

24 FEBRUARY 2023

ASX Limited
 20 Bridge Street
 Sydney NSW 2000

By: e-lodgement

Attention: Company Announcements Office

2023 HALF YEAR RESULTS

Eildon Capital Group (**ASX: EDC** or **Group**) delivered a net profit after tax (**NPAT**) of \$2.0 million or 4.0 cents per stapled security (**cps**) for the 6 months ended 31 December 2022, driven by underlying investment returns and funds management earnings. This result is in line with the prior comparative period result of \$2.0 million (excluding mark to market revaluations).

Financial Results

		HY23	HY22
Net Profit After Tax (before revaluations)	\$m	2.0	2.0
EPS (before revaluations)	cps	4.0	4.2
Distribution per stapled security	dps	2.9	4.0

The Group generated income of \$4.3 million (2022: \$5.8 million including non-cash revaluations of \$660k) derived from a combination of interest from credit investments, rental income and management fees during the period. Distributions totalling 2.9 cps were declared, representing an annualised yield of approximately 6.9% on the closing price of stapled securities of \$0.84 as at 31 December 2022.

Distributions were paid from Eildon Capital Trust (**ECT**) which represented 79% of the Group's capital base. Net asset value (**NAV**) per stapled security was \$1.17 as at 31 December 2022, up over the 30 June 2022 NAV of \$1.16. Net Tangible Assets (**NTA**) per stapled security was \$1.10 as at 31 December 2022, up over the 30 June 2022 NTA of \$1.09.

Stapled Structure

EDC is a stapled group comprising Eildon Capital Trust and Eildon Capital Limited. Outlined below is a summary of the asset and earnings base of ECT and ECL.

Eildon Capital Trust

ECT's investment portfolio totalled \$44 million which included cash reserves of \$5.5 million representing 79% of the Group's net assets or \$0.93 of NTA. ECT's investment portfolio comprised of 13 investments being 9 debt and 4 equity investments, valued at \$34.6 million.

These investments comprise the following:

1. Investments in Eildon Debt Fund (\$24.8m);
2. Investments in Eildon Direct Property Funds (\$4.6m); and
3. Preferred equity investment (\$5.0m).

The weighted average loan-to-value ratio (**LVR**) on the Eildon Debt Fund co-investments was 66%. The weighted average yield on the credit investments was 8.6% as at 31 December 2022. Given the relative short duration of the debt investments, there is an opportunity to re-invest the capital into higher yielding floating rate opportunities, given the significant increase in market interest rates.

The underlying properties in ECT's debt investment portfolio are all located on the eastern seaboard of Australia, and the Group is pleased to report that there are currently zero loans in arrears. The largest position is a mezzanine debt investment valued at \$15.4 million which has a maximum LVR of 70%, yielding a 14% return per annum.

Importantly, the Group has no impairments on its debt investments.

Eildon Capital Limited

ECL represents the balance of the investment portfolio of \$11m or \$0.24 of NAV of the Group. The NAV is comprised of two direct equity investments and 100% ownership of Eildon Funds Management Limited (**EFM**) which has a balance sheet value of \$3.5m or \$0.07 of NAV.

Direct Equity Investments

The two direct equity investments owned within ECL were made when Eildon Capital Group was focussed on pursuing a pure LIC strategy and have been valued at \$10.3 million in aggregate as at 31 December 2022.

Funds Management (EFM)

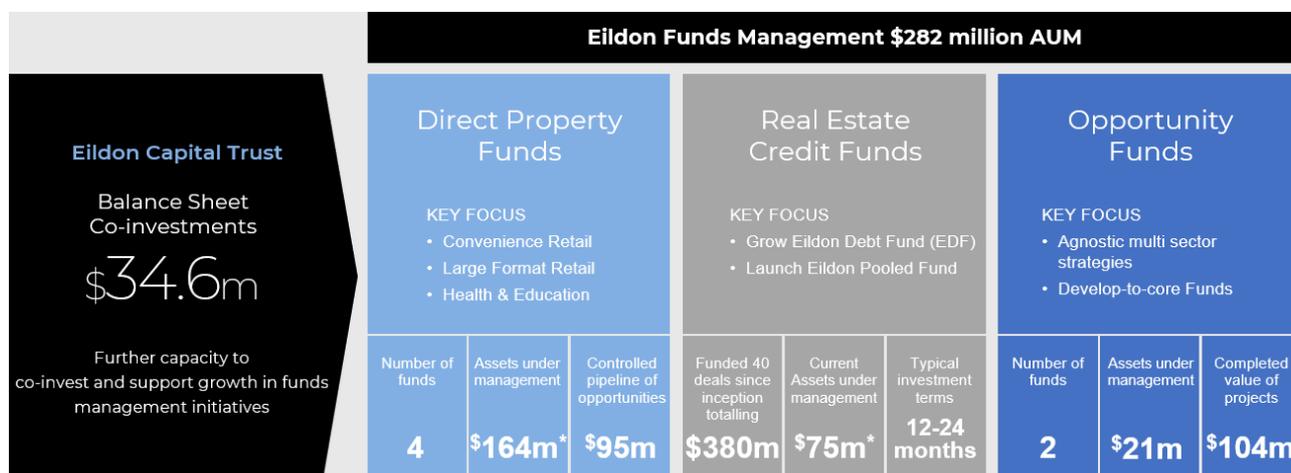
EFM is a specialist real estate fund manager within Australia's Commercial Real Estate market. EFM operates across real estate equity and credit sectors creating investment opportunities for sophisticated investors which strive to deliver:

- Enhanced returns; and
- Capital protection.

Eildon co-invests alongside its investor clients utilising its \$52 million (net assets) balance sheet capacity, demonstrating strong alignment of interest.

Group Assets Under Management (**AUM**) was \$282 million as at 31 December 2022, down from AUM at 30 June 2022 of \$350 million, due to several loan investments within the Eildon Debt Fund being repaid.

Eildon Funds Management Product Lines



Note: All figures as at 31 December 2022. Group AUM of \$282m includes Balance Sheet assets of Eildon Capital. *Includes EFM and Eildon Asset Management Pty Ltd as trustee for the Eildon Asset Management Trust (**EAM**) managed funds (EFM owns 50% of EAM).

1. Eildon Direct Property Funds

Eildon Asset Management Pty Ltd as trustee for the Eildon Asset Management Trust (**EAM**) (50% owned by EFM) currently manages three direct property income funds with gross assets of \$139 million. A key highlight in the period was the completion of the Coles anchored neighbourhood centre within the EAM Caboolture Property Fund.

The Eildon Health & Education Fund which was seeded in CY22 increased its gross asset value to \$25 million with the successful completion of a newly built childcare centre in Swan Hill, Victoria which has been leased to Montessori Beginnings. This fund benefits from a strong pipeline of development opportunities.

Eildon Capital Trust had \$4.6 million co-invested in direct property funds managed by EFM and EAM as at 31 December 2022.

2. Eildon Debt Fund (EDF)

The Group's flagship credit fund, the Eildon Debt Fund continues to perform well with \$75 million AUM as at 31 December 2022 (30 June 2022: \$146 million) and a long track record of successful investments with no impairments. EDF offers wholesale investors deal specific access to commercial real estate lending opportunities secured by registered first and second mortgages. Recent investments delivering investors strong risk-adjusted returns of 10%+ p.a. reflect the sharp increase in the risk-free rate. EDF's investment pipeline includes land and construction financing for both first and second mortgage opportunities which will generate fee revenue and provide the EDC balance sheet with co-investment opportunities. The Group is working on launching a pooled credit fund which will broaden the investor client base and product suite.

ECT had \$24.9 million co-invested in the Eildon Debt Fund as at 31 December 2022.

3. Eildon Opportunity Funds

EFM currently manages \$21 million across two projects in two opportunity funds. Both projects comprise community essential retail projects located in Caboolture, Queensland and Werribee, Victoria. EFM earns a development management fee and has the potential to earn performance fees. Additional development funds are being explored for launch in 2023.

Distributions

A distribution of 1.50 cents per stapled security was paid on 24 January 2023. The Distribution/Dividend Reinvestment Plan (Plan) is currently suspended.

Group key focus and outlook

Eildon Capital Group is an established ASX-listed real estate investment and funds management business which covers both credit and equity. The Group strives to provide income yield through its balance sheet investments within Eildon Capital Trust while also generating fees from its funds management platform within Eildon Capital Limited.

With interest rates expected to continue to increase given central banks' attempt to contain inflation, the Group remains cautious with regard to adverse impacts for real estate as the Australian economy enters a period of uncertainty.

The Group's Directors and management have remained disciplined when assessing new opportunities and continually evaluate the allocation of capital between new and strategic funds management growth initiatives versus balance sheet investments.

The Group's strong balance sheet and cash reserves provides the ability to fund growth initiatives and new strategies within the Australian Real Estate market across credit and equity. The key focus of the Group includes:

- 1) simplifying the investment portfolio between ECT and ECL;
- 2) continuing to grow Eildon Funds Management and its product line; and
- 3) continuing to invest the balance sheet of ECT into debt investments to support Group distributions.

The Group is pleased to revise FY2023 forecast distributions of 6.0 cents per stapled security to be paid from Eildon Capital Trust, supported by income producing investments which represent 79% of Group NAV. The Group had previously forecast distributions for FY2023 between 5.5 – 6.0 cents per stapled security.

Forecasts are subject to there being no material adverse change in market conditions or unforeseen events. The Group reviews forecasts regularly.

This announcement has been authorised by the Board for release.

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About Eildon Capital Group

Eildon Capital Group (**Eildon**) is an ASX-listed real estate investment and funds management business. Eildon's investment activities cover both credit and equity in real estate.

The Group creates investment opportunities for sophisticated investors which strive to deliver:

- Enhanced returns; and
- Capital protection.

Eildon co-invests alongside its investor clients utilising its \$52 million (NTA) balance sheet capacity, demonstrating strong alignment of interest.