

**12 February 2019****Blue Sky H1 FY19 Results Update**

Blue Sky Alternative Investments Limited (ASX: BLA) ('Blue Sky' or 'the Company') today announces an update on its expected underlying earnings before tax, cash position, net tangible assets ('NTA'), and Fee Earning Assets Under Management ('FEAUM') for the first half of the 2019 financial year to 31 December 2018.

Blue Sky is finalising its underlying financial results to be released to the market on 27 February 2019. The Company anticipates an underlying H1 FY19 loss before tax of between \$28 million to \$32 million, subject to final review by the Company's auditors and Board approval. This result includes:

- approximately \$7 million of valuation adjustments to carrying values of Blue Sky balance sheet investments in funds, including in student accommodation;
- approximately \$7 million of recommended impairments to working capital loans provided to certain private equity and private real estate development funds;
- approximately \$4 million due to the reimbursement of investment trusts where third-party expenses were incorrectly charged, due to inconsistencies with the application of expense recovery in line with terms of each investment trust (as announced on 28 September 2018);
- approximately \$8 million due to restructuring costs, including external service providers, staff redundancies, terminations, and retention incentives (compared with approximately \$6 million forecast in an announcement on 12 June 2018); and
- a positive impact of \$2.5 million from the reversal of employee share option expenses incurred in prior periods, principally resulting from staff terminations in the first half.

**Cash Position**

Blue Sky's cash position at 31 December 2018 was \$54.8 million on an unaudited basis. This compares to \$40 million as at 30 June 2018 including drawdown of the \$50 million convertible note facility with Oaktree Capital Management. The primary drivers of the cash position relate to abnormal expenses, restructuring expenses, fund expense recovery repayments and further working capital loans, investments and co-investments of alignment capital with institutional investors in real assets and a US energy storage investment.

The Company's ongoing restructure has significantly reduced annual expenses, representing strong progress towards Blue Sky's previously announced target of aligning its fixed cost base with recurring management fee revenues, thereby reducing the Company's historical reliance on deal and performance fees.

Net Tangible Assets ('NTA') is anticipated to be \$102 million to \$106 million at 31 December 2018 incorporating an approximate \$22 million accounting impact from the adoption of AASB 15.

**FEAUM**

Blue Sky further advises that, as at 31 December 2018, it managed \$3.0 billion in Fee-Earning Assets Under Management ('FEAUM') down from \$3.4 billion at 30 June 2018 primarily resulting from the closure of the hedge fund and retirement living business units.

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Funds Under Management ('FUM') at 31 December 2018 was \$2.8 billion on a consistent basis with prior disclosures.

### **Blue Sky Restructure**

Since July 2018, Blue Sky has made substantial improvements to its investment operations, governance and risk structures.

A new Board of Directors was appointed in December 2018; a new Chief Financial Officer commenced mid-January 2019; and a new Chief Risk Officer was appointed on a permanent basis in January 2019.

The comprehensive restructure of Blue Sky's investment management business continued through the first half of FY19. Blue Sky exited its Hedge Fund business and retirement living real estate development business, sold its share of the retirement village operating business, and reduced its headcount across all remaining divisions.

Blue Sky remains focused on its three core businesses: Real Assets; Private Equity and select opportunities in Private Real Estate.

### **Announcement of H1 FY19 Results and Teleconference**

Further details will be provided when Blue Sky announces its H1 FY19 results on 27 February 2019.

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