

# Eurocastle Releases Fourth Quarter and Year End 2018 Financial Results, Announces Fourth Quarter Dividend of €0.15 per share and Renewal of Share Buyback Programme

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### Renewal of Share Buyback Programme

Guernsey, 7 March 2019 – Eurocastle Investment Limited (Euronext Amsterdam: ECT) [today](#) has released its annual report for the year ended 31 December 2018. In addition, the current programme to buy back shares listed on Euronext which ended on 6 March 2019 will be renewed for a further period commencing on 7 March 2019 (the “Share Buyback Programme”).

- **Net Asset Value (“NAV”) of €393.0 million<sup>1</sup>, or €8.70 per share<sup>2</sup> reflecting:**

	FY 2018 € per share	Q4 2018 € per share
Accretion from share tenders & buybacks	0.24	0.10
Share price decrease in doBank	(1.56)	(0.11)
Distributions paid to shareholders	(0.90)	(0.15)
Increase in remaining portfolios net of all corporate expenses	0.36	0.06

- **Normalised FFO<sup>3</sup>** of €32.0 million, or €0.63 per share, for the full year, of which €10.2 million, or €0.22 per share<sup>2</sup>, relates to the fourth quarter of 2018.
- **Fourth Quarter 2018 Dividend** of €0.15 per share declared on 6 March 2018 and to be paid on 28 March 2019 to shareholders of record at close of business on 14 March 2019, with an ex-dividend date of 13 March 2019.

	FY 2018		FY 2017		Q4 2018		Q3 2018	
	€	per	€	per	€	per	€	per
	million	share <sup>2</sup>	million	share <sup>2</sup>	million	share <sup>2</sup>	million	share <sup>2</sup>
NAV <sup>1</sup>	393.0	8.70	556.5	10.56	393.0	8.70	418.7	8.80

Normalised FFO <sup>3</sup>	32.0	0.63	111.1	1.86	10.2	0.22	7.2	0.15
Distributions	38.4 <sup>4</sup>	0.78	116.3	2.10	6.8 <sup>4</sup>	0.15	7.1	0.15

## FULL YEAR 2018 BUSINESS HIGHLIGHTS

### doBank Business Update

A transformational year for doBank in light of the commitment to acquire Altamira and consolidation of its leadership in the Italian market through new large portfolio mandates.

- In June 2018, doBank's board of directors approved a project to reorganise doBank, optimising the financial structure to support the group's growth.
- In December 2018, doBank committed to acquire up to 100% of Altamira, a leading Southern European debt recovery and real estate platform with approximately €55 billion AuM. The transaction will be funded predominantly through third party bank debt and, once completed, is expected to be immediately accretive to doBank's earnings with the proforma combined 2018 EBITDA more than double doBank standalone.
- During the year the company won €15 billion GBV of new mandates, including its first international landmark contract in Greece with a GBV of €1.8 billion.

### doBank Financial Performance

- Strong operational results for the year ended 31 December 2018, with EBITDA<sup>5</sup> of €84.0 million and Net Income<sup>6</sup> of €52.6 million substantially up (by 20% and 17% respectively) versus FY 2017.
- Key drivers were the progressive on-boarding of €13.2 billion GBV of the €15 billion GBV mandates won, helping take gross collections to €2.0 billion, up by 7% versus FY 2017 together with an increase in the EBITDA margin from 33% to 36% whilst maintaining a strong cash conversion rate of 93% of EBITDA.
- In February 2019, doBank's board proposed a dividend of €36.8 million (70% of net profit excluding non-recurring items). The dividend, which is subject to shareholder approval, is expected to be paid in April 2019 with Eurocastle's share being approximately €9 million.

### Investment Activity

During the year, the Company invested €46.0 million (€28.8 million after leverage) primarily through three transactions:

- €8.4 million in a follow-on investment in the mezzanine and junior notes of two securitizations which collectively own the FINO NPL portfolio.
- €7.7 million to acquire a shared interest, alongside other Fortress affiliates, in a portfolio of Italian distressed loans to a single borrower with a GBV of ~€81 million. The loans are secured by 1st lien ship mortgages.
- €29.5 million to acquire a shared interest, alongside other Fortress affiliates, in a NPL portfolio predominantly secured by real estate to SME borrowers with a GBV of €675 million. Shortly after closing, Eurocastle received €17.2 million after the portfolio was financed, resulting in a net investment of €12.2 million.

## **Material Realisations and Strong Portfolio Performance**

During the year, the Company realised €111 million from its investments.

- Eurocastle received ~€49 million of net proceeds through the sale of senior notes of the FINO 1 securitization along with a further €62 million across all investments.
- NPL performance continues to be ahead of expectation with unlevered pace of collections reaching 117% and profitability on fully resolved loans 169% versus underwriting.

## **Capital**

## **Activity**

During the year, the Company capitalised on a widening discount between the share price and NAV to repurchase shares amounting to 14% of the Company for a total of €56.6 million, at an average discount of 14% to the Q4 2018 NAV, through two tender offers and the Company's first ever open market buyback programme.

- Eurocastle completed a share tender in August 2018, repurchasing €40 million at an 8% discount to Q4 2018 NAV and an 11% premium to the share price at the time of announcement.
- In December 2018, the Company repurchased a further €15 million at a 25% discount to the Q4 2018 NAV and an 8% premium to the share price at the time of announcement.
- In August 2018, the Company commenced its first open market buyback programme repurchasing €1.6 million worth of shares in the year (of which €0.9 million relates to Q4 2018) at an average price of €6.59 representing a 24% discount to the Q4 2018 NAV.

## **BUSINESS HIGHLIGHTS SUBSEQUENT TO 31 DECEMBER 2018**

### **Share Buyback Programme**

- Between 1 January and 6 March 2019, the Company bought back a further €0.5 million worth of shares, under its share buyback programme, at an average price representing a discount of 23% to the Q4 2018 NAV. That programme ended on 6 March 2019, and a new programme has been commenced today for a further period ending no later than 8 May 2019. Under the new share buyback programme, the Company is seeking to buy back shares with an aggregate market value of up to €4.0 million versus €2.0 million in the previous programme.

### **FINO Deferred Purchase Price**

- On 27 February 2019, the Company funded €46.6 million of the €64.7 million deferred purchase price related to the FINO portfolio. The remaining €18.1 million commitment is expected to be payable in H2 2020.

For further information of the Company as at 31 December 2018, please refer to the Company's most recent Investor Fact Sheet and Financial Report which can be found under the investor relations section on the Company's website ([www.eurocastleinv.com](http://www.eurocastleinv.com)).

## **NORMALISED FFO**

Normalised FFO (“NFFO”) is a non-IFRS financial measure that, with respect to all of the Company’s Italian Investments other than doBank, recognises i) income on an expected yield basis updated periodically, allowing Eurocastle to report the run rate earnings from these investments in line with their expected annualised returns and ii) any additional gains or losses not previously recognised through NFFO at the point investments are realised. Cash flow receipts are therefore allocated by the Company between income and capital in accordance with this expected yield methodology. With respect to doBank, following the IPO, the Company recognises NFFO based on its share of doBank’s reported annual net income excluding non-recurring items after tax together with any gains or losses arising from the sale of its shares. The income cash flow profile of each of the Company’s investments may not exactly equal the NFFO recognised by the Company each period but will do so over the life of each investment.

<b>Normalised FFO for the Year Ended 31 December 2018</b>	<b>Average Net Invested Capital<sup>6</sup></b>	<b>Annualised</b>	<b>FY 2018</b>
	<i>€ Thousands</i>	<b>Yield</b>	<i>€ Thousands</i>
doBank	81,151	17%	13,693
Italian NPLs & Other Loans	92,934	31%	28,535
Real Estate Fund Investments	31,500	3%	899
<b>Italian Investments NFFO before expenses</b>	<b>205,585</b>	<b>21%</b>	<b>43,127</b>
Legacy portfolios			4,045
Manager base & incentive fees			(10,670)
Other operating expenses			(4,475)
<b>Normalised FFO</b>			<b>32,027</b>
<i>€ per share</i>			0.63

<b>Normalised FFO for the Fourth Quarter 2018</b>	<b>Average Net Invested Capital<sup>1</sup></b>	<b>Annualised</b>	<b>Q4 2018</b>
	<i>€ Thousands</i>	<b>Yield</b>	<i>€ Thousands</i>
doBank	81,151	18%	3,571
Italian NPLs & Other Loans	91,800	35%	7,921
Real Estate Fund Investments	31,028	0%	21
<b>Italian Investments NFFO before expenses</b>	<b>203,979</b>	<b>23%</b>	<b>11,513</b>
Legacy portfolios			2,653
Manager base & incentive fees			(2,678)
Other operating expenses			(1,275)
<b>Normalised FFO</b>			<b>10,213</b>
<i>€ per share</i>			0.22

**Income  
Statement  
for the Full  
Year and  
Fourth  
Quarter**

<b>2018</b>	<b>FY 2018</b>	<b>Q4 2018</b>
	€	€
	<i>Thousands</i>	<i>Thousands</i>

**Portfolio**

**Returns**

doBank	(78,889)	(5,279)
Italian NPLs & Other Loans	30,162	4,418
Real Estate Funds	(864)	(428)

<b>Fair value movement on Italian investments</b>	<b>(49,591)</b>	<b>(1,289)</b>
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<b>Fair value movements on residual Legacy entities</b>	<b>4,045</b>	<b>2,653</b>
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<b>Other income – Gains on foreign currency translation</b>	<b>2</b>	<b>1</b>
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<b>Total (loss) / gain</b>	<b>(45,544)</b>	<b>1,365</b>
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**Operating  
Expenses**

<b>Interest expense</b>	<b>461</b>	<b>88</b>
Manager base and incentive fees	10,670	2,678

Remaining operating expenses	4,016	1,191
<b>Other Operating expenses</b>	<b>14,686</b>	<b>3,869</b>
<b>Total expenses</b>	<b>15,147</b>	<b>3,957</b>
<b>Net loss for the period</b>	<b>(60,691)</b>	<b>(2,592)</b>
<b>€ per share</b>	<b>(1.20)</b>	<b>(0.05)</b>

For the year ended 31 December 2018, the total net loss reported was €60.7 million, or €1.20 per share. Excluding the €78.9 million unrealised loss that arose from the doBank investment, which is marked-to-market based on doBank's closing share price, Eurocastle recognised a €18.2 million profit, or €0.35 per share. For the fourth quarter of 2018, excluding the loss from the doBank investment, the Company recorded a profit of €2.7 million, or €0.05 per share.

#### **Balance Sheet and NAV Reconciliation as at 31 December 2018**

##### **Assets**

Cash and cash equivalents  
Other assets  
Investments:  
doBank  
Italian NPLs & Other Loans  
Real Estate Funds  
Other net assets of subsidiaries (residual legacy entities)

##### **Total assets**

##### **Liabilities**

Trade and other payables  
Manager base and incentive fees

##### **Total liabilities**

##### **Net Asset Value**

FINO deferred purchase price commitment  
RE Fund Investment V remaining unfunded estimated investment

##### **NAV (segments adjusted for outstanding commitments)<sup>7</sup>**

NAV (€ per share)<sup>8</sup>

## BUYBACK PROGRAMME

Under the Share Buy-Back Programme, Eurocastle is seeking to buy back shares up to an aggregate market value equivalent to €4.0 million, subject to the limitation of the buy-back authority set out below. The Share Buy-Back Programme will commence on 7 March 2019.

The buy-back will be conducted in Eurocastle's ordinary shares listed on Euronext Amsterdam.

The Share Buy-Back Programme will take place within the limitations of the authority granted to the Board at its Annual General Meeting held on 20 June 2018, pursuant to which the maximum number of shares to be bought back is 13,178,041. Taking into account the amount of shares repurchased by the Company up to 6 March 2019 (the latest practicable date) since the buyback authority was renewed, the maximum number of shares that could be bought back under the Share Buy-Back Programme would be 5,554,562.

The purpose of the share buyback programme is to reduce the share capital of the Company and will be conducted within the parameters prescribed by the Market Abuse Regulation 596/2014, and the Commission Delegated Regulation (EU) 2016/1052.

The Share Buy-Back Programme will commence on 7 March 2019 and will end no later than 8 May 2019, at which point the Board will review the success of the programme and determine whether to renew the programme for a further period.

Eurocastle has entered into a non-discretionary mandate with Liberum Capital Limited to conduct the Share Buy-Back Programme on its behalf and to make trading decisions under the programme independently of the Company within parameters set by the Board.

Enquires: Please contact the Eurocastle Investor Relations at [investorrelations@eurocastle.com](mailto:investorrelations@eurocastle.com) or +1 (212) 479-3165.

This announcement does not constitute, or form part of, an offer or any solicitation of an offer for securities in any jurisdiction.

### NOTICE:

This announcement contains inside information for the purposes of the Market Abuse Regulation 596/2014.

This announcement may contain forward-looking statements, including 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as 'will', 'aim', 'expects', 'anticipates', 'intends', 'looks', 'believes', 'vision', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting Eurocastle Investment Limited (the "**Company**"). They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## **ADDITIONAL INFORMATION**

For additional information that management believes to be useful for investors, please refer to the latest presentation posted on the Investor Relations section of the Company's website, [www.eurocastleinv.com](http://www.eurocastleinv.com). For investment portfolio information, please refer to the Company's most recent Investor Fact Sheet and Financial Report, which is available on the Company's website ([www.eurocastleinv.com](http://www.eurocastleinv.com)).

## **EARNINGS CALL INFORMATION**

Eurocastle's management will host an earnings conference call at 2:00 P.M. London time (9:00 A.M. New York time) later today. All interested parties are welcome to participate on the live call. You can access the conference call by dialling first +1-844-492-7988 (from within the U.S.) or +1-478-219-0293 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference "Eurocastle Fourth Quarter 2018 Earnings Call or conference ID number 3557339".

A webcast of the conference call will be available to the public on a listen-only basis at [www.eurocastleinv.com](http://www.eurocastleinv.com). Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available for three months following the call.

For those who are not available to listen to the live call, a replay will be available until 11:59 P.M. New York time on Thursday, 21 March 2019 by dialing +1-855-859-2056 (from within the U.S.) or +1-404- 537-3406 (from outside of the U.S.); please reference access code "3557339".

## **ABOUT**

## **EUROCASTLE**

Eurocastle Investment Limited is a publicly traded closed-ended investment company that focuses on investing in performing and non-performing loans and other real estate related assets primarily in Italy. The Company is Euro denominated and is listed on Euronext Amsterdam under the symbol "ECT". Eurocastle is managed by an affiliate of Fortress Investment Group LLC, a leading global investment manager. For more information regarding Eurocastle Investment Limited and to be added to our email distribution list, please visit [www.eurocastleinv.com](http://www.eurocastleinv.com).



## **FORWARD**

## **LOOKING**

## **STATEMENTS**

This release contains statements that constitute forward-looking statements. Such forward-looking statements may relate to, among other things, future commitments to sell real estate and achievement of disposal targets, availability of investment and divestment opportunities, timing or certainty of completion of acquisitions and disposals, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may”, “will”, “should”, “potential”, “intend”, “expect”, “endeavor”, “seek”, “anticipate”, “estimate”, “overestimate”, “underestimate”, “believe”, “could”, “project”, “predict”, “project”, “continue”, “plan”, “forecast” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Company’s ability to predict results or the actual effect of future plans or strategies is limited. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Company’s actual results in future periods to differ materially from forecasted results or stated expectations including the risks regarding Eurocastle’s ability to declare dividends, amortise the Company’s debts, renegotiate the Company’s credit facilities, make new investments, or achieve its targets regarding asset disposals or asset performance.

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<sup>[1]</sup> NAV for Q4 2018 is before deducting the fourth quarter 2018 dividend of €0.15 per share declared and to be paid in March 2019.

<sup>[2]</sup> Per share calculations for Eurocastle throughout this document are based on the weighted average or outstanding voting shares and therefore exclude shares held in treasury. As at 31 December 2018, 63.8 million shares were in issue of which 45.2 million were voting shares and 18.7 million were held in treasury. Amounts per share are therefore calculated on the following basis: Q4 2018 Net Asset Value per share (“NAV per share”) on 45.2 million voting shares, Q4 2018 NFFO on 47.2 million weighted average voting shares, Q3 2018 NAV per share based on 47.6 million voting shares and Q3 2018 NFFO per share – based on 49.6 million weighted average voting shares, 2018 NFFO based on 50.6 million weighted average voting shares and 2017 NFFO based on 59.6 million weighted average voting shares. Q4 2018 distribution estimated on 45.1 million and Q3 distribution paid on 47.5 million voting shares.

<sup>[3]</sup> Normalised FFO (“NFFO”) is a non-IFRS measure used to explain the financial performance of the Company, as outlined on page 10 of the 2018 Annual Report.

<sup>[4]</sup> Q4 2018 declared dividend of €0.15 per share estimated at €6.8 million based on 45.1 million outstanding voting shares. Actual nominal amount of dividend will be determined based on the total voting shares outstanding on 14 March 2019 (Q4 2018 dividend record date) which will be

dependent on the amount of shares that will be bought back under the open market buy-back programme until that date.

<sup>[5]</sup> Excluding Non Recurring Items (start-up costs for Greek and UTP businesses and part of the costs of the acquisition of Altamira Asset Management); 2018 EBITDA reported at €81.3 million, 2018 Net Income reported at €50.9 million

<sup>[6]</sup> Time weighted average of invested capital (net of any capital returned) over the relevant period.

<sup>[7]</sup> NAV segments adjusted for outstanding commitments. i) €64.7 million of unfunded committed investment relating to the deferred purchase price on FINO, of which €46.6 million payable in February 2019 with the remainder payable in H2 2020 and ii) €0.4 million of remaining unfunded estimated investment in RE Fund Investment V. The Corporate segment deducts outstanding commitments listed above.

<sup>[8]</sup> Amounts per share calculated on 45.2 million outstanding voting shares.