

ASX Announcement

ASX AND MEDIA RELEASE – FULL YEAR RESULT - 30 JUNE 2018

28 AUGUST 2018

URB Announces FY2018 Full Year Profit

URB Performance Highlights

URB FY2018 Performance Highlights	Ordinary Operations \$'000	Abnormal Items \$'000	Statutory Numbers \$'000
Revenue from equity portfolio	1,911	776	2,687
Revenue from direct property portfolio	577	-	577
Interest income	121	-	121
Other income	20	-	20
Income from operations	2,629	776	3,405
Operating expenses	(913)	-	(913)
Fair value loss on direct property assets	-	(132)	(132)
Operating result before tax	1,716	644	2,360
Income tax (expense) / benefit	(263)	64 ¹	(199)
Net operating result	1,453	708	2,161
	<i>Cents per share</i>		<i>Cents per share</i>
Basic and diluted earnings per share (EPS)	1.99		2.96
Full year dividends per share (DPS)	1.50		

URB Performance Overview

FY2018 was a successful year for URB Investments Limited (URB or the Company) with the total income from operations increasing to \$3.4 million, including \$0.6 million in unlisted property trust distributions. Earnings per Share (EPS) before abnormal items (special investment income, fair value losses and direct property transaction costs) was 1.99cps. URB also received special dividend income of \$0.8 million during the year, increasing the net operating result to a profit of \$2.2 million and generating an EPS after abnormal items of 2.96cps.

The URB Board has declared a 1.00 cent per share final dividend for the six months ended 30 June 2018, fully franked at the tax rate of 27.5%. This takes the full year FY2018 dividend to 1.50 cents per share fully franked. Subsequent to balance date the Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2018 was passed by Parliament. If the Bill is enacted prior to the FY2018 Final Dividend being paid, this would increase the Company's income tax rate to 30%, and therefore increase the rate at which this dividend is franked.

Total assets of the Company as at 30 June 2018 were \$78.5 million. This includes the Equity Portfolio valued at \$39.3 million, the Direct Property Portfolio valued at \$34.2 million and Cash and Cash Equivalents of \$3.2 million.

Fully Franked Final Dividend and Dividend Policy

The final fully franked dividend of 1.00 cent per share is URB's second dividend declared by the Board, following the maiden interim fully franked dividend of 0.50 cents per share paid in March 2018. URB's long-term aim is to deliver shareholders a sustainable and growing fully franked dividend yield that is competitive within the listed investment company market.

With respect to prudent business practices, and ensuring the business retains sufficient working capital to allow the achievement of URB's objectives, the Company's long term aim is to pay out between 50% and 70% of Net Operating Profits for that year to shareholders as fully franked dividends, to the extent permitted by the Corporations Act 2001 and the Income Tax Assessment Act 1997.

The Ex-Dividend Date is Thursday 13 September 2018, and the Payment Date is Friday 28 September 2018. Key dates for the Fully Franked Final FY2018 Dividend are as follows:

Event	Date
Last trading date to be eligible for the Final Dividend	Wednesday 12 September 2018
Ex-Dividend Date	Thursday 13 September 2018
Record Date	Friday 14 September 2018
DRP Nomination	Monday 17 September 2018
Dividend Payment Date	Friday 28 September 2018

Dividend Reinvestment Plan (DRP)

URB's Dividend Reinvestment Plan offers shareholders the opportunity to receive additional shares in the Company instead of receiving cash dividends. The DRP will be offered at a nil discount for the final FY2018 dividend. The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is Monday 17 September 2018.

Shareholders can update their election notices electronically by following the link on to URB's share registry on the Contact page of the URB website. www.urbinvest.com.au

Investment Portfolio

The Company's Investment Portfolio is managed by Contact Asset Management (Contact).

Over the year, \$27.0 million was invested into the Equity Portfolio. The Equity Portfolio generated \$1.9 million in ordinary dividends and distributions during the financial year and an additional \$0.8 million in special dividends, with the Company also earning \$0.1 million in interest income.

Direct Property Portfolio

At last year's IPO, URB listed with three Seed Assets that provided immediate access to a portfolio of Direct Property Assets. URB continues to hold a 49.9% interest in each of these Seed Assets through Trusts; PURT3: Kingsgrove, PURT4: Penrith and PURT5: Prestons. Soul Pattinson continues to own the remaining 50.1% of these three Trusts.

We are well down the path of capitalising on the urban renewal opportunities and upside embedded in our Seed Assets. During FY2018 a total of \$7.8 million was invested into the Direct Property Portfolio, including \$3.0 million into the Fortius Sydney Homemaker Trust, Home HQ, a leading homemaker centre located in the suburb of Artarmon in Sydney.

URB also received a capital return of \$6.0 million following a refinancing by PURT4: Penrith.

The value of the Direct Property Portfolio as at 30 June 2018 was \$34.2 million and accounted for 44.6% of URB's total Investment Portfolio. Distributions from Direct Property Assets totalled \$0.6 million for the year.

All three Seed Assets held in the Direct Property Portfolio remain valued at cost as at 30 June 2018. The assets are performing as expected and the concept of the Direct Property strategy is working. Despite not revaluing the Seed Assets, URB has achieved the following planned milestones in this segment of the Investment Portfolio:

October 2017

- Demolition commenced at Kingsgrove via a Complying Development Certificate of the industrial facility on the site and we lodged the Development Application (DA) for the sub-division of the property.

December 2017

- Commencement of income distributions to unitholders from the PURT4 Trust, Penrith.

February 2018

- Completion of PURT3 Trust demolition program
- PURT3 Trust exchanged conditional contracts for the sale of Lot 1, Lot 1A, Lot 2, Lot 3 and Lot 7, representing 10,051m² or 54% of the total saleable area.
- PURT5 Trust received approval of Stage 2 DA – Construction Certificate
- Commencement of construction of Mainfreight Australia distribution facility at Prestons by PURT5 Trust.

March 2018

- Completion of the loan facility for the PURT4 Trust, Penrith.
- Capital return to PURT4 Trust unitholders post the loan facility execution.

April 2018

- PURT5 Trust received approval of Stage 3 DA – Signage and Use.

May 2018

- PURT3 Trust completed the additional exchange of conditional contracts in respect to Lot 4, Lot 5 and Lot 6, resulting in conditional contracts being achieved for 18,491m² or 100% of the total saleable area.

June 2018

- Council issued the PURT3 Trust approval for the Kingsgrove Sub-division, enabling the PURT3 Trust to progress to the latter stages of development. Following completion of these remaining sub-division activities all conditional land parcel sale contracts will become unconditional, allowing settlement to occur and PURT3 Trust to distribute all development profits to its unitholders.

Additional Direct Property Investment

During the year, URB added another asset to the Direct Property portfolio, through a \$3.0 million investment into the Fortius Sydney Homemaker Trust, Home HQ. Home HQ is a leading homemaker centre located in Artarmon, Sydney. It is an award winning adaptive re-use of a heritage industrial building, providing an exceptionally designed modern retail space made up of 28 retail tenancies. Artarmon is one of Sydney's most prestigious and tightly-held precincts in the Lower North Shore and is forecast to generate a 5 year IRR of 19-20% and average distributions of 8.5% per annum.

Artarmon is a prime example of an inner Sydney gentrifying area characterised by low-density industrial and commercial uses, with further redevelopment potential. URB believes that the property has the potential to benefit from the proximity to CBD, Royal North Shore Hospital, North Shore Private Hospital, St Leonards Train Station, M1 and M2 Motorways, Pacific Highway and the new Metro rail network. The future development pipeline for apartments totals 3,500 under construction or planned in the immediate area and over 29,000 proposed in the total North Shore trade area surrounding the property. This significant regeneration is expected to drive customers to HomeHQ, which provides a one-stop-shop for homemaker and lifestyle retail.

An investment in the Home HQ property offers URB the opportunity to benefit from immediate and sustainable income via existing tenancies, significant population growth in the area, remixing, repositioning and further development upside.

Top 20 Investments

	Investments	% of Total Portfolio
1	PURT5 - Prestons	17.9%
2	PURT3 - Kingsgrove	12.8%
3	PURT4 - Penrith	10.2%
4	Transurban Group	6.3%
5	Sydney Airport	6.3%
6	HomeHQ - Artarmon	3.7%
7	LendLease Group	3.6%
8	360 Capital Group	2.7%
9	AGL Energy Limited	2.3%
10	Harvey Norman Holdings	2.2%

	Investments	% of Total Portfolio
11	AVJennings	2.2%
12	Stockland	2.1%
13	AP Eagers	2.0%
14	Woolworths Limited	2.0%
15	National Storage REIT	1.8%
16	Mirvac Group	1.7%
17	BWP Trust	1.5%
18	Goodman Group	1.5%
19	Regis Healthcare	1.4%
20	CIMIC Group	1.3%
Cash and cash equivalents		4.1%
Total of Top 20 including cash and cash equivalents		89.7%

Urban Renewal and Regeneration Opportunities

It has been an exciting 12 months with the Australian Equities Market again generating very strong returns. While many Australian investors continue to search for yield and income, the focus from investors during FY2018 was skewed towards companies which provided growth. However, when investors chase growth, increase risk and begin to pay high multiples for companies, markets can become volatile.

Volatility can prove to be a great opportunity for long-term investors. We believe that this volatility is likely to remain in our markets over the next year, providing opportunities for us to invest and continue to benefit from both direct property and equity opportunities that directly capitalize on the urban renewal and regeneration thematic.

We will invest in assets that have exposure to population growth, population density, major infrastructure investment, housing growth, new employment, revitalisation of town centres, re-zoning and use of land changes, education services, healthcare services and tourism growth. The theme of urban renewal and regeneration continues to present an immediate and attractive investment opportunity in Australia and we are excited about the year ahead.

The Direct Property component of the portfolio contains a carefully selected basket of assets, including the Seed Assets at Kingsgrove, Preston and Penrith, and a relatively new asset in Artarmon, Sydney, all well placed to capitalize on a variety of urban renewal and regeneration themes. In FY2019 URB expects to realise some of the potential valuation uplift within its existing Direct Property Assets.

URB is in a strong financial position with no debt, cash and a liquid Equity Portfolio.

Warwick Negus, Chairman
28 August 2018

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