

ASX release

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2023 ANNUAL GENERAL MEETING – MANAGING DIRECTOR’S ADDRESS

Phil Montrone OAM:

Good morning, ladies and gentlemen,

I would like to acknowledge the traditional owners of the land this AGM is being held on, the Gadigal People of the Eora Nation, their elders, past and present.

I am pleased to report that Desane Group Holdings Limited has reported its **twelfth consecutive yearly profit result** for FY23. The Group’s net tangible assets now stand at **\$1.58 per share**. Our management’s focused approach has ensured that shareholders’ asset value has been protected and enhanced.



The Group’s EBIT for this financial year stands at \$2.6m. Desane’s total assets now stand at \$98.8m and total revenue has increased by 18% over the corresponding period to \$3.0m.

Desane’s cash position remains strong with **\$13.6m in cash and financial assets**. The Company’s diversified loan portfolio, secured by first registered mortgages against quality property assets, is yielding **an average of 7.5% pa interest revenue**.

Notwithstanding the difficult economic conditions prevailing in Australia during this financial year, the Group’s management has remained focussed on:

- Adding value to our existing investment property portfolio;
- Creating value through obtaining planning approvals to our assets; and
- Preservation of cash reserves and capital.

The two Lane Cove west industrial investment assets, totalling 4,900m², are leased on a long-term basis to national tenants. These industrial properties will continue to provide Desane with a steady annual rental income and value growth. On a fully leased basis, the properties provide approximately \$1.1m in net rental.

Our management's property knowledge and focussed approach to creating additional value for our shareholders, resulted in the acquisition of a prime commercial property, known as "Villa Rosa", located in the Sydney suburb of Leichhardt, for \$7.25m. Following the acquisition, the property was upgraded and fully leased to six tenants on a long-term basis. The 1,550m² of net lettable area has been leased at an average of \$300 per square metre, yielding over \$450,000 net annual rent. In January 2023, the property was independently valued at \$9.2m. The property, zoned B2-Local Centre, has ample onsite parking and is located in the heart of Norton Street – Leichhardt's commercial, retail and residential district. **This property is unencumbered.**

During the course of this financial year, due to the rapidly increasing cost of construction, Desane's management made the decision to postpone the commissioning of the construction of the Wacol, Brisbane industrial expansion and the boutique residential project in Norton Street, Leichhardt, and focussed on adding value to the Group's existing assets by upgrading and refurbishing existing assets and negotiating new leases, which has resulted in increased rental income and the revaluation of some of the property assets.

Market conditions permitting and the cost of construction stabilising during the course of 2024 to 2025, Desane will progress to develop the Wacol additional 3,250m² industrial facility. **On completion of the new industrial facility, the two combined Wacol assets will have a total of 8,289m² of net lettable area and should have a value of approximately \$22m and is expected to generate over \$1.3m per annum of net rental income for the Group.**

The 2024 and 2025 financial years will also present an opportunity for Desane to progress the development of the 11,000m² Thornton Estate property, located in the heart of Penrith. A local design architect has been engaged to scope the subdivision of the property into a 6,000m² lot (Lot 1) and a 5,650m² lot (Lot 2). Stage 1 will create the opportunity to develop Lot 1 into a 6,000m² facility, comprising 23 industrial units and 82 storage units. **The Stage 1 construction will be funded internally and will be sold on completion.** The successful development and sale of Stage 1 will determine the best way to progress with Stage 2. The construction of the Western Sydney Airport continues to drive the strong demand for industrial and commercial land in western Sydney. The successful development of this property will make a tangible contribution to Desane's shareholders. **This property is unencumbered.**

The construction for the boutique 4 storey residential apartment building in Norton Street, Leichhardt, was scheduled to be awarded to a builder in March 2023, however due to the rapid rise of construction costs and the inability of the builder to lock in a lump sum price for the construction work, it was decided to postpone construction work and to lease the property. Market conditions permitting and the cost of construction stabilising during the course of 2024 to 2025, Desane will progress to develop this project which will comprise 9 residential apartments, 1 ground floor retail commercial space and 10 basement car spaces. The property is located in Norton Street's vibrant restaurant, café and cinema precinct and is 200m from Leichhardt North Light Rail Station.

This Norton Street project complements our Company's approved nearby 46-apartment project at 149 Allen Street, Leichhardt. This property is located 200m from Hawthorne Light Rail Station and is a short distance from local schools and other amenities. **On completion, the combined Norton Street and Allen Street developments could yield estimated revenues of between \$70m to \$75m for the Group.**

These two properties are currently leased on a medium term basis, in anticipation of market condition sentiments improving for residential apartment developments in Sydney's Inner West. **These two properties are unencumbered.**

The Group's industrial and commercial property assets, and the approved residential development properties, combined with the 1.2ha property asset located in the Sydney western suburb of Penrith, should continue to contribute significant medium to long term returns for shareholders.

The emerging economic challenges for property companies in Australia, over the next 12 to 24 months, will require Desane's management to remain focussed on maintaining and improving its existing property assets' value and income. Desane's existing investment assets provide stability of income and the ability to add value. The Group's strong balance sheet, coupled with the ability to acquire additional income producing properties, will provide the opportunity to improve and protect shareholder's asset value, as well as to continue with its stated objectives of restocking our Company's investment property portfolio.

The economic uncertainty for certain classes of property assets and the continuing high construction costs for new projects will require Desane's management to implement measures that should provide a level of protection for shareholders against a negative economic impact for their investment.

Desane's investment property assets are performing in line with industrial and logistic assets across the major capital cities. Over the past three years, Australian consumers have changed the way they spend, which has accelerated Australia's e-commerce market, resulting in a healthy demand for properties that offer warehousing, logistics and distribution facilities. Desane's investment assets fall into the highly sought-after industrial asset class, providing stability of income during these challenging times.

I wish to thank the executive team and all our dedicated staff for their hard work in producing a steady result in very difficult times.

Finally, I would like to acknowledge the support of our Company's shareholders, in particular for the confidence they have placed in the Company's management over the past twelve months.

For further information, please visit www.desane.com.au or please contact:

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ABOUT DESANE:



Desane Group Holdings Limited is a leading property investment and development company, based in Sydney, Australia. Integrity, work ethic and a commitment to excellence underpins the basis of Desane's long term vision of ensuring maximum value for its shareholders.