

Tuesday, 25 August 2020

FY20 Financial Results Announcement

Velocity Property Group (ASX: VP7) (Group or Velocity) has announced its financial results for the year ended 30 June 2020.

Key financial result highlights for the year ended 30 June 2020:

- Net loss after tax of \$9.7m
- This result included income tax expense adjustments of \$2.5m from the de-recognition of carry forward tax losses, \$0.8m related to investment property devaluations and \$3.4m of trading stock write downs to net realisable value.
- Revenue up 28% to \$49.7m driven by sales at the completion of the ONE Bulimba Riverfront and Parque on Oxford projects during the period.
- Restructure of Velocity's debt profile resulting in Velocity's average weighted interest rate decreasing from 8.3% during the Dec 2019 quarter to 6.8% at financial year end.
- NTA per security of \$0.8473.
- ASX trading price at 30 June 2020 of \$0.51, representing a discount to NTA per security of 39.8%.

Going Concern & COVID-19 Impact:

Management have prepared cash flow forecasts over a 24 month period that include realistic downside risk that have been reviewed by the Board. These forecasts demonstrate that Velocity has sufficient cash to enable it to meet its obligations as they fall due. Accordingly, the Board considers it appropriate to adopt the going concern basis of accounting in preparing the FY20 financial statements.

The key financial and non-financial impacts on Velocity impacted by COVID-19 are:

- Sales rates - reduced sales enquiry between 26 March 2020 to 15 May 2020 whilst restrictions were in place for the conducting of open house inspections and auctions. The Group entered into 10 unconditional contracts since 15 May 2020 including the sale of the Two27 development site.
- Sales prices - minimal decrease in independent third party valuations for the completed stock remaining at ONE Bulimba Riverfront and Parque on Oxford reflecting the luxury, high-end owner occupier nature of these developments. As such there were no write downs recorded to trading stock in relation to these two developments during the period.
- Development operations – as previously announced, The Group has an unconditional contract for the sale of the development site at Two27, Palm Beach for \$11.2m. The onset of COVID-19 triggered an internal review and with concerns and uncertainty around the local real estate market, a decision was reached to sell the site and abandon this development.
- Office operations – a review of staffing requirements at the onset of COVID-19 resulted in several redundancies and reduced working arrangements for some staff.

Strategic and Operational Review:

On 7 August 2020, Velocity received a proposal from 360 Capital Group (ASX: TGP) to restructure and recapitalise the Group and expand its activities to real estate financing and debt activities within Australia and New Zealand including but not limited to:

- Undertake a significant recapitalisation
- Restructure VP7 into a stapled security by stapling a trust to the Company
- Provide a liquidity to existing shareholders who wish to exit

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- Acquire certain related party assets from 360 Capital and its associates

The Board is still considering the Proposal. At this stage, the Board considers the Proposal is incomplete and we have requested further information from 360 Capital. There is no certainty that the proposal will proceed, however, if appropriate, the Board will put the Proposal and the resolutions required to implement the Proposal to shareholders in due course.

Authorised for release by the Board of Velocity Property Group.

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