

Monday, 23 December 2019

## **360 Capital entities to take 19.99% equity stake and provide corporate and project level funding**

- **360 Capital Group (ASX:TGP) (TGP) and 360 Capital Total Return (ASX:TOT) (TOT) via their 50/50 JV investment company TGP TOT JV Pty Limited (formerly 360 Capital 2017 PERE Pty Limited) (360 Capital JV) takes a 19.99% cornerstone equity stake in Velocity Property Group Limited (ASX:VP7) (Velocity) and commit A\$10.0 million in loan notes and A\$23.7 million in a residual stock facility.**
- **Tony Pitt and James Storey join the Velocity Board.**
- **Velocity to pursue a 'capital light' model, with 360 Capital's funds management platform to facilitate equity co-investment in Velocity's projects with the first development syndicate being TWO27, our second Palm Beach project.**

### **Strategic Shareholder**

Velocity announces the introduction of 360 Capital JV as a cornerstone investor. TOT is the ASX-listed real estate vehicle of TGP, an alternative asset investment and funds management group. More recently TOT has become an active investor in real estate debt, having originated and financed over \$220 million in senior and mezzanine transactions over the last 30 months.

360 Capital JV has taken an equity stake of 19.99% in Velocity, via a placement of 36,710,000 shares at 2 cents per share and an off-market transfer of 42,976,785 shares from Velocity founder, Brendon Ansell at the same price. Founding directors Brendon Ansell and Philip Raff maintain relevant interests of 10.78% and 7.96% respectively of Velocity. The board of Velocity now controls or represents approximately 38.74% of the ordinary shares in Velocity, closely aligning the interests of the expanded board with those of shareholders.

## **Loan Note**

Velocity has issued TOT loan notes with a total face value of A\$10.0 million. The notes have a maturity of two years and are convertible into ordinary shares (subject to shareholder approval) at 4 cents per share. The loan note terms are summarised at the end of the announcement.

## **Board Composition**

TGP has appointed two nominees to the board of Velocity, Tony Pitt and James Storey. Mr Pitt is the managing director of TGP and has worked in the property and property funds management industries for more than 20 years.

Mr Storey is the Head of Real Assets at TGP, with more than 12 years of experience in property investment and funds management and is the Fund Manager of TOT.

## **Project Financing**

In addition to the subscription for shares and notes, TGP has committed to provide Velocity with a residual stock facility at market rates for Velocity's Bulimba project, totalling A\$23.7 million for an 18-month term. Funds from the residual stock facilities will be applied to repay senior project debt (A\$18 million) and working capital (balance).

A key strategic benefit of the relationship with TGP is on-going funding support, both syndicate equity and senior project debt. Proceeds from the placement of equity and loan notes will be applied to Velocity's co-investment in "TWO27", Velocity's second Palm Beach project.

The TWO27 project will be developed as an unlisted syndicate, with Velocity to hold a 20% equity stake and obtain development management fees (of 4-5% of the project budget) to deliver the project. The model is 'capital light' and allows Velocity to have ongoing exposure to development profits, but with significantly lower equity contribution, and the benefit of predictable development fees.

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Commenting on the transaction, Mr Ansell said: 'We are extremely excited to have 360 Capital as a cornerstone investor in Velocity and to welcome experienced real estate professionals, Tony Pitt and James Storey to the board. The investment validates the quality of Velocity's existing development portfolio and its exciting pipeline. More importantly for shareholders, the relationship will provide reliable future funding, both syndicate equity and senior project debt, allowing Velocity to pursue a less capital-intensive co-investment model for new projects.'

360 Capital Managing Director, Tony Pitt said: 'The transaction announced today with Velocity is a great example of 360 Capital's ability to partner with likeminded organisations, leveraging off our relationships for the benefit of all stakeholders. We look forward to assisting Brendon, Philip and the Velocity team in Velocity's next chapter of its growth with the Launch of the "TWO27" Development Syndicate in February 2020 with the project delivery managed by Velocity and Fund managed by 360 Capital Group'.

Velocity intends to call an extraordinary meeting of shareholders to be held in February 2020 to approve conversion rights in respect of the loan notes, refresh its placement capacity under ASX Listing Rule 7.1 and to consolidate the ordinary shares in Velocity on a 1 for 35 basis.

## Terms of the loan notes

<b>Facility type</b>	Senior secured term loan facility
<b>Security</b>	First ranking security over all the assets and undertakings of Velocity; cross guarantee from Velocity's wholly-owned subsidiaries
<b>Principal amount</b>	A\$10 million (face value of loan notes)
<b>Coupon</b>	7.0% per annum capitalising quarterly in arrears
<b>Conversion rights</b>	Conversion of principal and accrued interest at election of noteholders any time (subject to shareholder approval)#
<b>Conversion price</b>	A\$ 0.04 (4 cents per share, pre-adjusted)
<b>Maturity</b>	Two (2) years
<b>Redemption</b>	Notes not converted must be redeemed (with accrued interest) at maturity
<b>Covenants</b>	Minimum net assets of 4 cents per ordinary share (fully diluted)
<b>Distributions</b>	Up to 50% of NPAT
<b>Transfer</b>	Notes may be transferred

# If conversion rights are not approved by shareholders, the loan note must be redeemed within 40 business days after the relevant general meeting; the noteholder may require Velocity to seek shareholder approval under section 611; item 7, to permit the noteholder's voting power (on conversion) to exceed 20%.

## ENDS

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