



Victory Offices

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ASX Release

30 April 2021

Victory Offices Limited Quarterly Cashflow Report & Business Update - Period ending 31 March 2021.

Victory Offices Limited (ASX.VOL) (the Company) today released its quarterly cash flow report and business update for the period ending 31 December 2021 (the quarter).

The Company has continued to be impacted by government lockdown restrictions in response to the COVID pandemic, early in the quarter, however green shoots of recovery are becoming increasingly evident in the month post quarter end:

- Victory Offices occupancy rates have now recovered to over 50% across all sites in April, with NSW sites averaging 70% occupancy and both QLD and WA sites averaging over 60% occupancy.
- The Company is seeing increased business enquiries month on month with growth in April of over 39%.
- Published data by the Property Council of Australia shows a slow but gradual return across Central Business Districts (CBDs) in all states based on its March occupancy surveyⁱ
- Recent research published by Ernst and Young (EYⁱⁱ) with the Property Council of Australia has reflected that 'hybrid' working models appear here to stay with activity shifting from CBDs to suburbs. This re-affirms Victory Offices is well positioned to capitalise on the 'new world of work' and beyond.

In the quarter, net cash from operating activities was \$156k with \$4.2 million recorded in receipts from customers. Operating cash outflows include staffing, administration and corporate costs. It also includes notional interest paid component of lease payments pursuant to AASB 16. Net cash used in financial activities of \$2.7 million on repayment of borrowings (lease repayments) was also recorded for the quarter.

Payments to related parties and their associates during the quarter, as outlined in Section 6 of the accompanying Appendix 4C to this quarterly activity report, were \$37k. These payments are related to the settlement of directors' fees outstanding for the current period.

The Company's cash balance at 31 March 2020 was \$1.2 million, from \$4.4 million at 31 December 2020.

The Company previously announced with H1 FY2021 results that a \$15 million lending facility had been provided by the co-founders to enable the company to successfully navigate FY2021 and beyond. This will stimulate an anticipated return to profitability in FY2022. This facility has not been drawn down upon at this time.



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The Board of Victory Offices today announced ⁱⁱⁱ that in place of the lending facility previously put in place, the founder has agreed to subscribe to \$15 million in cash for new ordinary shares, subject to approval from the Company's non-associated shareholders. The Company believes this represents the optimal form of capital raising available to the Company to maximise balance sheet strength and cash liquidity, as the Company continues to manage the impact of COVID-19 enforced restrictions and the challenging and unpredictable operating environment faced by the economy in general.

Victory Offices continues to maintain its focus on streamlining operating costs. This follows reductions in employee costs, marketing spends and expenses with a focus on reducing consumables and utilities previously outlined in H1 FY 2021.

Negotiations to surrender five leases have progressed in the quarter and expected to be finalised by the end of the current financial year. Capital expenditure continues to be deferred on five of the ten new locations that had been planned to open in H2 FY2020. With over 85% of portfolio locations and two thirds of rent roll negotiated favourably in the first half of FY2021, remaining discussions (two landlords and three locations) have progressed during the quarter.

Manisha Angirish, co-CEO of Victory Offices said "I am pleased to provide this update to shareholders and share the initial signs of recovery that we see within our business. We continue to believe the flexible workspace industry is a leading indicator of COVID-19 economic recovery and that flexible workspaces are strategically important to the way the world does business in the future."

Dan Baxter, CEO and Managing Director of Victory Offices also added, "We are focussed on enabling the business to navigate the challenging impacts of COVID-19 enforced restrictions as we work towards the anticipated gradual recovery. I have been pleased to work with the Board in seeking to support the business with additional capital, subject to non-associate shareholder approval. The Board and I believe this will strengthen the business balance sheet and cash liquidity as the Company moves forward to an anticipated return to profitability in FY2022."

This release was authorised by the Board of Directors.

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About Victory Offices Limited

Victory Offices Limited are the industry leaders in providing premium office spaces across Australia, specialising in providing a vast range of flexible workspace solutions to all business sizes. Continually



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recognised for service excellence and innovation, Victory Offices Limited strategically expand their portfolio of locations in premium Grade A buildings across Melbourne, Sydney, Brisbane, Perth and Canberra.

Victory Offices Limited are a customer centric business that is built and developed around the Members of the Victory Community and seek to 'incubate' each and every Member throughout their journey by truly exceeding the benchmark and their expectations of partnering with a leading flexible workspace solution.

ⁱ Property Council of Australia - Return to Office: a healthy beginning to economic recovery, 30 March 2021. <https://research.propertycouncil.com.au/blog/return-to-office-a-healthy-beginning-to-economic-recovery>

ⁱⁱ EY Report - Reimagining our economic powerhouses, 31 March 2021 https://www.ey.com/en_au/real-estate-hospitality-construction/how-do-we-turn-cbds-into-central-experience-districts

ⁱⁱⁱ ASX Announcement – add date and title + link to equity subscription and debt to equity conversion

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Victory Offices Limited

ABN

76 616 150 022

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,183	10,934
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(10)	(59)
(d) leased assets	(109)	(3,329)
(e) staff costs	(1,489)	(4,253)
(f) administration and corporate costs	(1,022)	(3,150)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	18
1.5 Interest and other costs of finance paid	(1,874)	(6,364)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	471	1,737
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	156	(4,466)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(190)	(1,876)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(6)	(1,418)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(196)	(3,294)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	15,338
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(672)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(2,760)	(5,954)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(2,760)	8,712

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,423	671
4.2	Net cash from / (used in) operating activities (item 1.9 above)	156	(4,466)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(196)	(3,294)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,760)	8,712
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,623	1,623

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,623	4,423
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,623	4,423

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	37
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	156
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,623
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,623
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.