



Half year ended 31 December 2014

Results Presentation

2 March 2015

# Highlights

Maintained focus on core strategy

---

- ✓ Net profit after tax (NPAT) **increased by 121%** to \$1.1 million
- ✓ Earnings per share (EPS) **increased to 3.79 cents** from 1.71 cents
- ✓ Earnings before interest and tax (EBIT) **increased by 70%** to \$2.0 million
- ✓ Total revenue **increased by 32%** to \$2.5million
- ✓ Rental income **increased by 28%** to \$1.1 million
- ✓ Total assets **increased by 14%** to \$54.5 million
- ✓ **Interim dividend 2.0 cents per share, fully franked** (record date 17 March 2015)

Growth percentages and comparatives are based on audited December 2014 Half Yearly Financial Report

# Financial results

## Strong interim financial result

Key earnings metrics	6 months to 31 Dec 2014	6 months to 31 Dec 2013
Operational revenues	\$1.5m	\$1.0m
EBIT	\$2.0m	\$1.2m
NPAT	\$1.1m	\$0.5m
EPS	3.79 cents	1.71 cents
Interim dividend (fully franked)	2.0 cents	Nil

Key balance sheet metrics	As at 31 Dec 2014	As at 31 Dec 2013
Total assets	\$54.5m	\$47.9m
Gearing (interest bearing loans/total assets)	43%	41%
Net Tangible Assets (NTA) per share	86 cents	86 cents

- December 2014 interim financial result reflects strong earnings from 100% occupancy rates, strong rental returns and effective cost management strategies

- Gearing remains below 50%, with a target to below 40% by FY2016

- Recommendation of an interim fully franked dividend of **2.0 cents** per ordinary share



# Summarised income statement

Interim result for the six months ended 31 December 2014

Summarised statutory income statement	6 months to 31 Dec 2014	6 months to 31 Dec 2013
<b>Revenue</b>		
Rental income	\$1.1m	\$0.9m
Property management & property services	\$0.4m	\$0.1m
Unrealised gain/(loss) in fair value of investment properties	\$0.9m	\$0.9m
Other	\$0.1m	\$0.0m
<b>Total Revenue</b>	<b>\$2.5m</b>	<b>\$1.9m</b>
<b>Expenses</b>		
Finance costs	\$0.4m	\$0.4m
Other expenses	\$0.5m	\$0.7m
<b>Total Expenses</b>	<b>\$0.9m</b>	<b>\$1.1m</b>
<b>Net Profit Before Tax (NPBT)</b>	<b>\$1.6m</b>	<b>\$0.8m</b>
Deferred Income Tax Expense	(\$0.5m)	(\$0.3m)
<b>Net Profit After Tax (NPAT)</b>	<b>\$1.1m</b>	<b>\$0.5m</b>

# Summarised balance sheet

As at 31 December 2014

Summarised balance sheet	6 months to 31 Dec 14	6 months to 31 Dec 13
<b>Assets</b>		
Cash	\$5.3m	\$0.02m
Investment properties	\$46.4m	\$36.8m
Other assets	\$2.8m	\$11.1m
<b>TOTAL ASSETS</b>	<b>\$54.5m</b>	<b>\$47.9m</b>
<b>Liabilities</b>		
Interest bearing loans	\$23.3m	\$19.8m
Deferred tax liabilities	\$1.5m	\$0.6m
Other liabilities	\$3.7m	\$1.5m
<b>TOTAL LIABILITIES</b>	<b>\$28.5m</b>	<b>\$21.9m</b>
<b>NET ASSETS</b>	<b>\$26.0m</b>	<b>\$26.0m</b>
Shares on issue	30.2m	30.2m
NTA per share	86 cents	86 cents
Gearing (interest bearing loans/total assets)	43%	41%





# Capital management

Conservative balance sheet maintained and borrowing costs minimised

Key metrics	As at 31 Dec 2014	As at 31 Dec 2013
Finance debt facility limit	\$29.7m	\$19.6m
Amount drawn/utilised	\$23.3m	\$19.6m
Weighted average duration of debt (years)	2.1	3.1
Interest rate hedging	Nil	Nil
Gearing (interest bearing loans/total assets)	43%	41%
Interest Cover Ratio (ICR)	4.9x	2.76x
Loan to Value Ratio (LVR)	50%	53%

- Gearing at 43% as at December 2014. The Board's target gearing range is 35%
- Long term financial debt maturing in FY2016 and FY2017



# Dividends

## Dividend Policy introduced

---

	2015	2014	2013	2012
Interim	2.0c	Nil	Nil	Nil
Special dividend		2.0c <i>(Fully Franked)</i>		
Final dividend		1.0c <i>(Unfranked)</i>	1.0c	1.0c
Franking	100%		Nil	Nil

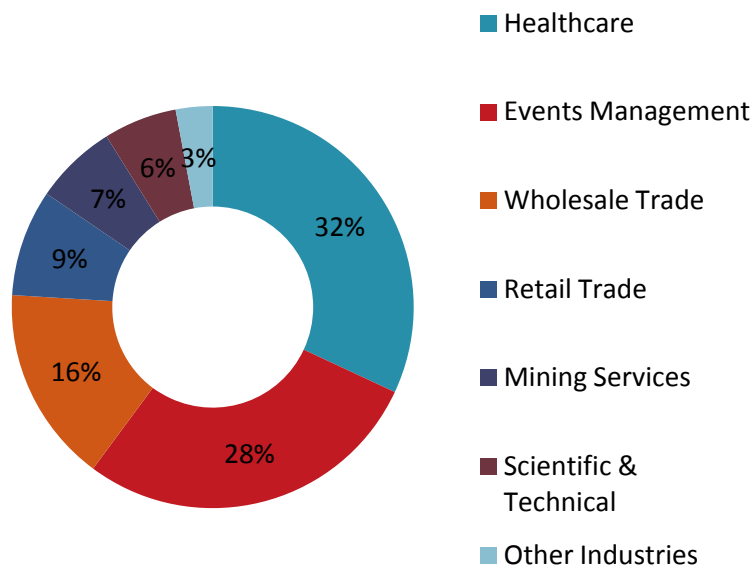
- Dividend policy introduced (see Desane's ASX announcement on 18 February 2015)
- As a result of reviewing Desane's medium to long term profit sustainability, the directors have resolved to recommend to shareholders the payment of interim and full year franked dividends subject to Desane's capital management requirements, operational profits, property acquisition activities and cash flows
- By June 2015, Desane will have available up to \$3 million of franking credits, which will be utilised in providing Desane's shareholders with franked dividends for future dividend payments. Franking of the dividends will be subject to franking availability and corporate income tax legislation at the time

# Portfolio summary

Quality property portfolio diversified across key industrial markets

- All operational investment properties have been 100% leased with medium to long term lease covenants.

Tenancy diversification by industry



Key portfolio metrics	31 Dec 2014	31 Dec 2013
Number of operational investment properties	4	4
Portfolio value	\$30.3m	\$29.5m
Weighted average cap rate	8.0%	8.0%
Net Lettable Area	16,219sqm	16,219sqm
Proportion leased	100%	100%
WALE (years)	2.9	2.8

Operational investment properties do not include development properties



# Property details – NSW

## 7 Sirius Road, Lane Cove, NSW



Ownership/title	100%, freehold
Current valuation	\$4.6m
Cap rate	8.0%
Gross building area	2,778 sqm
Proportion leased	100%
WALE	2.6 years
Major Tenant	Signature Orthopaedics

## 13 Sirius Road, Lane Cove, NSW



Ownership/title	100%, freehold
Current valuation	\$3.7m
Cap rate	8.0%
Gross building area	2,181 sqm
Proportion leased	100%
WALE	4.1 years
Major Tenant	HMA Group

# Property details – NSW

## 7-9 Orion Road, Lane Cove, NSW



Ownership/title	100%, freehold
Current valuation	\$11.2m
Cap rate	8.0%
Gross building area	5,766 sqm
Proportion leased	100%
WALE	4.0 years
Major Tenant	Pentel Australia

## 68-72 Lilyfield Road, Rozelle, NSW



Ownership/title	70%
Current valuation	\$15.4m
Cap rate	7.7%
Gross building area	5,494 sqm
Proportion leased	100%
WALE	1.4 years
Major Tenant	Staging Connections

# Development Portfolio

---

## EASTON ROZELLE

- Desane obtained planning approval to construct a four storey residential apartment complex with 29 residential apartments, 45 car parking spaces and 3 ground floor commercial/retail units
- Construction is progressing well and is expected to be completed by September 2015
- The project is expected to generate approximately \$27.4m in gross revenue on completion





# Outlook

Continued focus on executing core strategy

---



Franked dividends



Exposure to quality Australian industrial properties located in major metropolitan areas in Sydney



Stable earnings and sustainable rental growth



Potential for capital growth over time



Conservative capital structure with gearing to be maintained within the target range



# Management team and Board

Desane Group Holding Ltd is managed by an experienced senior management team and independent board

## Independent Board



**Prof. John Sheehan**  
Chairman



**John Bartholomew**  
Non-executive Director  
Company Secretary

## Senior Management Team



**Phil Montrone OAM**  
Managing Director

More than 30 years experience in asset investment, project management and property acquisitions.



**Jack Sciara**  
Chief Financial Officer

More than 18 years experience in corporate financial reporting, accounting and taxation.



**Rick Montrone**  
Property & Asset Manager

More than 12 years experience in asset investment, property acquisitions, property management and project management.

# “The Desane Way”

---

## Company History

Desane Group Holdings Ltd listed on the Australian Securities Exchange in 1987.

Since listing on the Australian Securities Exchange, Desane has undertaken a number of commercial and industrial redevelopment projects throughout the Sydney metropolitan area. It was in 1997 that Desane was able to commence its property accumulation strategy, which has resulted in the Company currently owning and managing more than \$50m of total assets.

Desane Group Holdings Ltd specialises in:

### Property Investment

### Property Management

### Property Project Management

Over the years, Desane has achieved a consistent level of earnings and asset growth. The Group is well placed to maintain its growth over the medium to long term.

Desane has:

- ❑ Acquired and retained properties located in high value, high growth districts, particularly those within ten kilometres of the Sydney CBD
- ❑ Implemented good capital management with no dilutive capital raising
- ❑ Reduced development risks and actioned greater focus on income producing assets
- ❑ Achieved solid asset management with occupancy presently achieving 100%
- ❑ Built a commercial property portfolio with a focus on industrial buildings tenanted to the rising demand from the healthcare services industry
- ❑ Redeveloped the recently approved residential apartment complex at Easton Rozelle
- ❑ Financed acquisitions with a conservative philosophy, with gearing target remaining below 40%



## DIRECTORY

---

### Principal Registered Office in Australia

68-72 Lilyfield Road, Rozelle, NSW 2039

Postal address: PO Box 331, Leichhardt NSW 2040

Telephone: (02) 9555-9922

Facsimile: (02) 9555-9944

Email Address: [info@desane.com.au](mailto:info@desane.com.au)

Website: [www.desane.com.au](http://www.desane.com.au)

### Share Register

Shareholders with questions about their shareholdings should contact Desane's external share registrar:

Computershare Investor Services Pty Limited

Level 5, 115 Grenfell Street, Adelaide SA 5001

Postal Address: GPO Box 1903, Adelaide SA 5001

Telephone enquiries outside Australia: 1300-556-161

Telephone enquiries outside Australia: 61-3-9615-4000

Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

Website: [www.computershare.com](http://www.computershare.com)

### Auditor

GCC Business & Assurance Pty Ltd

Suite 807, 109 Pitt Street, Sydney NSW 2000

### Solicitors

Cordato Partners

Level 5, 49 York Street, Sydney NSW 2000

### Bankers

Commonwealth Bank of Australia

### Securities Exchange Listing

Desane Group Holdings Limited shares are listed on the Australian Securities Exchange.

The ASX code is **DGH**

## DISCLAIMER

This presentation paper has been published for information purposes only. The information contained in this presentation paper is of a general purpose nature and does not constitute financial product advice. It has been prepared without taking into account any reader's financial position or needs. As such, each reader of this presentation paper, and consequently any reader acting on information in this presentation paper, should seek professional advice from (or consult) their stockbroker, bank manager, solicitor, financial planner, accountant or other qualified and independent financial advisor.

In preparing this presentation paper, Desane Group Holdings Ltd has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources and the Company's audited financial reports or which has otherwise been reviewed in preparation of this presentation paper. The information contained in this presentation paper is current as at the date of this presentation paper and is subject to change without notice.

Desane Group Holdings Ltd, nor any of its Director's, employees and associates, give any warranty as to the accuracy, reliability or completeness of the information contained throughout this presentation paper, nor do they accept any liability for any loss or damage (whether direct, indirect, consequential or otherwise) arising from the use of the information supplied throughout this presentation paper, except as required by law or by any appropriate regulatory authority.