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2024 ANNUAL GENERAL MEETING – MANAGING DIRECTOR’S ADDRESS

Rick Montrone

Introduction

Good morning, everyone.

Thank you for joining us today and for your continued support and trust in Desane Group Holdings Ltd. As your new Managing Director, I am excited to share our results from the financial year ended. Having been a part of the Desane team for the past 20 years, I am deeply committed to advancing the Group's growth, improving value for shareholders, and continuing our strong legacy.



I believe our FY24 results showcase our resilience and strategic growth focus, despite a challenging, some might say, pessimistic market environment. Let me walk you through the highlights, key developments, and our vision for Desane’s future.

FY24 Results Snapshot

Desane delivered a solid financial outcome for FY24. With earnings of \$3.2 million, we maintained a strong EBIT, yielding a net profit after tax of \$1.6 million. This translates to an earnings per share of 4.02 cents, a steady return given the macroeconomic headwinds faced throughout the year. Our net tangible assets per share reached \$1.62, reflecting a healthy 3% uplift in total assets to \$101.6 million. Despite this, the current Desane share price is trading at a steep discount of around 46% to NTA.

Our FY25 focus will be to balance stability with growth, so that we can narrow that discount for our shareholders.

Maintaining a healthy balance sheet will enable Desane to fund the upcoming development pipeline in Penrith and Wacol, allowing us to minimise the impact of debt in the current interest rate environment.

Capital and Balance Sheet Position

Our gearing remains stable at below 40% across the two (2) mortgaged commercial properties, with a debt-to-equity ratio of under 15%, a very manageable level given the Group's asset strength and liquidity.

Amidst rising interest rates, we took decisive action in July 2024 to de-leverage our mortgage book, repaying \$3.6 million to the Commonwealth Bank. This prudent move reduced our total borrowings to \$10.3 million, providing increased flexibility to respond to future opportunities.

Total rental income rose by 12.3% over the year, a testament to the performance of our asset management approach.

FY24 Profit & Loss Summary

The FY24 Net Profit After Tax of \$1.6 million reflects our balanced approach to income generation and cost management. With total revenue at \$6.2 million, driven by \$2.2 million in property income, \$0.7 million in interest income, and a net gain of \$3.2 million from property revaluations, we have effectively leveraged our assets.

On the expense side, we incurred \$3 million in operational expenses and \$0.9 million in interest and borrowing costs, achieving an EBIT of \$3.2 million. These results underscore the success of our asset management and income-generating strategies, positioning us for future growth.

FY24 Balance Sheet Summary

As of 30 June 2024, Desane's total assets stand at \$101.6 million, with a 35% revaluation uplift on our Penrith property, now valued at \$13.5 million. Our balance sheet reflects a solid foundation, allowing us to pursue growth opportunities with confidence.

Net assets of \$66.4 million and a net tangible asset per share of \$1.62 demonstrate our sound financial position. This foundation supports our ability to generate returns and pursue additional value-driven investments while protecting shareholder interests.

Investment & Properties

The acquisition of 35 Norton Street, Leichhardt, is a strategic addition to our portfolio. The property sits in the heart of the NSW Department of Planning's Parramatta Road Corridor Urban Transformation Strategy (PRCUTS), with an expected doubling of density on the site once the plan is gazetted and adopted within Inner West Council's LEP. The property is fully leased, with a mix of tenants generating \$0.2 million in annual rental income. This investment aligns with our goal of sustaining revenue growth while providing development potential in the long term.

Penrith Central Industrial

Looking forward, our Penrith Central Industrial project is set to be a significant contributor to future earnings. Over the next two years, we'll advance the development plans for this 1.16ha property in the heart of Penrith, creating an exciting industrial warehouse and retail centre hub. With demand for industrial and retail space in western Sydney at an all-time high, this project is poised to generate substantial returns for Desane and drive long-term value in the short to medium term.

In terms of the other investment assets in the portfolio, Desane's strategy will be to broadly identify assets by core/non-core prescriptors and place a hold/invest, hold/develop or hold/sell or hold/joint venture strategy to each one.

Investment Strategy and Objectives

Desane's investment strategy in FY25 will focus on three core objectives:

1. Re-evaluating Development Projects

We are assessing our current projects, including Penrith Central Industrial, Wacol and select properties in Leichhardt, to ensure they are positioned for maximum value with minimal risk exposure. A hold/develop or hold/sell/joint venture approach will be used against each of the projects in the coming months.

2. Maximising Return on Equity (ROE)

We are actively exploring opportunities to further bolster our ROE and rental income streams, ensuring Desane remains a leading player in the property investment market.

3. Enhancing Asset Growth

Our strong balance sheet supports strategic acquisitions and developments, all while enabling us to reward shareholders with sustainable dividends. To do this, we will need to ensure a return to strong income streams. We will continue to evaluate capital management options including possible capital raising to maximise shareholder value.

Closing Remarks

In closing, I would like to acknowledge our recently retired Managing Director, Mr Phil Montrone OAM, for his enormous and long-standing contribution to the Company. Phil has provided stability and growth to Desane over a long period of time. His management and knowledge of the property sector has been instrumental in transforming the Company from a mid-size building contractor to a \$100 million property group. We thank Phil on behalf of everyone in the room today, for his valued leadership over many years.

Lastly, I want to reiterate my commitment to leading Desane with a focus on strategic growth, prudent asset management, and sustainable value creation. Our performance in FY24 has set a positive trajectory, and I am confident in our ability to capitalise on emerging opportunities in the years to come.

Thank you once again for your support, trust, and partnership. I look forward to working together with all shareholders to achieve success for Desane over the year ahead.

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.