

ASX Announcement

ASX AND MEDIA RELEASE – FULL-YEAR RESULT – 30 JUNE 2019

19 August 2019

URB Increases Profit and Declares Another Special Dividend

URB Performance Highlights

URB FY2019 Performance Highlights	Ordinary Operations \$'000	Abnormal Items \$'000	Statutory Numbers \$'000	Change from 2018
Income from Equity Portfolio	1,835	204	2,039	
Income from Direct Property Portfolio	175	7,533	7,708	
Interest Income	206	-	206	
Income from Operations	2,216	7,737	9,953	192%
Operating Expenses	(1,341)	-	(1,341)	
Net Fair Value Gains on Direct Property Assets	-	178	178	
Operating Result Before Income Tax	875	7,915	8,790	272%
Income Tax Expense	3	(2,313)	(2,310)	
Net Operating Result	878	5,602	6,480	200%
			Cents	
EPS Based on Operating Result			8.84	199%
Ordinary Dividends per share			2.25	
Special Dividends per share			3.50	
Total Dividends per share			5.75	283%

URB Performance Overview

URB Investments Limited (URB) announced today that the Net Operating Result for the year ended 30 June 2019 was \$6.5 million, an increase of 200% on the previous corresponding period. Earnings per Share (EPS), based on the Net Operating Result, was 8.84 cents per share (cps), a significant increase from 2.96 cps last year.

The URB Board has declared a 1.50 cps final dividend fully franked at the tax rate of 30%. Given the special investment revenue received from the Company's Direct Property investments during the year, the Directors have also declared another fully franked special dividend of 2.50 cps. This follows the fully franked interim ordinary dividend of 0.75 cps and interim special dividend of 1.00 cps, which were declared in February 2019 and paid in March 2019.

Since listing in April 2017, today's dividends take the total fully franked dividends paid to shareholders to 7.25 cps.

Total Assets of the Company grew from \$78.4m to \$87.5m at 30 June 2019. This includes an Equity Portfolio valued at \$45.3m, the Direct Property Portfolio valued at \$11.5m and Cash and Dividends Receivable of \$29.8m.

Total Shareholder Return for the year to 30 June 2019 was 20.1%, compared to the S&P/ASX 300 Accumulation Index, which returned 11.4% over the same period. URB's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2019 was 12.2%.

Over the year, \$17.0m was invested into the Equity Portfolio. The Equity Portfolio generated \$1.8m in ordinary dividends and distributions during the financial period and an additional \$0.2m in special dividends, with the Company also earning \$0.2m in interest from cash.

Today's result included income of \$7.5m from the Direct Property portfolio, representing the distribution of profits from PURT3:Kingsgrove and PURT5:Prestons following the successful development and sale of those properties. URB also recognised a net fair value gain on the Direct Property portfolio of \$0.2 million.

The value of the Direct Property Portfolio as at 30 June 2019 was \$11.5m compared to \$34.2m last year, and accounted for 13.2% of URB's total investment assets. We are delighted that we have realised value uplift from our Direct Property investments. The completion of both PURT3: Kingsgrove and PURT5: Prestons developments have generated significant distributions for URB. The sales of these assets have generated significant cash, which will allow URB to pursue new opportunities in line with the Direct Property Strategy. We are continuing to target assets where there are identifiable drivers of future revaluations, preferably coupled with sustainable income and diversification by geography and asset class.

Fully Franked Interim Dividend and Special Dividend

On the back of these strong results, the URB Board has declared a fully franked final ordinary dividend of 1.50 cps and a fully franked special dividend of 2.50 cps in respect of 2019FY. This follows the fully franked interim ordinary dividend of 0.75 cps and interim special dividend of 1.00 cps which were declared in February 2019 and paid in March 2019.

Using the 0.75 cps interim dividend and 1.50 cps final dividend and a share price of \$1.05, the current URB dividend yield is 2.1%. Including both special dividends which total 3.50 cps, the URB dividend yield increases to 5.5%.

Both the FY2019 final dividends are fully franked at 30% and will be paid on Friday 4 October 2019, with the last trading date to be eligible for the dividend being Wednesday 11 September 2019.

Key dates for the Fully Franked Final Dividend are as follows:

Event	Date
Last trading date to be eligible for the Final Dividend	Wednesday 11 September 2019
Ex-Dividend Date	Thursday 12 September 2019
Record Date	Friday 13 September 2019
DRP Nomination	Monday 16 September 2019
Dividend Payment Date	Friday 4 October 2019

Dividend Reinvestment Plan (DRP)

URB's DRP 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. The last date for the receipt of an election notice to participate in the DRP is Monday 16 September 2019. Shareholders can update their election notices electronically on the share registry website:

<https://investorcentre.linkmarketservices.com.au/Login/Login>

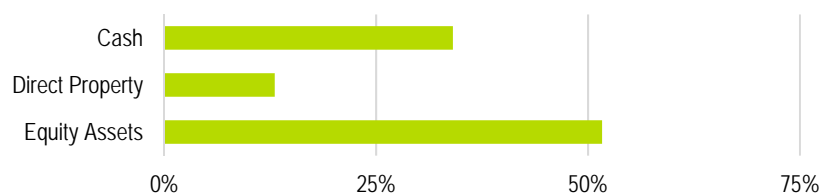
Performance

Total Shareholder Return for the year to 30 June 2019 was 20.1%, compared to the S&P/ASX 300 Accumulation Index, which returned 11.4% over the same period.

URB's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2019 was 12.2%, well above our targeted performance hurdle of a pre-tax NTA 12 month return of 8.0% after the payment of any ordinary dividends to URB shareholders.

Asset Allocation

URB's asset allocation is divided between Direct Property, Listed Equities and Cash. The Direct Property exposure is currently 13.2%, down from 44.6% as a result of the sale of the underlying assets held by PURT5: Prestons and PURT3: Kingsgrove. The Equity Portfolio represents 52.4% of URB's total investment assets, and Cash accounts for 34.4%.



URB Investments Limited Asset Allocation as at 30 June 2019

Investment Portfolio

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

Equity Portfolio

Major investments into the Equity Portfolio for the period included LendLease Group, Wesfarmers Limited, Nick Scali, Boral Limited, Regis Healthcare, Mirvac Group and Ramsay Healthcare.

Major sales for the period included AGL Energy, National Storage REIT, BWP Trust, QUBE Holdings, Bingo Industries, Abacus Property Group and AP Eagers Limited.

Contact's Urban Renewal Universe was made up of 93 stocks from the ASX All Ordinaries Index of 500 stocks as at 30 June 2019. The Urban Renewal Universe is not an official index but is rather a universe of Australian equities that we consider to have exposure to urban renewal and regeneration and that falls within URB's investment strategy. Equity Assets that we consider comprise the Urban Renewal Universe will vary from time to time; however, when weighted based on market capitalisation, it represented approximately 25.9% of the ASX All Ordinaries Index as at 30 June 2019.

Direct Property Portfolio

The value of the Direct Property Portfolio as at 30 June 2019 was \$11.5m compared to \$34.2m last year, and accounted for 13.2% of URB's total investment assets.

PU5: Prestons

Construction works continued into the 2019 financial year with practical completion achieved during December 2018, triggering the lease with Mainfreight to commence. During February 2019, the PU5 Trust settled on the sale of this asset with the Charter Hall Direct Industrial No.4 Fund for a headline sale price of \$71.6m. URB received a cash distribution of \$17.8m including \$4.6m paid out as a special distribution, representing URB's share of profits generated from the development and sale of the asset. Over 18 months, the project generated an Equity Internal Rate of Return (IRR) of 21%, net of all expenses and fees.

PU3: Kingsgrove

Settlement of Lots 1 & 1A occurred in December 2018, resulting in URB's first special dividend income from the development assets in its Direct Properties. The PU3 Trust settled the balance of Lot sales over the first half of 2019, paying interim distributions along the way, with URB receiving the last material distribution in June 2019. Overall URB received special distribution income of \$2.89m, representing a return of 29% on its investment. Over the 18 months, the project generated an Equity Internal Rate of Return (IRR) of 19%, net of all expenses and fees.

PU4: Penrith

During the year the property manager continued to implement its re-leasing strategy, seeking to improve the leasing profile of the property and the underlying quality of tenants. Occupancy is at 95%, with new tenants secured for a number of tenancies and average lease terms also increasing. In conjunction with this, the property manager continues to consider strategic options for realizing value from the property.

Council plans for the transformation of the Penrith City Centre continue to progress. During the year Penrith Councillors resolved to enter into a Project Delivery Agreement with Frasers Property Australia for the proposed development of the Union Road car park site. Mayor of Penrith, Cr John Thain, said that Union Road was identified as a key site to transform the City Centre after extensive community consultation as part of the Penrith Progression - A Plan for Action (2015). Frasers were selected as the preferred proponent as their development proposal was deemed to set a new benchmark for urban living, incorporating an innovative design to provide an extra 1,000 public parking spaces within a sophisticated sustainable development that is rarely seen outside of major regional centres. Key features of this development include 6 residential apartment buildings ranging in height from 17 to 34 storeys that will feature residential, retail and commercial space; a child care centre; public plaza; and landscaped communal spaces.

The PU4: Penrith site borders the Union Road car park site, and the property manager is therefore engaging with Penrith Council to ensure we are able to maximize opportunities arising from the proposed Union Road development and any broader urban renewal strategy implemented by Penrith Council.

Home HQ

Leasing activity and management of the site is progressing well with a valuation uplift recognised in December 2018. Occupancy is currently over 95%. Carpark upgrades have seen new License Plate Recognition (LPR) technology installed and car park management awarded to Secure Parking. Unique Car Wash commenced trading in January located on Basement 1. Planning is also well underway for the development of the new food and beverage precinct within the Reserve Road car park. As a result of these enhancements the distribution yield of the HomeHQ asset has grown from 5.9% to 6.3% and is expected to grow further upon the completion of the Reserve Road food and beverage precinct.

Top 20 Investments

	Investment	% of Total Portfolio
1	PURT4 - Penrith	9.0%
2	Transurban Group	7.7%
3	Sydney Airport	6.2%
4	LendLease Group	4.0%
5	HomeHQ - Artarmon	3.4%
6	Mirvac Group	3.4%
7	Harvey Norman Holdings	2.9%
8	Goodman Group	2.7%
9	Ramsay Healthcare	2.7%
10	Stockland Limited	2.6%

	Investment	% of Total Portfolio
11	360 Capital Group	2.4%
12	Regis Healthcare	2.1%
13	Wesfarmers Limited	1.9%
14	Nick Scali limited	1.8%
15	Cedar Woods Properties	1.5%
16	AVJennings Limited	1.4%
17	AP Eagers Limited	1.1%
18	Woolworths Limited	1.1%
19	Coles Group Limited	1.0%
20	REA Group Limited	1.0%
Cash and cash equivalents		34.4%
Total of Top 20 including cash and cash equivalents		94.3%

Urban Renewal and Regeneration Opportunities

The 2019 financial year has been an eventful one and we are delighted that we have realised value uplift from our Direct Property investments PURT3: Kingsgrove and PURT5: Prestons, generating significant distributions for URB. The sales of these assets have also generated significant cash to pursue new opportunities in line with the Direct Property Strategy. We are continuing to target Direct Property assets where there are identifiable drivers of future revaluations, preferably coupled with sustainable income and diversification by geography and asset class.

From a macro perspective, the aftermath of the Royal Commission into the Australian banking system saw the banks divesting assets, focusing on a simplified strategy. Significant measures were also taken to lift levels of compliance which saw the triggering of a broad based credit squeeze, exacerbating the inability of new homeowners and many existing borrowers with interest-only loans to negotiate appropriate terms with the banks. This quickly led to a devaluation of Australian house prices.

By the last quarter of the financial year, concerns of a domestic growth slowdown resulted in interest rate cuts by the Reserve Bank of Australia. The official cash rate has been cut after back-to-back meetings to a new record low of 1.00%. It is the first back-to-back cut since 2012, aimed at underpinning employment growth and providing greater confidence to the consumer and the homeowner. We expect that lower cash rates will see many Australian investors continue to search for yield and income, with the situation encouraging investors into both property and equity markets.

The last year provided many opportunities for URB to invest into the equity market, and during the coming year we will be focusing on identifying appropriate opportunities to invest back into Direct Property to capitalize on the urban renewal and regeneration thematic.

The Board of URB is conscious that during the financial year the shares of the Company traded at a discount to the underlying asset value (which is disclosed to the ASX each month). In delivering these results where significant profits have been made from the urban regeneration theme, we believe that there will be broader interest in the Company from the investment community. Our manager, Contact, plans to enhance its communication of the Company's activities to assist in this regard. Finally, as the Company's size increases we believe that liquidity will in turn increase, enabling more investors to become future shareholders.

We believe that opportunities for further investment into the urban renewal and regeneration theme will emerge in FY2020. URB has a strong cash balance and is in a good position to take advantage of these opportunities as and when they arise.

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