

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868

ASX and Media Release

Wednesday 19 July 2023



10% Dividend Growth from BKI

Result <u>excluding</u> special investment revenue	FY2023	FY2022	Movement
Investment revenue – ordinary	\$71.1m	\$62.6m	14%
Revenue from operating activities	\$72.8m	\$63.4m	15%
Net operating profit after tax	\$65.1m	\$58.1m	12%
Earnings per share	8.68c	7.84c	11%
Dividends per share	7.70c	7.15c	8%
Result <u>including</u> special investment revenue	FY2023	FY2022	Movement
Net operating profit after tax	\$70.1m	\$100.8m	-31%
Earnings per share	9.35c	13.60c	-31%
Special dividends per share	0.50c	1.50c	-67%

Wednesday, 19 July 2023: BKI Investment Company Limited (BKI, ASX: BKI) today announced the Group's results for the year ended 30 June 2023. Today's Operating Profit after tax and excluding special dividends of \$65.1 million was an increase of 12%. The BKI Board has declared a final ordinary dividend of 4.00cps, up 10% from 3.65cps in the previous corresponding period. This 4.00cps ordinary dividend is the highest ordinary dividend paid by BKI in its 20 years and takes total dividends paid for the FY2023 year to 8.20cps.

BKI Performance Overview

Despite times of uncertainty there are always opportunities to invest within equity markets. The goal of BKI is to always invest in high quality businesses with a strong balance sheet, competitive advantage and managed by capable and trustworthy people. BKI seeks to invest in businesses that will pay an attractive and sustainable dividend stream throughout the cycle.

BKI's Revenue from investment portfolio was up 14.8% to \$72.8 million. The result was boosted by higher ordinary dividends received over the last year from New Hope Corporation, Woodside Energy, Telstra Corporation, Yancoal Australia, Lindsay Australia and Macquarie Group.

BKI's interest received was \$1.6 million, up substantially on FY2022 following a significant rise in interest rates during the year. BKI's Net Operating Profit After Tax, before special investment revenue, was a record \$65.1 million, an increase of 12% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 10.8% higher to 8.68 cents per share.

Special Investment Revenue was lower in FY2023, following the \$42.7 million in special dividends received in FY2022. Special Dividends received in FY2023 from New Hope Corporation, Ampol Limited and Smartgroup Limited totalled \$5.0 million.

BKI's Net Operating Profit After Tax, including special investment revenue for FY2023 of \$70.1 million, fell 31.3% on the previous corresponding period. BKI's FY2023 basic earnings per share, including special investment revenue, was 9.35 cents per share.

Dividend Information

The BKI Board has declared a final ordinary dividend of 4.00cps, up 10% from 3.65cps in the previous corresponding period. This 4.00cps ordinary dividend is the highest ordinary dividend paid by BKI in its 20 years and takes total dividends paid for the FY2023 year to 8.20cps.

The ex-dividend date is Friday 11 August 2023, and the Record Date for determining entitlements to the dividend is Monday 14 August 2023. The dividends will be paid to shareholders on Tuesday 29th August 2023.

Including the payment of the FY2023 dividend, BKI has now paid out over \$1.31 per share in dividends since listing on the ASX twenty years ago. Including franking credits BKI has paid out over \$1.0 billion to Shareholders since IPO.

Based on the FY2023 dividends of 8.20cps, the current historical BKI grossed up dividend yield is 6.8% based on a tax rate of 30% and a share price of \$1.73, as at 30 June 2023.

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 August 2023. To complete a DRP form please follow the following link:

bkilimited.com.au/dividend-information/

The last trading date to be eligible for the FY2023 Final Dividend is Thursday 10 August 2023. Key dates for the fully franked final dividend are as follows:

Event	
BKI Announce Full Year FY2023 Results	Wednesday 19 July 2023
Last trading date to be eligible for dividend	Thursday 10 August 2023
Ex-dividend Date	Friday 11 August 2023
Record Date	Monday 14 August 2023
DRP Nomination	Tuesday 15 August 2023
Dividend Payment Date	Tuesday 29 August 2023
Annual General Meeting	Wednesday 8 November 2023

Management Expense Ratio (MER)

BKI's MER as at 30 June 2023 was 0.18%. 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 2023 was positive 10.7% compared to the S&P/ASX 300 Accumulation Index which returned 14.4% for the same period.

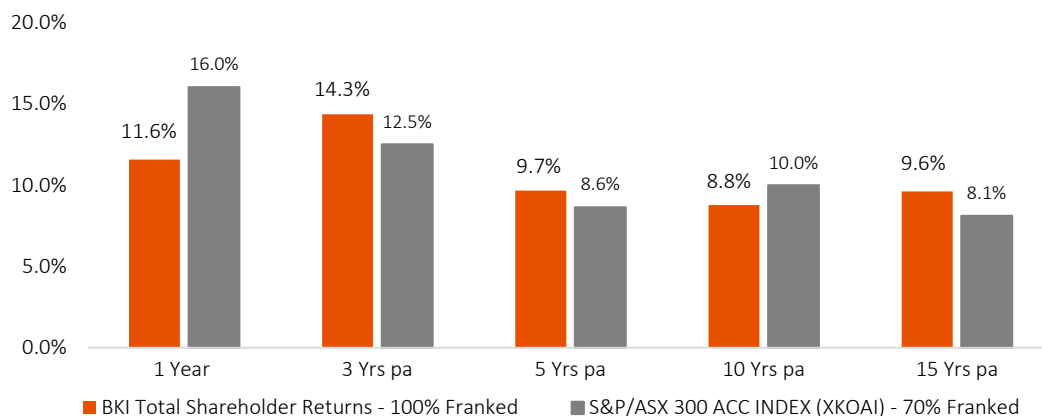
The BKI Portfolio has benefited from its exposure to Energy and in particular the large overweight positions in New Hope Corporation, delivering a total shareholder return of 55.4% for the year, and Woodside returning 22.7%.

Some of BKI's other quality core portfolio positions including Lindsay Australia, Washington H Soul Pattinson, Suncorp Group, BHP Group, Wesfarmers Limited and Telstra Corporation also delivered above index returns for the year.

Negative contributors to the performance of the portfolio included the consumer-focused businesses including Amcor, Metcash Limited, Orora Limited, Harvey Norman and ARB Corporation.

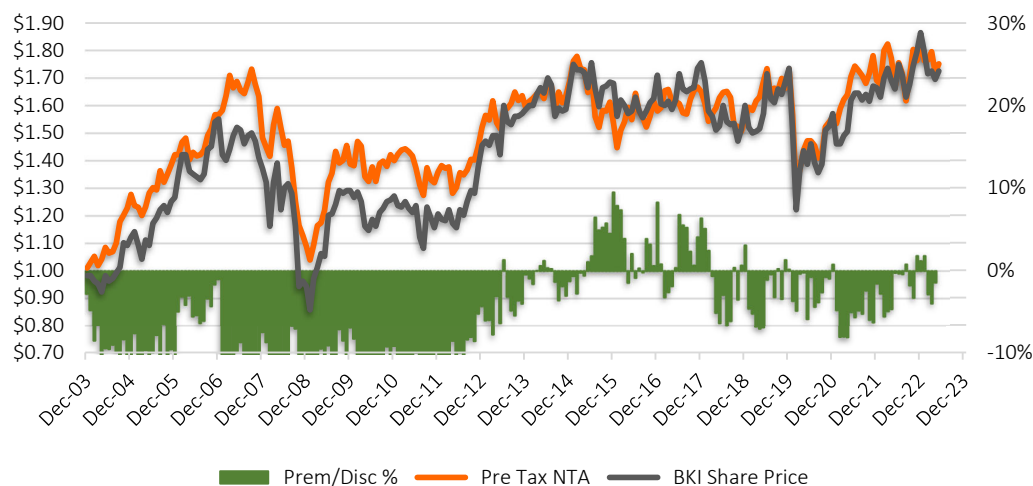
Total Shareholder Return

For the year to 30 June 2023, BKI's Total Shareholder Return was positive 9.2%. The S&P/ASX 300 Accumulation Index returned 14.4% for the same period. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2023 was positive 11.6%, compared to the index return of 16.0%.



Net Tangible Assets

BKI's Pre-Tax Net Tangible Assets as at 30 June 2023 was \$1.75, and represented a 1.5% discount to the BKI share price.



Portfolio Movements

In the first half of FY2023, we invested \$34 million adding to positions in Ampol Limited, Equity Trustees, Orora Limited, ARB Corporation and Harvey Norman Holdings. Three new names were added to the BKI portfolio, including Yancoal Australia, Nine Entertainment and James Hardie.

In the second half of FY2023, BKI invested a further \$70 million, including National Australia Bank, Yancoal Australia, Sonic Healthcare, Telstra Corporation, Wesfarmers, Smart Group and Ramsay Healthcare. BKI realised approximately \$49 million worth of sales with the exit of positions in Invocare Limited, Pandal Group, Perpetual Limited and James Hardie.

As at the end of June 2023, there were 39 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 92.0% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.39 billion, with the cash position of \$115 million representing 8.3%.

Top 25 Investments

	Stock	% of Total
1	BHP Group Limited	8.5%
2	Macquarie Group Limited	8.4%
3	Commonwealth Bank of Australia	6.6%
4	National Australia Bank Limited	6.1%
5	APA Group	6.1%
6	New Hope Corporation Limited	4.5%
7	Wesfarmers Limited	4.4%
8	Woodside Energy Limited	4.1%
9	Transurban Group	3.6%
10	Woolworths Group Limited	3.3%
11	Sonic Healthcare Limited	3.2%
12	Telstra Corporation Limited	3.0%
13	Rio Tinto Limited	2.4%

	Stock	% of Total
14	Ramsay Health Care Limited	2.3%
15	Harvey Norman Holdings Limited	2.0%
16	TPG Telecom Limited	2.0%
17	ARB Corporation Limited	2.0%
18	Amcor Limited	1.8%
19	Coles Group Limited	1.5%
20	Suncorp Group Limited	1.5%
21	Aurizon Holdings Limited	1.5%
22	Lindsay Australia Limited	1.4%
23	Goodman Group Limited	1.4%
24	Yancoal Australia Limited	1.1%
25	Metcash Limited	1.0%
Cash and cash equivalents		8.3%
Total of Top 25 including cash and cash equivalents		92.0%

Outlook

Post the COVID19 years we continue to experience the secondary effects of flooding the world economy with cash through global stimulus packages distributed during 2020 and 2021. These actions have led to a sharp rise in inflation, forcing Central Banks around the world to lift interest rates at an aggressive rate. We expect to see further challenges emerge following high inflation and rising interest rates over the short to medium term.

However, as we have explained many times before, 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 throughout the cycle.

In this environment we target those companies that are more defensive in nature and display a competitive advantage. Those companies who have pricing power and the ability to pass on prices to their customers to ensure continued profitability, earnings growth and dividend growth for our shareholders should perform well. We aim to invest in these businesses at a reasonable price with a view of holding them for the long-term.

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 8.3% of the portfolio currently in cash.

For further information:

Contact Asset Management

Tom Millner – Portfolio Manager
0408 754 180

Will Culbert – Portfolio Manager
0410 627 378