



ALE Property Group

Annual General Meeting – 13 November 2018

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Crows Nest Hotel, Sydney, NSW



Group Highlights

Year to 30 June 2018

Property Portfolio

\$1,136.3m

Statutory property values

4.98%

Average capitalisation rate

10.3 years

Weighted average lease expiry

1.9%

CPI Income growth

100%

Occupancy

Capital Structure

41.6%

Gearing

3.7 years

Average debt maturity

7.4 years

Hedge maturity

4.26%

All up cash interest rate

Baa2

Investment grade rating

Equity Performance

\$29.0m

Distributable profit

20.80 cps

Distribution

100%

Distribution tax deferred

\$1,094.3m

ASX market capitalisation

20.1% p.a.

Three year total return

Capitalisation rates, lease terms, interest rates, maturity terms and rental growth rates are all weighted averages

Specific definitions are on other pages or in the statutory accounts

Results are for the year ending or as at 30 June 2018

In addition to the weighted average lease expiry term, there are four 10 year options for ALH to extend (83 of 86 properties)



Financial Results

Year to 30 June 2018



Financial Highlights

Year to 30 June 2018



Profit

- Distributable profit of **\$29.0m**
- Net profit after tax (IFRS) of \$75.1m



Growing Distributions

- Full year distribution of **20.80 cps**
- Up 2.0% on previous corresponding period (pcp)
- In line with guidance
- 100% tax deferred



Sound Capital Position

- Gearing at low of 41.6%
- Next debt maturity in August 2020



Consistent Outperformance

- \$1.00 investment in Nov 2003 IPO
- \$18.33 accumulated value at 30 June 2018, equivalent to 22.0% p.a. total return
- Outperformed both AREIT 300 and All Ords over past 1, 3, 5, 10 and 15 years



Property Highlights

Year to 30 June 2018



Property Revenue

- \$58.1m, up 1.9% on pcp
- Driven by annual CPI rent increases



Property Valuations

- Total property values increased by 5.0% to \$1,136.3m
- Average adopted cap rate decreased to 4.98%
- DCF methodology valuations of 35 properties equivalent to a 4.29% cap rate at June 2018
- Demand for pub property investments remains strong



Property Value Outlook

- 95 hectares of land
- 90%+ of the properties are located in capital or major cities
- Strategically important sites for ALH
- Mixed and alternate use opportunities exist in the longer term



Distributable Profit

Year to 30 June 2018

| Millions | June 18 | June 17 | Comments |
|--|---------------|---------|--|
| Revenue from properties | \$58.1 | \$57.0 | ▪ Driven by annual CPI based rent increases |
| Other revenue | \$1.0 | \$1.3 | ▪ Lower cash balances and lower interest rates |
| Borrowing expense | \$22.0 | \$21.8 | ▪ Small increase in borrowings. All interest rates are fixed |
| Management expense | \$5.7 | \$5.2 | ▪ Additional costs to prepare for FY19 rent reviews |
| Land tax expense | \$2.4 | \$2.2 | ▪ Land tax for QLD properties only. Increasing property values |
| Distributable Profit ¹ | \$29.0 | \$29.1 | |
| Distributable Profit (cps) ² | 14.83c | 14.87c | |
| Distribution (cps) | 20.80c | 20.40c | ▪ In line with guidance. 5.97 cps paid from capital |

1. Distributable Profit excludes non-cash accounting items – see full reconciliation to IFRS Net Profit.

2. 195.8 million securities were on issue as at both dates above

3. Rounding differences may arise



ALE's Property Portfolio

High Quality, Well Located and Development Potential



Pub Property Portfolio

ALH Continues To Perform Strongly

ALH: Australia's largest pub operator

- ~ 330 licensed venues
- ~ 550 liquor outlets
- ~ 2,000 short stay rooms
- ALH is 75% owned by Woolworths and 25% by the Bruce Mathieson Group
- Woolworths is Australia's largest liquor retailer
- ALE owns 26% of ALH's operated venues
- ALH itself owns around 45 pub properties



ALH FY18 Revenue

- \$4,442m
- Up 4.4% on pcp

ALH FY18 EBITDAR

- \$855m
- Up 6.5% on pcp
- 19.2% of revenue



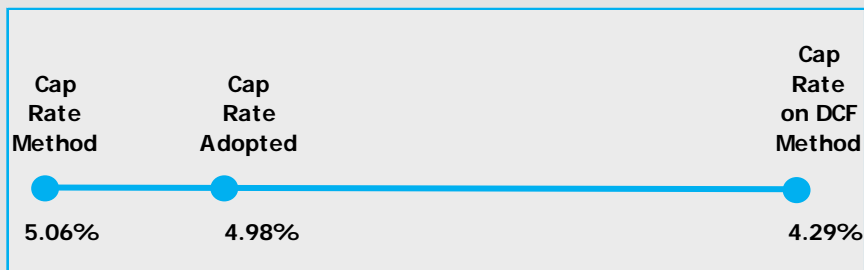
Source: ALH accounts



Pub Property Portfolio

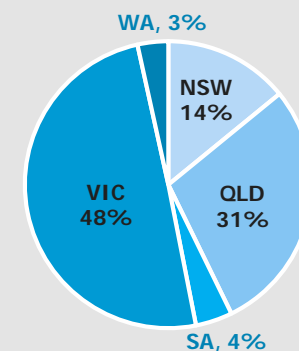
30 June 2018 Valuations

- Valuations increased by \$54.7m (or 5.0%)
- Average adopted cap rate reduced to 4.98%
- Independent DCF valuations of 35 properties are equivalent to a cap rate of 4.29%
- Valuers included HTW, Savills, CBRE and Opteon
- Valuers' adopted cap rates reflect a blend of cap rate and discounted cash flow (DCF) methodologies



Portfolio composition as at 30 June 2018

| State | Properties | Value (m) | Average Value (m) | WACR* |
|--------------|------------|------------------|-------------------|--------------|
| NSW | 10 | \$156.4 | \$15.6 | 4.96% |
| QLD | 32 | \$361.4 | \$11.3 | 4.81% |
| SA | 7 | \$40.8 | \$5.8 | 5.13% |
| VIC | 33 | \$546.0 | \$16.5 | 5.04% |
| WA | 4 | \$31.7 | \$7.9 | 5.93% |
| Total | 86 | \$1,136.3 | \$13.2 | 4.98% |



Geographic Diversity

Geographic percentages represent book values in each State
* WACR: Weighted Average Capitalisation Rate



Pub Property Portfolio

Layers of Value



Current Income

- 100% of the properties are leased to ALH, Australia's largest pub operator
- Long term triple net leases (83 of 86 properties)
- Properties have operated in current locations as pubs for more than 60 years on average



Future Income

- Rents are expected to increase at reviews in 2018 and 2028
- Annual CPI reviews recommence from November 2019



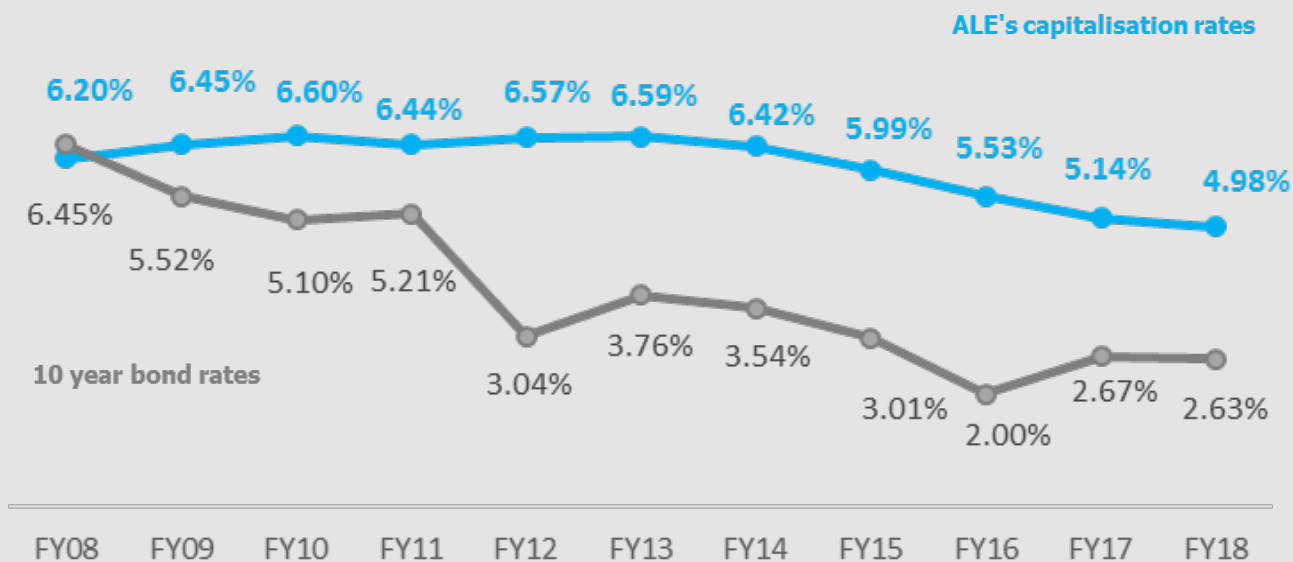
Long Term Value

- 95 hectares of land
- 90%+ of the properties are located in capital or major cities
- Strategically important sites for ALH
- Mixed and alternate use opportunities exist in the longer term



ALE's Property Portfolio

Capitalisation and Bond Rate Movements



Movements in ALE's average capitalisation rates are currently being driven by factors beyond the movements in bond rates. Improvements to properties that enhance earnings and shorter timeframes to rent reviews are both positive contributions to value.



Case Studies – Property Development by ALH

Miami Tavern, Gold Coast, QLD



Current Hotel



New Dan Murphy's

- Acquired hotel in 2003 for \$4.1m at a cap rate of 8.4%
- New Dan Murphy's opened December 2017
- Acquired adjoining property in April 2018 for \$1.4m to facilitate longer term development opportunities
- Valued June 2018 at \$14.9m at a cap rate of 4.9%
- Refurbishment of the hotel to be completed over the next year



Case Studies – Property Development by ALH

Gepps Cross Hotel, Adelaide, SA



Developed Hotel



New Dan Murphy's

- Acquired hotel for \$2.2m in 2003 at a cap rate of 9.9%
- ALH joined forces with Coopers Brewing to create Adelaide's first Coopers Alehouse
- Hotel substantially reconstructed and reopened in May 2016
- New Dan Murphy's opened December 2017
- Valued June 2018 at \$8.2m at a cap rate of 3.7%

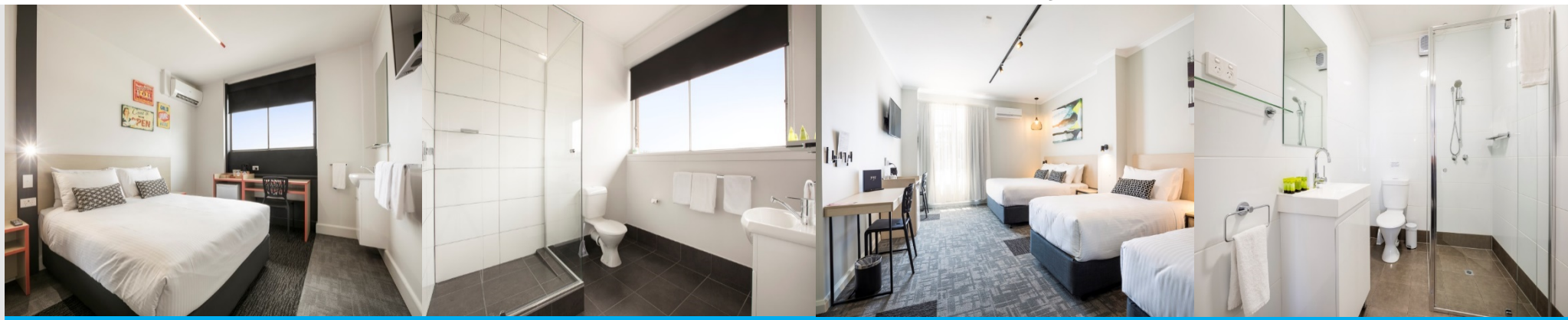


Case Studies – Property Development by ALH

497 Rooms of Short Stay Accommodation

Camp Hill Hotel, Brisbane

Finsbury Hotel, Adelaide



Reactivated Accommodation

- ALH launched “Nightcap Hotels” in April 2018
- Continuing to renovate and reopen three / four star short stay accommodation
- ~ 2,000 rooms are currently offered at 95 of ALH’s operating hotels
- 497 of those rooms are located across 27 of ALE’s properties. Up from 428 at June 2017
- Recent reactivations or additions at ALE’s properties at Camp Hill, QLD and Finsbury, SA
- Positive operational and revenue synergies between new accommodation and the existing range of onsite pub entertainment offerings





Case Studies – Melbourne Metro Rail Project

Young & Jackson Hotel, Melbourne, VIC



Young and Jackson Hotel and the Melbourne Metro Rail Project

- Melbourne metro rail project operational by 2026
- New Town Hall Station to surround hotel
- ~ 6,700 walking entries and exits forecast in both AM and PM peaks
- Station access from both Flinders and Swanston Streets
- Dialogue with Cross Yarra Partnership and Rail Projects Vic continues
- Metro is expected to be operational by 2026

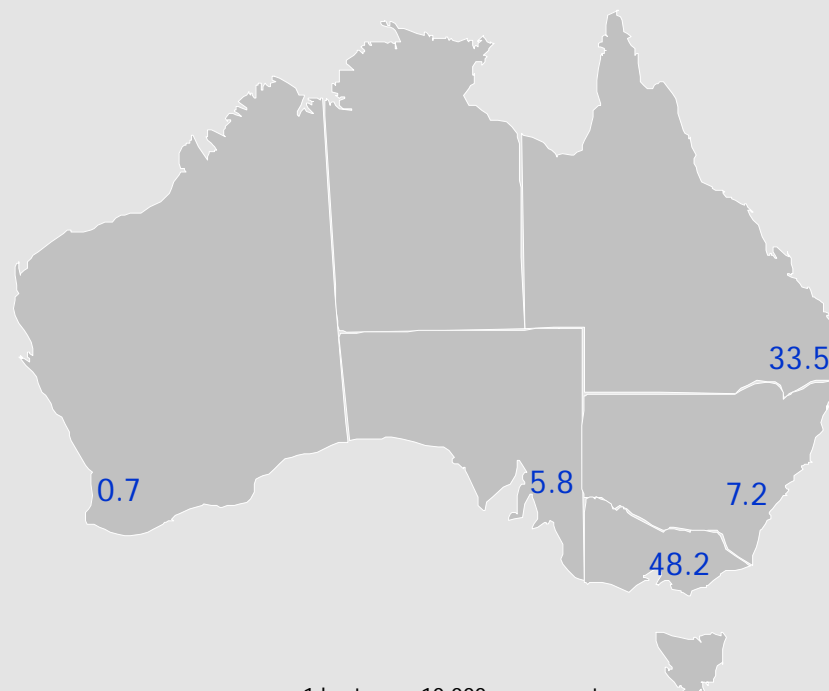


Property Portfolio Characteristics

Significant land holdings

- 90%+ of land located in Australian capitals and major cities
- \$1.14 billion of book value is based on passing rental income
- 86 properties occupy a land area of 95.4 hectares
- Average property size of 11,000 square metres
- Average book value of \$1,200 per square metre of land
- Book values also include value of buildings / long term leases
- Average 25% of each property is occupied by pub and retail liquor buildings (balance is car parking and vacant land)
- Further opportunities to develop and expand existing hotels
- Complementary higher and better use options are available
- All development opportunities are subject ALH's lease rights and require ALE and ALH to agree

Total Land Holdings – 95 hectares



1 hectare = 10,000 square metres

As at 30 June 2018. All areas are estimates and rounded approximations only



Capital Management



Capital Management

A Sound Debt Capital Structure

Capital management priorities

- Managing refinancing and interest rate risk
- Growing securityholders' distributions

Capital structure with positive features

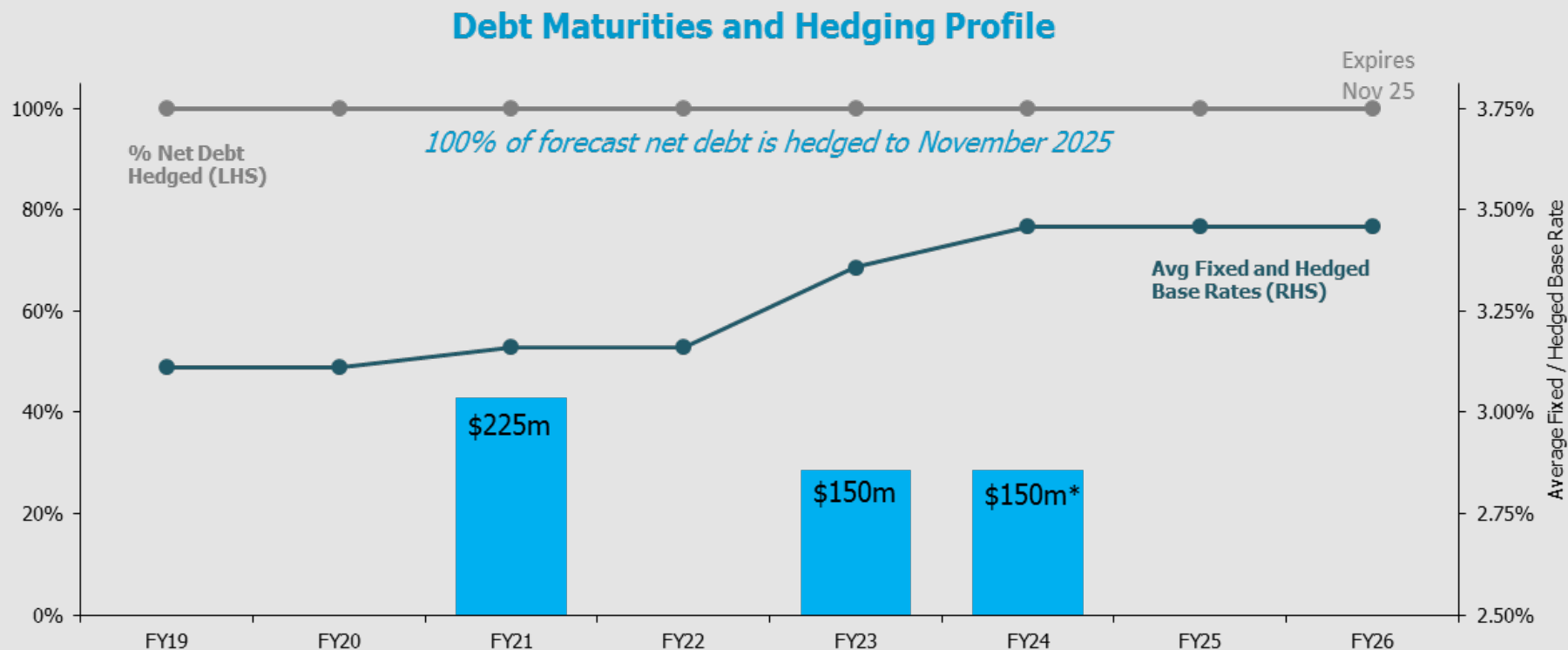
- Investment grade credit rating of Baa2 (stable)
- Next debt maturity in August 2020
- Debt maturities diversified over the next 5.4 years
- 100% of forecast net debt hedged over the next 7.4 years
- All up cash interest rate of 4.26% fixed until August 2020
- Gearing at low of 41.6% (42.7% at June 2017)
- Interest cover ratio well above covenant level at 2.6 times





Capital Management

Diversified Debt Maturities And Long Term Hedging



* balance escalates with CPI



Note: Base interest rates exclude credit margins



Outlook and Strategy



Outlook

Certainty of Earnings With Long Term Upside



Management Costs & QLD Land Tax

- Increase in land tax rate from 2.0% to 2.5% reduces FY19 earnings by around 0.38 cps
- Rent review submission costs are expected to be significant in FY19 (one off item)



FY19 Rent Reviews

- Passing rent is materially less than ALE's view of reviewed and uncapped rent
- Extent of the difference between passing and reviewed and uncapped rent is not evenly spread across portfolio
- ALE continues to be absolutely focused on achieving the best possible outcome from the rent review



2028 Rent Reviews

- Open rent reviews where full extent of the difference will be realised in each of the properties' rents



ALE's Value Proposition



- National portfolio of 86 pub properties
- High quality pub properties mostly located in capital cities
- Triple net leases to ALH, Australia's largest pub operator
- Long leases over strategically important property
- Weighted average lease expiry of 10.3 years plus options to renew
- Investment grade and low risk capital structure
- FY19 distribution is expected to be at least 50% tax deferred
- Distributions and capital management policy to be reviewed following completion of 2018 rent review

Note: Forecast FY19 tax deferred distribution assumes no material changes to property portfolio or capital structure

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