



FY16 Results Presentation

September 2016

DESAN E
GROUP HOLDINGS LIMITED

Key Achievements

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NTA per share
uplift

12%
to 83¢

EBIT increased

68%
to \$7.9m

NPAT increased

104%
to \$5.1m

EPS increased

100%
to 13.73¢

Over the past 3 years Desane has **consistently delivered** its objectives:

- ➔ \$40m sale of the Burns Bay Road, Lane Cove investment
- ➔ Realisation of the Easton Rozelle development delivering **\$16m cash** as at 30 June 2016
- ➔ Rewarding shareholders with **\$8.8m in fully franked dividends** (total of 27.5¢ per share)
- ➔ Increase in NTA from \$25.5m (as at 30 June 2014) to \$30.6m (as at 30 June 2016)

Desane's balance sheet is strong, providing the ability to increase its property developments and investments and **continue to reward shareholders** through payment of fully franked dividends.

All figures based on 30 June 2016 audited financial report.



FY16 Financial Results

DESANE
GROUP HOLDINGS LIMITED

Financial Highlights

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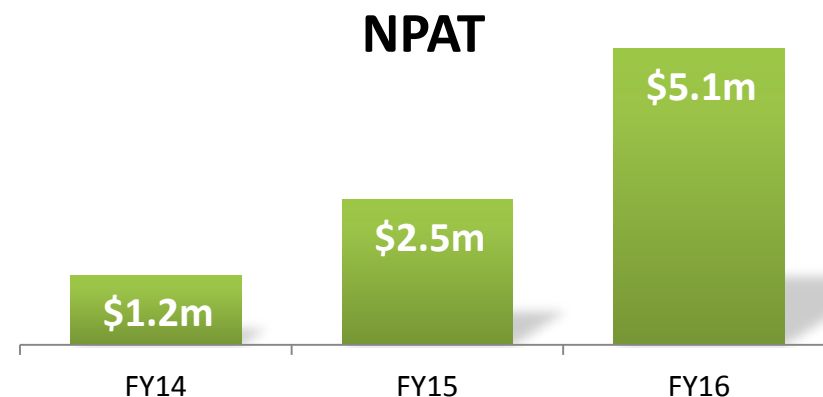
Operating Results	FY16	FY15
Development ¹	\$4.6m	\$0.9m
Investment ²	\$2.3m	\$2.2m
EBIT	\$7.9m	\$4.7m
NPAT	\$5.1m	\$2.5m
EPS	13.7¢	6.9¢

1 Development profit in FY16 and development revaluation in FY15.
2 Property rental revenue.

Balance Sheet	As at 30 June 2016	As at 30 June 2015
Cash and financial assets	\$17.2m	\$4.7m
Net cash/(debt) ¹	\$0.6m	(\$21.6m)
Net assets	\$30.6m	\$26.7m
NTA per share	83¢	74¢

1 Net cash/(debt) includes cash and financial assets held less investment and construction bank loans plus other interest bearing liabilities.

NPAT boosted by realisation of Easton Rozelle and asset revaluations.



FY16 Profit Summary

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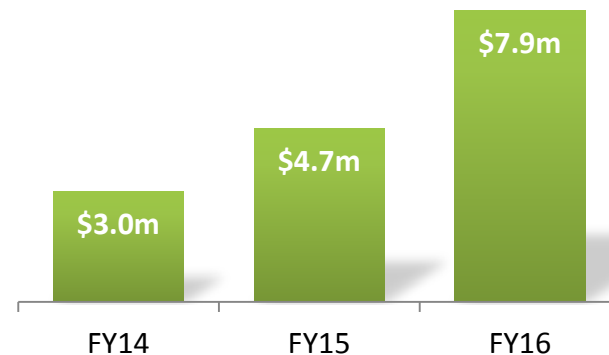
	FY16	FY15
Property development sales	\$28.4m	nil
Rental income	\$2.3m	\$2.2m
Property management	\$0.2m	\$0.2m
Property revaluations (net gain)	\$2.1m	\$3.2m
Other income	\$0.3m	\$0.6m
Total Revenue	\$33.3m	\$6.2m
Property development cost base	(\$23.8m)	nil
Expenses	(\$1.6m)	(\$1.5m)
Interest and borrowing costs	(\$0.6m)	(\$0.8m)
EBIT	\$7.9m	\$4.7m
NPAT	\$5.1m	\$2.5m

1 All figures based on 30 June 2016 full year audited financial report.

Active asset management with:

- ✓ 100% occupancy for FY16
- ✓ Rental income uplift of 4.5%
- ✓ Investment property revaluation of 6.4%

EBIT

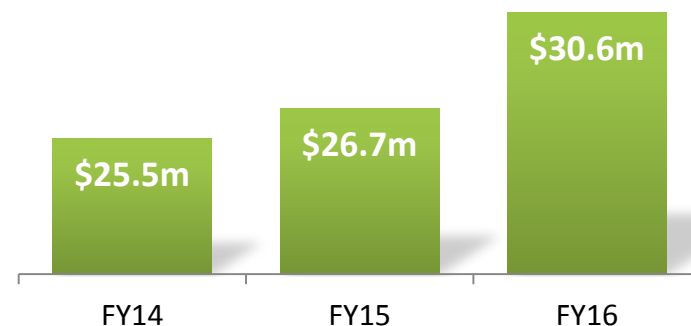


FY16 Balance Sheet Summary

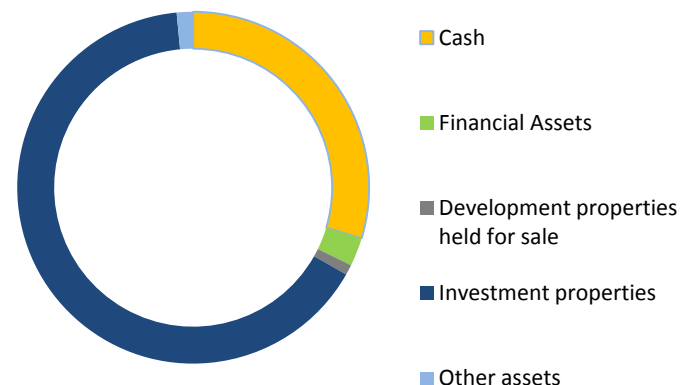
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	As at 30 June 2016	As at 30 June 2015
Assets		
Cash and financial assets	\$17.2m	\$4.7m
Development properties held for sale	\$0.5m	\$20.6m
Investment properties	\$34.8m	\$32.7m
Other assets	\$0.8m	\$3.0m
TOTAL ASSETS	\$53.3m	\$61.0m
Liabilities		
Interest bearing loans	\$16.6m	\$26.3m
Deferred tax liabilities	\$4.1m	\$2.5m
Other liabilities	\$2.0m	\$5.5m
TOTAL LIABILITIES	\$22.7m	\$34.3m
NET ASSETS	\$30.6m	\$26.7m
NTA per share	83¢	74¢

NTA



Asset Summary as at 30 June 2016



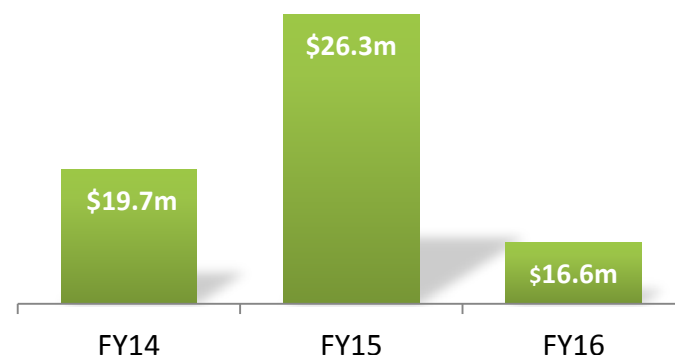
Reduction in Group Debt

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Summary	As at 30 June 2016	As at 30 June 2015
Property investment bank loans	\$16.6m	\$19.6m
Construction bank loan ¹	nil	\$6.7m
Total Bank Loans	\$16.6m	\$26.3m
LVR ²	48%	50%
Cash and financial assets	\$17.2m	\$4.7m
Net Cash/(Debt)	\$0.6m	(\$21.6m)
Expiry of three year property investment bank loan facility of \$16.6m is July 2019.		
1 Total development facility was repaid in full in December 2015. 2 Loan covenant requires 65% LVR.		

FY16 has generated significant cash reserves, enabling acquisitions of further investment and development property assets

Bank Borrowings



Increased Ordinary Dividend Payment

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	FY16	FY15	FY14
Interim Dividend	2.25¢	2.00¢	2.00¢
Special Dividend	-	15.00¢	-
Final Dividend	2.25¢ ¹	2.00¢	2.00¢
Total Dividend	4.50¢	19.00¢	4.00¢
<i>Franking</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>

¹ FY2016 final dividend to be paid 7 October 2016.

\$8.8m of fully franked
dividends paid to shareholders over
the past three years

Full Year Dividend

4.5¢ per share

FY16 Payout Ratio

32.7% of NPAT



Operational Update

- ✓ Transparent revenue streams
- ✓ Predictable rental income streams
- ✓ Opportunity for development profits
- ✓ Asset revaluations
- ✓ Delivering growth and maximising returns to shareholders

Management will continue to source property development and investment opportunities to continue to grow the Group's assets, future profits and dividend payout to shareholders







- ✓ Portfolio well positioned to ensure income and capital values continue to grow
- ✓ Portfolio book value increased by 6.4% to \$34.8m
- ✓ Approximately 32% of rental revenue derived from tenants in the growing healthcare industry

Portfolio Summary	FY16
Portfolio value	\$34.8m
Net rental income increase	4.50%
WACR	6.95%
WALE	3.0 ¹

1 WALE average by income and years as at 30 June 2016

Portfolio Details

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Property	State	Ownership	Cap rate	NLA (m ²)	Occupancy	WALE (yrs)	
7 Sirius Rd Lane Cove	NSW	100%	7.00%	2,778	100%	4.3	
13 Sirius Rd Lane Cove	NSW	100%	7.20%	2,181	100%	2.8	
7-9 Orion Rd Lane Cove	NSW	100%	7.25%	5,766	100%	3.1	
68-72 Lilyfield Rd Rozelle	NSW	70%	6.50%	5,494	100%	0.6	

EASTON ROZELLE

FY16

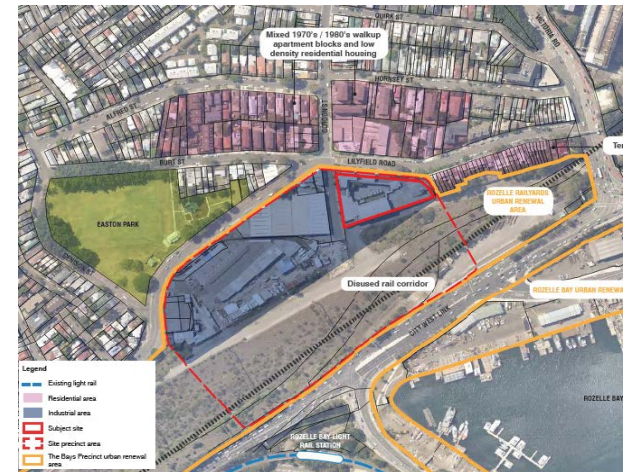
- Completion and realisation of **\$28.4m** sales revenue from **Easton Rozelle**
- An additional \$0.6m revenue to be realised in FY17
- Construction bank facility repaid in full
- The realisation of this project has generated **significant cash returns** supporting Desane's position as an “**add value**” property developer and owner

Rezoning & Masterplan - Rozelle Property

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- ❑ **In 2012**, the NSW Government and Urban Growth's Bays Precinct Taskforce identified the Rozelle Rail Yards – a sub precinct in which Desane's 5,274m² property at 68-72 Lilyfield Road, Rozelle is located, as an area for urban renewal in the medium to long term.
- ❑ **In 2013**, Desane considered the opportunity to rezone its property for mixed use purposes, in order to meet Sydney's growing demand for housing stock and commercial floor space.
- ❑ **From 2013**, Desane commenced a program of discussions and engagement with the NSW Department of Planning & Environment ("NSW DPE") with the view to rezone the property in which residential development would be permitted with consent.
- ❑ **In June 2015**, Desane lodged a formal Masterplan and Rezoning proposal with the NSW DPE that would change the zoning of the subject site to a "B4 Mixed Use" zone. The proposed redevelopment of the site included:
 - Approximately 200 residential apartments
 - 2,000m² of retail, commercial and community floor space; and
 - 90 place child care centre



The Plan identifies "mixed use residential village" as a suitable use for the sub precinct – Urbis Final Urban Design Report 2015 (Desane's Rozelle property bordered in red)



Artist perspective – Urbis Final Urban Design Report 2015 (Desane's Rozelle property circled in red)

- ❑ Subsequent to the lodgement of the Masterplan and rezoning proposal, meetings were held between **June 2015 and June 2016** with senior NSW DPE planning officials regarding processing and timing, with a view to progressing the lodged formal Masterplan proposal for the Rozelle site. The NSW DPE confirmed its support and momentum towards the completion of a successful rezoning of the site **in June 2016**.
- ❑ **On 21 July 2016**, the NSW State Government announced changes to the WestConnex M4-M5 Link with a proposed new 1.1km tunnel under Victoria Road and a new motorway interchange at Rozelle, planned to allow motorists to connect to and from the new toll-road to the Anzac Bridge and Victoria Road be built underground to allow surface parkland on top.
- ❑ **On 11 August 2016**, Desane received notification from the NSW DPE advising that advice from Westconnex and Transport for NSW would be required prior to any progress in considering Desane's planning proposal. A meeting was arranged with RMS representatives in which they indicated their intention to acquire the property for the purposes of the WestConnex M4-M5 link.
- ❑ **On 24 August 2016**, Desane received a formal property acquisition notice from RMS for the acquisition of 68-72 Lilyfield Road, Rozelle.

- ❑ RMS has indicated that it intends to conclude the negotiation of the purchase of the property **by October 2017**.
- ❑ Desane has sought advice with regards to its rights under the Land Acquisition (Just Terms Compensation) Act 1991 in relation to the site's highest and best use and will keep the market informed of its progress.



Artist impression of the parkland planned to cover the existing Rozelle Rail Yards, under which a motorway interchange will be built. SMH 21 July 2016. (Desane's property indicated in red.)

A photograph of a modern building's exterior. The facade is composed of large, vertical panels in shades of grey and gold. A narrow vertical window is visible on the left. To the right, a tree with green leaves and some red berries stands next to the building. In the foreground, there are some low-lying plants and grasses.

Outlook

DESANE
GROUP HOLDINGS LIMITED

Medium term outlook

- Low interest rate environment to continue
- Existing corporate structure will ensure a business model with transparent revenue streams
- **3.5% annualised net rental growth** anticipated for existing **Lane Cove properties**
- The three Lane Cove investment properties are projected to generate **approx. \$5.1m net rental revenue over the next three years**

Property Investment Program 2017 +

Strong focus on property acquisitions where they will meaningfully enhance scale and shareholder returns

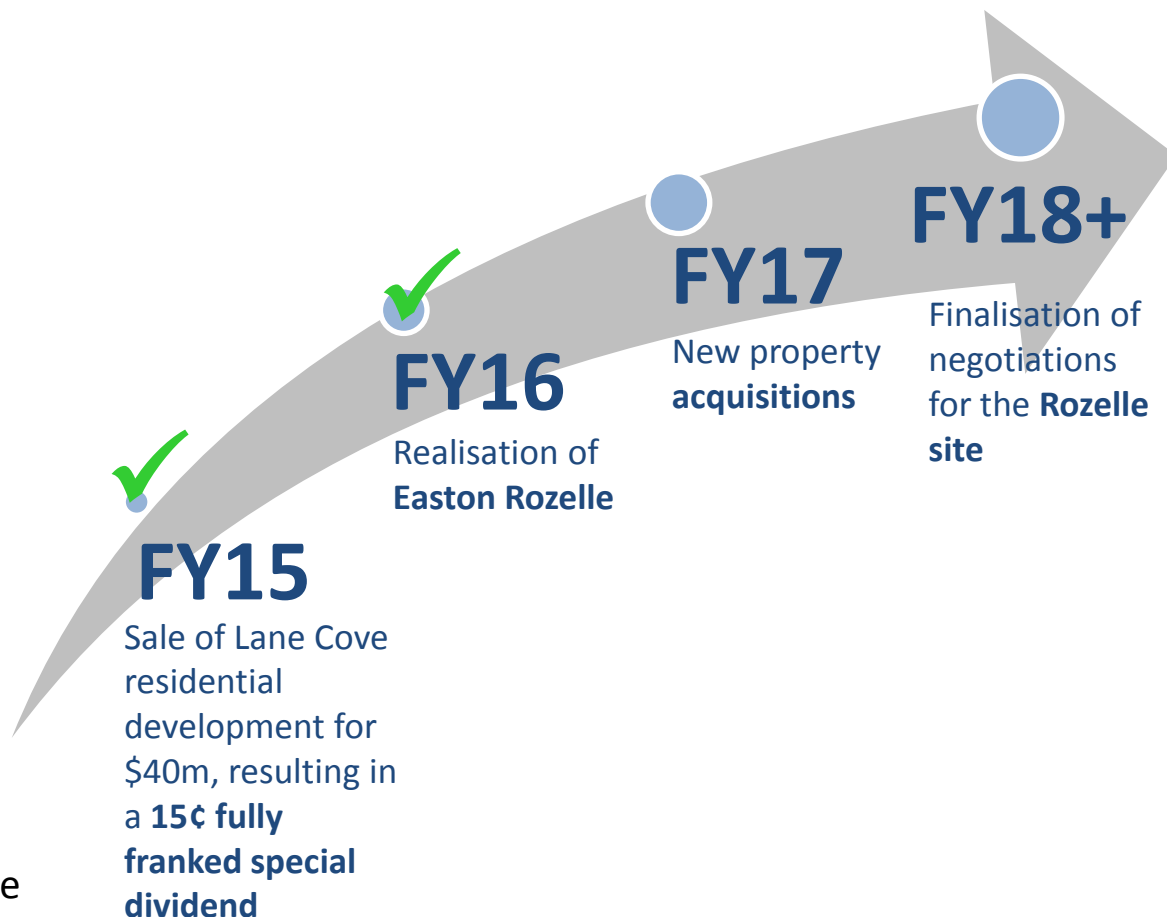
2017

- As property acquisition opportunities arise, the Group is targeting the acquisition of up to \$30m of property assets with a disciplined gearing level of no more than 50%
- The additional revenue streams from the acquisitions are expected to deliver consistent growth in earnings and dividends over the medium to long term

2018

- The Group anticipates finalisation of negotiations for the Rozelle site
- The funds realised from the sale of the Rozelle site will be applied to acquiring further development and or investment properties in the Sydney metropolitan area

- Increase NTA and reward shareholders with continued **fully franked dividends**
- Pursue new commercial, industrial and residential opportunities in metropolitan Sydney
- Ensure maximum value is achieved on negotiations in the sale for the Rozelle site
- Maintain gearing discipline
- Manage existing lease and tenancy profile with a view to “**add value**” where appropriate



Management Team

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Phil Montrone OAM
Managing Director

Phil has served as Managing Director since Desane's incorporation. He has over 30 years' experience in asset management, property investment and property acquisitions, having developed many strong relationships and networks within the commercial, industrial and residential property and development sectors.

Phil is currently serving as an Advisory Board Member of Multicultural NSW and as a Board Member of the Geographical Names Board of NSW.



Rick Montrone
Director – Head of Property

Rick is an Executive Director and Desane's Head of Property, with more than 13 years' experience in the property services industry.

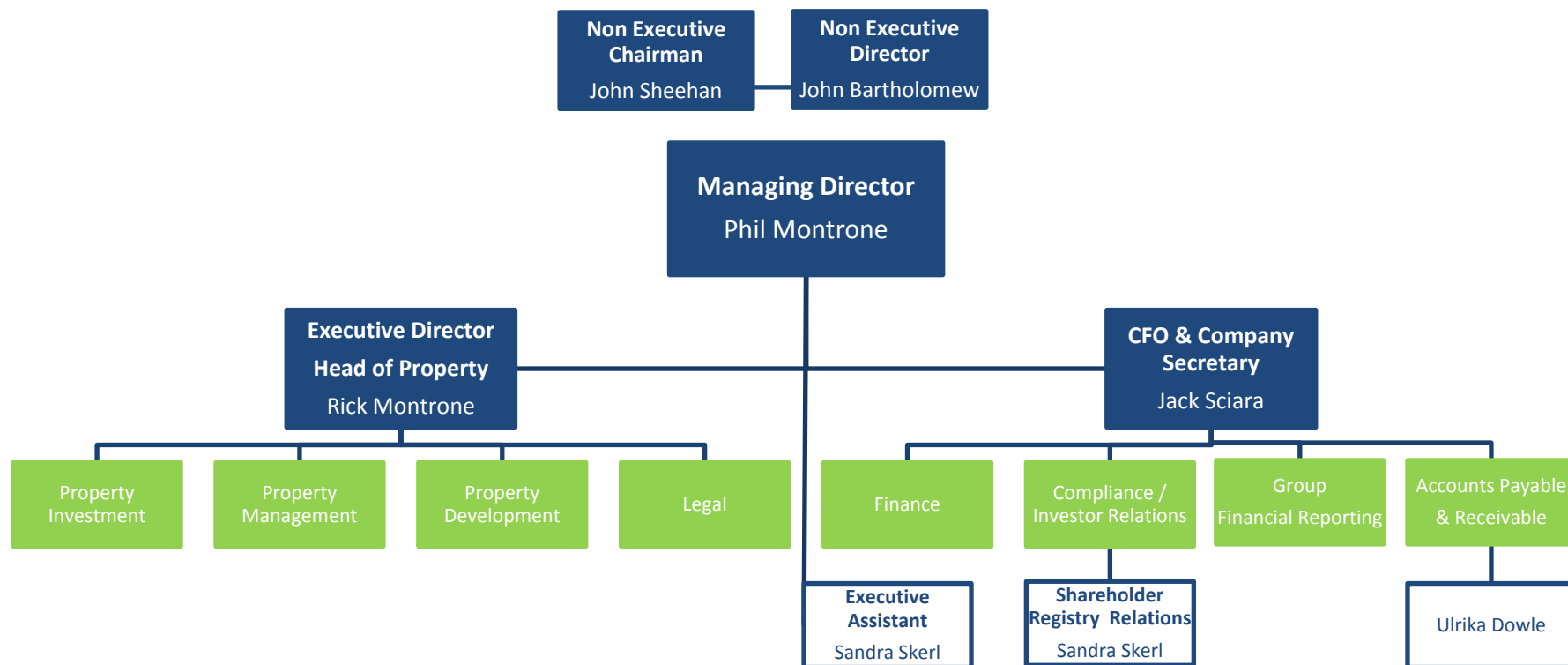
Rick is responsible for managing all aspects of the Company's property assets, including planning and strategy, debt and equity raising, acquisitions and divestments and due diligence, as well as the operations of the asset portfolio such as leasing, property management and reporting on the investment portfolio.



Jack Sciara
Chief Financial Officer & Company Secretary

Jack joined Desane in 2001 and has over 20 years' experience in corporate financial reporting, accounting and taxation. Jack was appointed Company Secretary in July 2016.

Jack's role in Desane covers all aspects of financial control and capital management, including developing tax strategies for the Group, investor relations, ASX compliance, corporate governance, reporting financial results to the market and managing debt financing and equity raising for the Group.



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