



# 2014 Annual General Meeting



**BKI INVESTMENT  
COMPANY LIMITED**

*2014 Annual General Meeting  
Chairman's Address*



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Investors should consult their financial adviser in relation to any material within this document.

## Non Executive Directors

**Robert Millner**

Chairman of the Board  
Chairman of the Investment Committee  
Chairman of the Nomination Committee

**David Hall AM**

Independent Non-Executive Director  
Chairman of the Audit Committee

**Alex Payne**

Non-Executive Director  
Chairman of the Remuneration Committee  
Investment Committee

**Ian Huntley**

Independent Non-Executive Director  
Investment Committee



# Management

**Thomas Millner**

Chief Executive Officer  
Investment Committee

**Will Culbert**

Senior Investment Analyst  
Investment Committee

**Jaime Pinto**

Company Secretary  
Corporate Administration Services

# Auditors

**Martin Bocxe**

Ruwald & Evans

## FY2014 Highlights

- Net Operating Result increased by 20.1%.
- Earnings Per Share (EPS) before special dividends increased by 5.0%.  
(additional shares on issue from Placement and Entitlement Offer).
- Total Full Year Fully Franked Ordinary Dividends paid increased by 4.5%.
- Management Expense Ratio (MER) of 0.17%.
- 12 month Total Shareholder Return outperformance of 3.7%\*.

\*BKI's Total Shareholder Returns (including the reinvestment of dividends) for the year to 30 June 2014 was positive 21.0% compared to the S&P/ASX 300 Accumulation Index which increased by 17.3% over the same period. Past performance is not indicative of future performance.

## Capital Raising

- Placement raising gross proceeds of \$59m at \$1.48
- Entitlement Offer raising \$48.1m at \$1.48 (closed over-subscribed)

## Acquisition of Unlisted Investment Company

- Completed the acquisition of an unlisted investment company
- Net assets of \$4m
- Looking to engage in similar transactions in the future



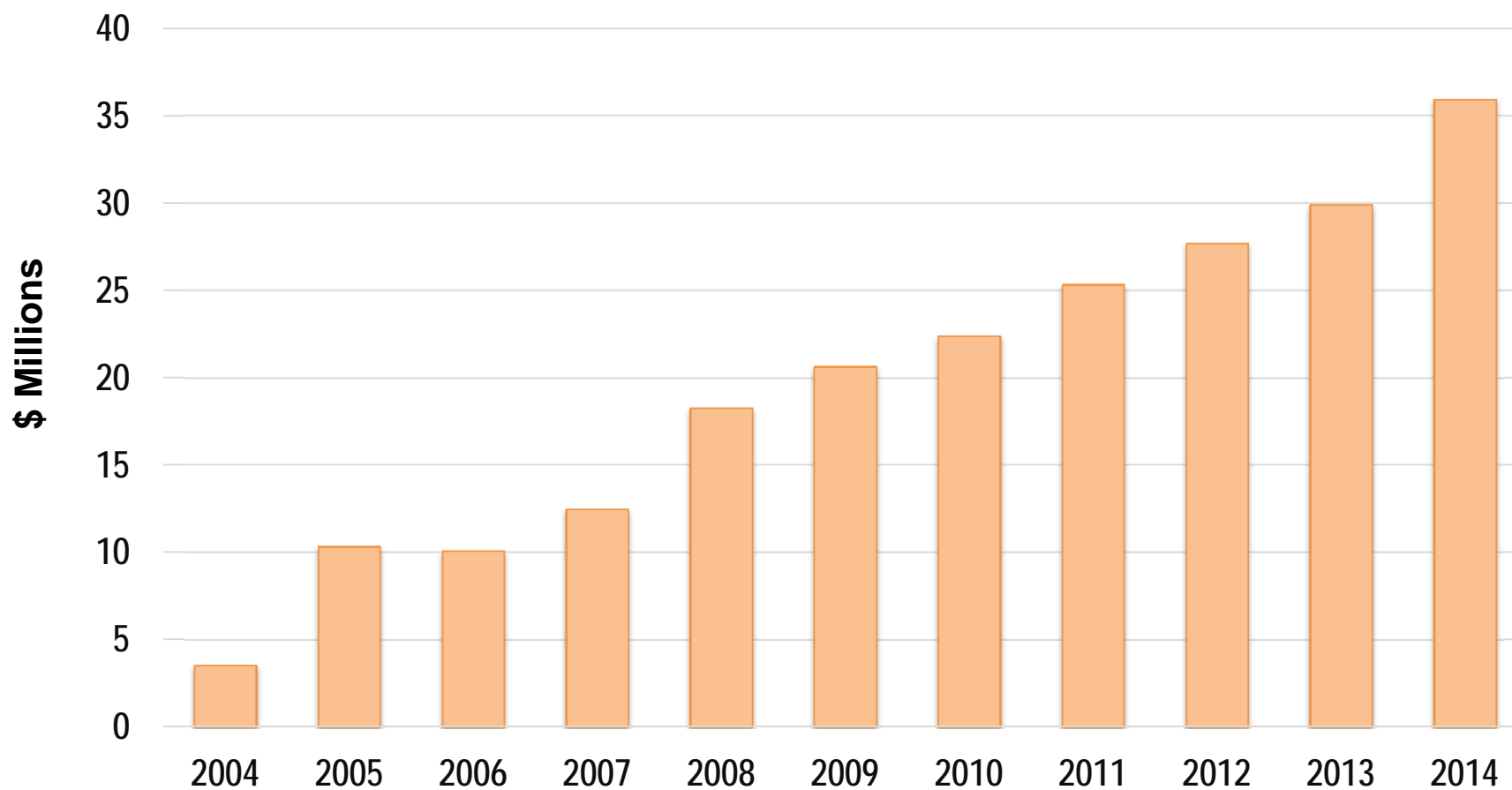
**BKI INVESTMENT  
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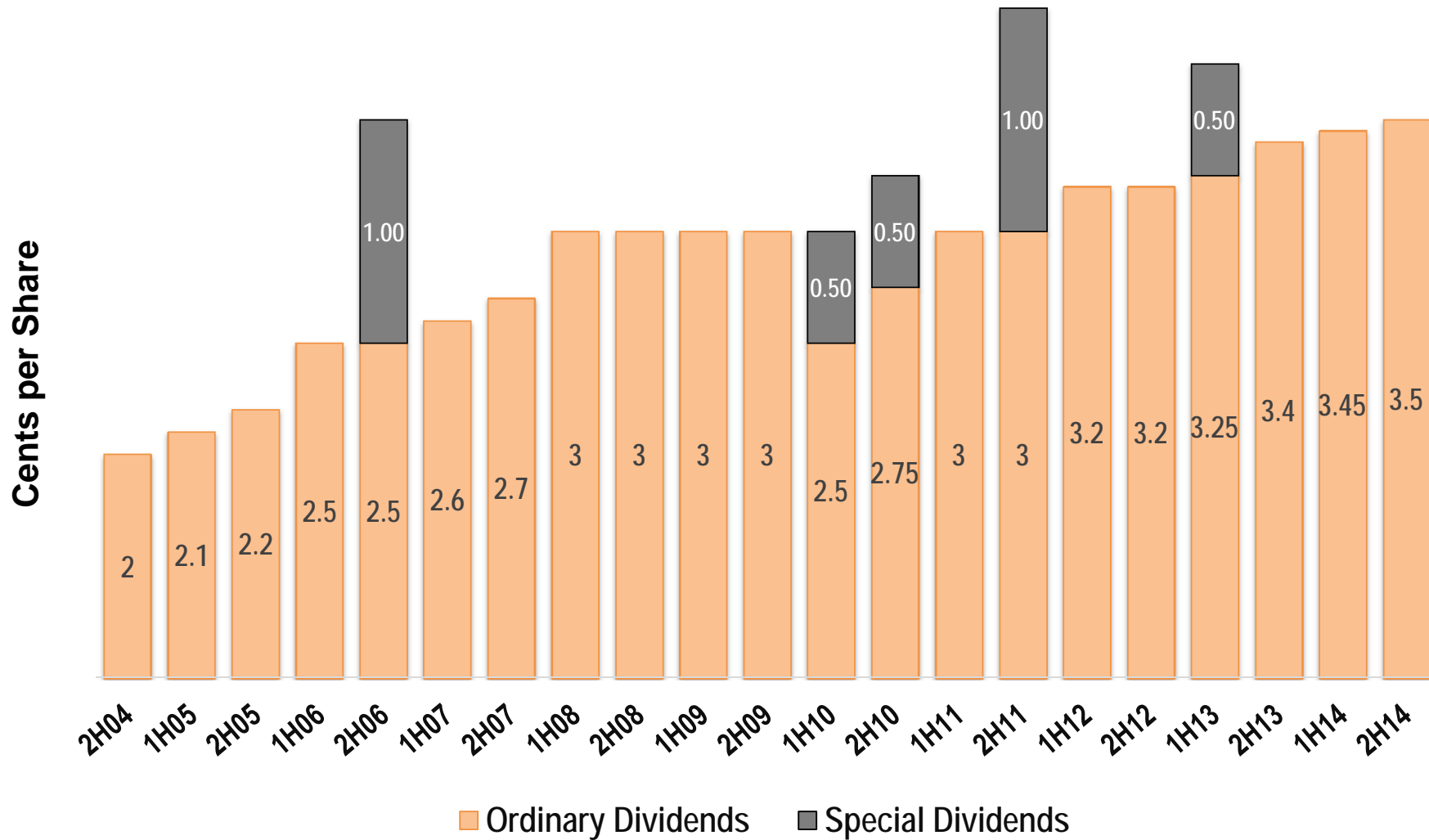
# Net Operating Result

FY2004 – FY2014



# Dividends Paid

2<sup>nd</sup> Half 2004 – 2<sup>nd</sup> Half 2014

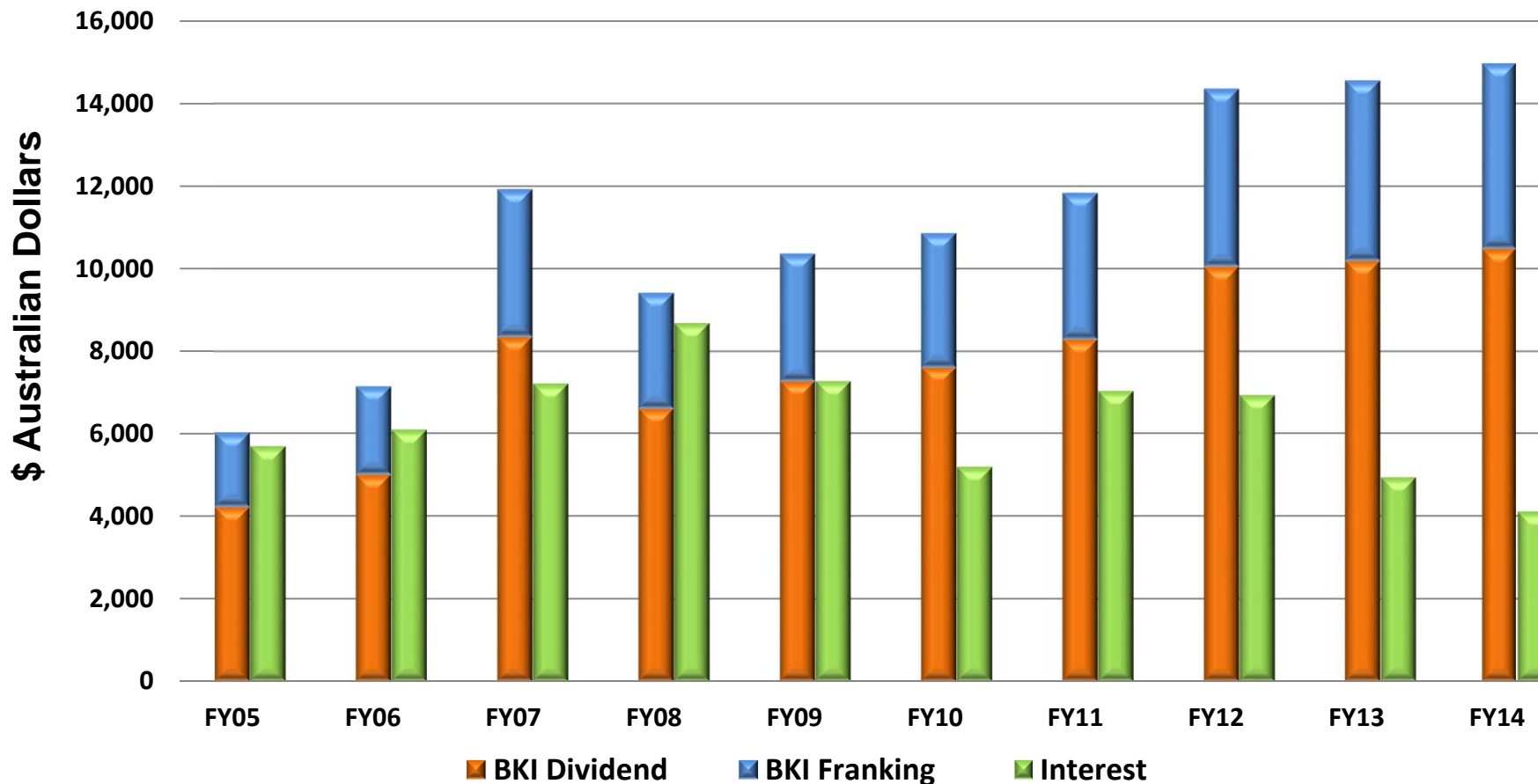


# Yield for all Seasons



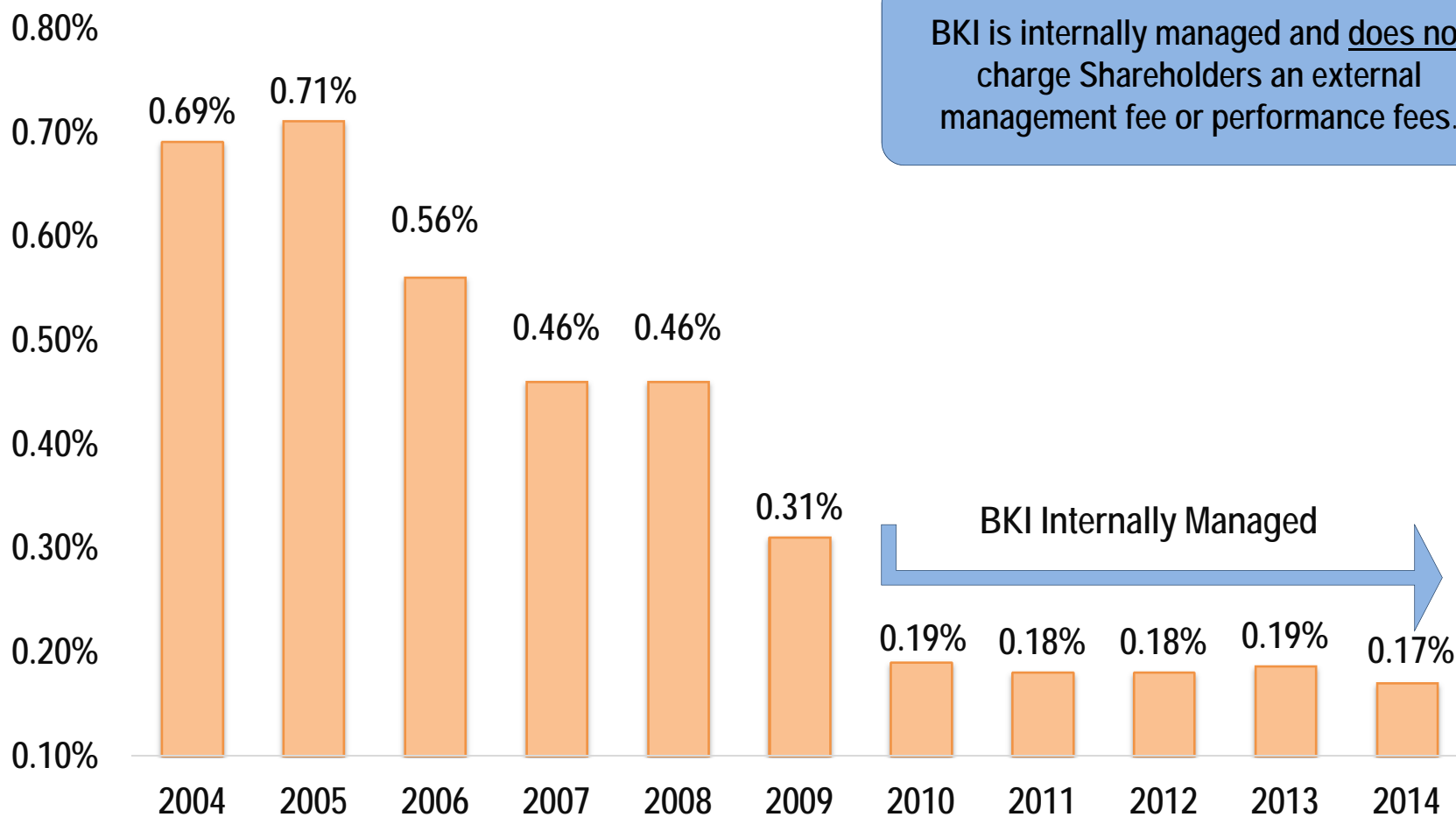
Dividends + Franking Credits received from a \$100,000 investment in BKI at inception V's Bank Quarterly Interest.

Highlights the opportunity of receiving a fully franked dividend in a falling interest rate environment.



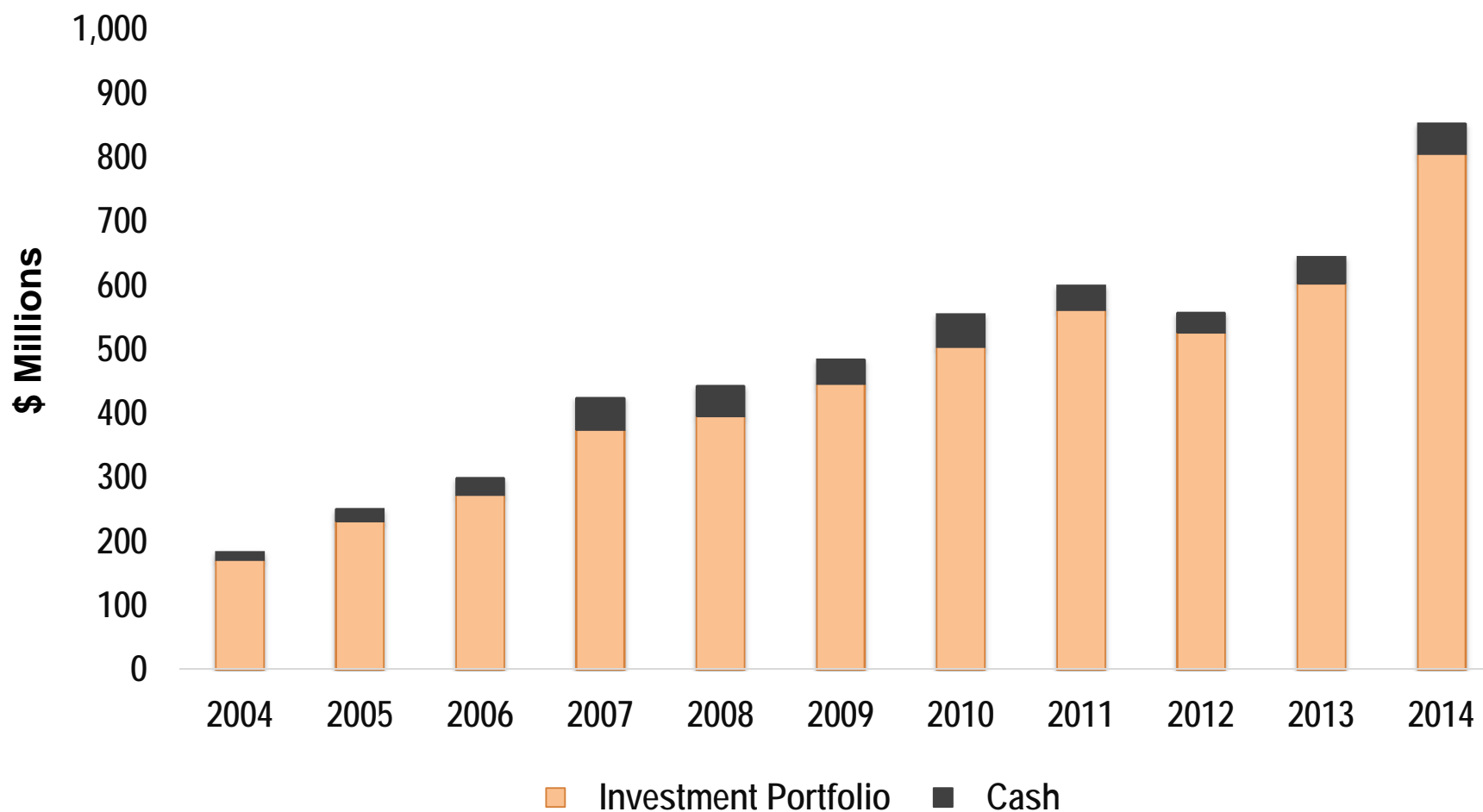
Source: BKI; IRESS. An investor who spent the equivalent of \$100,000 to purchase BKI shares upon listing in December 2003 would now be receiving fully franked dividends of \$10,483pa. The franking credits enhance the income by a further \$4,493 (total income of \$14,977). The same investment in a term deposit (based on the cash rate) would be earning \$4,461pa with no franking credits. Figures include reinvestment of dividends and cash, Ignores capital appreciation of BKI shares. Assumes tax rate of 30%.

# Management Expense Ratio



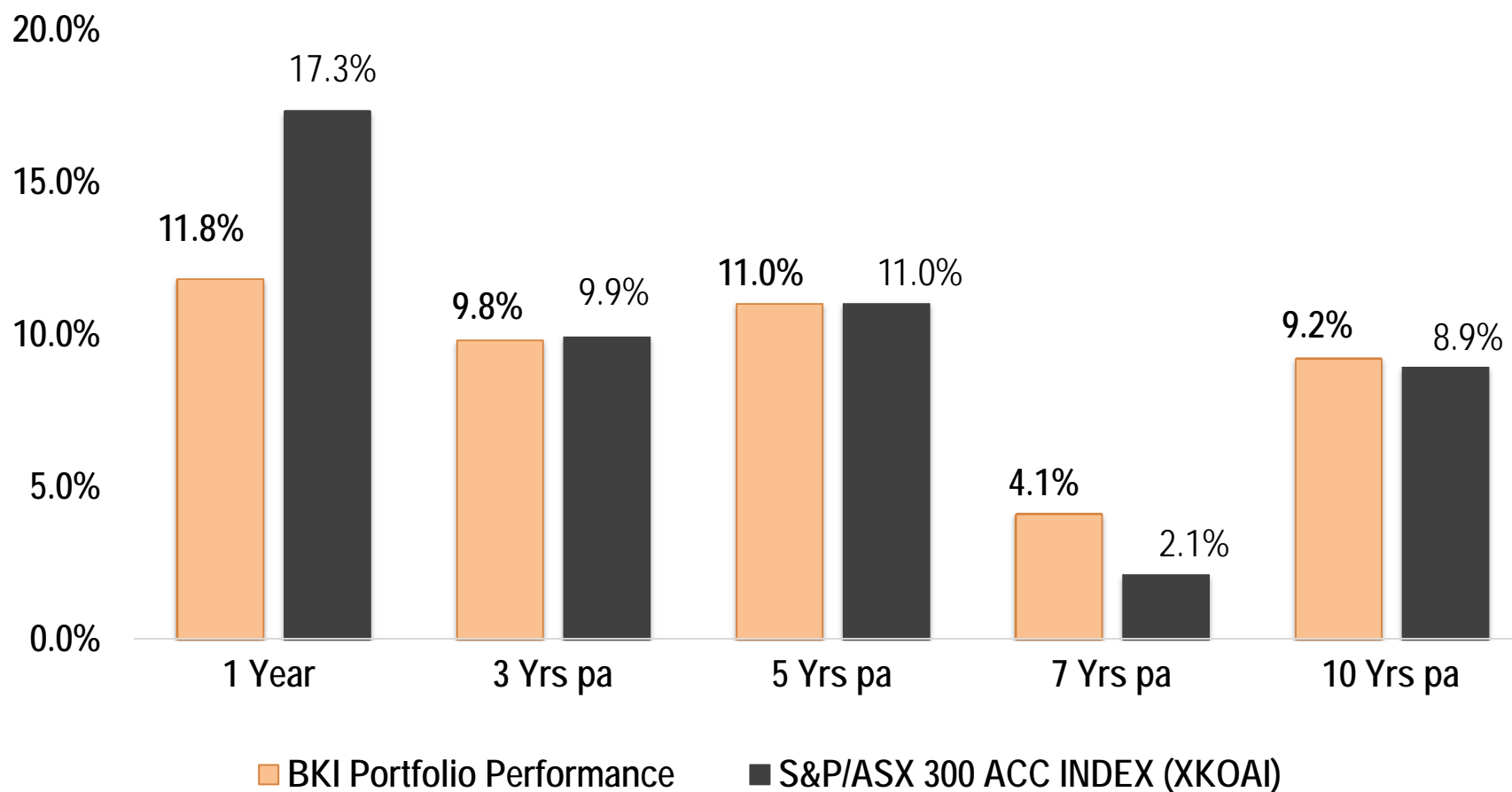
# Portfolio Valuation

As at 30 June 2014



# Total Portfolio Performance

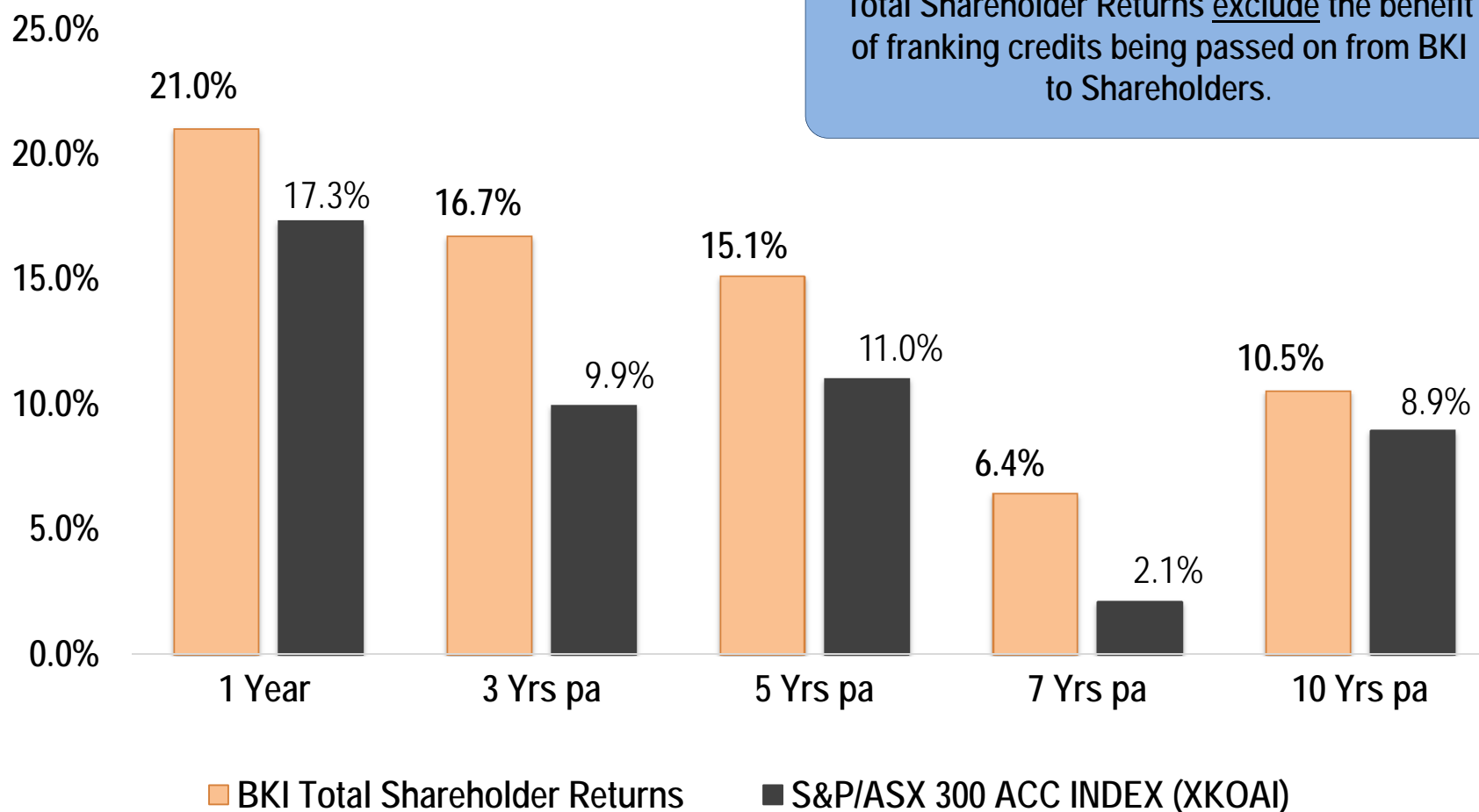
As at 30 June 2014



Source: BKI Investment Company Limited, IRESS. Portfolio Returns are measured by change in pre tax NTA and are after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends.

# BKI TSR Performance

As at 30 June 2014



Source: BKI Investment Company Limited, IRESS. Total Shareholder Returns include reinvestment of dividends. Past performance is generally not indicative of future performance.

# Portfolio Movements

\$140m Invested – Major Investments

Major Investments	FY15 Forecast		FY15 Forecast EPS Growth	FY15 Forecast PE Multiple
	Dividend Yield	Franking		
ANZ Banking Group	5.9%	100%	4.8%	11.9X
Westpac Bank	5.9%	100%	3.1%	13.0X
Primary Health Care	5.1%	100%	7.3%	12.0X
APA Group	5.1%	0%	5.4%	29.1X
Telstra Corporation	5.7%	100%	9.5%	16.1X
IAG Limited	5.6%	100%	-18.0%	12.8X
DUET Group	7.4%	0%	17.6%	30.0X
S&P/ASX 300 Index	5.1%		9.8%	13.3X



# Portfolio Movements

\$140m Invested – Major Investments

Major Investments	FY15 Forecast		FY15 Forecast EPS Growth	FY15 Forecast PE Multiple
	Dividend Yield	Franking		
Transurban Group	5.0%	0%	2.5%	48.1X
Toll Holdings	5.2%	100%	0.5%	13.5X
Suncorp Group	7.0%	100%	9.3%	13.3X
National Aust Bank	6.4%	100%	6.5%	11.7X
Wesfarmers Limited	5.3%	100%	9.4%	19.3X
Sonic Healthcare	4.2%	100%	7.3%	16.7X
IOOF Holdings	6.2%	100%	9.6%	14.5X
S&P/ASX 300 Index	5.1%		9.8%	13.3X

# Portfolio Movements

\$20m in Sales

Major Divestments	Comments
<b>QBE Insurance</b>	Continual earnings uncertainty and poor insurance margins driven by low bond yields, currencies and large future write-downs.
<b>Metcash Limited</b>	Competition from major supermarkets and significant cap-ex programme placing pressure on future dividend distributions.
<b>Tabcorp Holdings</b>	Significant international online betting pressure; Changes to poker machine regulations in Victoria.
<b>Fleetwood Corp</b>	Declining market share in caravans; Poor performance from mining accommodation division; Future dividend uncertainty.
<b>Gazal Corporation</b>	Declining Aust Dollar reducing import margins; Small position for BKI
<b>Recall Holdings</b>	Spun out of Brambles Limited; Small position for BKI



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*2014 Annual General Meeting  
1<sup>st</sup> Quarter FY2015 Update*

# 1<sup>st</sup> Quarter FY2015 Update

- Global financial conditions continue to stabilise
- Australian Dollar beginning to fall
- Interest rates remain low
- Building and Housing market improvement
- July - September reporting season
  - Continued cost savings
  - Balance sheet strength
  - Attractive dividend outlook

# Successful Share Purchase Plan

- SPP offered to all existing shareholders
- Price of \$1.655 per share
- New shares entitled to Dividend
- Share Purchase Plan raised \$47.8m

# Portfolio Movements

\$40m Invested – Major Investments

Major Investments	FY16 Forecast		FY16 Forecast EPS Growth	FY16 Forecast PE Multiple
	Dividend Yield	Franking		
Wesfarmers Limited	5.5%	100%	11.9%	17.1X
Toll Holdings	5.5%	100%	5.3%	12.8X
ASX Limited	5.6%	100%	5.2%	16.3X
Primary Health Care	5.5%	100%	8.0%	11.1X
Suncorp Group	6.6%	100%	4.5%	12.6X
IAG Limited	5.8%	100%	7.2%	12.0X
Invocare Limited	4.1%	100%	11.0%	20.5X
S&P/ASX 300 Index	5.5%		5.0%	12.2X

# Portfolio Movements

\$40m Invested – Major Investments

Major Investments	FY16 Forecast		FY16 Forecast EPS Growth	FY16 Forecast PE Multiple
	Dividend Yield	Franking		
Santos Limited	4.6%	100%	25.9%	10.8X
Sonic Healthcare	4.6%	100%	9.1%	15.2X
Tatts Group	5.4%	100%	5.1%	17.0X
Ramsay Health Care	2.3%	100%	14.5%	22.2X
Equity Trustees	5.8%	100%	15.6%	14.6X
National Aust Bank	6.7%	100%	3.1%	11.3X
ANZ Banking Corp	6.2%	100%	3.9%	11.2X
S&P/ASX 300 Index	5.5%		5.0%	12.2X

# Portfolio Movements

\$4m in Sales

Major Divestments	Comments
<b>Healthscope Limited</b>	Short term opportunity with participation in IPO; Funds have been re-invested into Ramsay Healthcare.
<b>AGL Energy Rights</b>	Rights sold into market.
<b>Arrium Limited</b>	Small position for BKI; Poor balance sheet, declining iron ore mine life and reduced margins for scrap steel; Future dividend distributions highly unlikely.



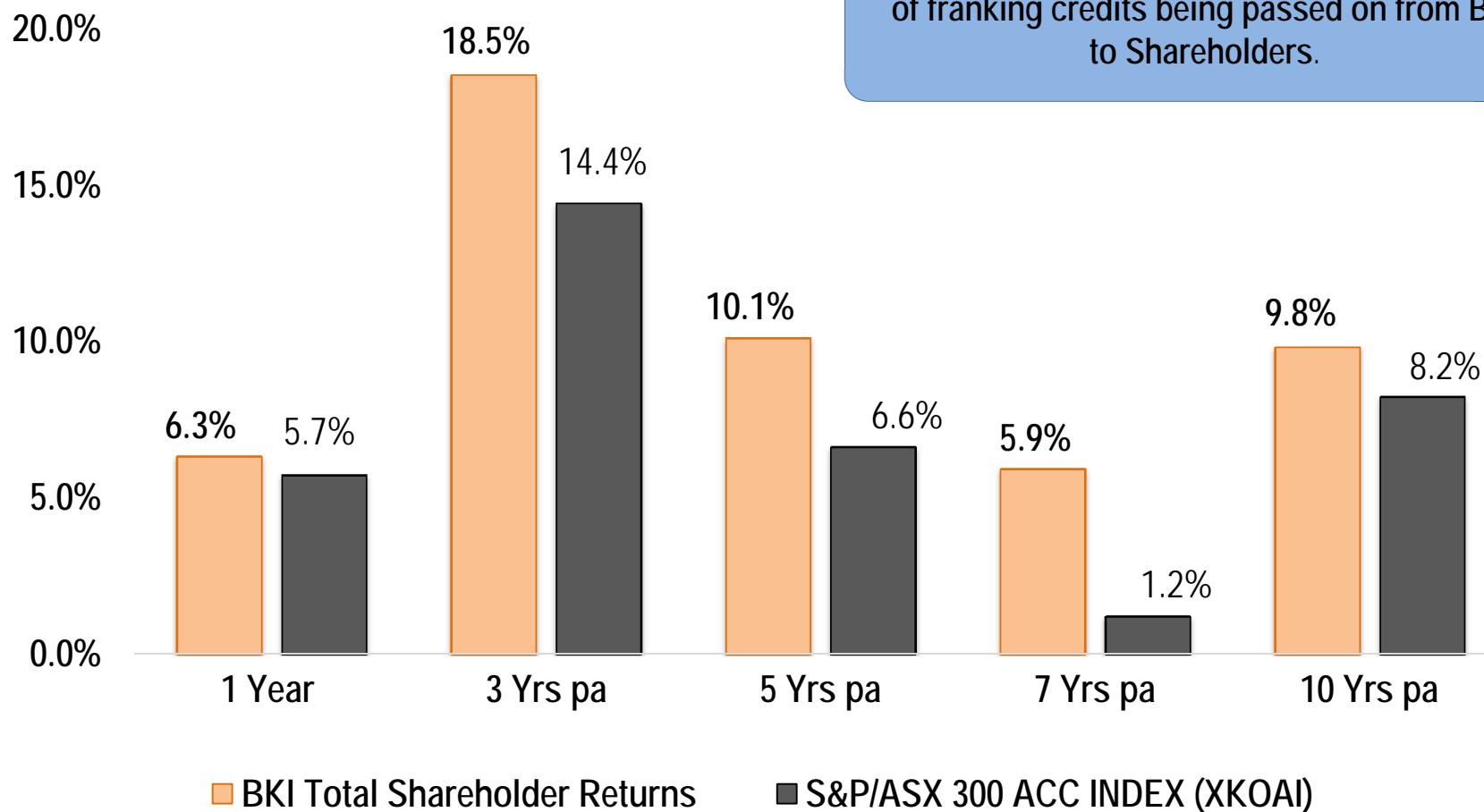
## BKI Top 25 Shareholdings – as at 30 September 2014

1	National Australia Bank	8.7%	16	Invocare Limited	1.7%
2	Commonwealth Bank	8.6%	17	ASX Limited	1.3%
3	Westpac Bank	7.4%	18	Transurban Group	1.3%
4	BHP Billiton	5.5%	19	Ramsay Health Care	1.3%
5	Telstra Corp	5.3%	20	ARB Corporation	1.2%
6	Wesfarmers Limited	4.8%	21	Primary Health Care	1.2%
7	ANZ Banking Group	4.4%	22	ALS Limited	1.2%
8	New Hope Corp	4.4%	23	Toll Holdings	1.2%
9	TPG Telecom	3.4%	24	Sonic Healthcare	1.1%
10	Woolworths Limited	3.4%	25	Bendigo Bank Limited	1.1%
11	APA Group	2.4%		Cash and cash equivalents	6.2%
12	IAG Limited	2.2%		<b>Total of Top 25 plus cash</b>	<b>85.0%</b>
13	Woodside Petroleum	2.0%			
14	AGL Energy	1.9%			
15	Suncorp Group	1.8%			

# BKI TSR Performance

As at 30 September 2014

Total Shareholder Returns exclude the benefit of franking credits being passed on from BKI to Shareholders.



Source: BKI Investment Company Limited, IRESS. Total Shareholder Returns include reinvestment of dividends. Past performance is generally not indicative of future performance.

# 1<sup>st</sup> Quarter FY2015 Update\*

**Revenue** – Revenue from the Investment Portfolio (excluding Special Dividend Income) is up approx 30% on the same time last year.\*

**Net Operating Result** – Net Operating Result (excluding Special Dividend Income) is up approx 26% on the same time last year.\*

**Special Dividend Income** - BKI expects to receive \$1.1m in Special Dividend Income in the first half of FY2015 from New Hope Corporation, Suncorp Group, Wesfarmers and Milton Corporation.

**Earnings Per Share** - BKI's EPS is up approx 9% on the same time last year (additional shares on issue from Entitlement Offer and Share Purchase Plan).

\* Figures referred to in the "1<sup>st</sup> Quarter FY2015 Update" are unaudited. Revenue, Net Operating Income and Portfolio Valuation are partly driven by the Entitlement Offer in October 2013 and SPP in August 2014.

# 1<sup>st</sup> Quarter FY2015 Update\*

**Portfolio Valuation** - The Total BKI Portfolio Valuation including cash and receivables is \$878m, up from \$784m at 30 September 2013.\*

**Net Tangible Asset Backing (NTA)** - The consolidated unaudited pre tax NTA at 30 September 2014 was \$1.58 per share, after adjusting for the \$0.035 dividend paid in August 2014.

**Dividends** – Barring any unforeseen circumstances, BKI is confident of at least maintaining the Interim and Final Ordinary Fully Franked Dividends during FY2015.

\* Figures referred to in the “1<sup>st</sup> Quarter FY2015 Update” are unaudited. Revenue, Net Operating Income and Portfolio Valuation are partly driven by the Entitlement Offer in October 2013 and SPP in August 2014.



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