



Australian Leisure and Entertainment Property Management Limited

ALE PROPERTY GROUP ANNUAL GENERAL MEETING 2019

CHAIRMAN'S ADDRESS

I will now make a brief introductory address after which our Managing Director, Andrew Wilkinson, will provide his report on the operations of ALE during FY19.

Highlights

- Firstly, I will cover the highlights for the year: The distributable profit of \$28.3 million for the 2019 year was in line with expectations and includes the impact from additional costs relating to the rental determination submissions.
- The full year distribution was in line with guidance at 20.9 cents per security, a small increase on the previous year. The distribution was around 81% tax deferred.
- The Directors' valuation of 86 properties increased by 2.4% to more than \$1.16 billion.
- ALE's capital position remains strong with gearing at historic lows. Debt maturities are diversified and long-term hedging is in place.

2018 Rent Review Update

Turning now to the 2018 rent review. I will make some limited comments but I do not intend to elaborate further as the rent determination process is currently underway.

ALE has received annual property rent increases based on CPI over the past 14 years. The November 2018 rent review relates to 79 of ALE's 86 investment properties and allows for an increase or decrease in rents of up to 10%. The remaining 7 properties having rent reviews in future years.

During the year ALH accepted a 10% increase for 36 properties while the rent for the remaining 43 properties are the subject of determinations by the appointed independent valuers.

The process and methodology for agreeing the required rent review is being tested for the first time since the leases were entered into in 2003. The 2019 financial year was dominated by intensive preparation of our submissions to the determining valuers. Given the large number of properties involved, ALE committed extensive time and resources to what has been a significant task.

The independent valuer determinations are currently expected to be handed down later this calendar year. ALE remains confident of a positive result but notes it may not receive a full 10% rent increase for all 43 properties. The rent determination results will be back dated to 4 November 2018.

We look forward to the completion of this process. ALE maintains the view that the current rent review process will be a positive indicator for the more significant uncapped rent review in 2028. At this date the full value of the rental streams of substantially all of our 86 freehold pubs will be unlocked for the benefit of ALE securityholders. We remind you that the under renting of our properties is not spread evenly across the portfolio and thus the November 2018 rent review outcome cannot necessarily be directly extrapolated to assess the implications for the 2028 uncapped rent review process.

Corporate Governance

There has been one change to the Board this calendar year. We welcomed Bernard Stanton as a non-executive director in September 2019. Bernard is as an additional nominee director of Caledonia (Private) Investments, ALE's largest securityholder.

Bernard was until June 2019 an Executive Director with Caledonia (Private) Investments and is a seasoned senior executive with more than 30 years experience with various companies, including Goldman Sachs, JB Were; Pilatus Capital; Devex; Lehman Brothers and Doral Minerals. He was also the Managing Director of Paul Ramsay Holdings.

Bernard will bring an additional perspective to the Board and we look forward to his contributions. Bernard is standing for election today and he does so with the support of the Board.

CEO Succession

Turning to our previously announced CEO succession.

After nearly 16 years in the role Andrew recently advised the Board that he would like to take the opportunity to pursue new executive challenges outside ALE. I am pleased however that he intends to remain fully committed to ALE until the 2018 rent determinations are concluded, a new CEO is appointed and an effective transition is completed.

I wish to thank Andrew for his very diligent and consistent contribution to the Group since 2003. During his tenure Andrew has overseen the growth in ALE's market capitalisation from \$91 million to more than \$1.0 billion delivering a total return of around 20% per annum. A performance that very few CEOs could match.

On behalf of the Board, I wish to convey our appreciation of, and thanks to Andrew for the significant contribution he has made to the Group. We will work with Andrew to confirm the optimal timing of his departure and to ensure a smooth and orderly transition process to a new CEO, to lead ALE in its next phase of growth.

We have commenced a formal CEO search process which is in its early stages. We will advise the market once the search process has been successfully concluded.

Capital Management

As previously advised, following the finalisation of the rent review determinations, the Board will review the appropriateness of ALE's distribution and capital management policy. In doing so the Board will take into account the results of the rent review, the implications for our property valuations, the prevailing property and capital market conditions and the expectations of our Securityholders.

Closing Remarks

In closing, I again thank my fellow directors and all of our management team for their dedication and hard work during the year, particularly the significant effort that has gone into the rent review submissions.

I also thank you, our Securityholders, for your continuing support and constructive engagement this past year. Your long standing support for ALE is important and very much valued by the Board.

Robert Mactier
Chairman

29 October 2019