

# URB INVESTMENTS LIMITED

ACN: 615 320 262



## NTA AND MONTHLY REPORT

September 2019

*URB's aim is to maximise total shareholder returns via a combination of capital and income growth, through a Portfolio of unlisted property assets and Australian listed equities, which are all exposed to the urban renewal thematic.*

### Business Overview

URB is a research driven, Listed Investment Company, focused on capturing long-term value by investing in a diversified portfolio of assets with exposure to urban renewal and regeneration. Listed on the Australian Stock Exchange (URB.ASX) and managed by Contact Asset Management, an investment in URB provides Shareholders access to a diversified portfolio of ASX Listed Equity Assets and Direct Property Assets exposed to urban renewal and regeneration. For Direct Property opportunities URB has a co-investment agreement with Washington H. Soul Pattinson and Company Limited (SOL.ASX).

### Net Tangible Asset (NTA) – as at 30 September 2019

Pre-Tax NTA backing was **\$1.19** per share.

*URB is a long-term investor and does not intend to dispose of its total portfolio.*

Post-Tax NTA backing was **\$1.18** per share.

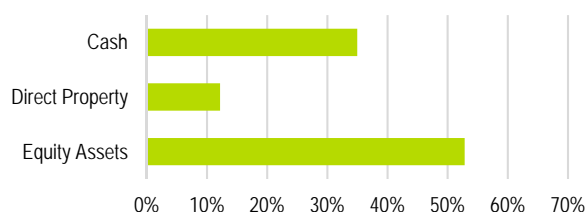
*This measure reduces pre-tax NTA for the deferred provision for tax on net unrealised gains on the Company's investment portfolio as required by current Accounting Standards.*

***The NTA calculations are before providing for the FY19 Final Dividend of 1.50 cps and Special Dividend of 2.50 cps. URB traded ex-dividend on 12 September 2019. The Dividends will be paid on 4 October 2019.***

### 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.

URB's maximum cap on investments in the Direct Property Portfolio is 75% of the Portfolio. This provides flexibility for URB to take advantage of Direct Property Asset opportunities as they arise. Following the sale of PURT5:Prestons and PURT3:Kingsgrove, Direct Property currently represents less than 20% of the Portfolio.



The URB Equity Portfolio is a concentrated portfolio that is typically made up of 30 stocks. While it is focused on Urban Renewal, the Equity Portfolio is well diversified across many sectors of the market including Real Estate, Healthcare, Consumer, Utilities, Building Materials and Industrials. We do not invest in Banking and Resources stocks.

### Company Overview – as at 30 September 2019

ASX Code	URB.ASX
Mandate	Urban Renewal
Market Capitalisation	\$76m
Investment Portfolio	\$58m
Cash & Cash Equivalents	\$31m
Total Portfolio Including Cash	\$89m
Debt	\$0
Rolling 12 Month Dividend <sup>1</sup>	5.75cps
Historical Dividend Yield <sup>1,2</sup>	5.6%
Percentage Franked	100%
DRP	Active
Share Price	\$1.03

### Net Tangible Assets (NTA)

Pre Tax NTA	<b>\$1.19</b>
Post Tax NTA	<b>\$1.18</b>

<sup>1</sup>Includes FY2019 Interim Dividend of 0.75cps and Special Dividend of 1cps as well as the FY2019 Final Dividend of 1.5cps and Special Dividend of 2.5cps <sup>2</sup>Based on share price as at 30 September 2019.

### Dividend Policy

URB's long-term target is to offer shareholders sustainable and growing fully franked dividends and a yield that is competitive within the listed investment company industry. The URB Board and Contact's Portfolio Managers are shareholders in URB and are aligned in delivering these outcomes for all shareholders.

### Monthly Equity Portfolio Update

During September, Reece Group (REH) continued their US expansion with the acquisition of Southern California plumbing wholesaler, Todd Pipe & Supply. The acquisition adds six new branches bringing the total number of US branches to 181.

Funded with both cash and debt, the acquisition comprises consideration of US\$122 million with a further US\$38 million deferred until 31 December 2021 subject to achieving certain milestones. This represents a historic EV to EBITDA multiple of 9.8x.

We exited our position in Nick Scali (NCK) during the month with the investment delivering a Total Shareholder Return in excess of 30% in under 8 months. During the month, NCK's largest shareholder and major supplier over the last 10 years, Chinese furniture company Jason Furniture (Hangzhou) Co Ltd, sold its entire 13% stake, raising questions about a potential insider's view on the retailers growth strategy.

The Net Profit margins for NCK at 15.7% have doubled in six years. With consumer sentiment still weak and furniture competitors exiting the market due to soft retail sales, discounting may be required for NCK moving forward which could lower Net Profit margins. NCK

now trades on an FY20 consensus PE of 14.3x, a premium to the prior five-year average. Without a turnaround in furniture retail sales, which were -3.8% year-on-year for the last reported read by the ABS for the month of July, we see NCK fully valued at current levels.

We also reduced exposure to several other holdings, primarily on valuation grounds rather than a fundamental concern with underlying business operations or prospects. URB exited the positions in AP Eagers, Coles Group and Stockland Group. The Company booked valuable profits on all these investments.

Cedar Woods Properties Limited (CWP) acquired a 12.4ha residential site in Hamersley, Perth for \$21.2 million, plus GST. This marks the third acquisition over the past 12 months and is in line with the strategy to diversify by geography, product type and price point.

The site increases CWP's exposure to Perth's strong performing north-east corridor where the Company's Ariella Estate is located. The site is close to existing train stations, the airport and shops.

SYD reported an improvement in international passenger numbers during August which helped offset the continued weakness in domestic passenger growth. Key standouts were USA and India travellers growing 14.0% and 14.5% respectively for the month. With only a single direct service catering to the Indian population of more than 1.3 billion, Management see plenty of upside from this market.

### Monthly Property Portfolio Update

Planning and delivery of 'The Front Yard' development at Home HQ Artarmon is progressing well with the appointment of Project Managers and a full team of technical consultants. Timing for opening of the new concept is anticipated for Q2 2020.

There is no new material information on additions to URB's Property Portfolio. We continue to assess several opportunities.

Company / Trust		% of Total Portfolio
1	PURT No 4: Penrith	8.7%
2	Transurban Group	6.3%
3	Lendlease Group	6.0%
4	Sydney Airport	6.0%
5	Harvey Norman Holdings Limited	4.1%
6	Home HQ Artarmon	3.3%
7	Woolworths Limited	3.1%
8	CIMIC Group	3.1%
9	Regis Healthcare Limited	2.7%
10	360 Capital Group Limited	2.5%
11	Goodman Group	2.5%
12	Ramsay Health Care Limited	2.3%
13	Mirvac Group	2.2%
14	Wesfarmers Limited	2.0%
15	Cedar Woods Properties Limited	1.6%
16	Reece Limited	1.5%
17	AV Jennings	1.3%
18	Blackwall Property Trust	1.2%
19	REA Group	1.1%
20	GDI Property Group	1.0%
Cash and cash equivalents		34.6%
<b>Total of top 20 plus cash and cash equivalents</b>		<b>97.1%</b>

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### Management and Performance Fees

The Management Fee is 0.50% of URB's Total Assets.  
The Performance Fee is 15% of the out performance over a Pre-Tax NTA 12 month return of 8.0%. This 8% return is calculated after the payment of any ordinary dividends to URB shareholders.

URB Performance 30 September 2019	1 Month	3 Months	6 Months	1 Year	2 Years (% p.a.)
URB Portfolio Performance	0.3%	3.9%	8.0%	11.1%	9.5%
URB Total Shareholder Returns (TSR)	-2.7%	1.9%	16.3%	10.1%	3.7%
URB Total Shareholder Returns – 100% Franked	-1.2%	3.5%	18.2%	12.8%	5.3%

Source: Contact Asset Management, Bloomberg. Portfolio Performance is measured by change in pre-tax NTA and is after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends. TSR include reinvestment of dividends. TSR including franking credits are based on URB's dividends being fully franked at 30%. Past performance is generally not indicative of future performance.

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