

## WOTSO Update

### Proposed Acquisition and Restructure

Given the impact of COVID-19 on the economy, we have reassessed our plan to undertake an IPO of WOTSO and believe now is not the time to raise capital. Instead, BlackWall Property Trust (ASX:BWR), WOTSO's largest landlord, is proposing to acquire the WOTSO business and form a stapled security structure. The acquisition will be subject to both shareholder and court approval.

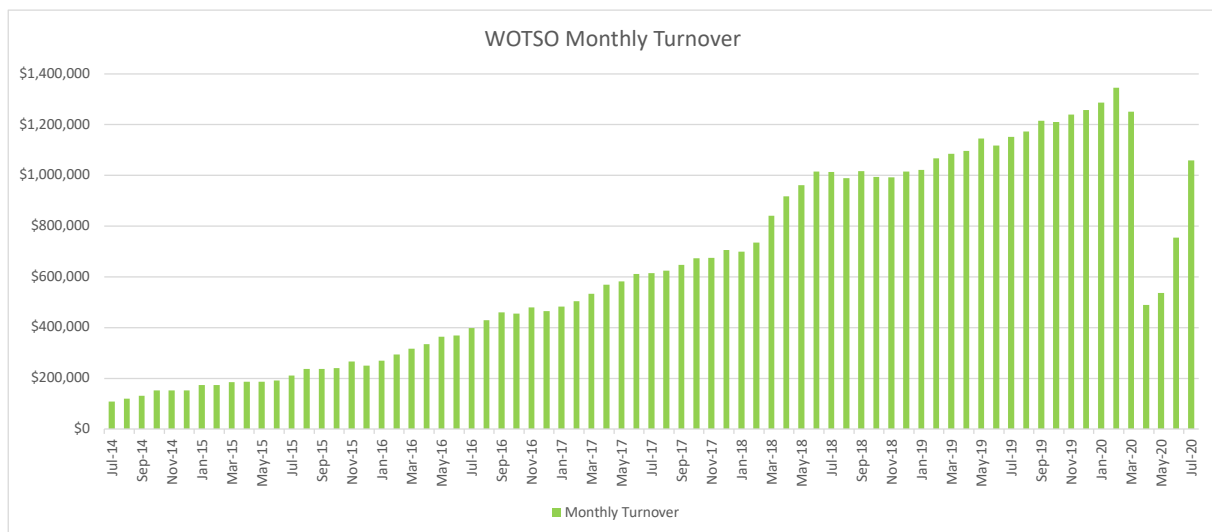
We believe that this proposal will secure WOTSO's growth trajectory, provide liquidity for shareholders and increase operational efficiency. This transaction does not preclude WOTSO undertaking a standalone IPO in the future.

We have attached an ASX announcement from the BlackWall Group that provides some further information on the proposed acquisition and restructure. We will continue to keep you updated as the transaction progresses.

### Performance Update

In April we provided an update on our response to COVID-19 and the effect it initially had on our business. You may recall that we were one of the first flexispaces to respond, allowing our members to suspend their membership without penalty and many took up this offer. The feedback to this response was good and approximately 60% of our members used our suspension policy. On 1 July this policy came to an end and we have now seen the majority of our members return to our spaces. The numbers have played out as follows:

Occupied Desks in February 2020	3,600 desks
COVID Suspensions and Cancellations	(2,400) desks
Reactivated desks at 1 July	1,450 desks
New desks signed during period	500 desks
<b>Current occupied desks</b>	<b>3,150 desks</b>



We do not have any sites in Victoria and unless the COVID situation in other states deteriorates again we expect to be close to where we were pre-COVID by the end of 2020.

The most pleasing aspect of our recovery is the number of new desks that have been sold over the COVID period. We think this is a sign of things to come as suburban office areas benefit from a shift in work practices. We do not subscribe to the view that the CBD office is dead, however a move towards flexible working in various forms is without doubt occurring. The idea of a 'hub and spoke' solution to office requirements, that we have advocated in the past, is now gaining traction. This is especially evident throughout our Sydney network and has resulted in a lift in enquiry for multi-location memberships from larger businesses. We believe WOTSO's locations are well-positioned to take advantage of the rising popularity of remote working and provide a happy medium between employee wants and employer needs.

### **WOTSO Valuation**

We will be releasing the first standalone WOTSO financial statements at the end of August. We are receiving some enquiries from shareholders with regard to the valuation of their shares in WOTSO at 30 June 2020. Now that the company is unlisted there is no market to point to for WOTSO's valuation. The market volatility and the effect of COVID has made any valuation even more subjective. The full financial statements will present a more comprehensive means to value the business and in the meantime we can only present to you the facts of what has occurred; being:

- WOTSO demerged from BlackWall on 8 January 2020 and the ATO apportioned the value of the BlackWall and WOTSO shares on an 80% / 20% split based on the trading price of BWF shares pre and post demerger. This equated to a value of 18.06cps for WOTSO;
- A capital raising by way of two private placements was completed in late January 2020 that raised \$3.5 million at a price of 47.5cps; and
- WOTSO Turnover (receipts from customers including JVs and franchises) has been:

	<b>Jun 2018</b>	<b>Jun 2019</b>	<b>Jun 2020 (unaudited)</b>	<b>Portfolio at Maturity (forecast)</b>
<b>WOTSO Turnover</b>	\$7.8m	\$10.9m	\$12.8m	~\$30m

***For further information please contact:***

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# **Attachment 1**

**BlackWall ASX Announcement:**

**Proposed Acquisition and Restructure to Become Stapled Security**

## ASX Release

24 July 2020

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# Proposed Acquisition and Restructure to Become Stapled Security

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In light of recent changes in the economy, the BlackWall directors have resolved to proceed with a transaction where BlackWall Property Trust (ASX:BWR) acquires the WOTSO WorkSpace business and certain real estate assets currently held by Pelorus Private Equity Limited. It is intended for BWR to be restructured to form a stapled security structure where BWR units are stapled to shares in WOTSO and the Pelorus real estate assets.

Further details of the transaction will be forthcoming however it is expected the acquisition will secure WOTSO's growth trajectory without the need to raise additional capital in an uncertain market. In addition, the transaction would provide liquidity to WOTSO shareholders and provide operational efficiencies with WOTSO's largest landlord. Equally, BWR is likely to benefit from gaining an immediate tenant for potential acquisitions of vacant property, participating in the higher rents achievable through flexible space leasing and giving BWR tenants the option of a flexible space or traditional lease offering.

We do not expect the transaction to diminish BWR's standing as a property investment trust as WOTSO is expected to represent less than 10% of the expanded group's assets. On completion the group is expected to have gross assets approaching \$400m.

This proposal replaces the previous strategy to undertake a standalone IPO of the WOTSO business, but it does not preclude this happening in the future. In addition, it is anticipated that the acquisition will be an effective mechanism of transitioning interests in two properties from Pelorus (the original parent company of BlackWall) to the BWR portfolio. These assets are located at 850 Woodville Road, Villawood, NSW, where BWR already has an ownership interest, and 120 Mulgoa Road, Penrith, NSW.

The transaction will be subject to independent expert reports and various securityholder approvals. The acquisition of the WOTSO business will be undertaken as a scheme of arrangement, which requires both shareholder and court approval, and will likely be finalised in early 2021.

More information will be provided as it becomes available.

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**For further information please contact:**

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