

ASX and Media Release

16 January 2024

BKI Declares Record First Half Ordinary Dividend

Result <u>excluding</u> special investment revenue	1H FY24 (\$m)	1H FY23 (\$m)	Movement (%)
Ordinary Revenue from Investment Portfolio	32.42	35.77	-9%
Total Revenue - Ordinary	34.95	36.30	-4%
Operating Result (before tax and special investment revenue)	33.76	35.10	-4%
Earnings per share	4.17	4.48	-7%
Interim Ordinary Dividend per share	3.85	3.70	4%
Result <u>including</u> special investment revenue	1H FY24 (\$m)	1H FY23 (\$m)	Movement (%)
Net Profit After Tax	34.43	36.79	-6%
Earnings per share	4.31	4.94	-13%
Interim Special Dividend per share	0.00	0.50	-100%

Tuesday, 16 January 2024: BKI Investment Company Limited (BKI, ASX: BKI) today announced the Group's results for the half year ended 31 December 2023. The half year Operating Result before tax and excluding special dividends was \$33.8 million and Net Profit after tax and including special dividends was \$34.4 million. The BKI Directors have declared a record first half dividend of 3.85cps, up 4% on last year.

BKI Performance Overview

Facing an uncertain economy, higher expenses and higher interest rate payments, dividends declared during the 2023 August/September reporting season were softer than expected, as many companies took the conservative path and lowered payout ratios. Resources and Energy companies in particular were coming off record dividends following a strong period of high commodity prices and record profits. BKI's major holdings including BHP Group, Yancoala, New Hope Group and Woodside Energy all reduced their ordinary dividends by more than 30% on the prior year. Despite this decline in dividends received, we remain confident in the long-term future of our investments within the Resources and Energy sectors, especially oil, gas, copper, iron ore, met and thermal coal.

Offsetting these declines were higher ordinary dividends received from other major positions within the portfolio including Lindsay Australia, Suncorp, Washington H. Soul Pattinson, Commonwealth Bank, Telstra Corporation and APA Group.

BKI also maintained expenses broadly in line with the previous half year despite inflationary pressures experienced over the last 12 months.

With Term Deposit rates now more attractive, BKI received \$2.2 million in interest income, up considerably on the \$0.5 million received last year. BKI also realised \$0.3 million of income from the Trading Portfolio.

BKI's Net Operating Result, before tax and special investment revenue, was \$33.8 million, down 4% over the previous corresponding period. BKI's basic Earnings per Share before special investment revenue also declined by 7% to 4.17 cents per share.

BKI received \$1.2 million in Special Dividend Income in the first half of FY2024 after another special dividend from New Hope Corporation was received. BKI's Net Operating Profit After Tax, including special investment revenue for the first half of FY2024 was \$34.4 million, down 6% on last year. BKI's basic Earnings per Share for the period, including special investment revenue, was 4.31 cents per share down 13% on last year.

Dividend Information

The BKI Board has declared an interim ordinary dividend of 3.85 cents per share fully franked at the tax rate of 30%. The ex-dividend date is Monday 5 February 2024, and the Record Date for determining entitlements to the dividends is Tuesday 6 February 2024. The dividend will be paid to shareholders on Tuesday 27th February 2024.

The interim dividend paid for the half year of 3.85cps is up 4% on last year. Including the payment of today's dividend, BKI has now paid out \$1.02 billion or \$1.35 per share in dividends and franking credits to Shareholders since listing.

Using the FY2023 Final Dividend and FY2024 Interim Dividend, BKI's historical grossed-up dividend yield is 6.1%, based on a tax rate of 30% and a share price of \$1.77, as at 31 December 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 Wednesday 7 February 2024. 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 Friday 2 February 2024. Key dates for the dividends are as follows:

Event	
Last trading date to be eligible for the dividends	Friday 2 February 2024
Ex-dividend date	Monday 5 February 2024
Record date	Tuesday 6 February 2024
DRP nomination	Wednesday 7 February 2024
Payment date	Tuesday 27 February 2024

Management Expense Ratio (MER)

BKI's MER as at 31 December 2023 was 0.17%, down from 0.18% 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.

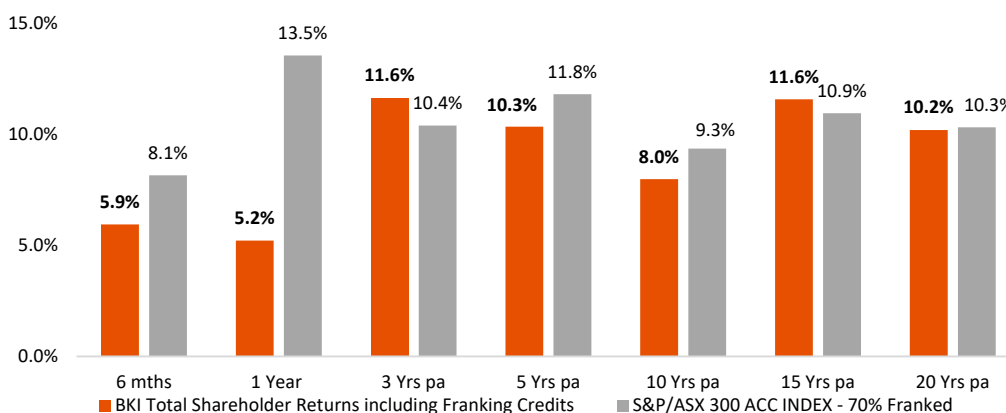
Performance

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 31 December 2023 was positive 8.2% compared to the S&P/ASX 300 Accumulation Index which returned positive 12.1% for the same period.

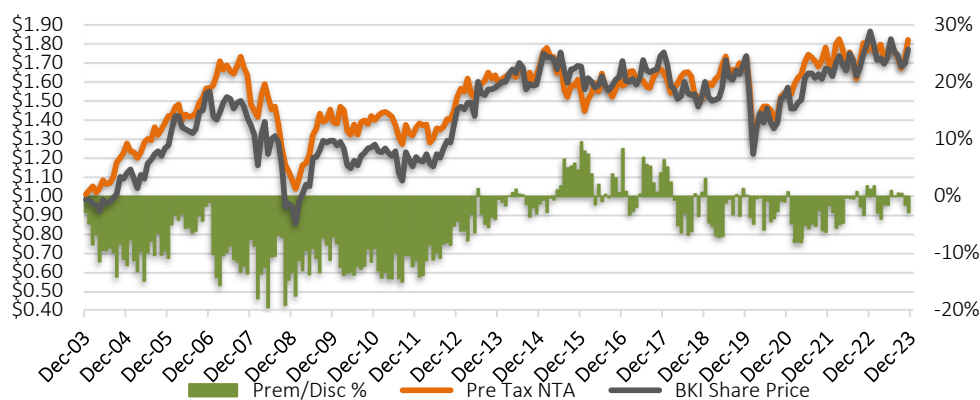
Total Shareholder Return

For the year to 31 December 2023, BKI's Total Shareholder Return including franking credits was positive 5.2% compared to the S&P/ASX 300 Accumulation Index, franked at 70% which returned 13.5% for the same period. BKI's 15-year Total Shareholder Return was positive 11.6% p.a and 20-year Total Shareholder Return was positive 10.2% p.a.



Net Tangible Assets

BKI's Pre-tax Net Tangible Assets as at 31 December 2023 was \$1.82 and represented a 2.8% discount to the BKI share price.



Portfolio Movements

In the first half of the 2024 financial year, we have invested \$68 million. The main investments were into existing holdings including BHP Group, National Australia Bank, Commonwealth Bank, APA Group, Telstra Group, Stockland and Ampol.

We have established a new position in Mirvac Limited. We believe that Mirvac provides an attractive investment opportunity for BKI given the discount to NTA and the attractive and growing dividend yield. MGR will give BKI unique exposure to commercial and industrial real estate assets as well as the growing build to rent (BTR) segment. MGR have found a niche in the property sector for BTR and we believe it provides an exciting opportunity for a long term investment.

There were a number of smaller positions added to the BKI portfolio following the acquisition of an unlisted investment portfolio during the half. These investments include EVT Limited, Carlton Investments, Endeavour Group and Perpetual Limited.

Also, during the half, we sold Rio Tinto out of the BKI portfolio. RIO is a quality long-term resource company, and we believe in the resources story long term. However, RIO's dividend has fallen from a peak of \$15.36 to an expected \$5.41 for the current year, with the yield dropping from 10.4% to 4.9%.

As at the end of December 2023, there were 43 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 91.4% of the total Portfolio. The total Investment Portfolio (including cash) was valued at \$1.46 billion, with the cash position of \$99 million representing 6.8%.

Top 25 Investments

	Stock	% of Total
1	BHP Group	9.9%
2	Macquarie Group	8.2%
3	Commonwealth Bank	7.7%
4	National Australia Bank	7.5%
5	APA Group	5.7%
6	Wesfarmers Limited	4.8%
7	New Hope Group	4.6%
8	Woodside Energy	3.5%
9	Transurban Group	3.3%
10	Woolworths Limited	3.1%
11	Telstra Group Limited	3.0%
12	Sonic Healthcare	2.8%
13	ARB Corporation	2.4%

	Stock	% of Total
14	Harvey Norman Holdings	2.3%
15	Ramsay HealthCare	2.1%
16	TPG Telecom Limited	2.0%
17	Goodman Group	1.6%
18	Amcor	1.6%
19	Suncorp Group	1.5%
20	Lindsay Australia	1.4%
21	Aurizon Holdings	1.3%
22	Coles Group	1.3%
23	Yancoal	1.2%
24	Washington H. Soul Pattinson	0.9%
25	Ampol Limited	0.9%
Cash and cash equivalents		6.8%
Total of Top 25 including cash and cash equivalents		91.4%

Outlook

The Australian economy was more resilient in 2023 than many might have expected. The much-feared mortgage cliff has, to date, failed to eventuate and, while consumer confidence dropped, actual retail sales numbers were reasonable. The main themes we have been focusing on are playing out as contributing factors to the resilient Australian economy.

Portfolio Manager Mr Tom Millner commented "Positive themes surrounding Resources and Energy, Migration, Education, Tourism and Superannuation contributions all remain in place. In addition, our labour market is well positioned with the unemployment rate still very low, which is important for economic stability. We believe the housing market is also well placed with a significant shortfall in dwellings, and high demand following increased levels of immigration as well as the possibility of rate cuts at some point in the 2024 calendar year".

"Despite this, the market has continued to pare back earnings forecasts for FY24, with margins continuing to be squeezed and the ability of many companies to push through price increases becoming more challenging. However, recent commodity price improvements should also be a positive tailwind for Resource and Energy stocks".

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

For further information:

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