

ASX and Media Release

21 January 2025

BKI's First Half FY2025 Results

Result <u>excluding</u> special investment revenue	1H FY25 (\$m)	1H FY24 (\$m)	Movement (%)
Ordinary revenue from Investment Portfolio	\$32.6	\$32.4	1%
Total Revenue - Ordinary	\$35.0	\$34.9	0%
Operating Result (before tax and special investment revenue)	\$33.8	\$33.8	0%
Earnings per share	3.81 cps	4.17 cps	-9%
Ordinary Dividend per share	3.90 cps	3.85 cps	1%
Result <u>including</u> special investment revenue	1H FY25 (\$m)	1H FY24 (\$m)	Movement (%)
Net profit after tax	\$31.2	\$34.4	-9%
Earnings per share	3.87 cps	4.31 cps	-10%

Tuesday 21 January 2025: BKI Investment Company Limited (BKI, ASX: BKI) today announced the Group's results for the half year ended 31 December 2024. Total Ordinary Revenue was \$35.0 million up 0.3% and Special Investment Revenue was \$0.5 million, down 58.5% on the previous corresponding period. Total revenue for the period was down 1.6% to \$35.5 million. Net Operating Result, before tax and special investment revenue, was \$33.8 million, in line with last year. Net Operating Profit After Tax but before special investment revenue for the first half of FY2025 was \$30.7 million, down 7.7% from \$33.3 million last year. The BKI Directors have declared an interim dividend of 3.90cps, up 1% on last year.

BKI Performance Overview

Equity markets delivered solid capital appreciation over the first half of FY2025, but the broader economic landscape remained burdened with uncertainty. Expenses continued to rise and elevated interest rates again weighed heavily on corporate decision-making which prompted many companies to adopt a cautious approach. To preserve balance sheet strength many companies opted to maintain conservative payout ratios, leaving dividend distributions largely unchanged compared to the prior corresponding period. The environment is however improving.

Positively, dividends received in the first half of FY2025 from BKI's major holdings including Commonwealth Bank, Macquarie Group, National Australia Bank, APA Group, Wesfarmers Limited, Transurban Group, New Hope Group and Telstra Group grew between 1% and 7%.

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Dividends received were softened by further declines in resource sector payouts, with BHP Group reducing dividends by 10% and Woodside cutting dividends by 16%. However, the big disappointment in dividends received for the period was that Yancoal Australia halted its interim dividend for the six months ending June 30, 2024. The Company's Board opted to preserve cash for potential corporate initiatives, including the acquisition of new coal assets. The company has indicated that if the retained funds are not deployed for such purposes, they may be distributed to shareholders at a later date.

Dividend Information

The BKI Board has declared an interim ordinary dividend of 3.90 cents per share fully franked at the tax rate of 30%, up 1% on last year. The ex-dividend date is Monday 3 February 2025, and the Record Date for determining entitlements to the dividends is Tuesday 4 February 2025. The dividend will be paid to shareholders on Friday 28 February 2025.

Using the FY2024 Final Dividend and FY2025 Interim Dividend, BKI's historical grossed-up dividend yield is 6.7%, based on a tax rate of 30% and a share price of \$1.69, as at 31 December 2024.

Dividend Reinvestment Plan

The Board confirm that BKI's Dividend Reinvestment Plan (DRP) will be maintained. BKI's DRP has been an effective mechanism enabling shareholders to reinvest their dividends into additional company shares without incurring brokerage fees.

Participation in the first half FY2025 DRP will remain voluntary, allowing shareholders to opt in or out based on their financial preferences. Shareholders can choose to receive full cash dividends, participate in the DRP, or a combination of both. The first half FY2025 DRP will be neutralised. To preserve capital neutrality, BKI will (through a third party) execute an on-market share purchase of shares to satisfy its obligations under the DRP. Shares issued under the DRP will be priced as usual at a nil discount to the volume-weighted average price (VWAP) over the specified trading period, encouraging shareholder participation while reflecting fair value. The purchase will be conducted at market prices, ensuring alignment with prevailing market conditions and neutralising the impact to share capital by transferring shares to participants that are purchased on market prevents dilution of existing shareholder ownership, preserving the equity value of all shareholders.

The last day to nominate for participation in the DRP is Wednesday 5 February 2025. 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 interim dividend is Friday 31 January 2025. Key dates for the dividends are as follows:

Last trading date to be eligible for dividend	Friday 31 January 2025
Ex-dividend Date	Monday 3 February 2025
Record Date	Tuesday 4 February 2025
DRP Nomination	Wednesday 5 February 2025
Dividend Payment Date	Friday 28 February 2025

Management Expense Ratio (MER)

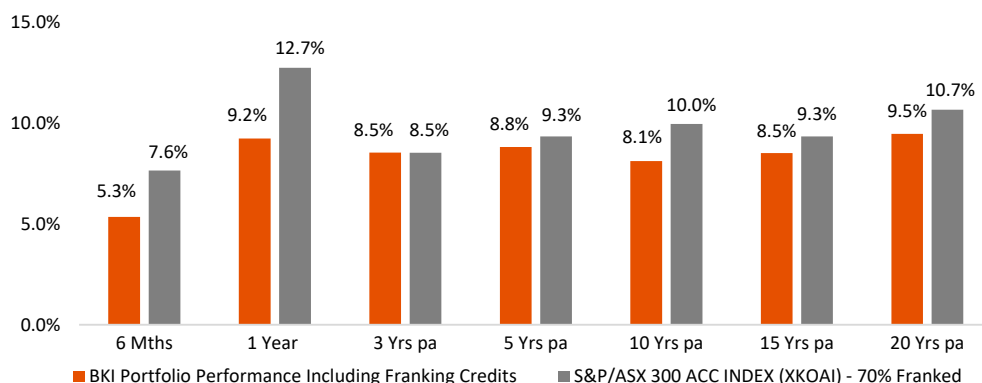
BKI's MER as at 31 December 2024 was 0.168%, down from 0.170% in the corresponding period. The Board and Portfolio Managers are shareholders in BKI. We invest for the long term and do not charge excessive external portfolio management fees or any performance fees. Our focus is on creating wealth for 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 interest payable on such a facility.

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.

Performance

Portfolio Return

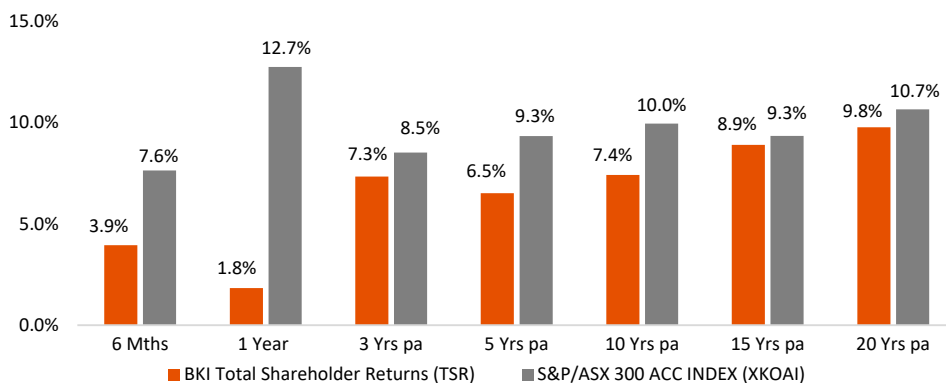
BKI's Net Portfolio Return (after all operating expenses, provisions and payment of both income and capital gains tax and the reinvestment of dividends and franking credits) for the year to 31 December 2024 was 9.2% compared to the S&P/ASX300 Accumulation Index which returned 12.7% for the same period.



Above - BKI Net Portfolio Returns Including Franking Credits as at 31 December 2024.

Total Shareholder Return

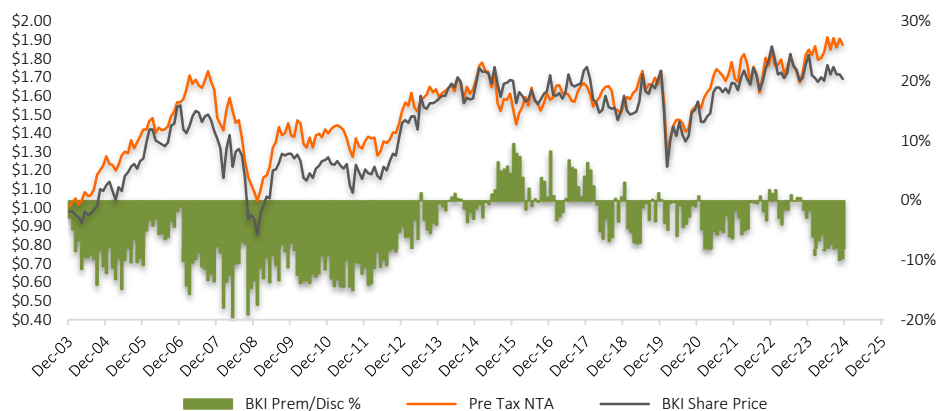
For the year to 31 December 2024, BKI's Total Shareholder Returns including franking credits was 1.8%, compared to the index return of 12.7%.



Above - BKI Total Shareholder Returns (TSR) Including Franking Credits as at 31 December 2024.

Net Tangible Assets (NTA)

BKI's Pre-Tax Net Tangible Assets as at 31 December 2024 was \$1.87. BKI's share price of \$1.69 represented a 9.8% discount to the pre-tax NTA.



Above - BKI's Premium/Discount since December 2003.

Portfolio Movements

In the first half of the 2025 financial year, we invested \$113 million. The main investments were into existing holdings including National Australia Bank (NAB-ASX), Dalrymple Bay Infrastructure (DBI-ASX), Metcash Limited (MTS-ASX), Suncorp Group (SUN-ASX), Telstra Corp (TLS-ASX), Transurban Group (TCL-ASX), Woodside Group (WDS-ASX) and Harvey Norman Holdings (HVN-ASX).

BKI established a small position in Johns Lyng Group (JLG.ASX), a leading provider of building and restoration services across Australia. Specialising in repairing properties damaged by insurable weather events like flood and fire, JLG generates over 80% of its revenue from its Insurance Building and Restoration Services segment, working with insurers and brokers on a cost-plus basis. We believe JLG could deliver a grossed-up dividend yield exceeding 5.0% by FY27, while maintaining a conservative payout ratio of 40-45% of profits. This aligns with BKI's strategy of investing in companies with attractive dividend yields and sustainable growth potential.

BKI sold positions worth \$112 million over the first half of the 2025 financial year. The portfolio positioning included a re-weighting of Macquarie Group (MQG-ASX), Commonwealth Bank (CBA-ASX), National Australia Bank (NAB-ASX) and Wesfarmers Limited (WES-ASX). Despite the slight reductions in these companies we believe that they will continue to do well in the current market and we remain very happy with our investments at current levels.

We also reduced our position in Yancoal Australia as they halted their interim dividend for the six months ending 30 June 2024. The Company's board opted to preserve cash for potential corporate initiatives, including the acquisition of new coal assets. The company has indicated that if the retained funds are not deployed for such purposes, they may be distributed to shareholders at a later date.

BKI exited the position in Nine Entertainment Holdings (NEC-ASX) following another underwhelming result. The dividend was cut and NEC's debt position is growing as they battle a tough advertising market and structural issues within their core business.

As at the end of December 2024, there were 40 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 89.3% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.5 billion. BKI's cash position of \$112 million represents 7.4% of the total portfolio.

Top 25 Investments

	Stock	% of Total
1	Commonwealth Bank	8.8%
2	BHP Group	7.5%
3	National Australia Bank	7.3%
4	Macquarie Group	4.7%
5	Wesfarmers Limited	4.5%
6	APA Group	4.5%
7	New Hope Corporation	4.2%
8	Transurban Group	3.8%
9	Telstra Group Limited	3.6%
10	Woodside Energy Group Limited	3.6%
11	Harvey Norman Holdings Limited	3.1%
12	ARB Corporation	2.6%
13	Suncorp Group	2.6%

	Stock	% of Total
14	Woolworths Limited	2.4%
15	Sonic Healthcare	2.3%
16	Goodman Group Limited	2.2%
17	Dalrymple Bay Infrastructure Limited	1.9%
18	Amcor	1.9%
19	Aurizon Holdings	1.8%
20	TPG Telecom Limited	1.7%
21	Stockland	1.6%
22	Coles Group	1.4%
23	Metcash Limited	1.4%
24	Ramsay HealthCare	1.3%
25	Tuas Limited	1.2%
Cash and cash equivalents		7.4%
Total of Top 25 including cash and cash equivalents		89.3%

Outlook

Inflation remains the central concern in global economic discussions influencing both policy decisions and market sentiment. Looking ahead it is anticipated that the cash rate will remain steady until mid-2025 with the potential for gradual easing starting thereafter. Current projections suggest the Australian official RBA cash rate could fall three times, reaching 3.60% by mid-2026. Notably, some economists are now forecasting the first rate cut as early as February 2025, although such predictions remain inherently speculative and subject to shifting economic conditions.

Beneath the headline figures Australia's economic landscape is growing increasingly polarised. Elevated borrowing costs and stagnating wages are deepening the divide between those who are financially resilient and those struggling under the weight of higher living expenses. While some demographics benefit from strong asset values, rental income, equity dividend income and savings buffers, others are contending with diminished disposable incomes threatening broader economic cohesion.

This divergence underscores a critical challenge for policymakers: achieving macroeconomic stability by anchoring inflation within the 2.0% to 3.0% target range, while addressing widening inequalities that could hinder both recovery and social harmony. As the economy moves toward a more stable inflationary environment, our government may need to take proactive steps to bridge this divide.

Despite these near-term challenges, the long-term prospects for the Australian economy remain encouraging. Valuations in the equity market are undoubtedly stretched with the price-to-earnings ratio nearing 20x, yet they remain competitive compared to global benchmarks. Investor sentiment has improved buoyed by easing inflationary pressures and the expectation, albeit delayed, of monetary policy relaxation.

Equity markets both local and global have seen significant capital appreciation over the past year. While this is a positive development it has exerted pressure on dividend yields which have not kept pace with rising share prices. The dividend yield of the S&P / ASX 300 Index has now dipped below 3.3%.

BKI is actively working to optimise dividend income for our shareholders amid these market dynamics. We remain committed to our long-term strategy, focusing on high-quality, dividend-paying stocks. BKI has no debt, and with \$112 million in cash reserves we are well-positioned to seize opportunities as they arise in what is likely to be a volatile 2025.

For further information:

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