

24 August 2022

Perpetual Equity Investment Company Limited announces ordinary and special dividend for 2H22

FY22 Summary:

- An ordinary dividend of 2.8 cents per share plus a special dividend of 0.5 cents per share, both fully franked
- Annual dividend yield of 5.3% and a grossed up dividend yield of 7.5%¹
- Focus on capital management continues; profit reserve of \$85.5 million equating to 4.1 years dividend coverage after the payment of the final dividend²
- Net Tangible Assets (NTA) after tax per share of \$1.191 as at 30 June 2022³
- Investment portfolio performance over 1, 3 and 5 years has outperformed benchmark⁴

The Perpetual Equity Investment Company Limited (ASX:PIC; the Company) announces its full year results for financial year 2022 (FY22), declaring a fully franked ordinary dividend of 2.8 cents per share which is consistent with the dividend of prior periods. The Board has also announced shareholders will receive a special dividend of 0.5 cents per share fully franked as part of their final dividend for FY22, based on its consideration of the strength of the profit reserve at this time. This brings the total dividend payment for shareholders in FY22 to 6.1 cents per share fully franked.

PIC Chairman Nancy Fox said, “Since its listing in 2014 the Company has been committed to building a track record of paying fully franked dividends twice a year to shareholders. The Board appreciates that many of the Company’s shareholders seek income, particularly during this time, and believes the total dividend payment for FY22 translates to an attractive annual dividend yield of 5.3% and grossed up dividend yield of 7.5%¹.

“Over recent years, the Board has been focused on retaining more capital for investment and building a healthy profit reserve to position the Company well to provide returns to shareholders over the long-term. Our approach to capital management has sought to strike the appropriate balance between providing income to shareholders while maintaining profit reserves and franking credits for the payment of future dividends.

“The Company posted a net operating loss after tax of \$17.9 million, with economic conditions having weighed on markets, investment portfolio performance and company profits in FY22. However, the Board is pleased that its sensible and prudent management of the profit reserves and franking credit balance has enabled it to announce an ordinary dividend and a special dividend for FY22.

“Looking ahead, the Board remains focused on growing the Company and continues to progress its strategy to deliver sustainable long-term dividend payments for shareholders. This strategy involves many considerations for the Board, including how it seeks to prudently manage capital and apply the profit reserve in exercising its discretion to pay dividends. The Company’s profit reserve is \$85.5 million after

¹ Yield is calculated based on the total dividends of 6.1 cents per share and the closing share price of \$1.16 as at 30 June 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

² Profit reserve of \$85.5 million as at 30 June 2022 and taking into account the estimated payment of the final dividend. This equates to 22.7 cents per share and represents 4.1 years dividend coverage based on a total dividend payment of 5.6 cents per share per annum. This does not take into account any changes to share capital or options exercised in the future. No representation is made in relation to the payment of future dividends, which will be at the discretion of the Company’s Board.

³ ‘After tax’ refers to tax paid and provisions for deferred tax on unrealised gains and losses of the Company’s investment portfolio.

⁴ The benchmark is the S&P/ASX 300 Accumulation Index. Returns have been calculated on the growth of NTA after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends and excluding tax paid. Any provisions for deferred tax on unrealised gains and losses are excluded. Past performance is not indicative of future performance.

the payment of the final dividend which equates to 4.1 years dividend coverage². The Board also has full confidence in the Manager's ability to navigate all market conditions. It believes that active professional management combined with the Company's flexible investment strategy will enable the Manager to seek out the best investment opportunities."

PIC performance and market conditions

The Company's investment objective is to provide shareholders with an income stream and long-term capital growth in excess of the benchmark over minimum 5 year periods. Investment portfolio performance of -6.7% for the 12 months to 30 June 2022 was impacted by markets, though outperformed the benchmark by 0.1%. Over an annualised 5 year period, PIC investment portfolio performance was 8.9%, outperforming the benchmark by 2.0%.

PIC Portfolio Manager Vince Pezzullo said: "Over the past couple of years many companies have been able to grow and maintain very high profit margins – the cost of debt was low, many services were sent offshore and businesses were encouraged to have a low asset base in terms of their employees, workspace and inventory. While profit margins grew substantially, there was always going to come a time when those tailwinds would lighten – and as a market we are now in that period with global inflation, central banks tightening monetary policy and disruptions to supply chains across most sectors creating a more uncertain outlook for many businesses.

"The research and investment decisions we make on a day-to-day basis look beyond the noise of the 'here and now' and allow us to find businesses that we believe are undervalued. We stay true to our investment philosophy of investing in companies that have a quality business, sound management, conservative debt and recurring earnings as we believe they can withstand the peaks and troughs of various market cycles and over time, will prevail in delivering returns.

"Our active management style means we consistently refine our investment thesis on each company and can adapt the portfolio to changing market conditions. As at 30 June 2022 the portfolio held 77.8% in Australian listed securities, 17.2% in global listed securities and 5.0% in cash. The breadth of our investment strategy provides diversification with the intention to add returns above the benchmark, and to manage downside risk."

2022 Annual General Meeting and Investment Manager Update

The Board extends an invitation to all shareholders and interested parties to attend the 2022 Annual General Meeting (AGM) and Investment Manager Update on 20 October 2022 to be held online and in-person. Please visit <https://www.perpetualequity.com.au> for more information.

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The issuer of the securities referred to in this publication is Perpetual Equity Investment Company Limited ACN 601 406 419. Further information on PIC is available at www.perpetualequity.com.au.

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