

Chairman's Address
MFF Capital Investments Limited 2023 Annual General Meeting
Friday, 29 September 2023

Ladies and Gentlemen

I welcome everyone to the 2023 Annual General Meeting of MFF Capital Investments Limited. It's pleasing that we are again able to meet in person to conduct our AGM and to hear your comments and answer your questions. I also welcome those shareholders who join us today by teleconference. As in previous years, our prepared remarks respond to some of the questions received in advance, rather than waiting for the Q+A section.

MFF completed the 2023 year in a strong financial position, with an excellent portfolio of companies and declared and paid increased fully franked ordinary dividends during the year and foreshadowed further increases. A year ago markets around the world were very challenged with inflation and interest rate rises dominating and testing the resilience of MFF, our portfolio and the businesses in which we are invested. The then meaningful 'mark to market' unrealised losses for the portfolio have since been more than fully reversed. However, we continue to remain cautious about elevated investor expectations.

Investment Objectives and Philosophy

Before detailing the outcomes of the financial year, it is appropriate to restate that MFF's long-standing investment objectives are to maximise compound, risk-adjusted after-tax returns for its shareholders and to minimise the risk of permanent capital loss. MFF also seeks to pay a regular six monthly fully franked dividend out of its considerable retained profits and franking credits. The core investment philosophy underpinning these objectives is built on taking a medium to long-term view focusing on outstanding companies which are considered to be trading below their intrinsic value. Portfolio activity in Financial Year 2023 has been consistent with these objectives and investment philosophy. MFF's holdings continue to be concentrated in businesses with very strong market positions and high market liquidity.

Financial Results, Markets and Portfolio Overview

The Company's profit or loss starts each new financial year at zero, based off the market values at the end of the previous financial year. Therefore, significant fluctuations in reported year to year results are to be expected. This financial year MFF recorded a net profit after tax of \$323.6 million (last financial year a net loss after tax of \$170.8 million principally reflecting unrealized mark to market movements). The net profit before income tax was \$462.2 million (principally reflecting unrealized mark to market movements). MFF's net profit

after tax is approximately 22.7% of MFF's Net Assets as of 1 July 2022. As is required by accounting standards, the Company uses "mark to market" accounting for both investments and foreign exchange and the net profit for the financial year principally reflects the positive movements in the market value of MFF's investments in the second half of the financial year.

The Company's balance sheet and financial flexibility remain strong. At year end, MFF's \$1,687.3 million of total equity comprised retained profits and profits reserve of \$976.7 million and contributed equity of \$710.7 million. Investments at market value were \$2,301.0 million. The deferred tax liability was approximately \$278.2 million (this relates to unrealised portfolio gains). Borrowings less cash and cash equivalents were \$330.2 million. The portfolio remains concentrated in companies with large volumes of daily trading relative to MFF's holdings (in other words, almost all MFF's portfolio holdings are very liquid, or capable of being converted rapidly to cash if necessary).

During the year, MFF paid cash dividends of approximately \$37.6 million (net of dividend reinvestment of approximately \$12.0 million) and cash tax payments of approximately \$31.1 million.

The Board is positive about the overall composition of the portfolio. MFF's risk standards and investment processes continue to be well maintained. Ultimately, the quality of the portfolio, the success of our portfolio companies' businesses, and the astuteness or otherwise of portfolio purchase and sale decisions will be reflected in future mark to market figures.

MFF's Managing Director and Portfolio Manager, Chris Mackay, will shortly provide details on the financial results, the portfolio, market risks and opportunities and other risks.

ESG

As signalled at last year's AGM, we continue to monitor the progress of our portfolio companies on their individual sustainability journeys. Of note are the number of portfolio companies that report on their alignment with the Task Force on Climate-related Financial Disclosures (TCFD) as a key mechanism to provide transparency around their climate-related financial risks and how those risks are managed.

Dividends and Capital Position

The Company's financial position underpins the fully franked final dividend of 5.0 cents per ordinary share, compared with a fully franked final dividend of 4.0 cents per ordinary share last year. This year's final dividend will be paid on 3 November 2023, with the Dividend Reinvestment Plan and the very recently introduced Bonus Share Plan to operate (each at zero discount). During the year the Company paid fully franked dividends in both November 2022 and May 2023 totaling 8.5 cents per ordinary share.

The Bonus Share Plan intends to provide shareholders with more flexibility, giving shareholders the option to elect not to receive an MFF dividend in respect of all or part of their shares, and to receive instead additional fully paid MFF shares issued as bonus shares to the equivalent of the MFF dividend foregone.

In recent years, MFF has regularly increased its fully franked dividends. In addition to the increased final dividend, Directors have confirmed details of the path and timing for further increases under MFF's ongoing dividend policy. MFF Directors intend to increase the rate of the six-monthly dividend to 5.5 cents per ordinary share with the next interim results (expected to be announced towards the end of January 2024) and to 6.0 cents per ordinary share for the next full year results (expected to be announced towards the end of July 2024). The Board also intends to continue the operation of the Dividend Reinvestment Plan and the Bonus Share Plan (each at zero discount).

MFF expects dividends to continue to be fully franked, in the absence of legislative or similar changes. As of 30 June 2023, available franking credits for the final dividend and future dividends were approximately \$114.0 million (approximately 19.7 cents per ordinary share). Of course, in each case, dividends are subject to corporate, legal, taxation and regulatory considerations at the time.

In addition to dividend policy, the Board regularly reviews capital management as part of overall capital allocation, with many considerations including market prices and conditions for equity and debt (for MFF and generally), and trading in MFF shares. The Board intends to maintain its prudent approach to MFF's balance sheet, risk management and capital management policies; consistent with maintaining the Company's capacity to pay future dividends in accordance with its dividend policy. The Board considers that MFF's retained funds have been put to good use with strong long-term returns which have built the Company's capital base and enabled MFF to pay an increased stream of fully franked dividends. Investments in the portfolio continue to be focused upon quality companies, some of which have appreciated materially from MFF's cost prices (hence the sizable, deferred tax liability included in MFF's financial statements).

The Company remains small from the perspective of both its cost base and investment universe. MFF has access to debt markets (which remain favourable) and borrowing within MFF's risk controls has been disciplined, and beneficial in past market downturns. The Board has maintained the limit on borrowing at 20% of assets (at the time of borrowing). MFF has liquid investments and retains flexibility to fund further investments from the sale of existing investments (subject to paying taxes on gains) and to access additional equity capacity if required. During the second half of the 2023 financial year, the Company introduced an on-market share buyback. By financial year end, MFF had bought back and cancelled approximately 10.0 million ordinary MFF shares at a cost of approximately \$25.6 million. Directors consider that the buyback has been value accretive for remaining shareholders.

A long-standing important policy consideration for the Board in assessing any equity or similar issue continues to be to ensure that shareholders have equal opportunity to participate in entitlements or bonus option issues, including the opportunity to realise market value for entitlements or options. During the 2021 financial year, the Company undertook a bonus issue of options on a 1: 5 basis to shareholders. The options were issued for no consideration. Each option allowed the holder to subscribe for a new share in the Company at any time until expiry at 31 October 2022 at an exercise price of \$2.60 per ordinary share. During the 2023 financial year only approximately 0.8 million of the options were exercised and approximately 81.1 million were unexercised and lapsed (12.5 million were exercised in the previous financial year).

Capital Structure

MFF has previously communicated its hopes to identify large holding(s) in one or more competitively advantaged, strongly cash generative businesses that might provide MFF with meaningful flows of income where the Company would have control over the allocation. Notwithstanding that our processes involve extreme patience, our searches are on hold. Market prices for control currently remain unfavourable in contrast to the benefits of MFF's existing portfolio. Importantly, these benefits include MFF's liquidity attributes which enabled us to purchase high quality portfolio holdings at more attractive levels as opportunities arose during the financial year. Simply put, MFF's investment approach remains focused and disciplined and the investment portfolio is well-positioned.

Expenses

Over the years, MFF's main expense has been corporate tax as was the case again in the 2023 financial year. Corporate tax will continue to fluctuate year to year, principally based on profitable sales from the portfolio. Overall, our other expenses were reduced or in line with the previous year except for additional interest charges with increased interest rates and increased average debt levels.

Information

MFF continues to provide regular, very high levels of transparency about the Company, its portfolio, decisions made, prospects and risks, in addition to detailed statutory information, so that investors can make informed decisions about their investments. We release detailed figures each week including pre and post-tax figures, updates in relation to the portfolio holdings, as well as extensive monthly commentaries.

We welcome the questions we have received during the year and those specifically for the meeting, including for the Q+A.

General

As noted in prior years, I am pleased to report that the Magellan teams supporting MFF are very professional. We all have clear access to these teams, Magellan's senior management and MFF's independent external auditors.

The alignment of MFF management with MFF's Directors continues to be very strong, and the Company does not incur any outlay on Board or Executive bonuses or share or option plans.

The MFF Board remains focused and disciplined on positioning MFF for strong shareholder returns over the long term. I thank my fellow directors for their wise counsel during the year.

I now invite Chris Mackay to make some remarks and we look forward to your questions.

Annabelle Chaplain
Chairman
MFF Capital Investments Limited