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EILDON
CAPITAL GROUP



Business Update

December 2020

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Following the successful completion of the internalisation of Eildon Funds Management Limited (EFM) which was approved by securityholders at the Extraordinary General Meeting held on Friday, 13 November 2020, the directors of Eildon Capital Group (ASX: EDC) (Group) are pleased to provide the following business update.

The Group remains fully deployed and committed across eleven qualifying investments spread throughout NSW, VIC and QLD. We are pleased to report all investments are performing as expected and are forecast to deliver strong returns consistent with original investment assumptions.



Successful Closing of EAM Elara Village Property Fund

Eildon Asset Management (EAM) (50% owned by EFM in partnership with Strategic Property Partners Investments Pty Limited) has successfully completed a \$30.1 million equity raising for the EAM Elara Village Property Fund (the "Fund"), a new unlisted, seven-year, fixed term direct property fund.

The Fund has acquired a newly constructed Coles anchored Town Centre located in Marsden Park, Sydney, and offers investors:

- An unlisted, single asset, direct property fund with a 7-year initial term
- An initial forecast distribution yield of 7.0% per annum (FY22 annualised) paid quarterly
- 96% of forecast Net Operating Income (NOI) has either been agreed or is in active negotiation
- Forecast Weighted Average Lease Expiry of approximately 11 years upon the centre opening
- Initial yield of 6.0% with end value of \$53 million



Successful Closing of EAM Berwick Motor Trust

EAM also successfully completed a \$10.05 million equity raising for the EAM Berwick Motor Trust (the "Fund"), a new unlisted, seven-year, fixed term direct property fund.

The Fund has acquired a new BMW dealership and service centre located in Berwick, Melbourne and offers investors:

- An unlisted, single asset, direct property fund with a 7-year initial term
- An initial forecast distribution yield of 7.75% per annum (FY21 annualised) paid quarterly
- Forecast Weighted Average Lease Expiry of 15 years with 100% occupation
- Initial yield 6.75% with end value of \$17 million

As part of the Group's commitment to an alignment of interest, it has co-invested \$1.5 million into the property funds. After considering this investment, on completion, Assets Under Management (AUM) increases by approximately \$70 million, whilst also welcoming circa 150 new wholesale investors to the Eildon Capital Group funds management platform as a result of the successful launch of these new funds.



Sale of Caboolture Bunnings Warehouse

EFM as trustee and manager of the CVC Caboolture Unit Trust, has exchanged conditional contracts to sell a purpose-built Bunnings Warehouse in Caboolture, QLD. The sale has been structured as a fund-through arrangement reflecting a sale price and capitalisation rate of \$28.1 million and 4.75% respectively.

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EFM purchased the Big Fish Retail and Commercial Centre in Caboolture in 2015 as a predominately vacant 15 hectare site with an existing tavern. Since acquisition, EFM has been transforming the site into a combined retail and commercial precinct, which commenced with the development of a Caltex Travel Centre, as well as the negotiation of an Agreement for Lease for the development of the 14,042 sqm Bunnings Warehouse.

This represents the next stage of the continued development of precinct which is expected to be completed over the next two years, with EFM currently in negotiations to document Agreement for Leases with a major Australian supermarket operator, a national chain pharmacy as well as bulky good retailers which will anchor the balance of the six hectare site.



Credit Funds and Investments

EFM continues to experience strong demand for lending solutions from borrowers. Although the Group's capital is currently fully deployed or committed and has not been in a position to take advantage of the lending opportunities, since the internalisation of EFM in November, \$15.9 million of new loans have been negotiated to be funded by mandates of EFM.

EFM continues to review lending opportunities, with in excess of \$100 million of loan opportunities currently under due diligence. Loan facilities will be funded by a blend of on balance sheet investment as well as third party capital provided by investors in the Eildon Debt Fund. This is expected to generate a combination of improved interest returns for the Group supplemented with interest margins and fees derived from the Eildon Debt Fund portfolio. We anticipate continued strong growth in this part of the business.



Outlook

Eildon Capital Group is a unique ASX offering, providing a combination of income yield through its balance sheet investments plus generating fees from its exposure to a scalable Funds Management platform.

As a result of the internalisation of EFM, the Group has the flexibility and capacity to take advantage of attractive opportunities when they emerge. This can be achieved by undertaking a combination of either direct investment utilising the Group's balance sheet or third-party investor capital via the Funds Management platform.

The Group is cautious but optimistic about the investment environment leading into 2021. Investments will continue to be based on sound fundamentals and return targets will aim to reflect the underlying risk of each deal.

EDC continues to target distributions to investors in the range of 7.0%-8.0% of net assets while also growing the assets of the business.

As a result of the change in the business arising from the internalisation of EFM, the Board has resolved that the Group will no longer be reporting a monthly Net Tangible Asset (NTA) per security. Instead, NTA will be reported semi-annually in the half year and full year accounts, provided to the ASX.

This update has been authorised by the Board for release. For further information, please contact:

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