

Wednesday, 26 February 2020

Velocity Property Group 1H20 Results

Velocity Property Group (ASX: VP7) (Group or Velocity) is pleased to announce its financial results for the half year ended 31 December 2019.

Strategic investment with 360 Capital Group entities

During the 6 months to 31 December 2019, 360 Capital Group (ASX: TGP) and 360 Capital REIT (ASX: TOT) via their 50/50 joint venture investment company TGP TOT JV Pty Ltd completed their strategic investment in Velocity by acquiring a 19.99% equity stake in the Group.

Moving forward, the Group will pursue a 'capital light' model with 360 Capital's fund management platform to facilitate project equity co-investment in the Group's projects, starting with Two27 in the second half of FY20.

Key financial results highlights for the half year ended 31 December 2019:

- Statutory loss after tax of \$0.25m
- Operating profit after tax of \$0.05m after removing one off expense items in relation to securing the strategic investment with 360 Capital Group entities.
- Revenue of \$25.84m driven by initial sales at the Group's flagship development, ONE Bulimba Riverfront.
- NTA per security of \$0.0525.
- Increase in ASX trading price from \$0.025 to \$0.03, a total shareholder return of 20% for the 6 months.

Development portfolio & activities

Velocity remains active in the market for opportunities to replenish its development portfolio, with a continued focus on key prestige markets in south-east Queensland, particularly Brisbane & the Gold Coast.

Two27, Velocity's newest absolute beach front development at Palm Beach will be launched ahead of construction commencing in the 2nd half of FY20. As mentioned earlier, in collaboration with 360 Capital Group entities, the launch will include a development syndicate that will be available to sophisticated and institutional investors with Velocity contributing 20% of the syndicate's project equity requirements in line with the new capital light project model.

Construction of the Parque on Oxford townhouses and apartments was completed during the period to 31 December 2019, with initial settlements achieved in January 2020. Along with ONE Bulimba Riverfront, the Group expects the balance of sales at these projects to be achieved over the course of the 2020 calendar year.

Capital management

The Group remains mindful of its current debt position and gearing levels. The proceeds from the 19.99% strategic investment by TGP TOT JV Pty Ltd along with the associated \$10m corporate note was used to repay corporate level debt facilities that reduced the Group's overall average cost of funding.

Cash received from settlement proceeds from completed developments during the period and including the 2nd half of FY20, are used to repay associated finance facilities secured by first mortgages. This reduction to overall debt levels will be offset by any proceeds from borrowings used to fund construction of the Group existing development pipeline, namely Two27.

The Group does not anticipate paying a dividend in the current financial year.

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Key focus for balance of FY20

- Transition to capital light project development model commencing with the roll out of the Two27 project syndicate after Easter 2020;
- Market launch of Two27, Velocity's next absolute beach front development in Palm Beach, Gold Coast;
- Strategic joint ventures and development site acquisition;
- Continued reduction of existing debt facilities primarily through constant sale of completed apartments, houses or townhouses at ONE Palm Beach, ONE Bulimba Riverfront, Ellerslie Residences and Parque on Oxford.

This ASX announcement has been approved and authorised for release by Velocity's Board of Directors.

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