

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868



ASX and Media Release

21 July 2021

BKI's 2021 Full Year Results

Result <u>excluding</u> special investment revenue	2021	2020	Movement
Investment revenue – ordinary	\$39.7m	\$45.4m	-17%
Revenue from operating activities	\$40.2m	\$46.7m	-14%
Net operating profit after tax	\$35.7m	\$41.6m	-14%
Earnings per share	4.83c	5.67c	-15%
Dividends per share	5.00c	5.945c	-16%

Result <u>including</u> special investment revenue	2021	2019	Movement
Net operating profit after tax	\$36.6m	\$48.6m	-25%
Earnings per share	4.97c	6.63c	-25%
Special dividends per share	0.00c	1.00c	N/A

BKI Performance Overview

BKI Investment Company Limited (“BKI”) today announced its 2021 Full Year results.

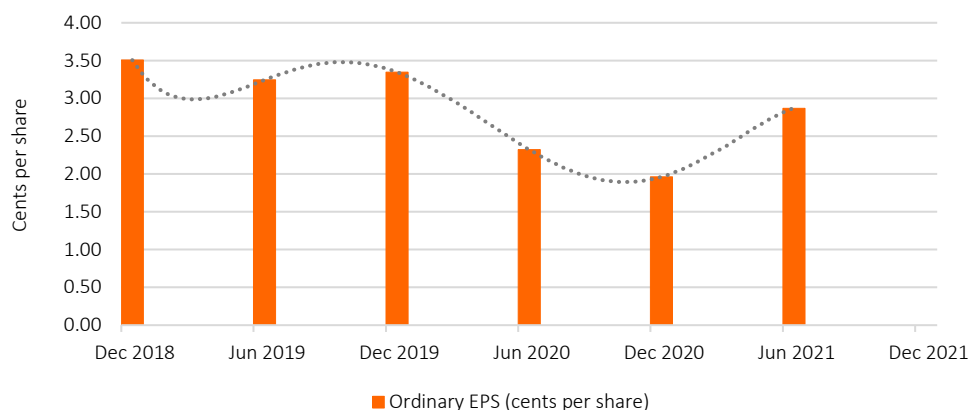
Australia's performance in controlling the COVID-19 epidemic and economic stimulus packages was of significant benefit to the Australian household and consumer during the last year. The Government's substantial economic support packages and the banks' loan deferrals were very well received and placed the economy in a strong position. We were concerned in February, when BKI presented first half results, that the forecast growth in unemployment and the completion of payment deferral programs would create a headwind for the Australian economy. Fortunately, these issues were not as severe as we first thought and did not materially impact the local economy.

The severe fluctuations in global share markets we experienced in FY2020 and early in FY2021 dissipated with the backdrop of a stronger global economy. However, many Australian equity investors continued to receive lower dividends than they received 12 -18 months ago. These cuts impacted BKI's results in FY2021, with Ordinary Investment Revenue down 17% to \$39.7 million. The result was impacted by lower ordinary dividends received over the last year from New Hope Corporation (down 73% on the previous corresponding period (pcp)), Invocare Limited (down 70% on the pcp), Woodside Petroleum (down 62% on the pcp), Commonwealth Bank (down 42% on the pcp), AGL Energy (down 26% on the pcp) and Transurban Group (down 22% on the pcp).

BKI realised \$0.3 million from the trading portfolio, after participating in some minor trading positions. BKI's interest received was only \$0.1 million, down 82% on FY2020 due to the extremely low interest rates on offer. BKI's Net Operating Profit After Tax, before special investment revenue, was \$35.7 million, a decrease of 14% over the previous corresponding period. BKI's basic earnings per share before special investment revenue decreased 15% to 4.83 cents per share.

Special Dividend Revenue was lower in FY2021, falling from \$7.2 million to \$1.0 million. Special Dividends were received from Telstra Corporation, AGL Energy and Rio Tinto Limited. Woolworths Group Limited undertook the demerger of Endeavour Group Limited during the period, but BKI did not recognise the demerger dividend as special dividend revenue. BKI's Net Operating Profit After Tax, including special investment revenue for FY2021 was \$36.6 million, down 25% on the previous corresponding period. BKI's FY2021 basic earnings per share, including special investment revenue, decreased 25% to 4.97 cents per share from 6.63 cents per share in FY2020.

It is pleasing that in the second half of FY2021 BKI recorded an increase of 46% in ordinary EPS excluding special investment revenue over the first half of FY2021, as can be seen in the chart below. In the last six-month period, BKI received increased dividends from major investments including Macquarie Group (up 155% on the pcp), Fortescue (up 71% on the pcp), Rio Tinto (up 48% on the pcp), BHP Group (up 34% on the pcp), National Australia Bank (up 30% on the pcp), Harvey Norman (up 20% on the pcp) and Wesfarmers Limited (up 13% on the pcp). The outlook for dividends received from BKI's investments should continue to improve in the periods ahead.



Dividend Information

The BKI Board today declared a final ordinary dividend of 3.00cps, up 29% on the FY2020 Final dividend. Total dividends declared in respect of the FY2021 year were 5.00cps, down 28% on last year. This is disappointing; however, the Board and Management remain very proud that the Company has now paid out over \$780 million or \$1.14 per share in Dividends and Franking Credits to Shareholders since listing.

The current BKI grossed up dividend yield is 4.4%, based on the 2.00cps FY2021 interim dividend and today's 3.00cps FY2021 final dividend, a tax rate of 30% and the share price of \$1.62 as at 30 June 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 10 August 2021. To complete a DRP form please follow the following link:

<https://bkilimited.com.au/dividend-information/>

The last trading day to be eligible for BKI's fully franked dividends is Thursday 5 August 2021.

Key dates for the dividends are as follows:

Event	
Last trading date to be eligible for the dividend	Thursday 5 August 2021
Ex-dividend date	Friday 6 August 2021
Record date	Monday 9 August 2021
DRP nomination	Tuesday 10 August 2021
Payment date	Thursday 26 August 2021

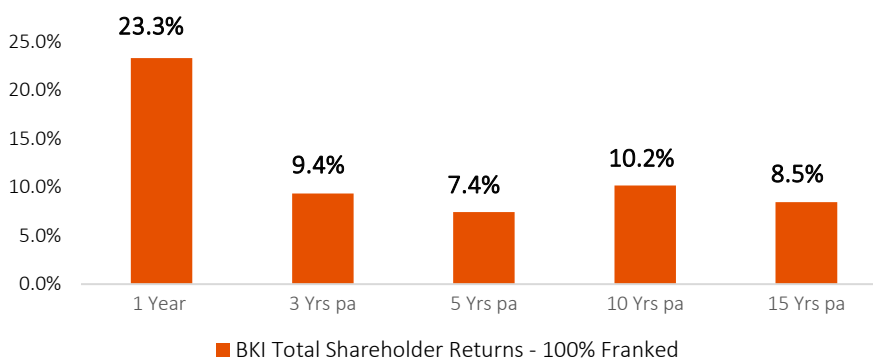
Management Expense Ratio (MER)

BKI's MER as at 30 June 2021 was 0.17%. 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.

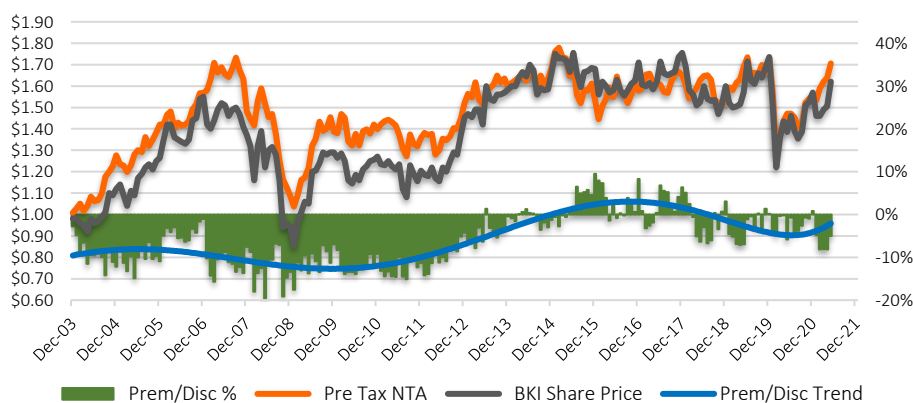
The Board and Portfolio Managers are shareholders in BKI. We invest for the long term and do not charge excessive external portfolio management fees or any performance fees. Our focus is on creating wealth for all shareholders by keeping costs low, increasing fully franked dividends and generating capital 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

The S&P/ASX 300 Accumulation Index return was 28.5% for the year to 30 June 2021. BKI's Total Shareholder Return was 21.4%. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2021 was 23.3%.



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 2021 was 20.1%. BKI's Pre-Tax Net Tangible Assets as at 30 June 2021 was \$1.71, up from \$1.47 last year.



Portfolio Movements

BKI made \$83 million worth of sales during the first half of this financial year, including exiting positions in Westpac Banking Corporation, Sydney Airports, IAG Limited, SEEK Limited and selling a small parcel of New Hope Corporation. These sales were prompted by the significant reduction in dividends received from these companies during the period. BKI realised a further \$81 million worth of sales in the second half of the financial year. This included exiting our positions in AGL Energy Limited, Lend Lease, NAB Convertible Notes and Inghams Group, as well as slightly trimming positions in Commonwealth Bank and Transurban Group.

These divestments allowed BKI to reinvest capital into other positions within the portfolio to offset further declines in Ordinary Income. BKI invested \$95 million during the first half and \$65 million during the second half of FY2021. The largest investments over the year were APA Group, Transurban Group, Fortescue Metals, Rio Tinto Limited, Commonwealth Bank, National Australia Bank, BHP Group, Amcor, Harvey Norman Holdings and Equity Trustees. A new position was established in Metcash Limited in the second half of the year, and BKI also now has a holding in Endeavour Group Limited following its demerger from Woolworths Group Limited in June 2021.

Top 25 Investments

	Stock	% of Total Portfolio
1	Commonwealth Bank	8.7%
2	BHP Group	8.1%
3	Macquarie Group	8.1%
4	APA Group	5.5%
5	Wesfarmers Limited	5.3%
6	National Australia Bank	5.2%
7	Woolworths Group Limited	4.3%
8	Transurban Group	3.9%
9	ARB Corporation	3.2%
10	Sonic Healthcare	2.9%
11	TPG Telecom Limited	2.9%
12	Ramsay HealthCare	2.6%
13	Telstra Corporation	2.5%

	Stock	% of Total Portfolio
14	ASX Limited	2.5%
15	Harvey Norman Holdings	2.2%
16	Woodside Petroleum	2.1%
17	Amtcor	2.0%
18	New Hope Corporation	1.8%
19	Fortescue Metals Group	1.7%
20	Magellan Financial Group	1.6%
21	Goodman Group Limited	1.6%
22	Rio Tinto Limited	1.6%
23	Coles Group	1.5%
24	Invocare Limited	1.5%
25	Milton Corporation	1.1%
Cash and cash equivalents		5.3%
Total of Top 25 including cash and cash equivalents		89.7%

Outlook

The global stimulus packages distributed during 2020 were a lifeline for many countries, businesses and individuals. Many of these packages continued into 2021 and are only just now rolling off. Few initially appreciated the impact these handouts would have, but Australia's economy is well placed due to their implementation. The roll off of payment deferral programs was well handled and the unemployment number is tracking better than expectations. Retail sales numbers are encouraging and regional tourism continues to grow. The continual growth in commodity prices ensures Australia's current trade balance remains positive.

However, while the initial results of stimulus packages and handouts have been positive, the secondary effects of flooding the economy with cash have been extraordinary. An increasing challenge of the demand surge is the resulting pressure on the supply response - we are all experiencing capacity challenges, price rises and a significant wait time due to a global supply chain bursting at the seams. This impact on the economy may outweigh the positives of inflation. "There is such a significant demand for goods and services, that we are now seeing substantial shortages in supply which is concerning to us. There are shortages in labour across many industries, a shortage in manufacturing, in shipping and in containers themselves. The system is extremely stretched", BKI's Portfolio Manager, Mr Tom Millner said.

The behaviour of consumers will continue to be influenced by low rates, the rate of the vaccination roll-out and the easing of travel restrictions. Many countries outside Australia are in a good place, with a relatively fast vaccine rollout and large parts of their economies opening up. This should mean that consumers will continue to spend, and their economies will recover quickly. However, Australia has experienced a poor vaccine rollout and we are now seeing the emergence of additional lockdowns which may mean our economic recovery slows compared to other developed nations.

Mr Millner said "Despite a slow vaccine rollout, ongoing lockdowns and travel restrictions, as well as some serious supply chain issues, we believe that Australia is currently in a very fortunate economic position and the outlook for dividends received from BKI's investments should continue to improve in the years ahead".

"BKI continues to be well positioned with a portfolio of high-quality dividend paying stocks. BKI has available cash and no debt. We will continue to ensure BKI achieves its objective of investing for the long term in profitable, high yielding and well managed companies", Mr Millner said.

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

For further information:

Contact Asset Management

Tom Millner – Portfolio Manager
02 9238 0522
0408 754 180

Will Culbert – Portfolio Manager
02 9238 0522
0410 627 378



FY2021 Results Livestream Briefing

Thursday 22 July 2020
11:30am AEST

Due to the ongoing COVID-19 limitations and travel restrictions, BKI's Portfolio Managers Tom Millner and Will Culbert of Contact Asset Management will host a livestream briefing to discuss the FY2021 results.

The livestream will allow live Q&A for our online audience, and we also welcome shareholders to submit questions online either before or during the briefing.

BKI Livestream Briefing Link

<https://www.streamgate.co/bki-full-year-results-2021/>