



Best Ideas Conference 2024



Cromwell Property Group

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January 18, 2024



MOERUS
CAPITAL MANAGEMENT

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Investment Philosophy

▶ A Long-term Focus

- In our experience, few investors actually focus on the long term.
- Balance Sheet is typically weighed more heavily than the Income Statement.
- A good business with a strong Balance Sheet will usually ride out short term market and industry dislocations.
- Embrace market risk as a source of opportunity.

▶ An Owner's Mentality

- Each investment is a partial ownership stake in a firm.
- Seek to own stakes in a collection of attractive businesses.
- The lower the risk of permanent capital impairment, generally, the safer the investment.
- Prefer situations without significant business or financial risk.

▶ A Deep Discount is Paramount

- Aim to buy at a significant discount to our conservative estimate of Net Asset Value.
- We believe the greater the discount, the greater the mitigation of risk.

No investment philosophy can guarantee return or eliminate the risk in any market environment. The investment philosophy described above represents the anticipated investment philosophy; however, the philosophy may evolve and will be applied by Moerus as individual investment opportunities materialize in a manner that Moerus believes is consistent with the Strategy's overall investment objectives.

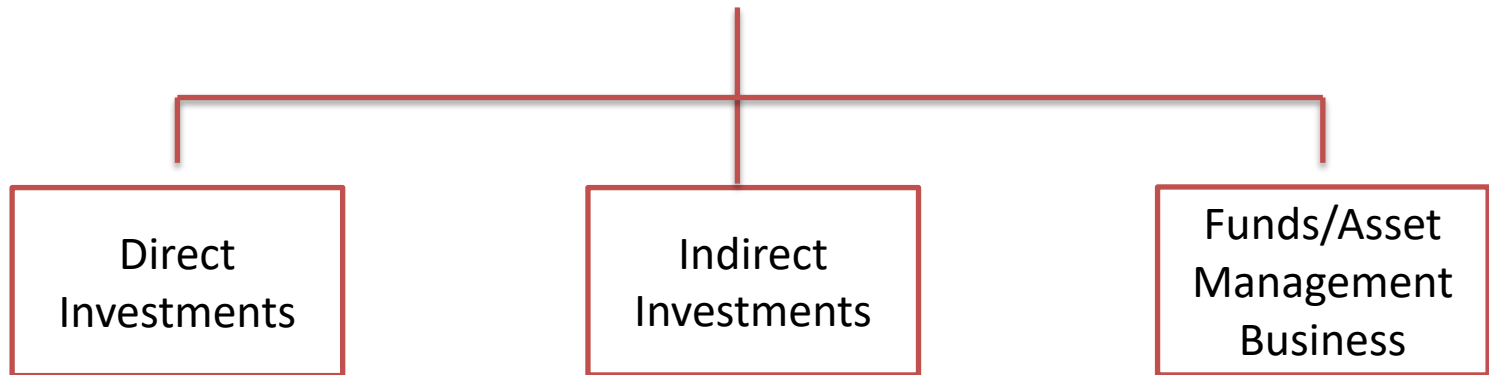
What is a Holding Company “HoldCo”?

- ▶ HoldCo refers to an ownership structure of one or more businesses, which could include disparate and usually separate entities
- ▶ Partial or complete ownership of multiple entities (assets or businesses) that are either public (listed), private (unlisted) or both
- ▶ Berkshire Hathaway is perhaps the most well-known example of a HoldCo, but many others exist operating in relative obscurity
- ▶ The disparate and separable components create opportunity to build and crystallize value
- ▶ HoldCo structures fit well with an investment approach focused on asset-based analysis (Moerus Capital)

Checklist for Investing in Holding Companies

- ▶ Are the underlying companies attractive investments in their own right?
- ▶ Does a HoldCo trade at an attractive discount if you valued the constituent holdings conservatively?
- ▶ Are HoldCo operating expenses modest?
- ▶ Financial strength:
 - Are holdings financially / operationally strong enough to cope with adversity?
 - Is the holding company strongly capitalized?
- ▶ Quality of the dominant shareholder's stewardship of the assets?
 - Skin in the game, compensation, quality of decision making, treatment of minority shareholders

Cromwell (CMW)

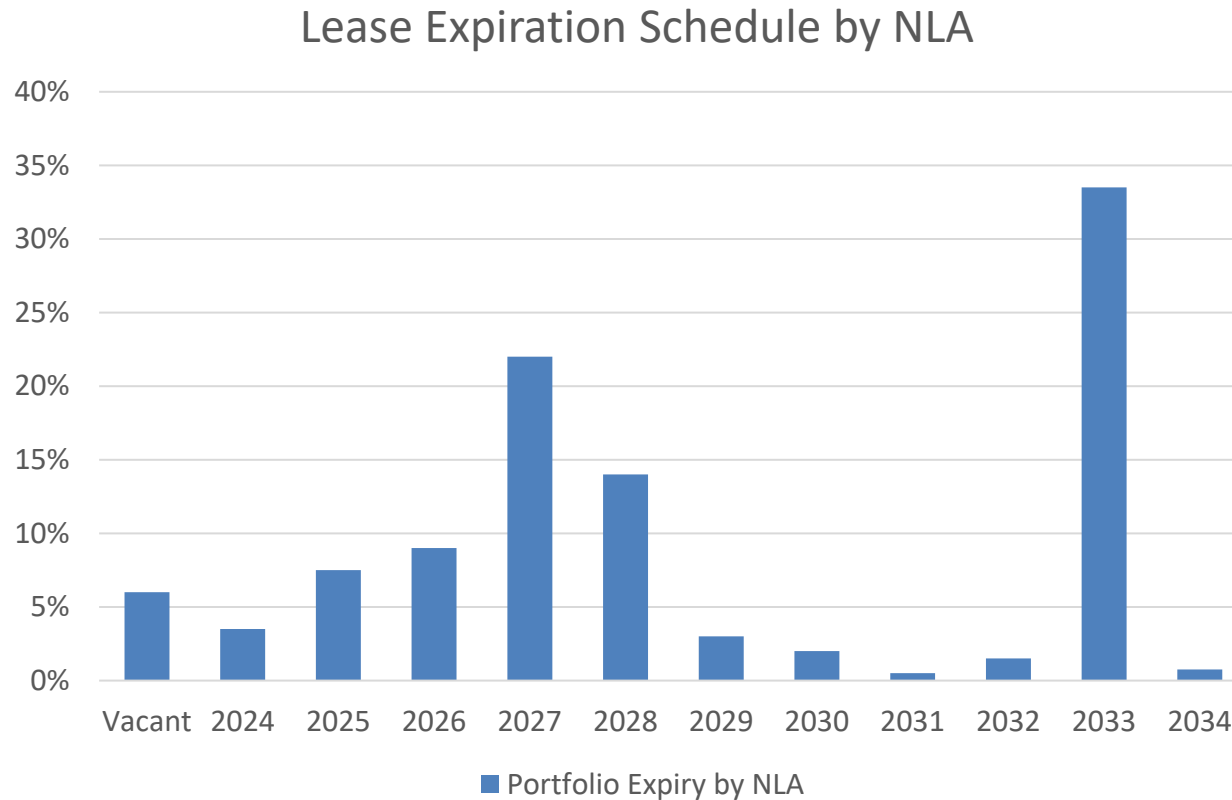


Direct Investments

Property	Ownership	Portfolio	Asset Class	State	Independent Valuation \$M	Cap Rate	Carrying Amount \$M
400 George Street	100%	Core	Office	QLD	480	6.5%	480
HQ North	100%	Core	Office	QLD	217.5	7.7%	217.5
203 Coward Street	100%	Core	Office	NSW	520	6.4%	520
2-24 Rawson Place	100%	Core	Office	NSW	292	4.9%	292
207 Kent Street	100%	Core+	Office	NSW	289	6.2%	289
475 Victoria Avenue	50%	Core+	Office	NSW	134	4.3%	134
243 Northbourne Ave	100%	Core+	Office	ACT	33.8	7.1%	33.8
Soward Way	100%	Core	Office	ACT	300.2	5.8%	300.2
Tuggeranong Office Park	100%	Active	Land	ACT	7.5	*	17.5
700 Collins Street	100%	Core	Office	VIC	300.1	5.9%	300.1
Total					2,574		2,584

Source: Company Documents, Moerus Proprietary Estimates

Direct Investments



Source: Company Documents, Moerus Proprietary Estimates

Indirect Investments

Name of Fund	% Owned	Attributable Value \$M*
Cromwell European REIT (CERT SP)	28.0%	362
Cromwell Polish Retail Fund	100.0%	508.1
Cromwell Italian Urban Logistics Fund	50.0%	45.8
Cromwell Direct Property Fund	4.1%	16.5

*AUD

Source: Company Documents, Moerus Proprietary Estimates

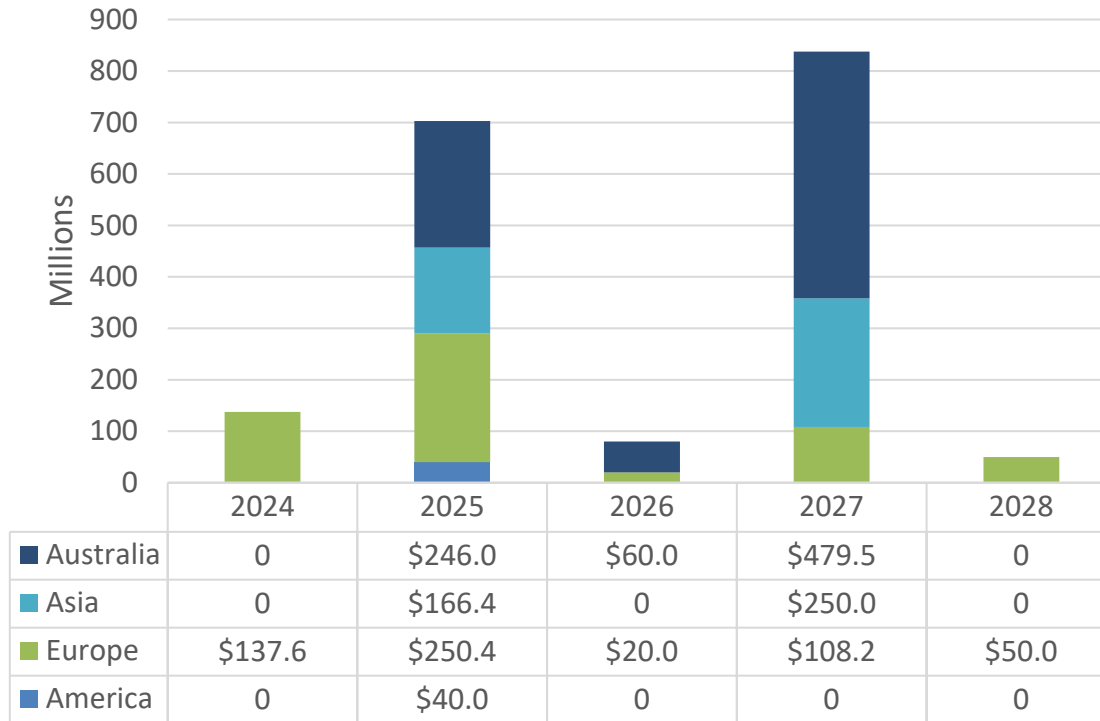
Funds/Asset Management

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total AUM (AUD Billions)	11.5	12.0	11.9	11.5	11.9	11.5	10.1	10.3	11.9
External AUM (AUD Billions)	8.0	7.8	7.6	8.2	9.0	8.1	6.8	7.3	7.4
Revenues (AUD Millions)	119.2	125.7	131.9	169.5	107.6	108.9	99.5	96.0	22.9
Segment Expense (AUD Millions)	-77.9	-76.0	-90.2	-95.0	-73.2	-70.6	-71.7	-62.0	-18.3
Segment EBIT (AUD Millions)	41.3	49.7	41.7	74.5	34.4	38.3	27.8	34.0	4.6

Source: Company Documents, Moerus Proprietary Estimates

Debt

Summary Debt Maturity Schedule



Source: Company Documents, Moerus Proprietary Estimates

Debt

Debt Covenant Summary

Facility	Covenant	Actual	Limit
Senior Secured Facility	LVR ¹	48.20%	60.00%
	WALE	5.3 years	3.0 years
	ICR ²	3.0x	2.0x
€175 million Unsecured Facility	Look-through gearing ³	47.60%	60.00%
	ICR ⁴	3.0x	2.0x
CPRF Janki	LTV	33.00%	40.00%
	ICR	231.00%	150.00%
CPRF Residual	LTV	40.00%	60.00%
	DSCR	285.00%	220.00%

¹ Percentage of the Group's Financial Indebtedness to aggregate value (external valuations) of Secured Property.

² Ratio of the aggregate NOI of Secured Property to Interest Expense.

³ Ratio of the Group's Financial Indebtedness to aggregate Total Tangible Assets (both metrics to include amounts attributable to interest in any equity accounted investment).

⁴ Ratio of the Group's EBITDA to Interest Expense.

Source: Company Documents, Moerus Proprietary Estimates

Net Asset Value (NAV)

Cromwell Properties - Net Asset Value

Data as of 06/30/2023 (FY 2023)

	Value (AUD)	Ownership	Attributable Value	%	Notes
Direct Properties, FV	2,584.1	100.0%	2,584.1	62%	Fair Value - (5.7%) Weighted Avg. Cap Rate
Indirect Investments	2,294.8		932.3		
<i>Cromwell European REIT (CERT SP)</i>	1,292.8	28.0%	362.0	9%	Market Cap (Current) - Carried at A\$589.7 mm on BS
<i>Cromwell Polish Retail Fund</i>	508.1	100.0%	508.1	12%	Marked down price of indicative bid
<i>Cromwell Italian Urban Logistics Fund</i>	91.5	50.0%	45.8	1%	Value Based on Sale of 50% Interest to Value Partners
<i>Cromwell Direct Property Fund</i>	402.4	4.1%	16.5	0%	FY23 Equity Value
Asset Management Business	413.0	100.0%	413.0	10%	10x TTM FY 23 EBIT
Other Assets			148.3	4%	
Cash			113.9	3%	
Total Assets			4,191.6		
ST Debt			142.8		
LT Debt			1,681.3		
Other Debt			24.5		
Total Debt			1,848.6		
Dividend Payable			0.0		<i>Paid on 9/28/23</i>
Total Liabilities			1,848.6		
Net Asset Value			2,343.1		
NAV Per Unit			0.89		
Current Price			0.400		
Discount / (Premium)			53.0%		
Reported NTA Per Unit			0.84		
Discount / (Premium) to NTA			52.0%		
Other Assets	\$M				
Ursynow (HFS) Net Proceeds			51.5		<i>Expected February 2024</i>
Loan to Ursynow			30.5		
Other Joint Ventures			21		
Investment Property HFS			45.32-6		<i>Station Street</i>
Total Other Assets			148.3		

Source: Moerus Proprietary Estimates

Summary NAV (by Segment)

Cromwell Properties - Net Asset Value

Data as of 06/30/2023 (FY 2023)

	Value (AUD)	Ownership	Attributable Value
Direct Properties, FV	2,584.1	100.0%	2,584.1
Indirect Investments	2,294.8		932.3
Asset Management Business	413.0	100.0%	413.0
Other Assets			148.3
Cash			113.9
Total Assets			4,191.6
ST Debt			142.8
LT Debt			1,681.3
Other Debt			24.5
Total Debt			1,848.6
Dividend Payable			0.0
Total Liabilities			1,848.6
Net Asset Value			2,343.1
NAV Per Unit			0.89
Current Price			0.40
Discount / (Premium)			53%
Reported NTA Per Unit			0.84
Discount / (Premium) to NTA			52%

Source: Moerus Proprietary Estimates

Conclusion

- ▶ In our opinion, the Cromwell shares are deeply undervalued trading at AUD 0.40 per share relative to a Net Asset Value/share of AUD 0.89 per share based upon cyclically depressed valuations or a stated Net Tangible Assets per share of AUD 0.84.
- ▶ Reducing the discount could entail crystallizing the underlying values via sale or listing of the indirect holdings on the market or a sale to a trade buyer and/or a listing of the directly-owned real estate via a REIT, for example or an alternative vehicle
- ▶ The above steps will not only surface the value latent in the holdings, direct & indirect but also improve the balance sheet quality, streamline the range of business activities and free up resources for expanding the real estate asset base for management by the now (hopefully) stand-alone real estate asset management company, which on its own would attract a valuation considerably different from the physical assets it manages.