8.1% and closed at a slight premium to the per share asset backing.

Fully franked dividend

The fully franked final dividend of 17 cents per share brings full year dividends to 33 cents per share, an increase of +17.9%.

The final dividend also includes a record listed investment company (LIC) capital gain component of 15 cents per share from which most individuals and self-managed superannuation funds can claim a tax deduction, in addition to the benefit of franking credits. This resulted from a number of substantial capital gains in the portfolio being crystallised, led by the takeover of Sydney Airport, one of our larger holdings.

Investment portfolio

The larger movements in Argo's portfolio during the period were:

Purchases

Aristocrat Leisure
Aurizon Holdings
BHP
EML Payments
Lendlease Group
Megaport*
RAM Essential Services Property Fund*
Santos
Superloop

* New portfolio position

Sales

AGL Energy**
Australian United Investment Company
Boral**
Crown Resorts**
Oil Search (takeover)**
Spark Infrastructure (takeover)**
Sydney Airport (takeover)**
Washington H. Soul Pattinson

** Fully exited position

Several holdings were removed from the portfolio due to mergers or takeovers reflecting the high levels of corporate activity during the year. Capital from these transactions was re-deployed into new investments and added to existing holdings. Overall, the total number of stocks in the investment portfolio increased slightly from 90 to 93.

Driven by highly supportive monetary and fiscal policy, Australia's share market reached post-COVID highs during the financial year. However, confidence faltered as the world's central banks withdrew stimulus and began to raise interest rates in an effort to curb rising inflation. Russia's invasion of Ukraine further added to investor concern, as global supply chain disruptions were compounded and energy prices soared. Australia's share market experienced considerable volatility in response to these macro-economic pressures, particularly in the second half, and plunged almost 9% in June alone.

Outlook

In more recent weeks, Australian (and global) shares have rallied on expectations that interest rates will peak sooner than previously expected. Despite the general optimism, current indicators provide conflicting signals for the trajectory of the Australian economy.

On the one hand, company balance sheets remain strong and consumers appear reasonably resilient with high savings in reserve, unemployment at historic lows and wages rising, albeit modestly.

However, there are numerous uncertainties in the economy, including softening commodity prices, continuing COVID-related disruptions such as workforce shortages and adverse weather events which are having prolonged effects on parts of the economy. Overseas, geopolitical factors threaten stability in the region and globally.

Households are likely to come under growing pressure as living costs increase and inflation remains at 30-year highs. Interest rates are rising and are now at levels not seen since 2016. Following a decade of cuts to the official cash rate, many home-owners are facing the first ever increases to their mortgage repayments.

While we expect the Australian and global economies will continue to confront challenges in the immediate term, Argo remains well-positioned with a strong balance sheet, no debt and cash on hand to capitalise on likely market volatility. We continue to take a long-term share market view and consistently apply our investment approach which has stood the test of time since 1946.

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About Argo

Argo Investments (ASX code: ARG) is one of Australia's oldest and largest listed investment companies (LICs). We offer investors low-cost, conservative and diversified exposure to approximately 90 Australian listed companies. Founded in Adelaide in 1946, Argo is one of the ASX's top 100 companies and invests more than \$6 billion on behalf of more than 96,000 shareholders.

