

Monday, 25 January 2021

FY2021 Half Year Results Announcement

Velocity Property Group (ASX: VP7) (Group or Velocity) is pleased to announce its financial results for the half year ended 31 December 2020.

Recommendation of restructure and recapitalisation proposal

As stated in the announcement on 23 December 2020, the Board has recommended to shareholders to vote in favour of all resolutions regarding the restructure and recapitalisation proposal at the upcoming Extraordinary General Meeting (EGM) on 17th February 2021.

The proposal aims to repurpose Velocity into a commercial real estate debt business focused on lending, brokerage, debt advisory and managing real estate debt investments within Australia and New Zealand.

Other key points of the proposal include (but is not limited to):

- Renaming Velocity to “Dealt Limited” and restructuring as a stapled group with Dealt Trust (to be called the “Dealt Group”);
- Undertaking a maximum capital raising of up to \$93.4m;
- Disposing of the existing residential property development business and implementing a new investment strategy to focus on commercial real estate debt activities.
- The acquisition of two loan origination business:
 - AMF Finance – a commercial real estate debt brokerage and advisory business; and
 - Digital Software Solutions – an online marketplace for commercial real estate finance providing an online solution for loan brokerage, underwriting, negotiation and execution of commercial real estate loans between borrowers and lenders.

Key financial result highlights for the half year ended 31 December 2020

- Statutory loss after tax of \$3.36m, impacted by:
 - Adjustments to the net realisable value of trading stock of \$0.45m

- \$0.68m in transaction costs in relation to the sale of the Burleigh Heads development site; and
- Professional costs relating to the restructure and recapitalisation proposal to date of \$0.53m.
- 18% increase in revenue to \$30.42m driven by the sale of Two27 Palm Beach development site and ongoing sales of completed apartments and townhouses at ONE Bulimba Riverfront and Parque on Oxford.
- Net increase of \$0.5m to cash and cash equivalents for the period after making net debt repayments of \$22.98m.
- Refinance and/or repayment of all real estate secured non-bank debt to traditional banks, resulting in a reduction of the Group's weighted average interest rate at balance date to 4.7%, down from 6.8%.
- Net tangible assets per share decreased to \$0.55, down from \$0.84.

Development portfolio & activities

As south-east Queensland came out of COVID-19 restrictions, the Group maintained robust sales activity during the period with high levels of demand experienced for high quality, owner occupier apartments and townhouses located in premium south-east Queensland locations.

9 apartments and 4 townhouses were sold across ONE Palm Beach, ONE Bulimba Riverfront and Parque on Oxford. ONE Palm Beach, the apartments at Parque on Oxford and the townhouses at ONE Bulimba Riverfront are now 100% sold out. Since 31 December, a further settlement has occurred at ONE Bulimba Riverfront.

As announced on 19 November 2020, the Group's remaining development site properties at Burleigh Heads are subject to an unconditional sale contract with settlement expected in the 2nd half of FY21.

The Group is no longer pursuing property development opportunities, instead focusing in the short term on the sale of the Group's remaining completed property assets. The Group expects all remaining apartments and townhouses to be sold during the 2nd half of FY21.

Capital management

Cash received from property settlements in the first instance was used to repay any borrowings where those properties were used as security. Any surplus cash is then applied to retire other borrowings in advance of their maturity date after keeping a sufficient cash balance to meet ongoing working capital requirements.

The Group is mindful of its gearing levels and average cost of borrowings through the use of non-bank lenders. During the period, the Group successfully retired or refinanced all non-bank lenders that used the Group's trading stock as security, significantly reducing the Group's weight average interest rate in the process.

The Group does not anticipate paying any dividend in the current financial year. However, as expressed in the Notice of Extraordinary General Meeting, Explanatory Memorandum and Product Disclosure Statement for the Restructure and Recapitalisation proposal released to the market on 23 December 2020, if the resolutions at the EGM are passed and the minimum capital raise is successful, the Group will implement the distribution policy from the Trust with the first distribution expected to occur for month end June 2021.

Key focus for balance of FY21

- Continued reduction of all existing debt facilities via the constant sale of completed apartments and townhouses at ONE Bulimba Riverfront and Parque on Oxford coupled with the sale of the Burleigh Heads development site properties.
- Transition & implementation of the new investment strategy to focus on commercial real estate debt activities focussing on lending, brokerage, debt advisory and managing real estate debt investments should shareholders vote in favour of all resolutions at next month's EGM and the minimal capital raise be achieved.
- The Group's investment property portfolio is being readied for sale. The sales strategy and timing are being reviewed to ensure the optimal financial result to shareholders.

Authorised for release by The Board.

ENDS

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