



ABN: 23 106 719 868  
Level 2, 160 Pitt Street Sydney NSW 2000  
Ph. (02) 9210-7000 Fax. (02) 9210-7099

14<sup>th</sup> October 2009

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sirs

**Re: Investor Presentation**

Please find following the presentation to be given to shareholders of BKI Investment Company Limited by the CEO in Melbourne and Adelaide on 15<sup>th</sup> and 16<sup>th</sup> October 2009.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R. Pillinger', is written over a light blue horizontal line.

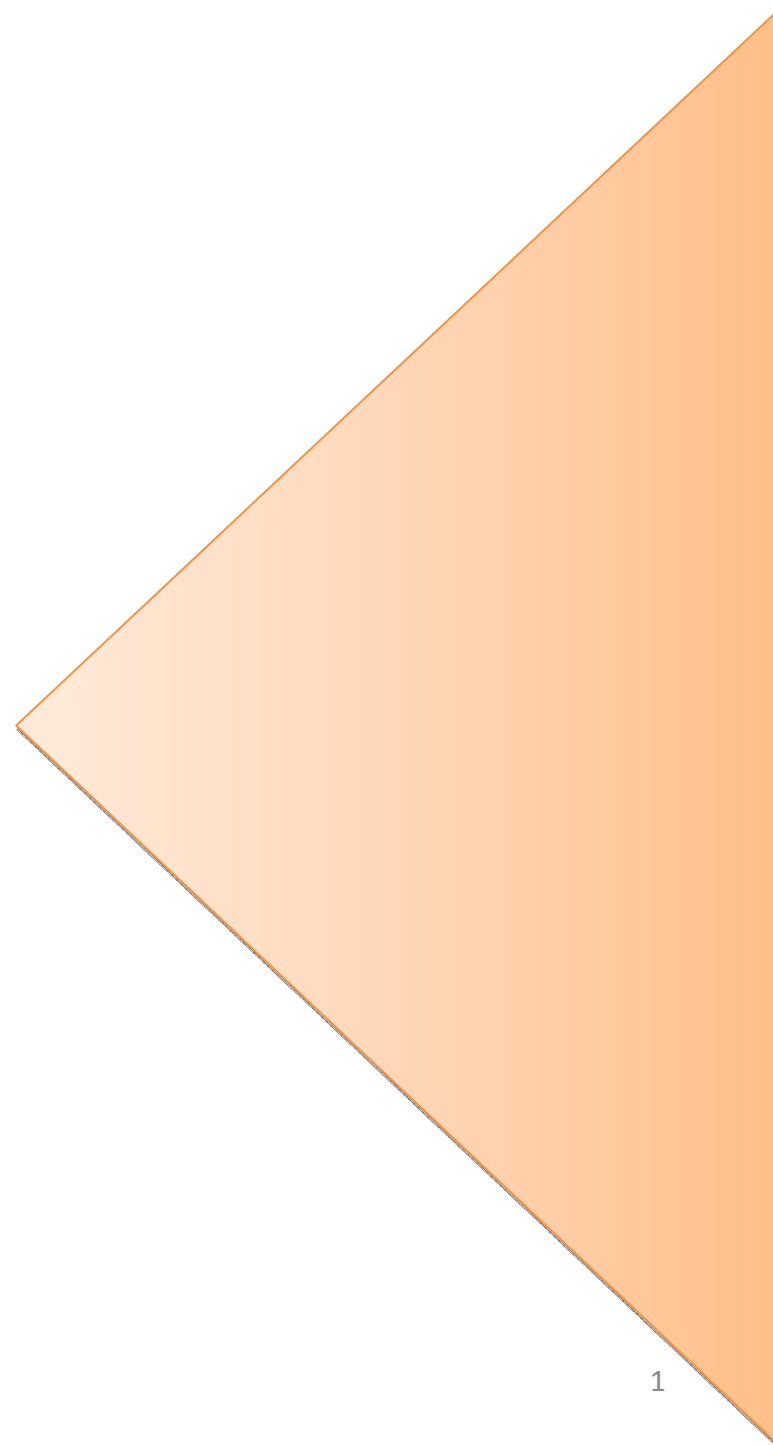
**Richard Pillinger**  
Company Secretary

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**BKI INVESTMENT  
COMPANY LIMITED**

**Presentation to Shareholders  
October 2009**





## Disclaimer

This material has been prepared by BKI Investment Company Limited.

The information within this document is not intended to provide advice to investors or take into account an individual's financial circumstances or investment objectives. This is general investment advice only and does not constitute advice to any person. The opinions within this document are not intended to represent recommendations to investors, they are the view of BKI Investment Company Limited as of this date and are accordingly subject to change.

Information related to any company or security is for information purposes only and should not be interpreted as a solicitation of offer to buy or sell any security. The information on which this presentation is based has been obtained from sources we believe to be reliable, but we do not guarantee its accuracy or completeness.

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



## BKI Profile

- BKI Investment Company Limited (BKI) was formed on the 17<sup>th</sup> October 2003 to take over the investment portfolio of Brickworks Limited.
- BKI's investment portfolio has been built on a philosophy of long term investment with a focus on Australian equities. It primarily seeks to invest in well-managed businesses with a profitable history and with the expectation of sound dividend and distribution growth.
- An investment in BKI gives shareholders access to a diversified portfolio. BKI has currently 65 companies within the investment portfolio across most sectors of the market.



## Huntley Investment Company Limited

- Huntley Investment Company acquisition was completed under compulsory acquisition on the 23rd January 2009.
- Managing Director of Huntley Investment Company, Mr Ian Huntley has since accepted positions on the BKI Board and Investment Committee. Ian brings a great deal of knowledge and experience to BKI.



## Washington H. Soul Pattinson (WHSP)

- Brickworks Limited divested its entire shareholding in BKI on the 17<sup>th</sup> February 2009.
- WHSP acquired 60% of Brickworks Limited's divestment and has now become the largest shareholder in BKI with a holding of 13.68% (previously 5.85%).
- WHSP has large shareholdings in Australian LIC's – Milton Corporation, Choiseul Investments and now BKI.
- As at 30<sup>th</sup> September 2009 WHSP's market capitalisation was \$3.3bn.



## BKI's Key Objective

- To generate an increasing income stream for distribution to its shareholders in the form of fully franked dividends.
- BKI's Historical Dividend Yield as at the 30<sup>th</sup> June 2009 was 5.7%. This is very competitive within the LIC sector.



## Board and Management

### Directors

Robert Millner	Non-Executive Director and Chairman
David Hall	Non-Executive Director
Alexander Payne	Non-Executive Director
Ian Huntley	Non-Executive Director (Appointed 10 <sup>th</sup> February 2009)

### Chief Executive Officer

Thomas Millner (Appointed 1<sup>st</sup> December 2008)

### Company Secretary

Richard Pillinger

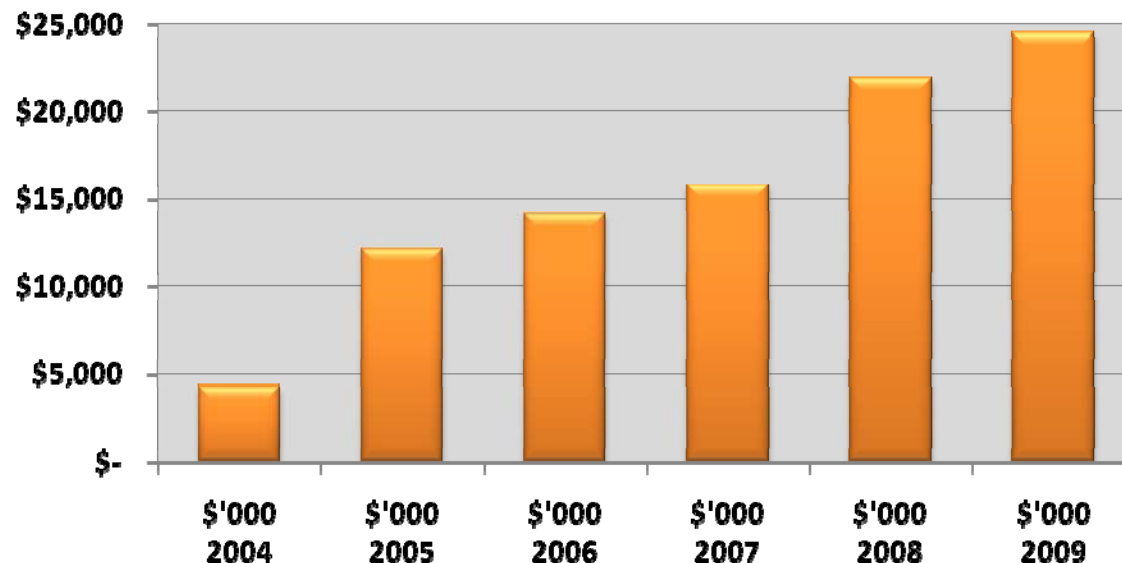


## Investment Committee

BKI is internally managed. Final investment decisions are made by the Investment Committee who meet on a regular basis to review the portfolio.

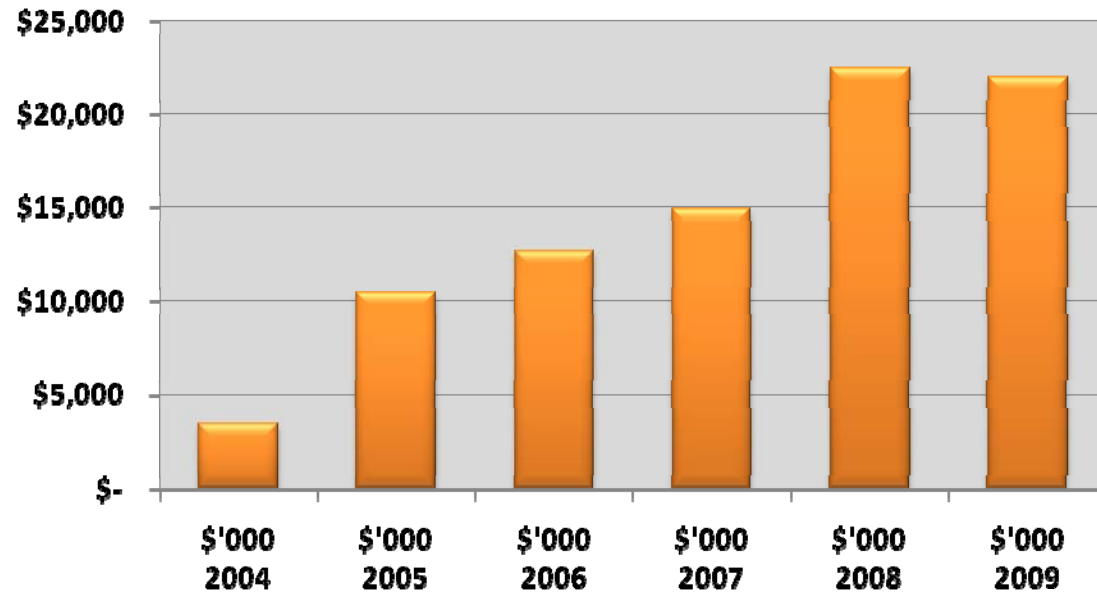
### Investment Committee

Robert Millner	Chairman of the Investment Committee
Alexander Payne	
Ian Huntley	
Thomas Millner	



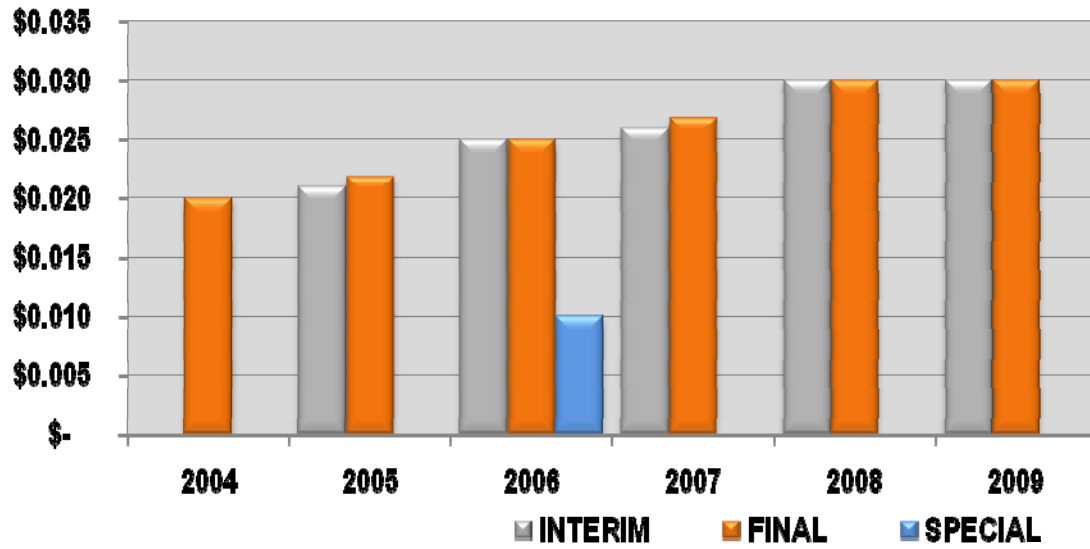
## Revenues

- Revenues from ordinary activities increased 11.2% to \$24.5m.
- Ordinary Dividend and Distribution income was \$19.9m, an increase of 15.5%.
- Special Dividend and Distribution income of \$1.3m, up 45.2%.
- Interest received totaled \$2.4m, down 36%.
- Realised and un-realised gains on investments held for trading of \$871k.



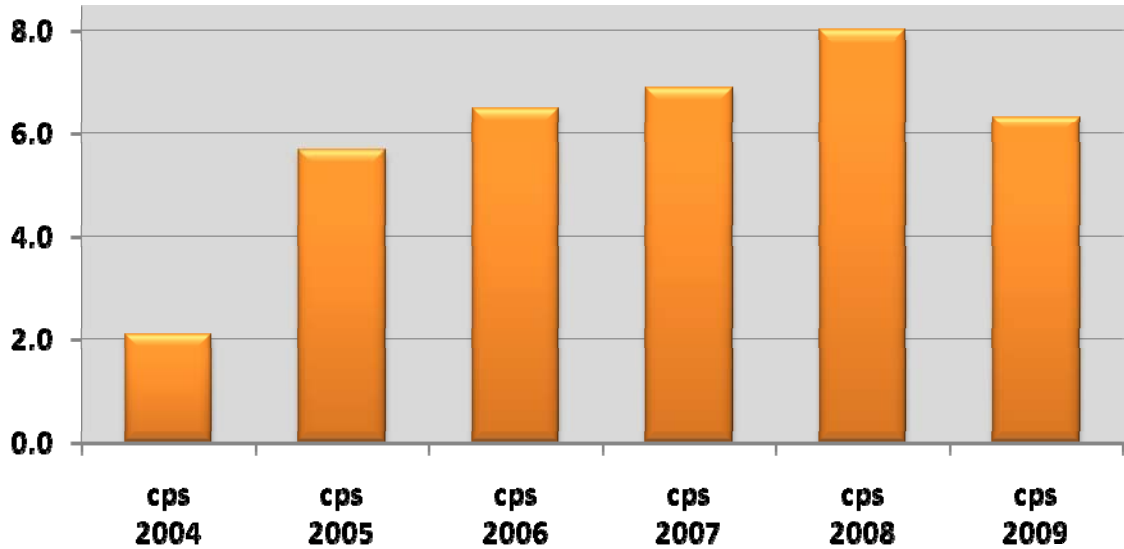
## Underlying Profits

- BKI's operating profit before tax, special dividend income, realised and unrealised losses on investment portfolio and discount on acquisition was up 13.8% to \$21.8m.
- BKI's net profit from ordinary activities after tax attributable to shareholders was down from \$22.5m to \$22.1m.



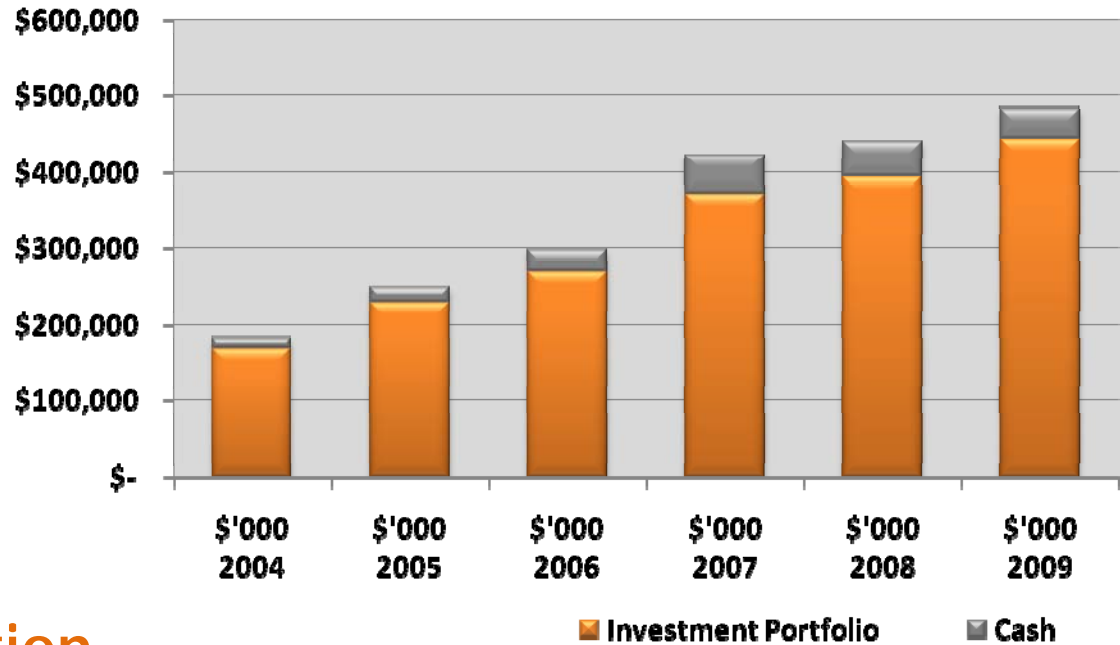
## Dividends Paid

- The Final Dividend has been maintained at 3 cents per share fully franked on the increased share capital resulting from the takeover of Huntley Investment Company Limited during the year.
- After allowing for payment of the final, fully franked dividend there are \$11.9m of franking credits available to BKI.



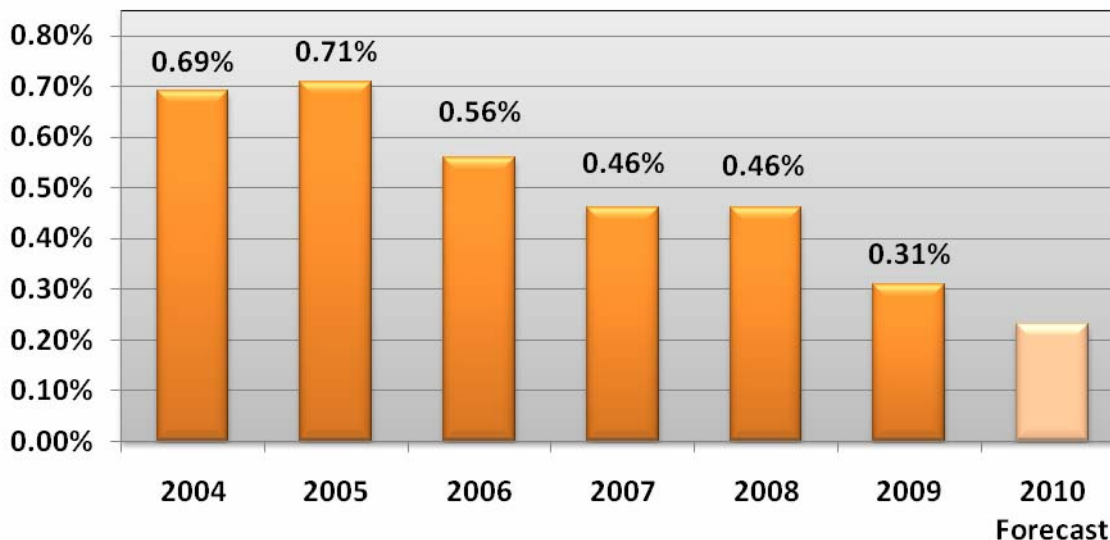
## Earnings Per Share

- Basic Earnings Per Share after special dividend income and realised gains on investment portfolio was down from 8.01cps to 6.34cps.



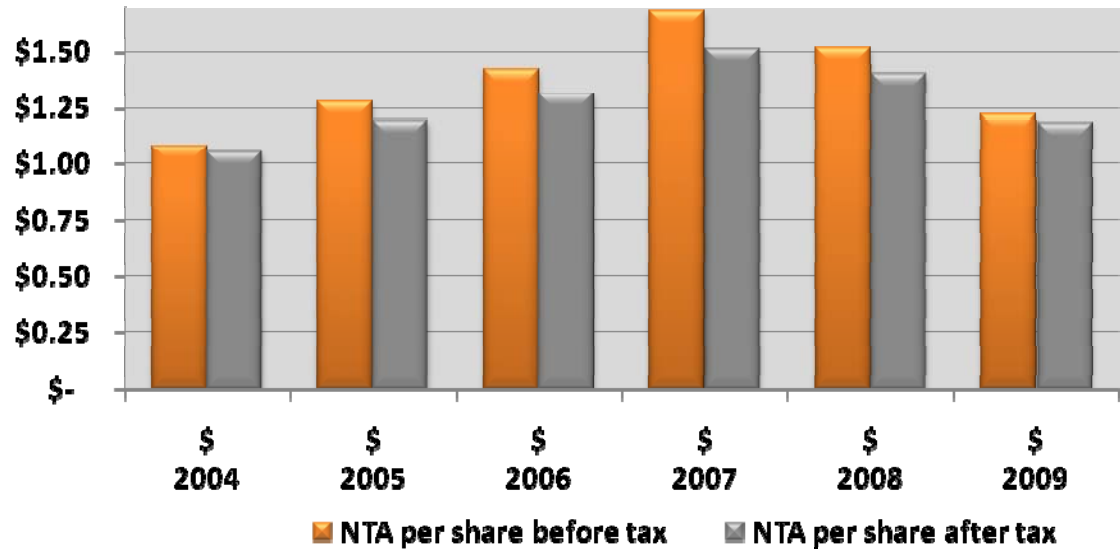
## Total Portfolio Valuation

- The total portfolio value as at the 30<sup>th</sup> June 2009 was \$480.9m, an increase of 9.4% year on year.
- BKI held \$38.7m in cash and dividends receivable as at 30<sup>th</sup> June 2009. This represents 8.0% of the total assets.



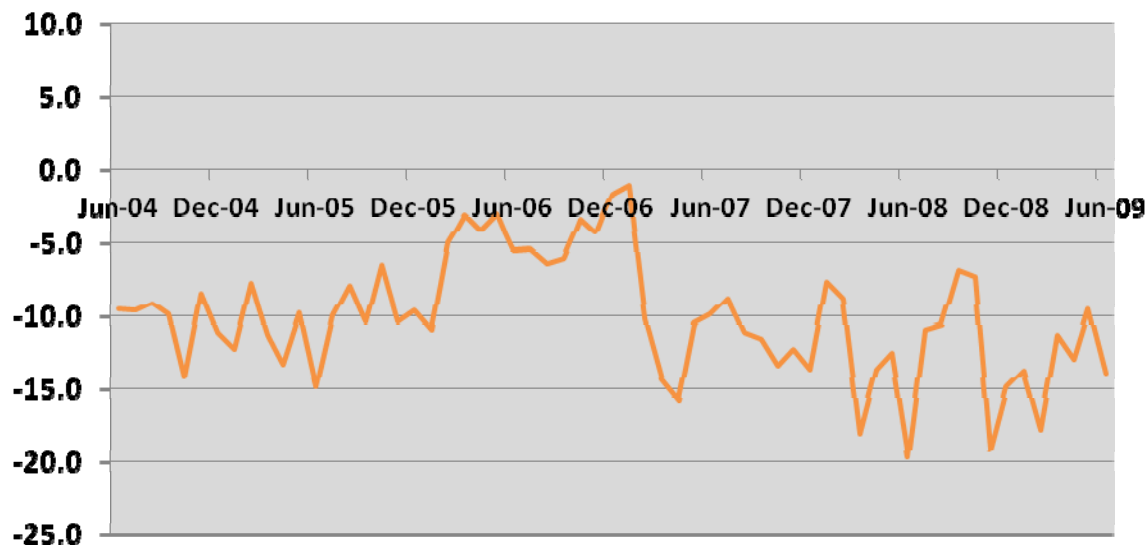
## Management Expense Ratio - MER

- Operating Expenses were \$1.4m as at 30<sup>th</sup> June 2009, a reduction of 29% on the corresponding period.
- BKI's Management Expense Ratio (MER) has decreased from 0.46% to 0.31% over the financial year (this includes 5 months of fees from the previous external management arrangement).
- Based on the present level of net tangible assets, BKI is confident that the MER at financial year end 2010 should be approximately 0.20% - 0.25%.



## Net Tangible Assets

- The consolidated net asset backing of the company's shares at 30<sup>th</sup> June 2009 was \$1.22 per share.



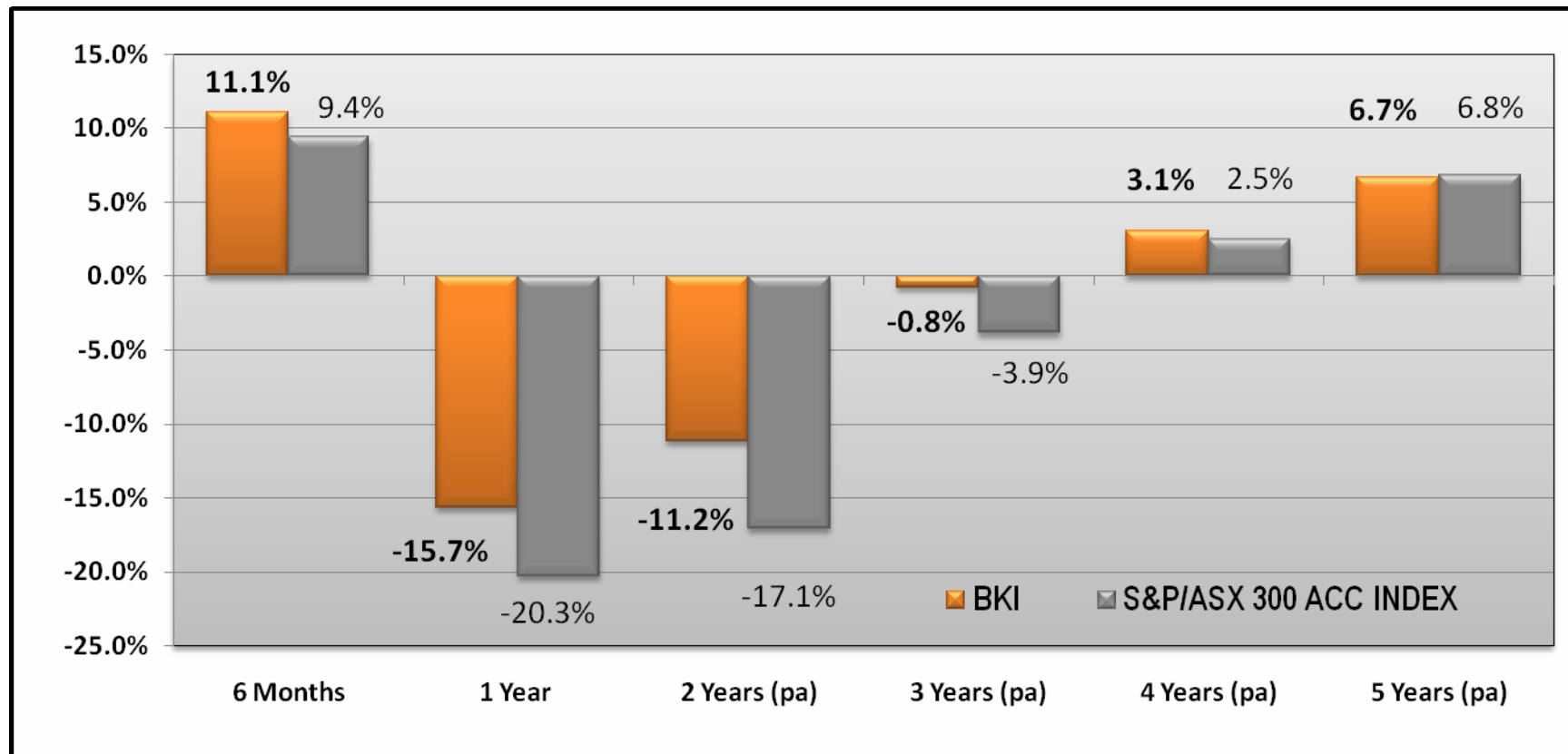
## Discount to Pre Tax NTA

As at 30<sup>th</sup> June 2009 BKI's share price was trading at a 14% discount to the Pre Tax NTA.

Actively trying to eliminate the discount on which BKI trades to its Pre Tax NTA by:

- Offering a more competitive MER
- Ceasing of external management fees
- Offering a competitive size of funds
- Developing own identity
- Promoting BKI strengths - discount to NTA V's peers premium, strong dividend payout ability, quality portfolio, experienced and conservative investment team

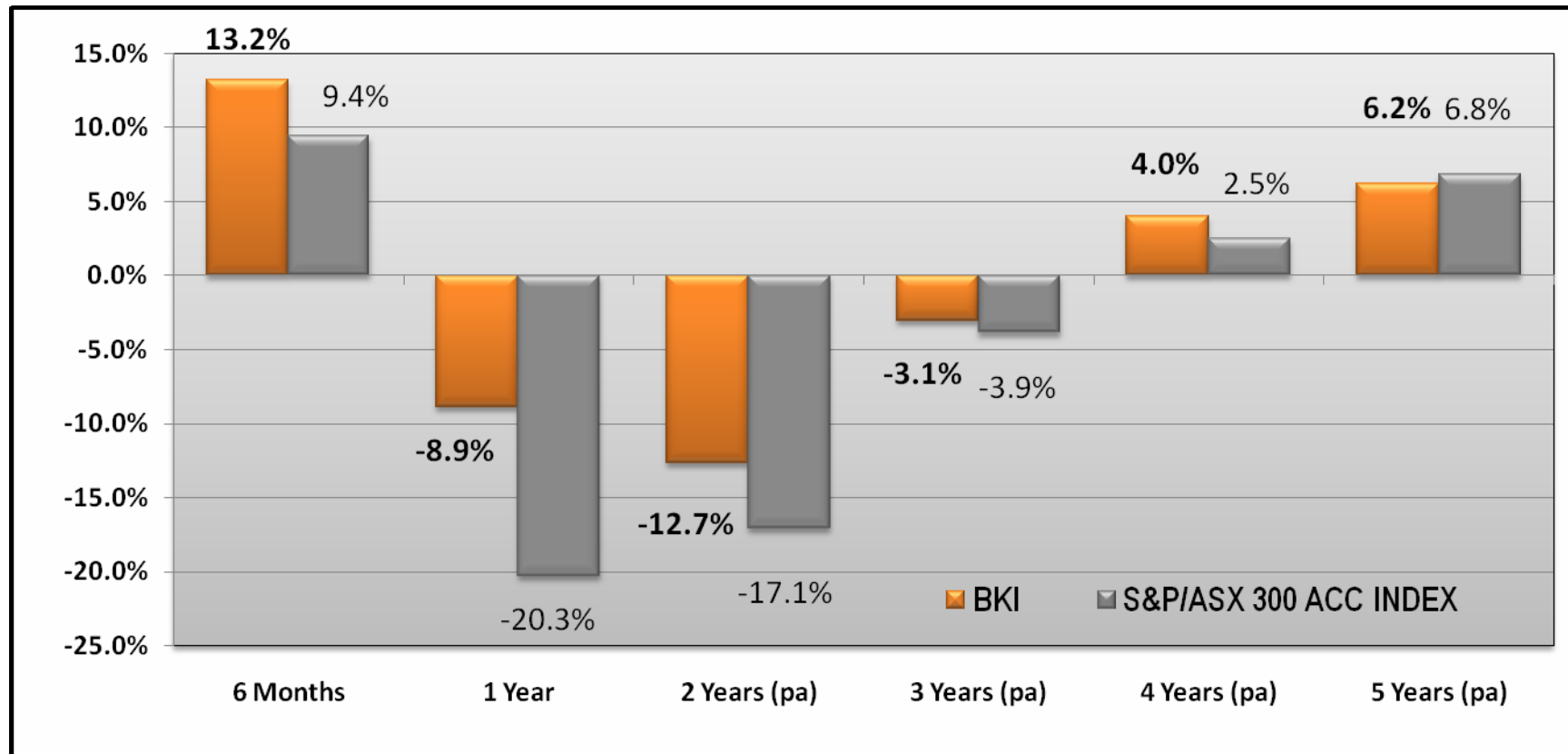
## Portfolio Performance as at 30<sup>th</sup> June 2009



Source: BKI Investment Company Limited, IRESS

Portfolio Returns are measured by change in NTA and are after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends. Past performance is not indicative of future performance.

## Share Price Performance as at 30<sup>th</sup> June 2009



Source: BKI Investment Company Limited, IRESS

Share Price Performance include the reinvestment of dividends. Past performance is not indicative of future performance.



## Portfolio Movements - Investments

- BKI continues to focus on investing for the long term with major investments over the 12 months to 30<sup>th</sup> June 2009 including:

BHP Billiton

Telstra Corporation

Coca-Cola Amatil

Metcash Limited

Westpac Banking Corporation SPSII

United Group

ARB Corporation

Woolworths Limited



## Portfolio Movements – Capital Raisings

- BKI also participated in numerous capital raisings through Entitlement Offers, Placements and Share Purchase Plans with major investments including:
  - Commonwealth Bank
  - Wesfarmers Limited
  - Alumina Limited
  - Bluescope Steel Limited
  - OneSteel Limited
  - GPT Group
  - Seek Limited



## Portfolio Movements - Divestments

- In accordance with BKI's investment strategy, there is an expectation from companies in which we invest that they continue to pay dividends over the long term. Major divestments from the BKI Investment Portfolio as a result of significantly reduced dividend payments include:

Babcock & Brown Infrastructure Group

BBI EPS Limited

Alesco Corporation

Wattyl Limited

Vision Group Holdings

Specialty Fashion Group

Bravura Solutions

CBD Energy

- St George Bank Limited was also divested following the successful takeover by Westpac Banking Corporation.



## Impairment

- The investment portfolio is continually reviewed by the Investment Committee to determine if any stocks held within it are, in the view of the committee, impaired. This review primarily focuses on the ability of the company to pay dividends over the long term.
- If there is objective evidence found that may impact future cash flows of the company resulting from significant changes in the technological, market, economic or legal environment in which that company operates BKI will consider it impaired and normally dispose of the stock. In the event that an investment is considered impaired, but has not yet been disposed of, an impairment charge is recognised in the Income Statement.
- The impairment review undertaken by the Investment Committee identified an unrealised impairment loss of \$1.4m. The portfolio is re-valued daily on a mark to market basis and as such the impairment charge does not impact BKI's NTA.

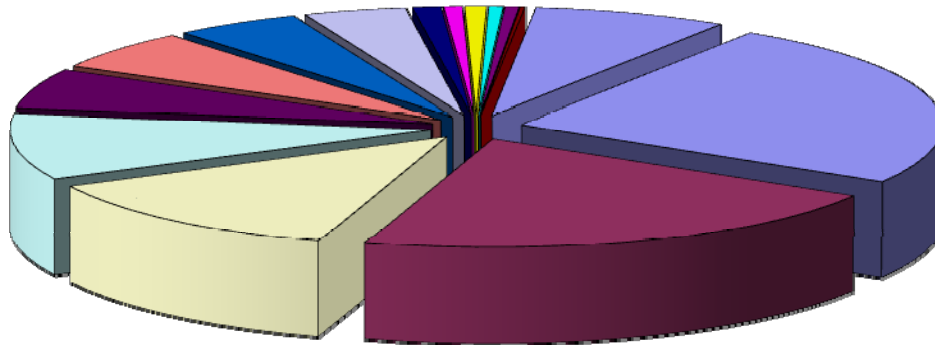

















## BKI Main Stock Selection Criteria

- **Income** - Dividend Yields, Franking levels, Pay Out Ratios.
- **Debt Levels** - Gearing Ratios, Net Interest Coverage.
- **Earnings and Valuations** - Earnings profiles, PE Multiples, EV/EBITDA Multiples.
- **Management and Board** – Ownership, Board Meeting Attendance, History of creating shareholder wealth.



## Sector Weightings



 Banks	24.5%
 Energy & Utilities	21.3%
 Materials	12.7%
 Consumer Staples	9.7%
 Consumer Services	5.9%
 Insurance	5.9%
 Diversified Financials	4.9%
 Telecommunications	3.9%
 Media	1.1%
 Capital Goods	0.8%
 Transportation	0.7%
 Property	0.6%
 Retailing	0.5%
 Health Care	0.2%
 Cash	7.5%



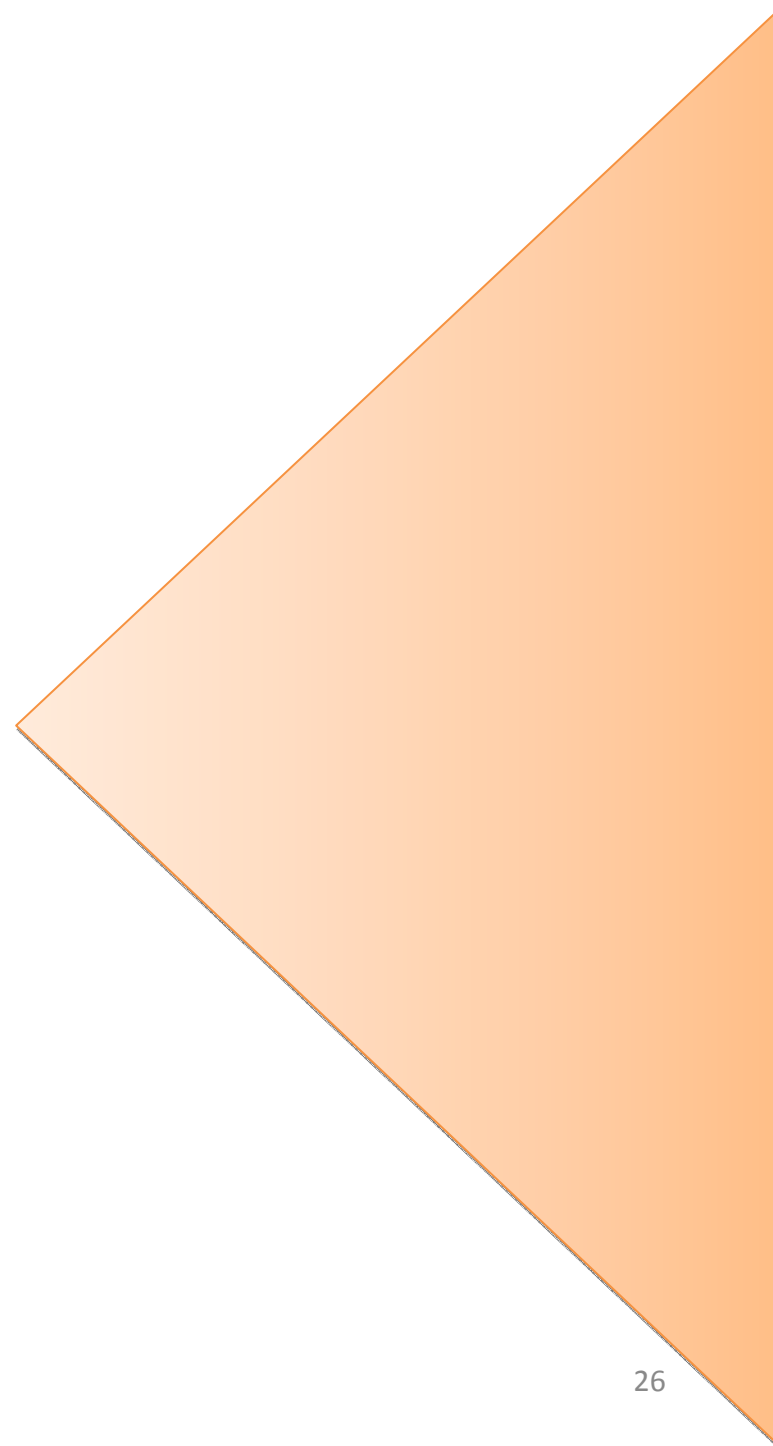
## Top 20 Investments

- 1 New Hope Corporation Limited
- 2 BHP Billiton Limited
- 3 National Australia Bank Limited
- 4 Commonwealth Bank
- 5 Westpac Banking Corporation
- 6 Telstra Corporation Limited
- 7 Woolworths Limited
- 8 Woodside Petroleum Limited
- 9 Wesfarmers Limited
- 10 AGL Energy Limited
- 11 QBE Insurance Group Limited
- 12 Westpac Banking Corporation SPSII
- 13 Campbell Brothers Limited
- 14 Metcash Limited
- 15 ASX Limited
- 16 Macquarie Group Limited
- 17 Brickworks Limited
- 18 Brambles Limited
- 19 Coca Cola Amatil Limited
- 20 ANZ Banking Group Limited



**BKI INVESTMENT  
COMPANY LIMITED**

2009  
1st Quarter Review  
July 2009 – September 2009





## Market Update

### Negatives

- Dividend distributions were somewhat disappointing.
- Short term reduced dividend income, especially in the LIC sector.
- Cyclical V's Defensive theme continues.

### Positives

- Most companies in the BKI Portfolio reported inline with our expectations.
- Macro environment and investor confidence improving.



## New Hope Corporation (NHC)

- NHC's Earnings from Interest and Operations saw Revenues grow 64% to \$521m while EPS grew to 240.3cps up from 11.1cps.
- Profits before non regular items were \$262.3m which is an increase of 189% above the previous year's result of \$90.7m.
- Saleable coal increased by 15.5%, while production increased by 19%.
- NHC plans to expand the Acland Mine from 4mtpa to 10mtpa in 2015 (at 10mtpa Acland's mine life is in excess of 35yrs).
- Directors declared a Full Year dividend of 4.5cps and a special of 72.75cps. BKI will receive \$11.4m from NHC's dividends (this is fully franked and equates to more than half of BKI's total NPAT for FY09).



## Dividend Reinvestment Plan (DRP)

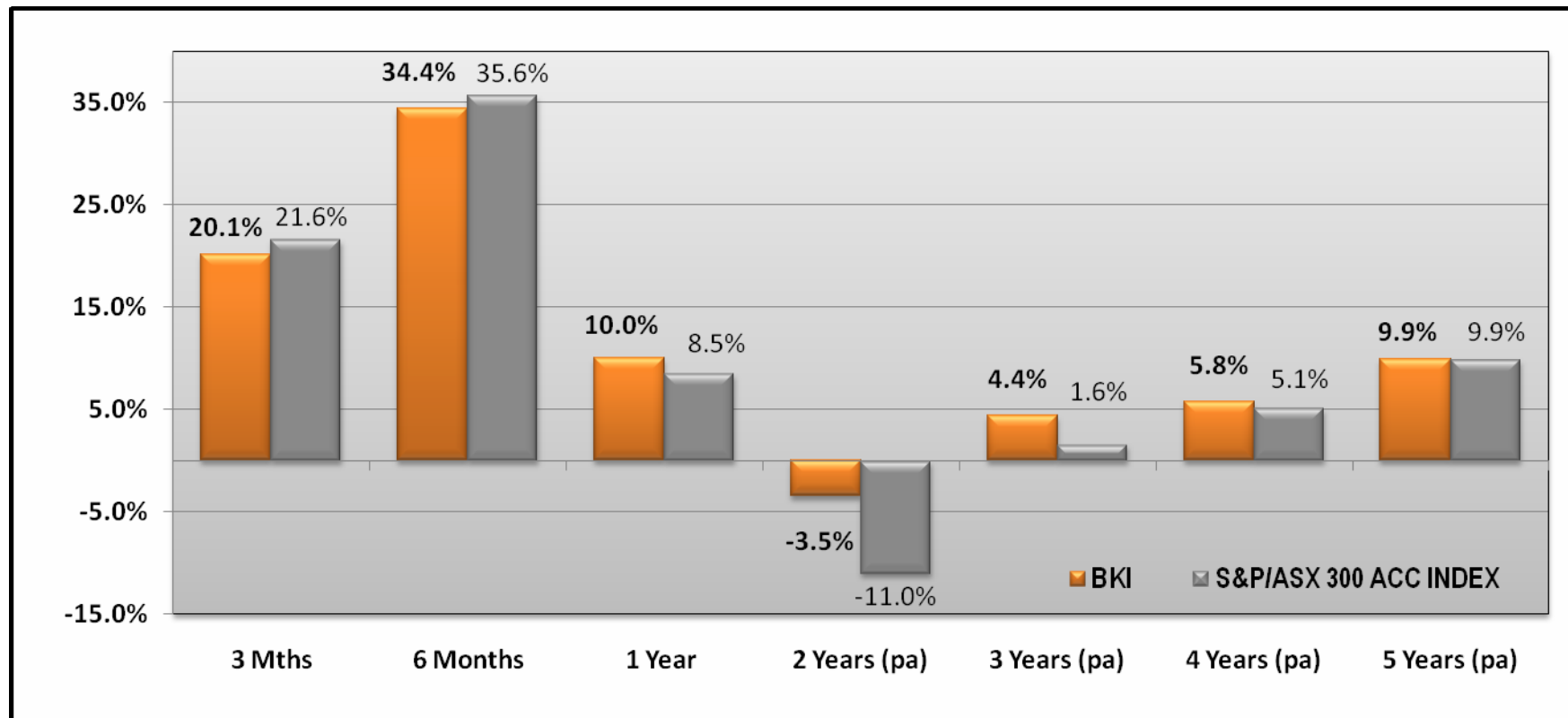
- The DRP was maintained for the Final Dividend, set at a discount of 2.5%.
- The DRP share price for the 2009 Interim dividend payment was \$0.80. Whilst the DRP share price for the 2009 Final dividend payment was \$1.14.
- BKI issued 4,685,246 new shares following the Interim and Final 2009 DRP's.

## Share Purchase Plan (SPP)

- BKI raised \$24.1m under its SPP, which closed on the 21<sup>st</sup> September 2009.
- Shareholders were given the opportunity to purchase shares up to a maximum value of \$14,998.98 at \$1.18 per share.



## Portfolio Performance as at September 2009

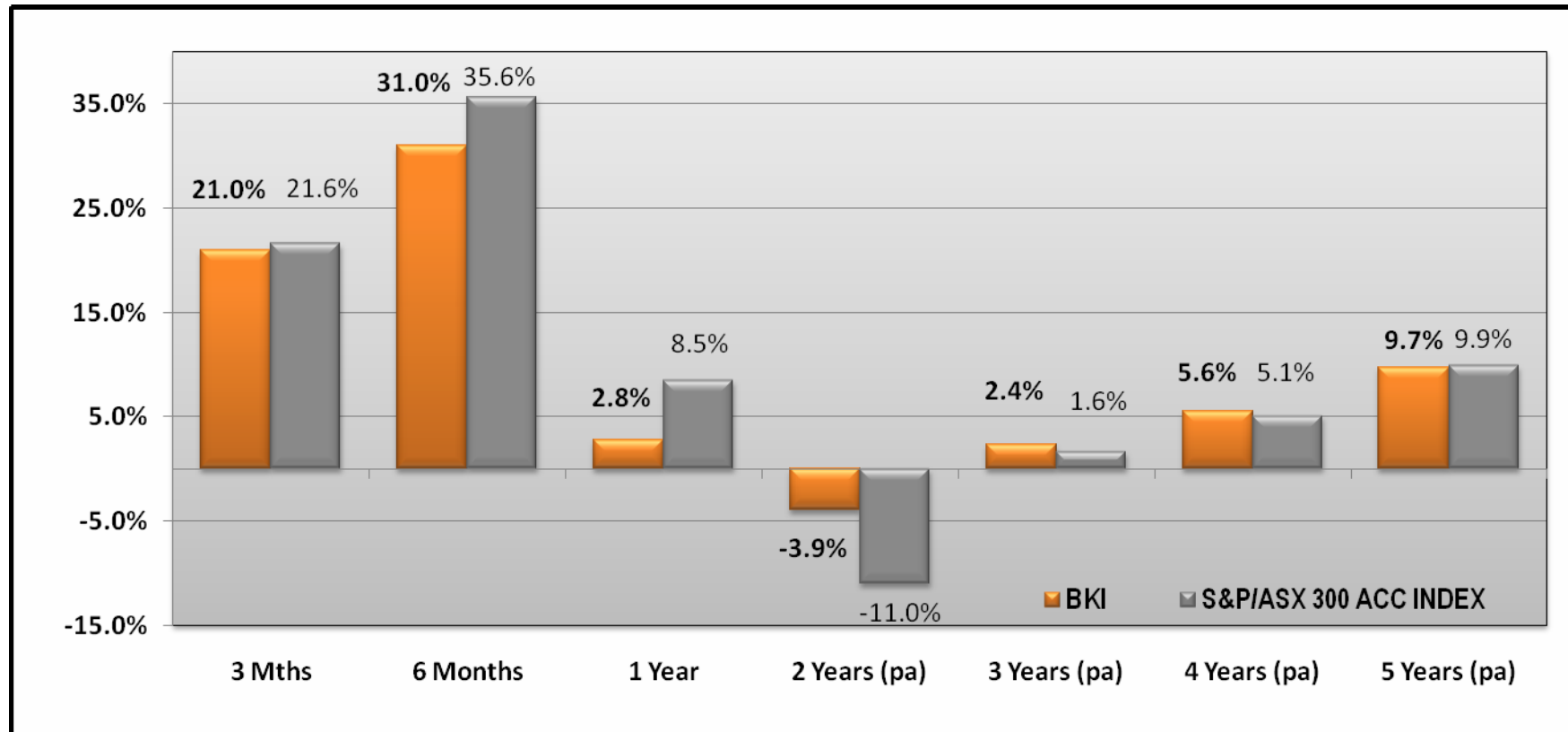


Source: BKI Investment Company Limited, IRESS

Portfolio Returns are measured by change in NTA and are after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends. Past performance is not indicative of future performance.

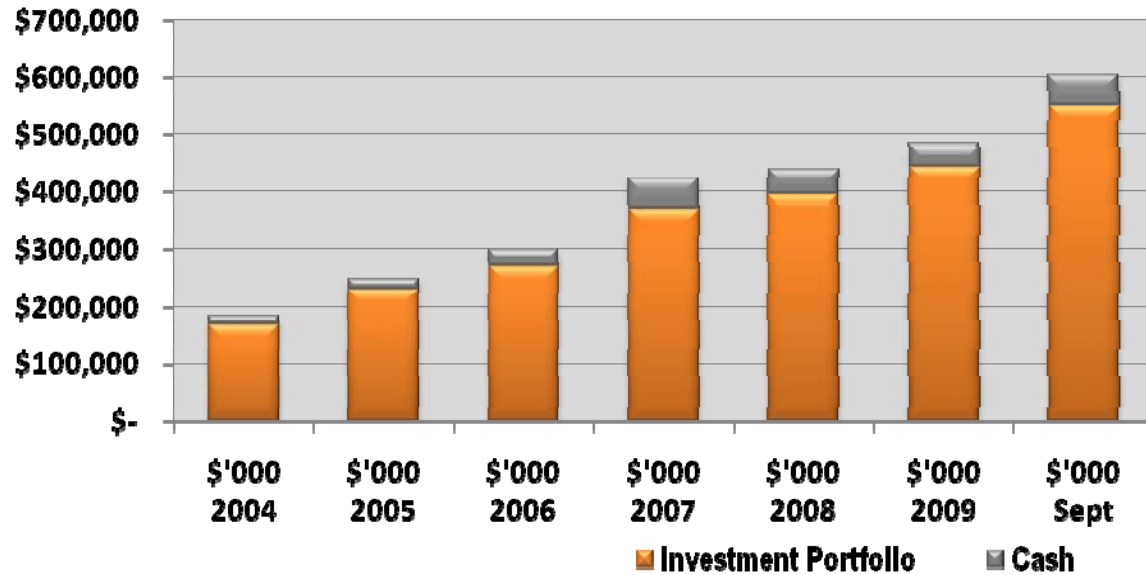
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## Share Price Performance as at September 2009



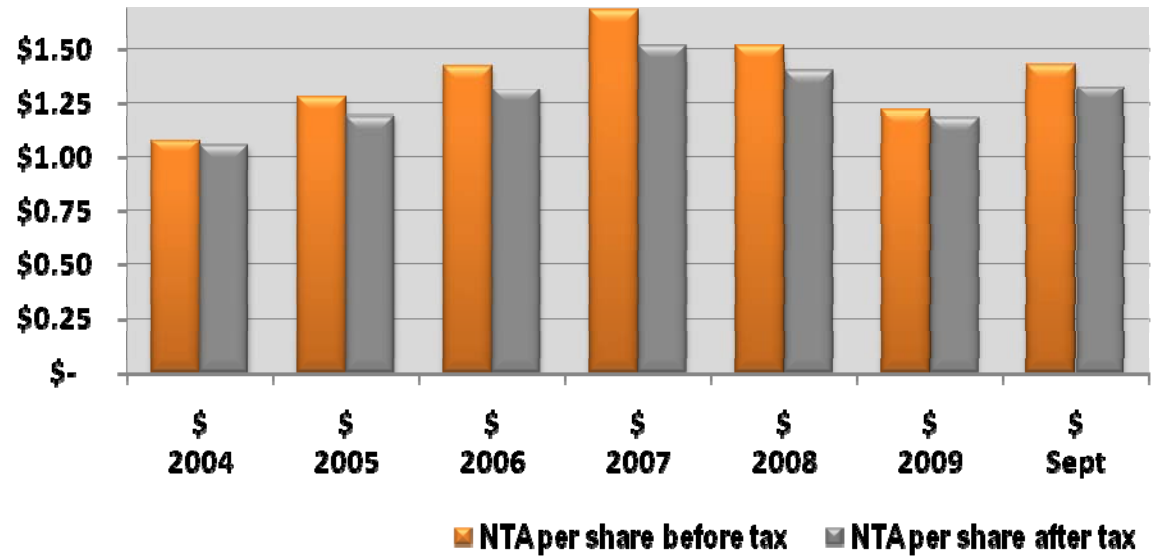
Source: BKI Investment Company Limited, IRESS

Total Shareholder Returns include reinvestment of dividends. Past performance is not indicative of future performance.



## Total Portfolio Valuation as at 30<sup>th</sup> September

- From the 30<sup>th</sup> June through to 30<sup>th</sup> September BKI's Total Portfolio Valuation has grown to \$599.2m from \$480.9m.
- BKI's Market Capitalisation as at 30<sup>th</sup> September 2009 was \$516m (\$372m as at 30<sup>th</sup> September 2008).



## Net Tangible Assets

- The consolidated pre tax net asset backing of the company's shares at 30<sup>th</sup> September 2009 was \$1.43 per share.



## Portfolio Movements since 30<sup>th</sup> June 2009

Since 30<sup>th</sup> June 2009 BKI has continued to invest in the market with investments totalling approximately \$10m. As at 30<sup>th</sup> September 2009 BKI held cash reserves of some \$50.6m which once again places the company in a strong position to take advantage of favourable market opportunities.

**Major Purchases** Telstra Corporation

United Group

BHP Billiton

QBE Insurance

ASX Limited

Wesfarmers Limited

Woolworths Limited

Santos Limited

Ramsay Healthcare (added to the portfolio)

Fosters Group (added to the portfolio)

**Major Sales** Qantas Limited

Alumina Limited



## Update July 2009 – September 2009

- Revenues from the Investment Portfolio as at 30<sup>th</sup> September 2009 were \$6.1m. Up \$210k on the previous corresponding period.
- Special Dividends as at 30<sup>th</sup> September 2009 were \$114k. Up \$105k on the previous corresponding period. Additional Special Dividend Revenue expected by 31<sup>st</sup> December 2009 will be \$11.0m. Comprising of:
  - New Hope Corporation Special Dividend of 72.75cps.
  - ARB Corporation Special Dividend of 40cps.
- Total Expenses as at 30<sup>th</sup> September 2009 were \$223k. Down 53% on the previous corresponding period.



**BKI INVESTMENT  
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**Office** Level 2, 160 Pitt Street Mall, Sydney NSW 2000

**Telephone** +61 2 9210 7000 **Fax** +61 2 9210 7099

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