



General Meeting of Lantern Hotel Group Limited

16 May 2017

# General Meeting



## AGENDA

1. **Item 1 – Net asset position of the Group**
  - i. **Status of Lantern**
  - ii. **Net asset position**
  - iii. **Future intentions for Lantern**
2. **Item 2 – Giving of benefits to Executives**
3. **Refreshments with Directors**

# Lantern Hotel Group

## Board of Directors



- Mr Graeme Campbell, Non-Executive Director and Chairman
- Ms Shirley Liew, Non-Executive Director and Chair of the Audit & Risk Committee
- Mr Matthew Stubbs, Non-Executive Director

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# Status of Lantern

Successful implementation of the Sell Down Strategy



- Successful implementation of the Sell Down Strategy that was approved by securityholders at the AGM on 25 October 2016
- \$206m realised from core and non-core hotel sales. Core hotels and non-core hotels sold at a 47% and 14% premium to book value respectively
- Bank debt fully repaid
- Distributions paid of 14.1c per security (\$124.5m)
- The Board is exploring the options for the future of Lantern
- Operating costs have been reduced to a minimum

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# Net asset position - unaudited

\$15.4m of net assets at 30 April 2017 after distributions



Stapled Entity Consolidated	Apr-17 \$'000	Distribution payment \$'000	Apr-17 pro forma \$'000
Cash	58,084	(40,627)	17,457
Other current assets	920		920
<b>Total current assets</b>	<b>59,004</b>	<b>(40,627)</b>	<b>18,377</b>
Distributions payable	40,627	(40,627)	-
Provision for wind down costs <sup>(1)</sup>	1,309		1,309
Other current liabilities	1,713		1,713
<b>Total current liabilities</b>	<b>43,649</b>	<b>(40,627)</b>	<b>3,022</b>
<b>Net assets</b>	<b>15,355</b>	-	<b>15,355</b>

## Notes:

- Relates to future wind down costs required to be recognised under Accounting Standards.  
This does not include all costs associated with the wind down activities that will be incurred.

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# Net asset position

## Surplus cash



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- Cash held is required for:
  - Settlement of existing liabilities
  - Future operating costs, including executive bonuses arising from future distributions to security holders
  - Costs to simplify the group structure
  - Taxation liabilities not yet accrued
- After making certain assumptions for each of the above, the Directors estimate surplus cash to be in the range of \$7.9m to \$10.6m (0.9c to 1.2c per security)
- If the assumptions made are not met, this may result in a materially higher or lower cash surplus
- The significant assumptions made are set out in the notice of meeting provided to securityholders for this general meeting

# Net asset position

## Future distributions



- The Board intends to consider further distributions to securityholders once a review of the key assumptions underpinning current estimates for remaining liabilities (including tax) has been undertaken
- Any future distributions will also take into account the potential requirement to retain cash for capital to fund future opportunities

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# Future intentions for Lantern

Securityholder value maximisation



- The Board's focus remains securityholder value maximisation
- The Board intends that Lantern continues as a stapled security capable of evaluating new opportunities consistent with its historic activities of hotel ownership and operations and active investing
- In parallel, the Board will continue to evaluate:
  - Re-purposing the Group for alternate activities
  - Sale of the Group entities
  - Wind up of the Group entities
- A further update of developments will be provided to securityholders at the AGM for the 2017 financial year, expected to be held by the end of September 2017, and securityholder approval sought where applicable in the event an alternative option for Lantern is identified
- ASX will, in the absence of any other reason to suspend the quotation of LTN's securities, allow LTN to continue trading for a period of 6 months from the date of sale of the last hotel, being 29 March 2017

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# Giving of benefits to Executives

## Sell Down Incentive Bonus



- The Board has given careful consideration to the incentives provided to Executives
- The Sell Down Incentive Bonus is broadly consistent with the Executive incentive arrangements announced to the market on 21 October 2016
- As the Sell Down Incentive Bonus to be provided to the Executives will be provided in connection with the sale of the Lantern property portfolio, the approval of securityholders is required

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# Giving of benefits to Executives

Unanimous support



- The Executives have done an outstanding job driving the operating performance of Group and executing on the Sell Down Strategy
- The Executives have completed the Sell Down Strategy earlier than originally anticipated and achieved premium sales values for the hotels sold, driving strong growth in Securityholder value
- The Directors unanimously recommend that securityholders vote in favour of the resolution

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