

Market Announcement

4 September 2020

Velocity Property Group Limited (ASX: VP7) – Suspension from Official Quotation

Description

The securities of Velocity Property Group Limited ('VP7') will be suspended from quotation immediately under Listing Rule 17.2, at the request of VP7, pending the release of an announcement regarding a recapitalisation and repurposing proposal.

Issued by

Ivan Tatkovich

Adviser, Listings Compliance (Sydney)

4 September 2020

Ivan Tatkovich
Advisor, Listings Compliance
ASX Compliance Pty Ltd

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Dear Ivan

**RE: VELOCITY PROPERTY GROUP LIMITED (ASX: VP7) – REQUEST FOR TRADING
SUSPENSION**

Velocity Property Group Limited ACN 605 935 153 (ASX: VP7) (**Velocity**) requests that ASX suspends trading in its securities until further notice.

Further to media speculation, the board of Velocity are considering the attached proposal received from 360 Capital Group (ASX: TGP) in relation to the recapitalisation and repurposing of Velocity. The proposal is incomplete and remains subject to board, statutory and other approvals. There is no guarantee that the proposal will proceed, and accordingly, the board of Velocity requests that the company remains in suspension until further notice. A copy of the proposal follows this letter.

Under ASX Listing Rule 17.2, Velocity confirms that it is not aware of any reason why the trading suspension should not be granted or any other information necessary to inform the market about the trading suspension.

Yours faithfully



PHILLIP YOUNG
Company Secretary
Velocity Property Group Limited



360 Capital Finance Group (ASX:TFG)

(Formerly Velocity Property Group)

Investor Presentation



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Note that the information is presented in Australian dollars, unless otherwise noted.

Table of contents

| | | |
|----|--|----|
| 01 | Executive Summary | 04 |
| 02 | The Opportunity | 07 |
| 03 | Business Overview | 12 |
| 04 | Management Team and Track Record | 19 |
| 05 | The Market | 23 |
| 06 | Offer Details | 25 |
| | | |
| | | |
| A1 | Appendix 1 – Our Investment Process | 28 |
| A2 | Appendix 2 – Responsible Entity Board of Directors | 30 |

1. Executive Summary



Executive summary

Background

- On 7 August 2020, 360 Capital Group (TGP) presented a proposal to the Velocity Property Group (VP7) Board to restructure and recapitalise VP7 into a real estate finance company, focused on Originating, Lending and Managing real estate debt within Australia and NZ
- The Proposal is subject to various existing VP7 shareholder approvals

The Proposal included:

- Restructuring VP7 into a stapled security by stapling a Trust to the Company
- Undertake a capital raising of approximately \$100 million
- Acquire two debt origination platforms off 360 Capital entities
- Change the name of VP7 to 360 Capital Finance Group (TFG)
- Enter into an Investment Management Agreement with 360 Capital Group

Opportunity

- The non bank real estate lending market in Australia is expected to double to over \$56 billion
- Finance Group intends to use technology, and a proven origination business to capitalise on this opportunity
- Opportunity to generate three income streams, Origination, Lending and Managing real estate debt positions, facilities and funds

Returns

- Target distribution return of 6.0% p.a. (5.1 cps) paid as monthly distributions from lending activities
- Enhanced returns from broking and management fees, forecast to be retained for growth capital
- Potential for further returns from scaling technology platform through franchising and royalty opportunities



Executive summary

Capital Raising

- Subject to existing VP7 shareholder approval, TFG will undertake a capital raising of approximately \$100 million
- [\$23] million will be used to repay VP7’s existing 360 Capital REIT (TOT) debt, \$50 million to support a [\$300] million warehouse debt facility and balance for liquidity of existing shareholders, identified acquisitions and growth capital
- Existing shareholders will be offered a liquidity facility at \$0.85 per share for those who seek to exit and a priority offer a \$[0.85] per share for those who seek to increase their exposure
- 360 Capital Group and or its managed funds will sub-underwrite up to \$25 million of the Capital Raising with a long term hold of up to \$20 million.

Sponsor

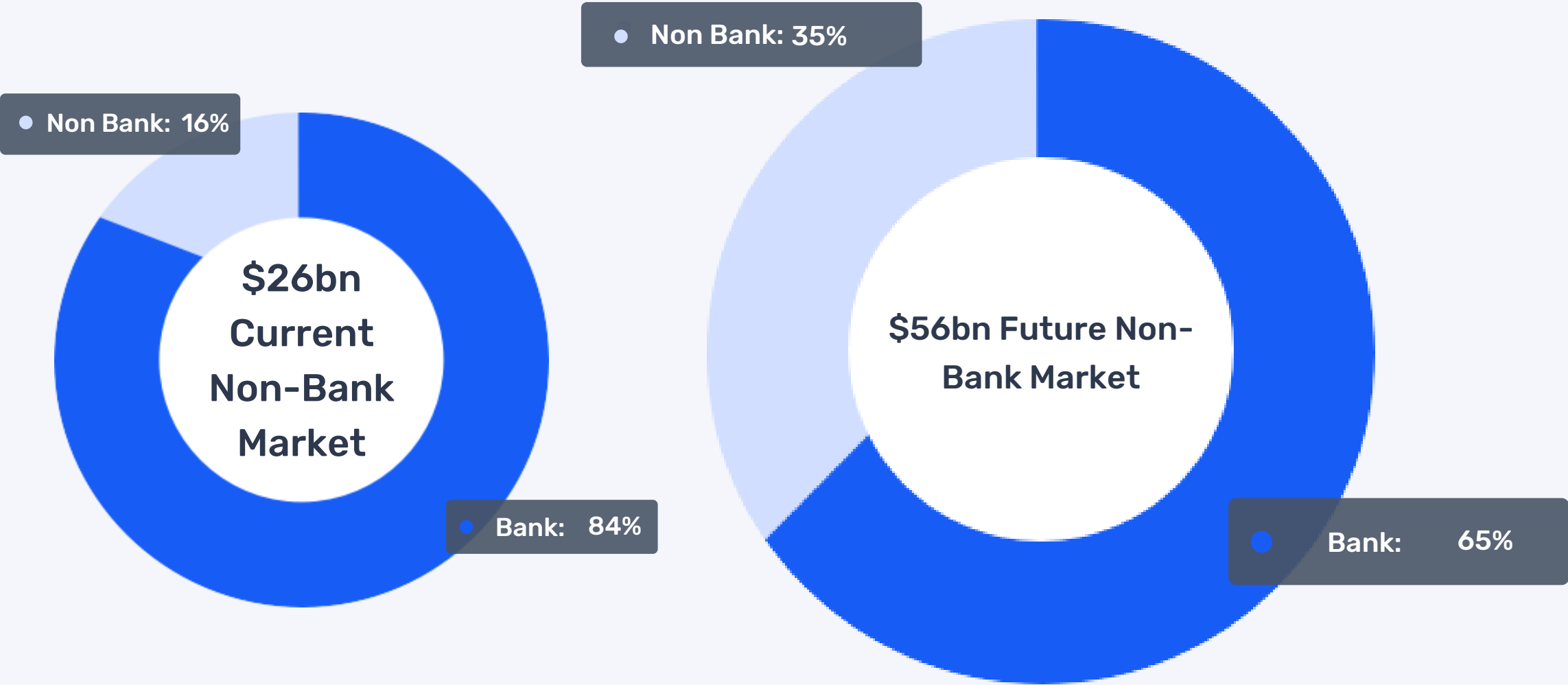
- 360 Capital Group is an ASX-listed alternative asset manager and investor with a range of public and private investment products,



2. The Opportunity

Australian CRE Non-Bank Lending Market

Non-Bank Lending Market Opportunity



Source: 1 Goldman Sachs research paper May 2017

Capitalising on the Opportunity

360 Capital
Finance Group



Originate



Lend



Manage

Capitalising on the Opportunity

Monthly distributions from secure mortgages with income enhancements

-  **Diverse Portfolio of RE Loans**
Diversified exposure to a portfolio of well secured, Commercial Real Estate (CRE) senior loans throughout metropolitan Australia and New Zealand
-  **6.00% p.a. Target Distributions**
With a focus on capital preservation and loss minimisation
-  **Regular Monthly Income**
Distributions will be paid monthly on deployed funds
-  **Diversified Funding Sources**
Multiple funding options including institutional warehouse and private debt fund
-  **Technology Enabled Real Estate**
Online lending platform with scalability including future USA distribution agreement
-  **A\$25m 360 Capital Group ASX:TGP and or its managed funds**
360 Capital Group and or its managed funds has committed up to A\$20m as long-term capital
-  **15-Year Real Estate Track Record**
360 Capital has never lost capital across its real estate lending activities. 360 Capital has transacted over \$3 billion across the capital stack.



Our Point of Difference

Technology enabled origination cross diversified funding lines

TFG leverages 360 Capital Group’s 15-year track record across real estate equity and debt investing

Direct lending capability via:

- Warehouse facility
- Contributory offering
- Institutional mandates

TGP through its managed funds have originated and financed over \$220 million in real estate credit transactions over the last three years, averaging a 15% IRR on capital invested



Disciplined Lending Parameters.

FY20 Real Estate Lending

231

deals screened for the period
ending December 2019

Deals Reviewed
Over \$3.48 Billion

10.8%

Terms issued of total deals reviewed

Term Sheets Issued
389.97 Million

1.73%

of loans reviewed, reach settlement

Deals Closed
\$76.3m



- 1. Established alternative lender with a disciplined capital allocation approach
- 2. Exposures in real estate and development finance
- 3. Independent Credit Committee with extensive risk management experience
- 4. Multi-platform originator:
 - a. Dealt
 - b. AMF Finance
 - c. Advisory and broker network
- 5. Active pipeline of >\$280M
- 6. Ability to finance across the capital stack

3. Business Overview

Transforming the business model and strategy



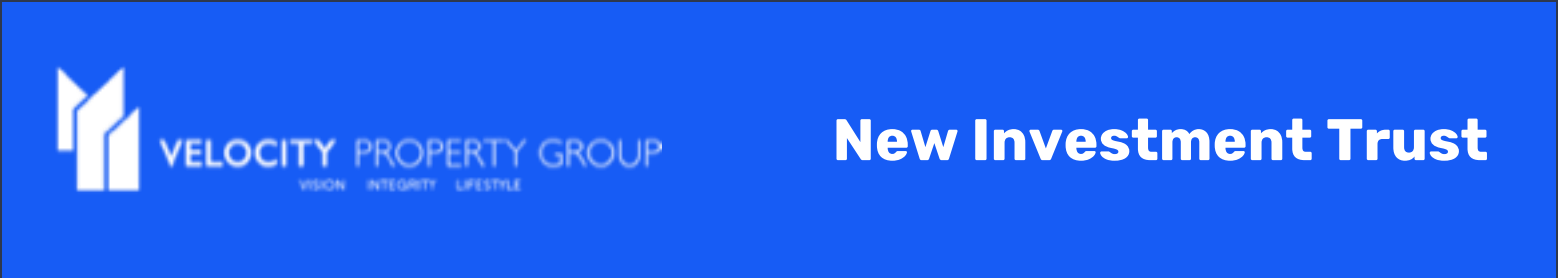
Non-Core Assets - \$36m



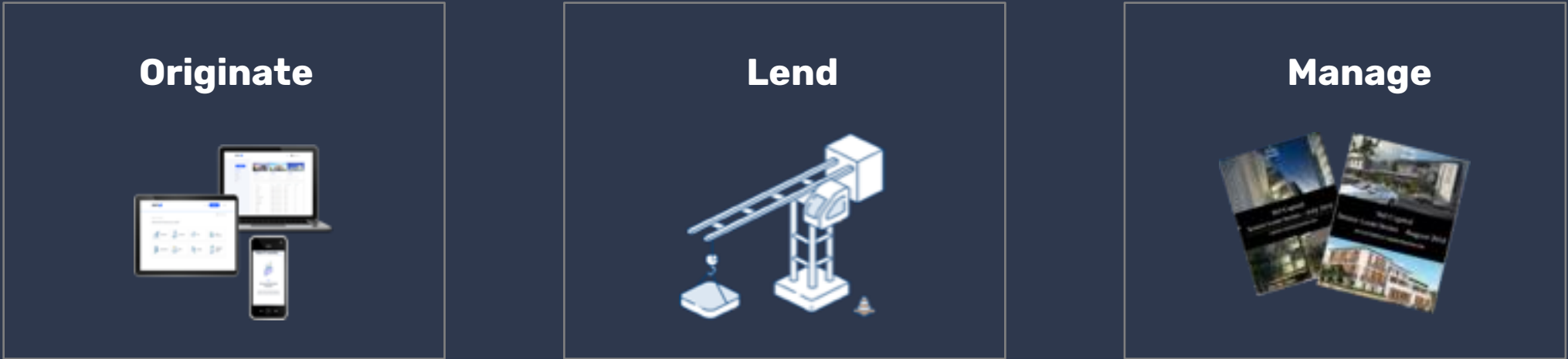
- \$100m capital raising
- Acquisition of RE Debt Platform
- Proven Business Strategy
- Recycling Capital



360 Capital
Finance Group ●●●●●



Proven Business Model



Originate. Lend. Manage.

Exposure to a diversified portfolio of commercial real estate loans and fee revenue



Originate

The Group generates fee income from a substantial and growing real estate loan origination business including AMF Finance and dealt.com.au



Lend

Providing senior real estate loans to a diversified pool of real estate developers and investors throughout the major metropolitan markets of Australia and New Zealand



Manage

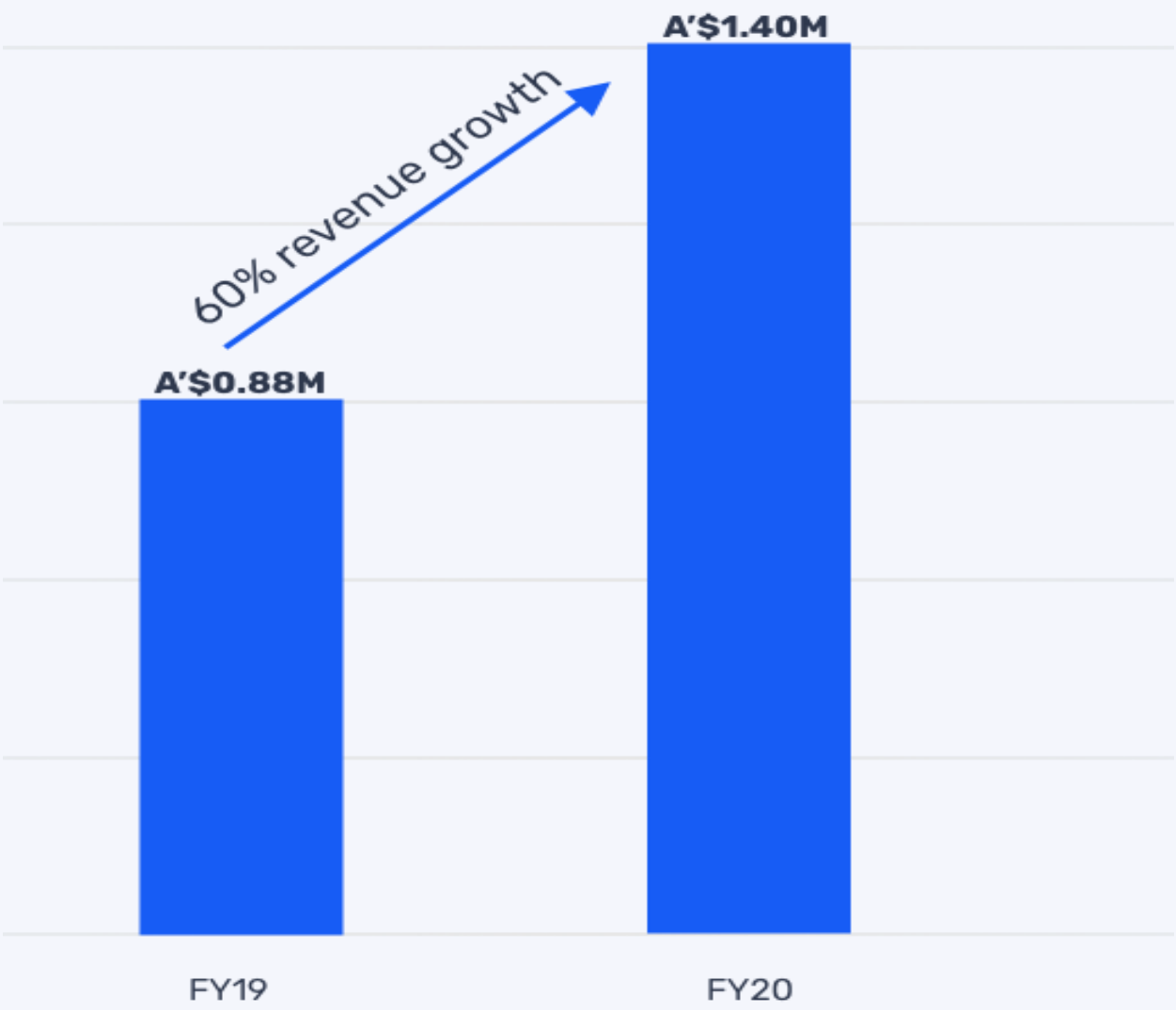
A growing funds management platform that invests in real estate debt from senior to mezzanine and enhanced loan structures providing TFG investors with a growing management fee

← **360 Capital Finance Group (TFG) provides investors with a target monthly 6.0% distribution** →



Originate - Dealt

Historic origination revenue and dealt lending panel



Loans Submitted

Mar-19 to Jul-20

A\$6.1 billion

Total loans

A\$3.8 billion

Construction loans

A\$1.0 billion

Residual stock loans

Our panel



[Watch the video](#)



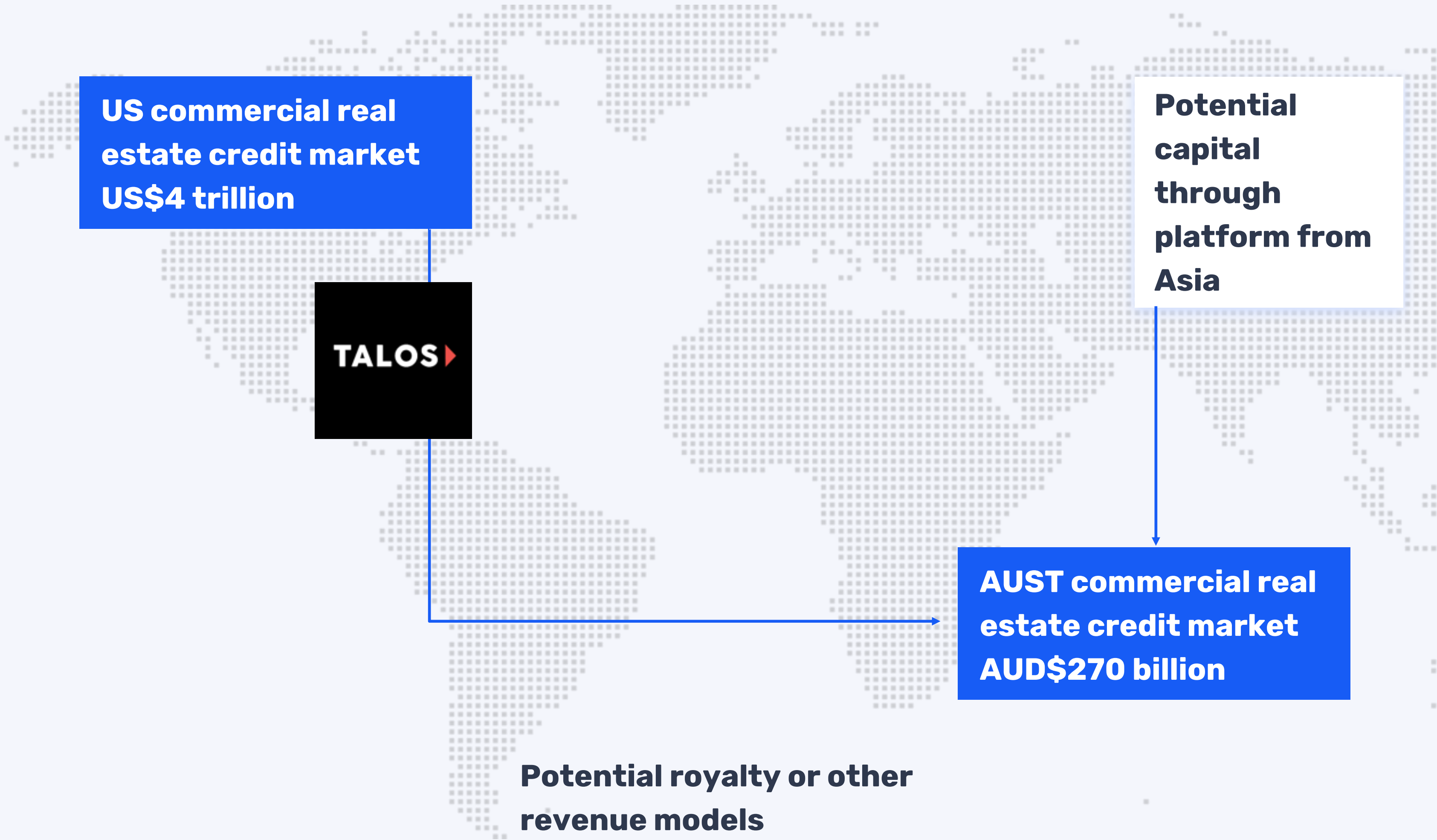
Dealt's Addressable market

Highly scalable technology platform

Dealt's technology platform allows the busines
to scale both domestically and internationally
**Dealt remains in discussions with numerous
domestic counterparties under franchise /
licensing arrangements to expand offices to**

**Brisbane;
Perth; and
Melbourne.**

Dealt originators benefit from a single brand,
advertising and lead generation
Globally dealt is in discussions with Talos
Digital to further the expansion into North and
South America



Lend

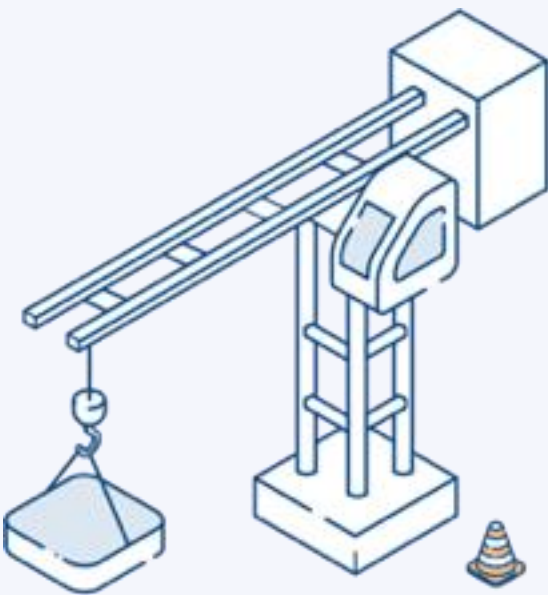
Diversified funding sources and products

Total Capital Available for lending post recapitalisation – estimated to be \$[300] million.

TFG leverages 360 Capital Group’s 15-year track record across real estate equity and debt investing.

TFG has a diversified product offering, covering all aspects of the real estate cycle from acquisition through the development process and stabilised investment property.

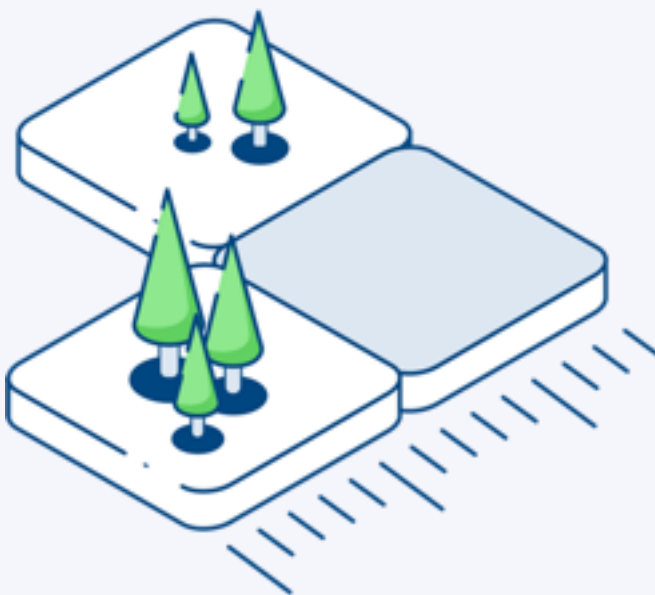
TGP through its managed funds have originated and financed over A\$220 million in real estate credit transactions over the last three years, averaging over 15% IRR on capital invested.



Development



Bridging



Site finance



Residual stock



Investment



Mezzanine

Manage – Investment Management

Finance Group leverages TGP’s licensing, distribution capability and network

Single Loans

HNW Syndicates

Contributory Offerings

Master Trust offering investors loan choice

Mandates

Institutional and Third Party Mandates

4. Management Team and Track Record

360 Capital Finance Group Board



Philip Raff

Philip completed a Bachelor of Business and after a brief stint with a Chartered Accounting Firm began a twenty-year career in the PC Industry primarily focused on IT Deployments and Business Transformation. He left the PC Industry in 2013 and began funding property developments in Brisbane with Velocity Property Qld. This collaboration was formalised in 2015 with the creation of Velocity Holdings Pty Ltd. Philip is also a licensed Real Estate Agent in Singapore where he lives with wife and three children and is the Treasurer of his daughters' gymnastics club.



Tony Pitt

Tony is a founding Director of 360 Capital and has worked in the property and property funds management industries for over 20 years. As Managing Director, Tony is responsible for the Group's investments strategic direction and overall Group strategy. He has overseen the IPO on the ASX of three AREITs since 2012 as well as the creation of various unlisted funds, undertaken various corporate acquisitions and disposals, mergers and acquisitions and the ASX listing of 360 Capital Group. Tony has formerly held numerous senior roles and directorships at Mirvac Group, James Fielding Group and Paladin Australia. He also held positions at Jones Lang LaSalle and CB Richard Ellis. He graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.



James Storey

James has over 15 years' experience in real estate funds management including such areas as asset management, capital transactions, analytics and valuations. Prior to his current role, James was the Fund Manager of the 360 Capital Office Fund (ASX: TOF) and 360 Capital Industrial Fund (ASX: TIX) with combined gross assets of over A\$1.1b. Prior to his tenure at 360 Capital, James held the role of Investment Manager at Brookfield Office Properties, Senior Analyst at Valad Property Group and worked for Ernst & Young within its Transaction Advisory Services team. James has a Bachelor of Business (Property Economics) from the University of Western Sydney and a Graduate Certificate of Applied Finance and Investment. He is also a qualified valuer and licensed real estate agent.

Senior Management Team



James Quigley

Who brings more than 25 years’ experience in real estate investment, funds management and transactions across Australia. James has significant experience managing funds, both unlisted and listed delivering strong returns for investors and originating and executing transactions across all real estate asset classes. James has a track record across a well-diversified range of national and international property and private equity real estate groups. Prior to joining the 360 Capital Group, James spent time at Fortius Funds Management, LaSalle Investment Management, Morgan Stanley Real Estate Investing, Mirvac and Lend Lease. James holds a Bachelor of Applied Science in Property Resource Management from the South Australian Institute of Technology and a Graduate Diploma in Applied Finance and Investments from the Financial Services Institute of Australia.



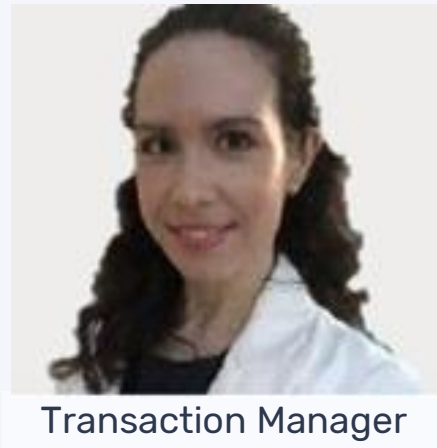
Phillip Young

Joined the Group in July 2016 as Chief Financial Officer and was appointed Company Secretary in August 2016. Prior to joining the Group, Phillip spent 13 years at Findex (formerly Crowe Horwath), a national mid-tier accounting firm. Phillip is a member of the Chartered Accountants of Australia & New Zealand and the Governance Institute of Australia. Phillip holds a Bachelor of Business in Accounting and Information Systems from Central Queensland University as well as a Graduate Diploma of Chartered Accounting. Phillip is a current member of the Urban Development Institute of Australia (UDIA) Qld finance and taxation committee.



Scott Morgan

Has 20 years’ experience in real estate investments and is skilled in strategy, deal origination, execution, management and investor relations. Prior to his current role, Scott was a Director with Newground Capital Partners responsible for originating real estate transactions, capital raising, fund management and reporting to investors. Scott has also held senior roles at Investa Property Group, Babcock and Brown, Investec and led the Sydney Deloitte Real Estate team as a Director. Scott has a Bachelor of Commerce from the Australian National University and holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is also a Chartered Accountant and former Director of industry body, Property Funds Australia.



Genevieve Naughton

Genevieve has over 8 years’ experience across real estate development and construction finance, loan origination and financial planning. Prior to her current role, Genevieve was Risk and Compliance manager at Lambert Capital, a family office located in Melbourne. Genevieve has a Bachelor of Business majoring in Economics and Finance at RMIT University and an advanced diploma in Financial Planning.



Credit Committee



Andrew Moffatt
Non-Executive Director
Chairman of Credit
Committee



Ian Harrison
Independent Credit
Committee Member



Brett Palmer
Independent Credit
Committee Member

Recent Repayments

15 Years of real estate track record



Progressively drawn senior

Development of 162 room 4-star hotel in Melbourne CBD
Net Realisation1: \$53.0m
Facility Amount2: \$36.3m (68.4% LVR)
Internal Rate of Return (IRR): 16.8% p.a.
Term: 12.5 months
Repaid via refinance with term debt at practical completion



Progressively drawn senior

Development of 2,396 sqm (GLA) medical centre in Sunbury, VIC
Net Realisation1: \$13.0m
Facility Amount2: \$ 9.3m (71.2% LVR)
Internal Rate of Return (IRR): 14.6% p.a.
Term: 17 months
Repaid via refinance



Progressively drawn senior

Construction of 30 residential apartments in Western Sydney
Net Realisation1: \$16.8m
Facility Amount2: \$ 8.2m (48.9% LVR)
Internal Rate of Return (IRR): 13.5% p.a.
Term: 10 months
Repaid via settlement of sales



Progressively drawn senior

Development of 28 room residential accommodation facility in Coogee, NSW
Net Realisation1: \$11.4m
Facility Amount2: \$ 8.0m (70% LVR / 80% LTC)
Internal Rate of Return (IRR): 15.1% p.a.
Term: 20 months
Repaid via refinance



Progressively drawn senior

Construction of pre-leased hotel in Perth, WA
Net Realisation1:\$76.0m
Facility Amount2:\$ 7.6m (70% LVR / 78% LTC)
Internal Rate of Return (IRR): 16.8% p.a.
Term: 24 months
Repaid via refinance



Progressively drawn senior

Development of 27 townhouses in Greenway, ACT
Net Realisation1: \$13.5m
Facility Amount2: \$ 9.7m (72% LVR)
Internal Rate of Return (IRR): 58.3% p.a.
Term: 6 months
Repaid via early loan repayment

5. The Market

The State of the Market

Growing non-bank and foreign bank exposures

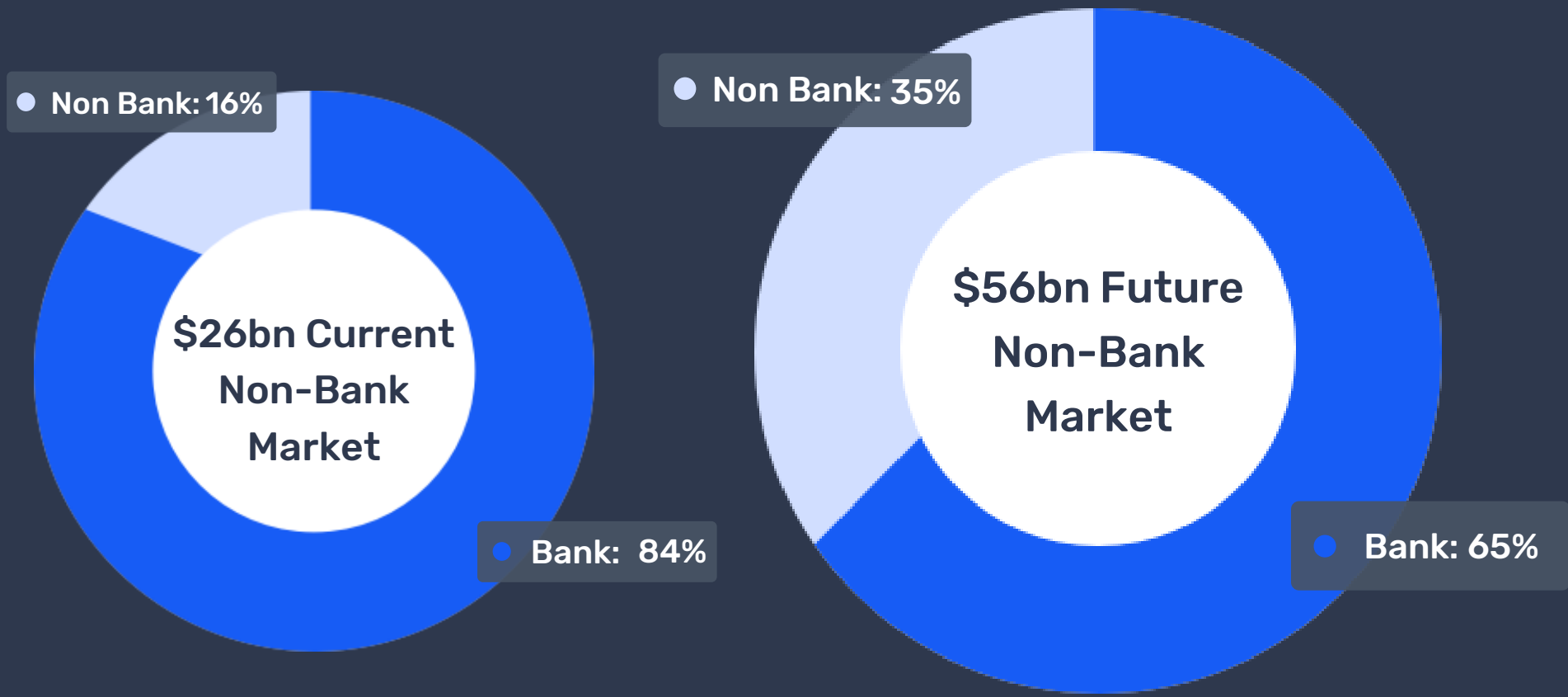
Figure 10: Non-major banks and non-ADI credit assets growing faster than majors



Source: PWC Major Banks Analysis HY19



Traditional banks are unable to service the demand for real estate lending, creating a funding gap for non-bank lenders




Currently, the market share of commercial real estate debt held by banks is approximately 80%.


It is expected that this share will decline to 65% over time, creating a A\$30+ billion opportunity for non-bank lenders


6. Offer Details


Sources and Applications


| Source of Funding | \$m | Source of Funding | \$m |
|-------------------|---------|---|---------|
| General offer | \$93.0 | Warehouse | \$50.0 |
| Dealt/AMF | \$7.0 | Growth/working capital/acquisitions | \$17.5 |
| | | Repay TOT borrowings | \$23.0 |
| | | Liquidity for existing VP7 shareholders | \$5.8 |
| | | Offer costs | \$3.7 |
| | | | |
| Total Funding | \$100.0 | Total Application of Funds | \$100.0 |


 **Diverse Portfolio of RE Loans**
Diversified exposure to a portfolio of well secured, Commercial Real Estate (CRE) senior loans throughout metropolitan Australia and New Zealand


 **6.00% p.a. Target Distributions**
With a focus on capital preservation and loss minimisation

 **Regular Monthly Income**
Regular monthly income from secured mortgages

 **Alternative Funding Lines**
Multiple funding options including institutional warehouse and private debt fund

 **Technology Enabled Real Estate**
Online lending platform with infinite scalability including USA distribution agreement

 **A\$25m ASX: 360 Capital Underwrite**
360 Capital Group (ASX:TGP) has committed up to A\$20m as long term capital

 **15-Year Real Estate Track Record**
360 Capital Group has never lost capital across its real estate lending activities

Key Offer Metrics

| | |
|---|---|
| Issue price | A\$[0.85] per new stapled security |
| Offer amount | A\$[100].0 million |
| Liquidity Facility to VP7 existing shareholders | A\$[5.8] million |
| Priority offer to existing shareholders | A\$5.0 million |
| Securities to be issued under the Offer | approx. [129.04] million new stapled securities |
| Pro forma market capitalisation | A\$[109.7] million |
| Target distributions | [5.1]cps p.a. paid monthly |
| Target distribution yield | 6.00% per annum |
| 360 Capital underwriting/ liquidity facility | A\$25 million ⁽¹⁾ |

(1) Long term hold of up to \$20 million

Appendix 1

Our Investment Process



Credit and Due Diligence Processes

Diversified funding sources



Appendix 2

Responsible Entity Board

The Responsible Entity Board



David van Aanholt

David has over 30 years' experience in the property and funds management industry. Prior to establishing his own property group in 2007, David worked for the ASX listed Goodman Group where he was the Chief Executive Officer (Asia Pacific) and was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore. Prior to working for Goodman David held senior roles at Paladin Australia and CDH Properties (acquired by KPMG). David holds a Bachelor of Business (Land Economy), a Post Graduate Diploma in Management, a Masters in Business Administration and he is a Fellow of the Australian Property Institute. David is a non executive Director and Chairman of Kennard's Self Storage Group and a Councillor at the University of New England where he sits on the Audit and Risk, Finance and Infrastructure, Innovation and Remuneration Committees.



Tony Pitt

Tony is a founding Director of 360 Capital and has worked in the property and property funds management industries for over 20 years. As Managing Director, Tony is responsible for the Group's investments, strategic direction and overall Group strategy. He has overseen the IPO on the ASX of three AREITs since 2012 as well as the creation of various unlisted funds, undertaken various corporate acquisitions and disposals, mergers and acquisitions and the ASX listing of 360 Capital Group. Tony has formerly held numerous senior roles and directorships at Mirvac Group, James Fielding Group and Paladin Australia. He also held positions at Jones Lang LaSalle and CB Richard Ellis. He graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.



John Ballhausen

John is a financial services professional with over 35 years' experience. He is a founder of Quay Fund Services Limited providing trustee and responsible entity services to fund managers. He is also a non-executive director of Arctic Intelligence. John founded Rimcorp Property Limited and became its Managing Director. In 2008, Rimcorp was successfully sold with approximately \$100 million in funds under management spread over four registered property schemes. Before 2002 John held the position of Chief Investment Officer with HIH Insurance, with responsibility for more than \$3 billion of funds across fixed interest, equities and property asset classes. John has a Bachelor of Commerce from the University of NSW, is a Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.



Graham Lenzer

Graham has had a career spanning four decades, with particular emphasis on funds management and financial markets. Graham was an Executive Director of the Armstrong Jones Group for 12 years, the last four years as Joint Managing Director. Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited. Graham has served on the Board of a number of public and private companies..



Andrew Moffat

Andrew has in excess of 23 years of corporate and investment banking experience, including serving as a director of Equity Capital markets and Advisory for BNP Paribas Equities (Australia) Limited. Andrew is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services. Andrew is also a Director of Pacific Star Network Limited and a Director of ICP Funding Pty Ltd. His past public company directorships include Rubik Financial Limited, Keybridge Capital Limited, CCK Financial Solutions Limited, itX Group Limited and Infomedia Limited.

1. The Responsible Entity of the Finance Group is 360 Capital FM Limited and is a wholly owned subsidiary of the 360 Capital Group.
2. 360 Capital FM Limited holds an Australian Financial Services License (AFSL 221474) so is permitted to act as responsible entity of the 360 Capital Finance Trust, part of the Finance Group entities.
3. 360 Capital Group is an ASX-listed, alternative asset investment and funds management group concentrating on strategic investment and active investment management of alternative assets.
4. 360 Capital FM Limited charges a responsible entity fee of 0.05% of Gross Assets of Finance Group to undertaking the responsible entity function of the Finance Group
5. 360 Capital FM Limited has entered into a 10 year Investment Management Agreement and charges an investment management fee of 0.60% of Gross Assets of Finance Group to undertaking the certain management roles of the Finance Group

Definitions

| | |
|-------|---|
| TOT | 360 Capital REIT (ASX:TOT) |
| TGP | 360 Capital Group (ASX: TGP) |
| AMF | AMF Finance Pty Limited |
| Dealt | Digital Software Solutions trading as Dealt |