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ASX/Media release

Cash generation from investments up 49%, 20 years of increased dividends

Key highlights:

FY20		
Group Regular Profit after tax[1]	$169.8 million	- 44.7%
Group Statutory Profit after tax	$953.0 million	+ 284.3%
WHSP's net asset value (pre-tax)	$5.2 billion	- 5.3%
Net cash flows from investments[2]	$252.3 million	+ 48.8%
Total Dividend per share (fully franked)	60 cents	+ 3.4%

- Washington H. Soul Pattinson remains the only company in the ASX All Ordinaries to have increased its dividends every year for the past 20 years
- Dividends have grown at a compound annual growth rate of 9.2% for 20 years
- Total Shareholder Returns have outperformed the market by 5.2% per annum for 20 years
- Diversified portfolio showing resilience against market volatility – FY20 Net assets outperformed the All Ordinaries Index by 6.9%

Thursday, 24 September 2020: 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 2020, reporting a regular net profit after tax[1] of $169.8 million for the year, down 45% on the previous corresponding period. Group profit after tax was $953.0 million, up 284% on the FY19 result.

WHSP does not consider its earnings to be the key indicator of the Company's performance. As with any investment portfolio, the key drivers of success are growth in the capital value of the portfolio and growing dividends.

1 *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 Preliminary Final Report on page 25.*
2 *Refer to Preliminary Final report – Alternative Performance Measures for the definition of net cash flow from investments.*

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WHSP's objective is to deliver to its shareholders:

- Superior investment returns
  In the year to 31 July 2020, the All Ordinaries Index fell 12.2% however, the gross value of WHSP's portfolio decreased by only 5.3% generating a 6.9% outperformance.

- Steady and growing dividends
  WHSP declares its dividends from the cash it receives from its portfolio (rather than accounting earnings). The net cash flows from investments received by WHSP for the full year FY20 was 49% higher than the previous year. This strong cash generation allowed the Company to declare another increase to the final dividend and places WHSP as the only company in the All Ordinaries Index to have increased its dividends every year for 20 years.

WHSP Chairman, Robert Millner said: "FY20 was a difficult year with significant volatility across the market but I am delighted once again that WHSP's diversified portfolio delivered another good year where the assets performed better than the market and generated a strong increase in cash flows from dividends and interest income."

"During the year, TPG was finally able to merge with Vodafone to create a very attractive telecommunications company. That merger resulted in an uplift to the value of our shareholding and facilitated a special dividend of $121 million to WHSP and a demerger of Tuas in which WHSP remains a 25% shareholder."

"Unfortunately, New Hope has still not received approvals for its new Acland Stage 3 mine as the process gets continually challenged in the courts despite New Hope winning all of its cases through the year. COVID-19 has caused a contraction in energy demand which is resulting in materially lower coal prices than we experienced last year."

"Brickworks was impacted by lower building activity in Australia and USA as a result of COVID-19. However, the property division is benefiting from demand for logistics industrial property and lower capitalisation rates."

"WHSP delivered an annual TSR that is 5.2% higher than the ASX All Ordinaries Accumulation Index over the past 20 years. This means an investment in WHSP is worth three times more over this 20-year period than an equivalent investment in the market."

FY20 Results

A key component of the FY20 year was the merger of TPG and Vodafone which triggered a significant one-off profit due to the revaluation of WHSP's investment in TPG to market value. This was the primary driver of the 284% increase to Group statutory profit.

WHSP's regular net profit after tax (excluding one-off items) was impacted by:

- New Hope Corporation – significantly lower coal prices as result of COVID-19 impacting on energy demand in key markets. New Hope also had lower production at Acland as it reaches the end of its approved Stage 2 mine area;

- TPG Telecom – as a result of continuing margin erosion from migration to NBN and WHSP not taking up a share of TPG's income from 29 June 2020 due to the merger of TPG and Vodafone;

- Brickworks – experienced a fall in demand in its building products businesses in Australia and North America as a result of COVID-19. This was partly offset by stronger contributions from its property division; and
- Investment and trading income – impacted by COVID-19 impact on markets and increased interest expense to increase WHSP's liquidity for opportunities.

These were partly offset by a better performance from Round Oak Minerals as a result of increased revenues from operating assets.

COVID-19 and outlook

During the second half of the financial year COVID-19 had a significant impact on all businesses. While some of our investment subsidiaries were impacted to varying degrees, the Parent Company was relatively unaffected and did not participate in government funding, it did not require rent relief and it did not reduce its workforce. Subsidiaries which received small amounts of JobKeeper assistance did not pay a dividend and were supported by WHSP through a challenging time.

The Company promptly implemented strict workplace protocols, including physical distancing, travel restrictions, roster changes, flexible working arrangements, rapid screening and personal hygiene controls.

WHSP Managing Director, Todd Barlow, said: "The outlook for the domestic and global economy remains uncertain and volatile. One of WHSP's key advantages is a flexible mandate to make long-term investment decisions and adjust the portfolio by changing the mix of investment classes over time."

"While the economic outlook is uncertain, we can be certain there will be some dislocation in a number of asset classes. With dislocation comes opportunity and WHSP is well positioned with adequate liquidity to take advantage of the right investment opportunities."

Final dividend – 20 consecutive years of growth

The Directors determine dividends based on the WHSP's net cash flow from Investments which in FY20 was 49% higher.

As a result, for the year ended 31 July 2020, the Directors have resolved to pay a fully franked final dividend of 35 cents per share, an increase of 2.9% over last year's final dividend. This brings total dividends for the year to 60 cents per share fully franked (up 3.4%).

The record date for the dividend will be 23 November 2020 with payment due on 14 December 2020.

WHSP Chairman, Robert Millner said: "Our aim is to pay a stable and growing dividend year on year. During the GFC many companies cut their dividends while WHSP was able to increase dividends and we are seeing the same thing occur this year as a result of our diversified portfolio and long-term investment decisions."

"WHSP has again lifted its dividend and is now the only company in the All Ordinaries to have increased dividends every year since 2000. Over this period, the total ordinary dividends have grown at a compound annual growth rate of 9.2% per annum. We are proud of the fact that WHSP has not missed paying a dividend since it listed in 1903."

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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, property and financial services.

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