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## **Kingfish Limited Annual Meeting**

### **Chair's Address from Alistair Ryan**

[Slide: Kingfish Limited Annual Meeting of Shareholders]

Welcome to the 17th Kingfish annual meeting of shareholders, I'm Alistair Ryan, Chair of Kingfish.

It's pleasing to be able to hold this annual meeting in-person, after being forced last year into holding only a virtual meeting. However we have put in place the virtual meeting option for those who are unable to attend in-person, and we welcome those who have joined the meeting via the LUMI virtual meeting platform.

We are duly convened as a Notice of Meeting has been circulated to shareholders and I can confirm that a quorum is present so I declare the meeting open.

Please note that the exits are at the back and front of the room. Please ensure you turn off your cell phones.

For those here in-person there will be a light lunch at the conclusion of the meeting. We look forward to meeting many of you after the meeting.

[Slide: Introductions]

Let me introduce the front table.

Firstly the directors. To my right is Carmel Fisher (who officially retires from the board today, and who I will call upon later today to address the meeting). Next is Andy Coupe, then Carol Campbell and David McClatchy.

Next to David is Sam Dickie the Kingfish Portfolio Manager, and next to Sam is Wayne Burns the Corporate Manager.

Also here today, in the audience, are Senior Investment Analysts Matt Peek and Michael Bacon. Can you please stand up Matt and Michael.

We are also pleased to have representatives from our share registrar, Computershare, auditor, PricewaterhouseCoopers, our tax agent, Deloitte and our legal advisors, Bell Gully in the audience today.

[Slide: Agenda]

The agenda for today.

Firstly preliminary matters

The minutes of the 2020 annual shareholders' meeting held on 20 August 2020 are available at the registration desk and are also on the Kingfish website.

The 2021 annual report has been circulated to shareholders – additional copies are available at the registration desk and can also be found on the Kingfish website.

Today I'll give a brief update on the Kingfish 2021 financial year, and then Kingfish's Senior Portfolio Manager, Sam Dickie will review the Kingfish portfolio.

After the Manager's Review, we will have a Q&A session, and we'll then move to the formal business of the meeting.

There are three resolutions for you to consider and vote on today, which are as set out in the Notice of Meeting.

#### [Slide: Online Attendees – Question Process]

If you're attending the meeting online there's a Q&A icon at the top centre of your screen.

To send in a question, simply click in the "Ask a Question" box, type your question and press the send arrow.

We've set aside a time at the end of the two presentations for general questions relating to the operations and management of the business.

Questions relating to the three resolutions will be dealt with in conjunction with each of the resolutions.

#### [Slide: Chair's Overview]

It is my pleasure to present the Chair's Overview at this meeting.

#### [Slide: Kingfish's Investment Objective]

As directors, and managers, we typically start our annual meetings with a quick reminder of what we are here to achieve, being :

- to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the directors; and
- to provide access to a diversified portfolio of New Zealand quality, growth stocks through a single tax-efficient investment vehicle.

The two objectives have been met for 2021 and have been consistently met, year on year.

#### [Slide: Kingfish's Corporate Governance]

Turning now to corporate governance.

The board is committed to strong governance principles and to overseeing the Manager's portfolio performance on behalf of shareholders.

In a normal year the board generally meets formally six times per annum, plus other meetings as required. As the Covid uncertainly developed the board scheduled a number of additional meetings with the Manager to check that appropriate risk management processes and procedures, including rigorous application of the STEEPP process, were being adhered to.

These additional meetings enabled the board to monitor and closely oversee the portfolio management process undertaken by the Manager as part of its mandated approach.

In addition to the special meetings referred to above, the Investment Committee meets twice a year, on a six monthly basis, to hear from the Manager about what has gone well and what has disappointed, and to engage in a comprehensive review session covering key performance metrics, some of which we will go through on the following slides.

The Kingfish Audit and Risk Committee generally meets twice a year, on a six monthly basis, to review the company's financial reporting, internal controls and risk management systems, and to meet with the external auditor and receive their report on both the interim and year end accounts.

The Kingfish 2021 result was announced in May, but I'll highlight some of the key performance measurements on the next slide, and Sam will discuss the underlying performance in his presentation.

[Slide: 2019 Overview]

So how has 2021 treated shareholders?

Kingfish has certainly delivered, with a very strong net profit of \$142.7m. However, given that Kingfish's FY20 result (for the year end 31 March 2020) was effectively wiped out by the sharemarket's reaction to the Covid pandemic, we should think of the FY21 result as being for two years. Even apply that logic, the result represents Kingfish's best ever net profit.

Total shareholder return was 65.1% for the period, helped by the significant increase in the share price, which I'll talk about later.

Kingfish's regular dividends continued to contribute to the total shareholder return with 13.48 cents per share paid in dividends during the 2021 financial year, which is equivalent to a dividend return (based on the average share price for the year) of +7.7% (2020: +8.5%).

Due to the strong portfolio performance in 2021, the overall net asset value (NAV) per share grew from \$1.39 (as at 31 March 2020) to \$1.77 (as at 31 March 2021) – even after dividends were paid out and warrants exercised during March this year.

The adjusted NAV return was +41.1% for the period which represents the net return to an investor after expenses, fees and tax.

The share price to NAV difference changed from a discount of 6.7% (31 March 2020) to a premium of 7.3% as at 31 March 2021. This change helps explain why the total shareholder return is 24% ahead of the adjusted NAV return.

[Slide: 2019 Overview - Continued]

This chart compares the Adjusted NAV return, (the net return to an investor after expenses, fees and tax), and the gross performance return (the return before expenses, fees and tax), to the benchmark index return over the periods of 1, 3 and 5 years.

The Kingfish portfolio has consistently out-performed the consistently strong benchmark index.

Sam will discuss the New Zealand sharemarket dynamics and how the portfolio performed shortly in the Manager's Review.

[Slide: Basic and Diluted Earnings per Share]

Given the increase in the number of shares through the warrants and dividend reinvestment programmes, it is pleasing to note the growth in Earnings per Share over the five years.

The sharemarket downturn at the end of the 2020 financial year inevitably had a dramatic impact on the FY20 earnings per share, reporting at only 0.75 cps – but as mentioned earlier, the 2021 result effectively makes up for the previous financial year.

Its a potent reminder of how variable sharemarket returns can potentially be and the degrees of volatility that equity markets can experience from time to time

### [Slide: Kingfish Share Performance]

The ratios and percentages on the previous slides can be a bit confusing to shareholders who simply want to know, how did we do ?

So, to keep things simple, let me work you through the basics of the share and warrant performance for Kingfish shareholders over the last 12 to 15 months.

Share price in the first month of the financial year (April, 2020) was distorted by the recovery from the depths of the Covid date of March 23, 2020 when the share price got as low as \$1.05, having been \$1.70 at the end of January (2020).

By the end of April (2020), the share price had recovered to \$1.50 and then to \$1.61 by 1 July (2020). Which equated to almost \$1.63 with the then warrant price of 7 cents, divided by four, added.

(I.E. The share price of \$1.61 plus \$0.02 for the warrants equals \$1.63).

So, it seems sensible when taking a 12 month perspective, away from the distortions of the March/April 2020 period, to look at share and warrant performance from say 1 July 2020 through to 1 July 2021.

When we do that, we see that the share price has moved up from \$1.61 to \$2.03.

The net benefit of the warrants equates to 12 cps.

And the quarterly dividend distributions during this period have totalled a further 14 cps.

All in all, a net gain of 68 cps. An excellent return on a starting share and warrant value of \$1.63.

Shareholders can be pleased with their Kingfish result.

### [Slide: Use of Shareholder Funds]

Turning now to Shareholders' Funds

This chart shows the Kingfish NAV of \$345m (as at 31 March 2020) increased by a net \$206m to \$551m (as at 31 March 2021).

The movements during the year as represented by the blue and yellow columns were:

plus \$143m net profit,

And movements due to capital management initiatives:

- Warrant funds invested of \$85m
- Less \$34m dividends paid, but adding back \$12m for dividends reinvested by shareholders.

There were no buybacks during the year, as the share price discount to the NAV never triggered buybacks. For the second half of the year (from October 2020) the discount moved to a premium position, which has been sustained.

### [Slide: First four months, FY 2021]

The first four months of the new financial year show a more subdued level of growth, with the NZ sharemarket under-performing, when compared to global markets.

This slide provides a snapshot of the first four months of the current financial year to 31 July 2021:

Total shareholder return for the four months was +7.7% - driven by the share price increasing from \$1.90 (31 March) to \$2.01 (31 July).

As at 31 July, the NAV per share was \$1.76 (\$1.77 as at 31 March) – a decrease of 1 cent in four months and after a dividend of 3.60 cents per share paid on 26 June.

The adjusted NAV return for the first four months of the 2021 financial year was +1.5% (which represents the net return to an investor after expenses, fees and tax).

This performance to date, translates to a net profit of \$8.1m for the four months to 31 July.

[Slide: Warrants]

Kingfish has an ongoing warrant programme as part of its overall capital management programme.

The last warrants (KFLWF) were exercised 12 March 2021.

56.3m out of a possible 61.5m warrants were exercised (91.4% exercised), at a final exercise price of \$1.51. On the same day Kingfish shares were trading on-market at \$1.90 (a 25.8% premium to the exercise price). \$84.8m of new funds were invested into the Kingfish portfolio.

### **Closing remarks**

In closing, on behalf of the Board, thank you shareholders for your continued support of Kingfish. I will now hand over to Sam Dickie, Senior Portfolio Manager of Kingfish.

ENDS