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Merger with Milton Corporation

Creating Australia's leading, diversified investment house

22 June 2021

Merger Highlights

Washington H. Soul Pattinson continues to deliver on its mission to hold a diversified portfolio which generates a growing income stream and capital growth for shareholders

- ✓ Proposed **MERGER WITH MILTON CORPORATION** by a **RECOMMENDED SCHEME OF ARRANGEMENT**
- ✓ Creation of a **LEADING, MORE DIVERSIFIED AUSTRALIAN INVESTMENT HOUSE** focused on continuing long-term market outperformance and growth in dividends
- ✓ **ADDITIONAL LIQUIDITY to PURSUE INVESTMENT OPPORTUNITIES** across multiple asset classes and **FUND FURTHER DIVERSIFICATION**
- ✓ Significant **STEP-CHANGE IN MARKET CAPITALISATION** (to approx. \$11 billion) with **POTENTIAL INCREASED INDEX PARTICIPATION**
- ✓ Combination of **TWO GREAT INVESTMENT HOUSES WITH ALIGNED VALUE-FOCUSED, LONG-TERM INVESTMENT PHILOSOPHIES**
- ✓ Milton's **MANAGEMENT TEAM** will **COMPLEMENT WHSP's EXISTING INVESTMENT EXPERTISE**



1. Transaction Overview

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Transaction Overview

Washington H. Soul Pattinson to merge with ASX-listed Milton Corporation by a recommended Scheme of Arrangement to create Australia's leading, diversified investment house

Strategic Rationale

- A merger with Milton Corporation (**Milton**) is expected to provide Washington H. Soul Pattinson (**WHSP**):
 - Greater portfolio diversification
 - Additional liquidity for future investments
 - Higher cash generation from increased portfolio dividends
 - Greater liquidity for the merged entity's shareholders with up to c. 30,000 new shareholders
 - Significant increase in the market capitalisation of WHSP which may result in increased index participation
 - An experienced and capable investment team
 - Increased scale which should lead to a more efficient cost base for shareholders

Scheme Consideration

- If the Scheme is implemented, Milton shareholders will receive:
 - A 10% premium to Milton's pre-tax net asset backing per share, adjusted for the Proposed Dividends:
 - Three fully franked dividends totalling 52 cps including:
 - a Special Dividend of up to 37 cents per share¹;
 - Milton's FY21 final ordinary dividend which is expected to be 8 cents per share¹; and
 - for shareholders at the time of the WHSP dividend expected in mid-December 2021, access to WHSP's indicative final ordinary dividend, expected to be equivalent to 7 cents per Milton share (assuming the exchange ratio as set out in the worked example and a WHSP FY21 indicative Final Dividend of 36 cents per share)²
- The implied offer value \$6.00 represents an attractive premium for Milton shareholders³:
 - 20% premium to \$5.00 being the closing price of Milton shares on 21 June 2021
 - 20% premium to \$4.99 being the 1-month VWAP of Milton shares on 21 June 2021⁴
 - 23% premium to \$4.86 being the 3-month VWAP of Milton shares on 21 June 2021⁵

1. Milton's payment of dividends is subject to the availability of sufficient franking credits and Milton satisfying the applicable Corporations Act requirements for payment of the dividend

2. Any return is subject to no material events, Board discretion having regard to financial and market conditions and maintenance of financial strength and flexibility consistent with WHSP's capital management framework

3. Implied Offer Value based on exchange ratio of 0.1812 WHSP shares for every Milton share and includes proposed dividends

4. VWAP is calculated based on market value traded on the ASX divided by the market volume traded on the ASX. VWAP calculated from 22 May 2021 to 21 June 2021 (inclusive)

5. VWAP is calculated based on market value traded on the ASX divided by the market volume traded on the ASX. VWAP calculated from 22 March 2021 to 21 June 2021 (inclusive)

Transaction Overview

Washington H. Soul Pattinson to merge with ASX-listed Milton Corporation by a recommended Scheme of Arrangement to create Australia's leading, diversified investment house

Transaction Structure	<ul style="list-style-type: none">▪ The merger with Milton to be effected via a Scheme of Arrangement (Scheme)▪ Unanimously recommended by the Independent Directors of Milton, subject to:<ul style="list-style-type: none">– The Independent Expert concluding that the merger is in the best interests of Milton shareholders– No superior proposal emerging▪ Unanimously endorsed and supported by the Board of WHSP
Conditions ¹	<ul style="list-style-type: none">▪ Key conditions include:<ul style="list-style-type: none">– Milton shareholder approval;– The Independent Expert concluding that the Scheme is in the best interests of Milton shareholders;– No prescribed events or material adverse changes occurring in respect of WHSP or Milton; and– Other conditions customary for a transaction of this nature
Exclusivity	<ul style="list-style-type: none">▪ Exclusivity arrangements including “no ongoing discussions”, “no shop”, “no talk” and “no due diligence” in favour of WHSP
Timing	<ul style="list-style-type: none">▪ Scheme booklet expected to be dispatched to Milton shareholders in early August with Milton Scheme meeting in mid September and, subject to shareholder approval, transaction completion in early October

1. The transaction is subject to ASX confirming that WHSP is not required to obtain the approval of holders of Bidder Shares to proceed with the transaction (or if it does so require then that approval has been obtained)



2. Overview of Milton Corporation

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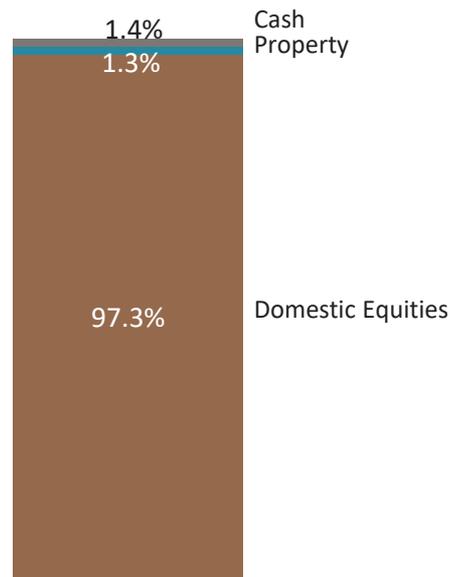
Overview of Milton Corporation

Milton Corporation is an ASX-listed investment company managing a \$3.7b portfolio of assets, including ASX listed companies and trusts

Overview

- Milton is a listed investment company that manages c. \$3.7b in assets
- Milton is a long term investor in companies and trusts listed on the ASX and has three key objectives:
 - Increasing fully franked dividends to shareholders over time
 - Providing capital growth for shareholder investments
 - Investing in a diversified portfolio of assets
- The company's funds are managed internally by an experienced management team led by CEO and Managing Director, Brendan O'Dea
- Milton's current pre-tax net tangible asset backing (**NTA**) is \$5.46 per share¹
 - Post-tax NTA of \$4.67 per share¹

Current Portfolio²



1. As at 18 June 2021

2. As at 31 May 2021



3. Strategic Rationale

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Creating a more diversified company

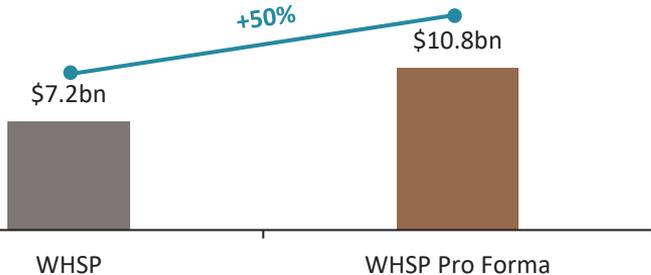
The transaction will provide additional liquidity to fund further diversification across multiple asset classes that are seeing strong deal flow

1	Australian equities	<ul style="list-style-type: none">▪ WHSP has deep expertise in managing portfolios of listed Australian equities and Milton's portfolio and management will complement WHSP's existing capabilities
2	Private equity	<ul style="list-style-type: none">▪ WHSP has a long successful history of private equity investing and partnering with private companies as an investor of choice▪ Further capital gives WHSP the opportunity to increase its investment in this asset class
3	Direct credit	<ul style="list-style-type: none">▪ WHSP's credit portfolio is growing▪ Further capital gives WHSP the opportunity to allocate to an asset class which provides high, risk-adjusted returns
4	Emerging companies	<ul style="list-style-type: none">▪ WHSP has deep expertise in sourcing pre-IPO and high growth, small cap opportunities
5	Global equities	<ul style="list-style-type: none">▪ WHSP is currently underweight in global equities and the merger with Milton provides the opportunity to build out a portfolio of global equities to further diversify WHSP's portfolio
6	Property	<ul style="list-style-type: none">▪ WHSP has inhouse property expertise and has developed several industrial property assets in recent years▪ Milton's investments in residential housing estates will expand WHSP's exposure to this sector

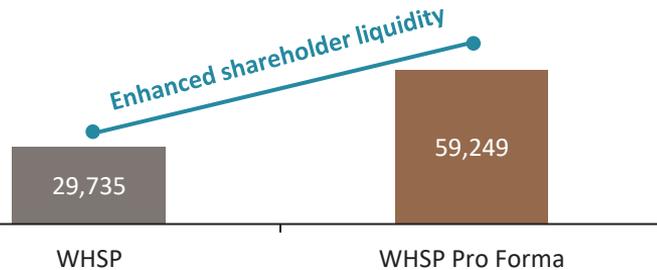
Significantly increases scale and shareholder liquidity

The transaction is expected to result in a significant step-change to WHSP's scale and shareholder liquidity

Pro forma market cap¹

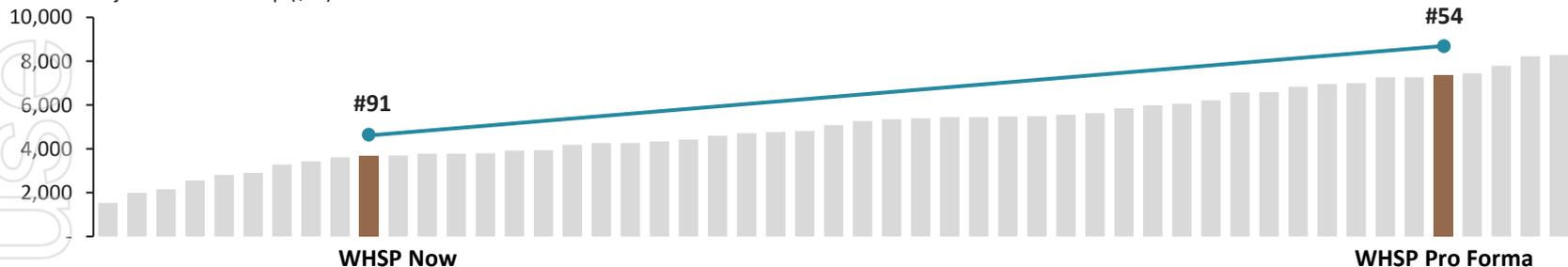


Pro forma shareholders²



Index reweighting

Free Float Adjusted Market Cap (\$m)



Source: Capital IQ

1. Market capitalisation as at close of 21 June 2021. Pro forma market capitalisation assumes 118m New WHSP shares are issued and trade at the closing price of \$30.25 as at 21 June 2021

2. As per FY20 Annual Reports of WHSP and Milton. Illustrative only, actual number dependent on number of common shareholders



Investment philosophy remains the same

The transaction will bring together two great investment houses who share similar value-focused, long-term investment philosophies

Investment Philosophy

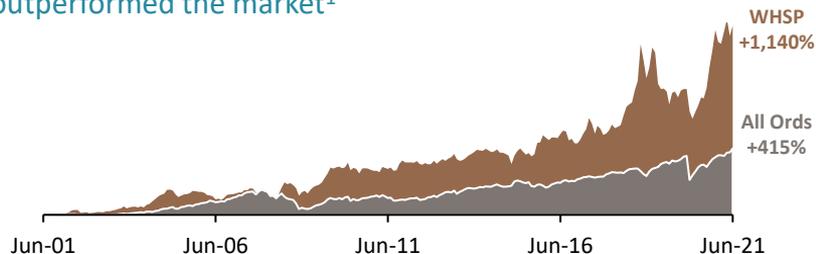
Disciplined	<ul style="list-style-type: none"> ▪ Patient investor with no mandate to deploy capital within a specified timeframe ▪ Willing to wait for the right opportunity
Long-term driven	<ul style="list-style-type: none"> ▪ Invest with a long-term outlook and focus on delivering outperformance over the long term
Value focused	<ul style="list-style-type: none"> ▪ Long-term approach to investment may require investment decisions which are contrarian or counter cyclical
Diversified	<ul style="list-style-type: none"> ▪ Unconstrained mandate allows WHSP to invest in asset classes not considered by other investors ▪ Results in a truly diversified, uncorrelated portfolio
Cashflow focused	<ul style="list-style-type: none"> ▪ Portfolio is weighted towards resilient businesses generating solid cashflows ▪ This enables consistent dividends
Shareholder focused	<ul style="list-style-type: none"> ▪ Focused on the preservation of shareholder capital and dividend generation
Strong reputation as a capital partner	<ul style="list-style-type: none"> ▪ Seek to be an investor of choice and add value to our investee companies as active owners

Source: Capital IQ

1: Cumulative performance from 21 June 2001 to 21 June 2021 (including reinvestment of dividends). Historical market outperformance is not an indicator of future performance

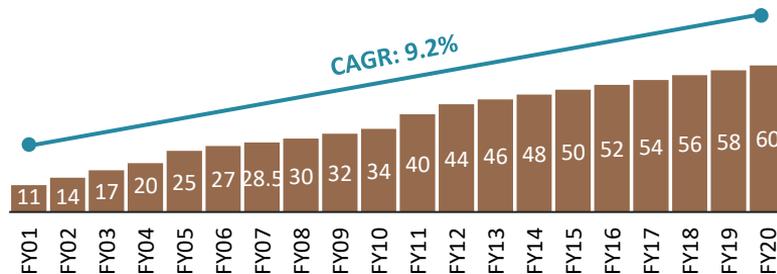
2: Historical consistency of dividend is no guarantee of future dividend payments

WHSP 20 Year Total Shareholder Returns have significantly outperformed the market¹



Consistent Dividend Growth²

WHSP Ordinary Dividends (cps) have grown every year for the last 20 years





4. Why Milton shareholders should accept

Why Milton shareholders should accept

There are compelling reasons for Milton shareholders to vote in favour of the Scheme

1	Offer premium	<ul style="list-style-type: none">Milton shareholders will be offered a material premium to both share price and NTA for their shares
2	Dividend proposal	<ul style="list-style-type: none">If the Scheme is implemented, Milton shareholders will be entitled to receive up to 45 cps in Milton's fully franked Final and Special Dividends and to access WHSP's indicative Final Dividend¹
3	Aligned investment philosophies	<ul style="list-style-type: none">The transaction will bring together two great investment companies who share similar value-focused investment philosophies
4	Increased diversification	<ul style="list-style-type: none">In addition to investments in ASX listed investments and trusts, Milton shareholders will gain access to private markets, international equities, credit opportunities and real assets
5	Consistent dividend	<ul style="list-style-type: none">WHSP has not missed paying a dividend in its 118 year history and has paid an increasing dividend every year for the past 20 years (the only company in the All Ordinaries Index to do so)
6	Returns outperformance	<ul style="list-style-type: none">WHSP has significantly outperformed the market over the short, medium and long term, generating shareholder returns of 13.4% p.a. over the last 20 years²
7	Disciplined investment process	<ul style="list-style-type: none">WHSP has a strong investment process which has been refined over the past 118 years

1. Any return is subject to no material events, Board discretion having regard to financial and market conditions and maintenance of financial strength and flexibility consistent with WHSP's capital management framework

2. Cumulative performance from 21 June 2001 to 21 June 2021 (including reinvestment of dividends). Historical market outperformance is not an indicator of future performance

Indicative Timetable

Scheme booklet expected to be dispatched to Milton shareholders in early August with completion expected in early October 2021

Key Event	Date ¹
Execute SIA and Announcement to ASX	Tuesday, 22 June 2021
First Court Hearing	Early August 2021
Dispatch of Scheme Booklet to Milton Shareholders	Early August 2021
Exchange Ratio Calculation Date	Early September 2021
Scheme Meeting	Mid September 2021
Second Court Hearing	Late September 2021
Effective Date	Late September 2021
Record Date	Late September 2021
Scheme Implementation Date	Early October 2021
Payment of Special Dividend to Milton Shareholders ²	Early October 2021
Expected payment of WHSP indicative Final Dividend ³	Mid December 2021

1. Dates are indicative and subject to change

2. Regardless of Scheme being implemented, payment of Milton's Final Dividend for the full year ending 30 June 2021 will still occur in September. Milton's payment of dividends is subject to the availability of sufficient franking credits and Milton satisfying the applicable Corporations Act requirements for payment of the dividend

3. Any return is subject to no material events, Board discretion having regard to financial and market conditions and maintenance of financial strength and flexibility consistent with WHSP's capital management framework



Appendix I: Exchange Ratio Formula

Exchange Ratio Formula

Formula

$$\text{Exchange ratio} = \frac{\text{MLT Adjusted NTA} \times 1.10}{\text{WHSP Reference Price} \times \text{Milton Shares on issue at Calculation Date}}$$

Where:

- **NTA** means the aggregate net tangible asset backing before providing for tax on unrealised capital gains of Milton calculated in the same manner used for the purpose of Milton's market announcements to ASX at the end of each calendar month of its net tangible asset backing per share at the end of each calendar month. For the avoidance of doubt, deferred tax assets and deferred tax liabilities will be excluded from the calculation of NTA
- **Adjusted NTA** means the NTA of Milton as at the Calculation Date less the aggregate amount in respect of all Milton Shares of the Proposed Dividends which have been declared or are the subject of a decision to pay
- **WHSP Reference Price** means the lower of:
 - The VWAP Price of WHSP Shares for the one month ending on, and including, the Calculation Date; and
 - \$31.00
- **Calculation Date** means 7.00 pm on the Business Day that is seven Business Days before the date of the Scheme Meeting or such other date as WHSP and Milton agree in writing

1. As at 18 June 2021

Worked Example

	Value
Milton Current NTA per share ¹	\$5.46
Less Dividends	(\$0.45)
Milton Adjusted NTA per share	\$5.01
Add 10% Premium	\$0.50
Milton Premium Adjusted NTA per share	\$5.51
WHSP Share Price	\$30.41
Exchange ratio	0.1812

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This presentation has been prepared in relation to the proposed merger with Milton Corporation Limited ACN 000 041 421 (**Milton**) by Washington H. Soul Pattinson and Company Limited ACN 000 002 728 (**WHSP**) by way of scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (**Corporations Act**) (**Scheme**). Under the Scheme, WHSP would acquire 100% of the fully paid ordinary shares in Milton that it does not already own in exchange for the issue of new fully paid ordinary shares in WHSP. The Scheme is subject to the terms and conditions described in the scheme implementation agreement entered into between WHSP and Milton on or about the date of this presentation (**Scheme Implementation Agreement**). A copy of the Scheme Implementation Agreement is available on the ASX website (at www.asx.com.au).

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