

## ASX Announcement

ASX AND MEDIA RELEASE – HALF-YEAR RESULT - 31 DECEMBER 2018

22 February 2019

### *URB Announces Strong Lift in Half Year Profit and Special Dividend*

#### URB Performance Highlights

URB 1H FY2019 Performance Highlights	Core <sup>1</sup> Investment Activities \$'000	Returns from Development Assets <sup>2</sup> \$'000	Statutory Numbers \$'000	Change from 1H2018
Ordinary Revenue from Investment Portfolio	1,101	-	1,101	
Revenue from Bank Deposits	52	-	52	
<b>Revenue from Operating Activities</b>	<b>1,153</b>	<b>-</b>	<b>1,153</b>	<b>-12%</b>
Operating Expenses	(506)	-	(506)	
Special Investment Revenue	13	725	738	
Net Fair Value Gains on Direct Property Assets	-	3,928	3,928	
<b>Operating Result Before Income Tax</b>	<b>660</b>	<b>4,653</b>	<b>5,313</b>	<b>340%</b>
Income Tax Expense	(58)	(1,396)	(1,454)	
<b>Net Operating Result</b>	<b>602</b>	<b>3,257</b>	<b>3,859</b>	<b>251%</b>
				<b>Cents per share</b>
<b>EPS Based on Operating Result</b>				<b>5.27 249%</b>
Interim Dividend per share				0.75
Special Dividend per share				1.00
<b>Total Dividends per share</b>				<b>1.75 250%</b>

<sup>1</sup>Core Investment Activities incorporates investments in the Equity Portfolio, as well as investments in Direct Property Assets holding stabilised assets generating rental returns. <sup>2</sup> Special investment revenue and net fair value gains from Direct Property Assets.

#### URB Performance Overview

URB Investments Limited (URB) announced today that the Net Operating Result for the half year ended 31 December 2018 was \$3.86 million, an increase of 251% on the previous corresponding period. The result included \$0.73 million in special investment revenue following Settlement of Lot 1 and Lot 1A of the PURT3: Kingsgrove Direct Property asset and \$3.93 million from a net fair value gain recognised on the investment in PURT5: Prestons. Earnings per Share, based on the Net Operating Result, was 5.27 cents per share (cps), a significant increase from 1.51cps last year.

The URB Board has declared a 0.75cps interim dividend for the six months ended 31 December 2018, fully franked at the tax rate of 30%. Given the special investment revenue received from the Company's Direct Property investments during the half, the Directors have also declared a fully franked special dividend of 1.00cps.

Since listing in April 2017, today's dividends take the total fully franked dividends paid to shareholders to 3.25cps.

Net Assets of the Company as at 31 December 2018 were \$79.2 million, with the Equity Portfolio valued at \$31.7 million, the Direct Property Portfolio valued at \$36.8 million and URB's Cash and Cash Equivalents position being \$9.1 million.

Since balance date, the construction program of the PURT5: Prestons project is now 100% complete. The lease with Mainfreight has now commenced and the PURT5: Prestons Trust is receiving income from this investment. The PURT5: Prestons Trust expects to settle the sale of this asset by the end of February. In addition, we continue to progress settling the balance of lots on the PURT 3: Kingsgrove site. Settlement was achieved on Lot 2 and Lot 3 in the last week, with URB receiving a cash distribution of \$2,674,640, being a partial return of capital and distribution of profit. The remaining Lots at PURT 3: Kingsgrove are expected to be settled gradually during the second half of FY2019.

We are delighted that we are now starting to realise a value uplift from our Direct Property investments, with both PURT 3: Kingsgrove and PURT5: Prestons set to continue to generate further income and capital returns for the Company during the second half of FY2019. The completion of both PURT3: Kingsgrove and PURT5: Prestons developments will generate significant cash for URB, providing the Company with improved flexibility to take advantage of new opportunities.

### Fully Franked Interim Dividend and Special Dividend

Directors have declared a 0.75cps fully franked interim dividend for the first half of FY2019, an increase of 50% on the 0.50cps interim dividend paid in the previous corresponding period.

Given the special investment revenue received from URB's Direct Property investments during the half, the Directors have also declared a fully franked special dividend of 1.00cps.

URB's current fully franked dividend yield is 3.1% (based on the immediate prior 12 Month rolling dividends and share price of \$0.90, while the grossed up yield is 4.4%, assuming a tax rate of 30%).

The ex-dividend date for the first half FY2019 dividends is Thursday 14 March 2019, with the Payment Date being Friday 29 March 2019. Key dates for the dividends are as follows:

Event	Date
Last trading date to be eligible for the Dividends	Wednesday 13 March 2019
Ex-Dividend Date	Thursday 14 March 2019
Record Date	Friday 15 March 2019
Dividend Reinvestment Plan Nomination	Monday 18 March 2019
Dividend Payment Date	Friday 29 March 2019

### Dividend Reinvestment Plan (DRP)

URB's DRP offers shareholders the opportunity to receive additional shares in the Company instead of receiving cash dividends. The DRP will be offered at a nil discount. The last date for the receipt of an election notice to participate in the DRP is Monday 18 March 2019.

Shareholders can update their election notices electronically on the share registry website:

<https://investorcentre.linkmarketservices.com.au/Login/Login>

### Performance

URB's Net Portfolio Return (after all operating expenses, provision and payment of applicable corporate tax and the reinvestment of dividends) for the 12 months to 31 December 2018 was positive 2.5%, an outperformance of 5.6% when compared to the S&P/ASX 300 Accumulation Index, which returned negative 3.1% for the same period.

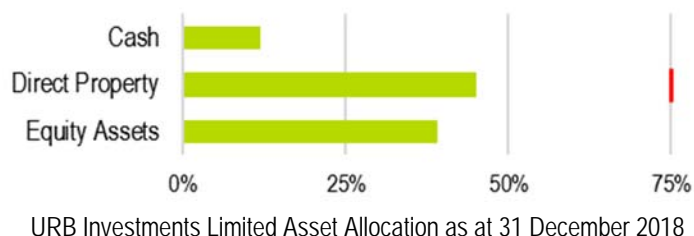
URB's Total Shareholder Return (TSR), including franking credits, for the 12 months to 31 December 2018, was negative 13.0%. The negative TSR performance is reflected in the discount between the URB share price and the URB Pre-Tax NTA.

URB's discount to NTA as at 31 December 2018 was 16%.

## Asset Allocation

The Company structure allows URB to be opportunistic through effective asset allocation between equities and property. Liquid capital from Cash and the Equity Portfolio enables Contact to manage the asset allocation so we can move quickly to take advantage of Direct Property opportunities.

Following shareholder approval at the URB AGM on 19 October 2018, URB's maximum cap on investments in the Direct Property Portfolio has been revised upwards from 49.9% to 75% of the Portfolio. The change provides greater flexibility for URB to take advantage of Direct Property Asset opportunities as they arise. Direct Property currently makes up of 47% of the Portfolio.



## Investment Portfolio

The Company's Investment Portfolio is managed by Contact Asset Management ("Contact").

### Equity Portfolio

Over the half, the Equity Portfolio generated \$982,814 in ordinary and special dividends and distributions compared to \$1,247,852 received in the previous corresponding period. This was made up of \$969,837 in ordinary dividends and distributions, up from \$892,224 in the previous corresponding period, with only \$12,977 received in special dividend income, well down from \$355,628 last year (URB last year received a significant special dividend from 360 Capital Group Limited).

Major purchases for the half included Transurban Group and Harvey Norman. Positions in AGL Energy and Abacus Property were sold over the period, while holdings in National Storage, Woolworths Limited, Lendlease, CIMIC, BWP Trust, Villa World and AV Jennings were reduced.

### Direct Property Portfolio

URB's current investments in the Direct Property portfolio include PURT3: Kingsgrove, PURT4: Penrith, PURT5: Prestons and HomeHQ. The value of the Direct Property portfolio as at 31 December 2018 totalled \$36.8 million and accounted for 47% of URB's total Investment Portfolio.

Distributions from Direct Property assets for the half totalled \$855,837, which was well up on the \$337,141 received in the previous corresponding period. \$130,873 of this was regular trust distributions, which was down from \$337,141 last year due partly to the irregular timing of distributions from PURT4: Penrith, and also the cessation of rental income by PURT3: Kingsgrove following commencement of development activities.

Settlement of Lot 1 and Lot 1A of the PURT 3: Kingsgrove asset occurred on 11 December 2018. This resulted in URB receiving a distribution of profit of \$724,964, which was recognised as special investment revenue. This is the first year URB has received special investment revenue from its portfolio of Direct Property Assets, and further special investment revenue is expected in 2H2019 as more property sales are settled.

Directors included a partial uplift in fair value on its investment in PURT5: Prestons in the URB September 2018 NTA release based on an 80% completion status. As a result, URB recognised a fair value gain of \$3,827,952 on this investment during the period. Based on the most recent NTA report provided by the Fund Manager of HomeHQ, URB also recognised a fair value gain of \$100,194 on its investment in HomeHQ during the period.

## Top 20 Investments

	Investments	% of Total Portfolio
1	PURT5: Prestons	22.5%
2	PURT3: Kingsgrove	10.9%
3	PURT4: Penrith	10.0%
4	Transurban Group	7.1%
5	Sydney Airport	5.8%
6	HomeHQ: Artarmon	3.7%
7	360 Capital Group	2.7%
8	Harvey Norman Holdings	2.2%
9	Stockland	1.8%
10	Lendlease Group	1.7%

	Investments	% of Total Portfolio
11	Mirvac Group	1.7%
12	Goodman Group	1.6%
13	AV Jennings	1.5%
14	AP Eagers	1.4%
15	Qube Holdings	1.3%
16	Woolworths	1.3%
17	Ramsay Healthcare	1.2%
18	Regis Healthcare	1.1%
19	BWP Trust	1.1%
20	National Storage	1.0%
	Cash and cash equivalents	12.3%
	<b>Total of Top 20 including cash and cash equivalents</b>	<b>93.9%</b>

## Urban Renewal and Regeneration Opportunities

There are a number of interesting dynamics dominating world markets. The global economy has enjoyed a sustained period of above average growth, however, headwinds are emerging. Domestically, we believe that we have rolled off the top of the cycle in many areas of the market with the final quarter of 2018 experiencing a significant fall in equity prices.

Despite this, we see significant opportunity in the urban renewal space, in both Direct Property and Equities, and will continue to invest in assets that have exposure to population growth, population density and major infrastructure investment in particular.

On a medium term growth scenario, we truly believe the growth of Australia's population will continue, now expected to grow to 40 million people as early as 2048. Five years earlier than the ABS forecast using a high growth scenario. Infrastructure spend is also currently at levels never seen before and we believe this will continue for many years. Current national major transport infrastructure spend is estimated to be \$16 billion per annum. This is now expected to grow to \$23 billion per annum in the next five years.

We believe that opportunities will also present themselves through tourism growth, the revitalisation of town centres, re-zoning and changes in land use.

We are delighted that we are now starting to realise a value uplift from our Direct Property investments. We believe this is an important step in proving up the URB concept. URB is in a strong financial position with no debt. We have access to a liquid Equity Portfolio and currently have cash and cash equivalents of 12.3%, so we are well placed to take advantage of opportunities when they arise.

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