ALE Property Group

FY17 Full Year Results - 8 August 2017

ALE PROPERTY GROUP

Anglers Arms Hotel, Southport, QLD

Contents

Crows Nest Hotel, Sydney, NSW

ALE Property Group

Delivering Value

High quality properties

- Growing, long term and secure income
- Triple net leases
- Metro locations
- Operated as pubs for average 60+ years

Strong and cost effective governance

- Experienced Board and management team
- Continuing Board renewal
- One of lowest management expense ratios in sector

Low risk capital structure

- Investment grade credit rating
- Long term and diversified funding maturities
- Long term hedging

FY18 outlook

- Increasing distributions
- Distributions expected to be fully tax deferred
- Positive prospects for upcoming market rent reviews
- Continuing review of development opportunities

Group Highlights

Year to 30 June 2017

Portfolio Performance	Capital Management	Equity Performance
$1,080.2m Statutory property values ↑	**42.7%** Net gearing ↓	**$29.0m** Distributable profit ↓
5.14% Average capitalisation rate ↓	**4.7 years** Average debt maturity ↑	**20.40 cps** Distribution ↑
11.3 years Average Lease Term ↓	**8.4 years** Hedge maturity ↓	**100%** Distribution tax deferred
1.5% Rental income growth ↓	**4.26%** All up cash interest rate ↓	**$914.2m** ASX Market Capitalisation ↑
100% Occupancy	**Baa2** Investment grade rating	**21.8% p.a.** Total return since 2003 IPO ↓

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 2017 and arrows indicate the movements since 30 June 2016.

Financial Results

Year to 30 June 2017

The Breakfast Creek Hotel, Brisbane, QLD

Financial Highlights

Year to 30 June 2017

Profit

- Distributable profit of **$29.1m**
- Net profit after tax (IFRS) of $130.0m

Growing Distributions

- Full year distribution of **20.40 cps**
- Up 2.0% on previous corresponding period (pcp)
- In line with guidance
- 100% tax deferred
- Funded from current distributable profits, capital and cash reserves

Sound Capital Position

- Gearing down to 42.7% provides significant headroom
- Gearing below medium term target of 50% to 55%
- Refinancing of Aug 2017 debt maturity completed
- Debt maturities diversified across next 6.4 years
- Base interest rates fully hedged for next 8.4 years
- All up cash rate currently fixed at 4.26% p.a.

Consistent Outperformance

- 2003 IPO investment in ALE of $1.00 has current accumulated value at 30 June 2017 of $14.72
- Outperformed AREIT 300 Index over the last one, three, five, ten years and since IPO
- Outperformed All Ordinaries Index over the last three, five, ten years and since IPO

Property Highlights

Year to 30 June 2017

Property Revenue of $57.0m

- Up $0.8m or 1.5%
- Driven by annual CPI rent increases

Property Valuations $1,080.2m

- Valuations increased by 9.1%
- Average capitalisation rate decreased to 5.14%
- Independent valuers' discounted cash flow methodology valuations of 33 properties equivalent to a 4.48% cap rate
- Property market remains strong
- Very few freehold pub transactions
- Significant volumes of both pub business and other long lease freehold retail transactions

Property Value Outlook

- Weighted average lease expiry of 11.3 years plus four 10 year options (83 of 86 properties)
- Potential rental growth at upcoming market rent review dates
- Four properties have already agreed a rent increase of 10%
- Properties with significant land value component
- More than 90% of ~1 square kilometre of land located in Australian capitals and major cities
- Continuing capital expenditure contributing to growing ALH operating earnings at the properties
- ALE and ALH continue to explore development opportunities together for mutual benefit

Distributable Profit

Year to 30 June 2017

Millions	June 17	June 16	Comments
Revenue from properties	**$57.0**	$56.2	▪ Driven by annual CPI based rent increases
Other revenue	**$1.3**	$1.1	▪ Higher cash balances partly offset by lower interest rates
Borrowing expense [1]	**$21.8**	$20.7	▪ Early refinancing and lower interest rates on increased borrowings
Management expense	**$5.2**	$4.9	▪ Remains one of lowest expense ratios in sector
Land tax expense	**$2.2**	$2.1	▪ Land tax for QLD properties only
Distributable Profit [2]	**$29.1**	$29.6	▪ Primarily impacted by one-off borrowing expenses
Distributable Profit (cps) [3]	**14.87c**	15.11c	
Distribution (cps)	**20.40c**	20.00c	▪ In line with guidance. 5.53 cps paid from capital (cash reserves)

1. Borrowing expenses were higher for three reasons
    a. borrowings increased by $40m
    b. average all up interest rate reduced from 4.35% to 4.26% p.a.
    c. new issue completed two months in advance of repayment date (one-off)
2. Distributable Profit excludes non-cash accounting items – see full reconciliation to IFRS Net Profit.
3. 195.8 million securities were on issue as at both dates above
4. Rounding differences may arise

Net Profit (IFRS) and Distributable Profit

Year to 30 June 2017

Millions	June 17	June 16
Total Revenue	**$58.3**	$56.2
Total Other Income (Fair value increments to investment properties and derivatives)	**$103.9**	$90.7
Total Expenses	**$(32.2)**	$(55.7)
Income tax expense	**$(0.0)**	$(0.0)
Net Profit after income tax (IFRS)	**$130.0**	$91.2
Add back non cash items:		
Fair value (increments) to investment properties	**($89.6)**	($89.6)
Fair value (increments)/decrements to derivatives	**($14.3)**	$25.2
Employee share based payments	**$0.2**	$0.2
Non-cash finance costs	**$2.7**	$2.6
Income tax expense	**$0.0**	$0.0
Distributable Profit	**$29.1**	$29.6

ALE has a policy of paying distributions which are subject to the minimum requirement to distribute taxable income of the trust under the Trust Deed. Distributable Profit is a non-IFRS measure that shows how free cash flow is calculated by ALE. Distributable Profit excludes items such as unrealised fair value (increments) / decrements arising from the effect of revaluing derivatives and investment property, non-cash expenses and non-cash financing costs. The reconciliation between Operating Profit before Tax and Distributable Profit has not been audited or reviewed by KPMG. Rounding differences may arise in the above table.

ALE's Property Portfolio

High Quality, Well Located and Development Potential

Burvale Hotel, Melbourne, VIC

ALE's Property Portfolio

ALH Continues To Perform Strongly

ALH: Australia's largest pub operator

- ~ 330 licensed venues
- ~ 550 liquor outlets
- ~ 1,900 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 27% of ALH's operated venues

ALH FY16 Revenue

- $4,106m
- Up 4.0% on pcp

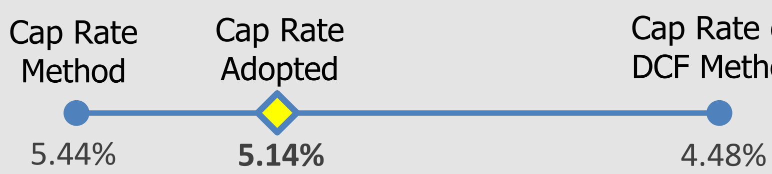
ALH FY16 EBITDAR

- $711m
- 17.3% of revenue

ALE's Property Portfolio

30 June 2017 Valuations

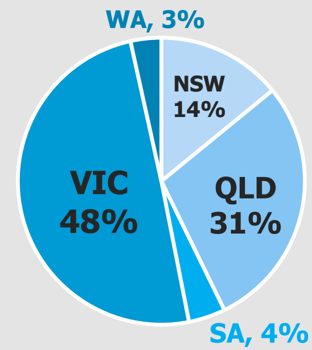
- Valuations increased by **$89.6m** or around 9.10% during the year
- Average cap rate reduced from 5.53% to **5.14%**
- Directors valuations used current passing net rent and adopted capitalisation rates
- Valuer's adopted cap rates reflect a blend of cap rate and discounted cash flow (DCF) methodologies



- June 2017 independent DCF valuations of 33 properties provides higher valuations equivalent to a **4.48%** cap rate

Portfolio composition as at 30 June 2017

State	Properties	Value (m)	Average Value (m)	WACR*
NSW	10	$149.5	$15.0	5.08%
QLD	32	$340.6	$10.6	5.02%
SA	7	$37.3	$5.3	5.52%
VIC	33	$521.5	$15.8	5.16%
WA	4	$31.3	$7.8	5.96%
Total	**86**	**$1,080.2**	**$12.6**	**5.14%**



Geographic Diversity

* WACR: Weighted Average Capitalisation Rate

ALE’s Property Portfolio

Three Layers of Value

Value of Income

- 100% of the properties are leased to ALH, Australia’s largest pub operator
- Long term triple net leases with average lease term of 11.3 years plus four 10 year options for ALH to renew (for 83 of 86 properties)
- Properties of core strategic operating importance
- Properties have operated in current locations as pubs for more than 60 years on average

Value of Growth

Rents are expected to

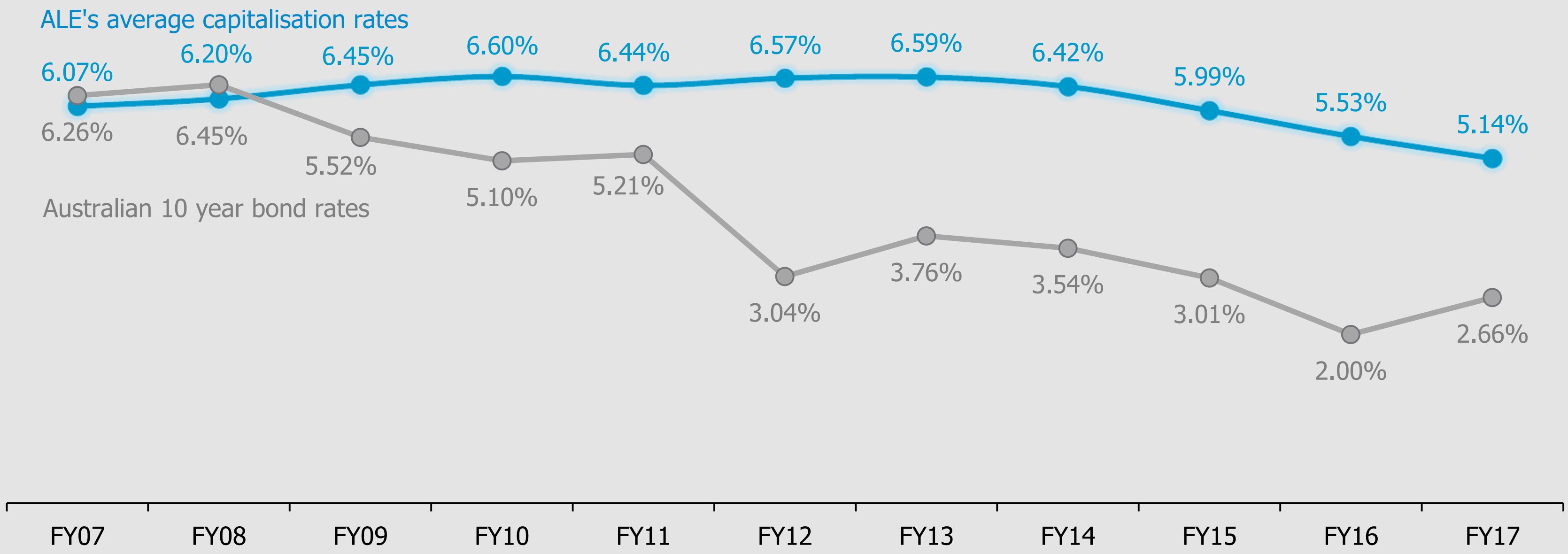
- Take small step increase towards market levels at 2018 as market rent reviews are capped and collared within 10% of the 2017 rent
- Take much larger step increase at 2028 as they fully revert to market

Value of Opportunities

- ALE’s properties have a significant land value component
- More than 90% of the ~1 square kilometre of land owned by ALE is located in Australian capitals and major cities
- ALE and ALH continue to explore development opportunities together for mutual benefit
- Alternate use opportunities exist at some properties in the longer term

ALE's Property Portfolio

Capitalisation and Bond Rate Movements



While the spread remains high, movements in ALE's average capitalisation rates are currently being driven by factors beyond movements in bond rates.

Case Studies – Property Development by ALH

Anglers Arms Hotel, Gold Coast, QLD

Before Development

Completed Development

- Located in Southport, Gold Coast next to an existing light rail stop
- Acquired in 2003 for $4.4m at a cap rate of 8.4%
- Hotel completely reconstructed and reopened June 2017
- New Dan Murphy's opened November 2016
- EBITDAR for ALH is expected to benefit significantly, positively underpinning ALE's future market rent
- One off fixed 10% rent increase already applied, from June 2017 reopening of hotel
- Annual CPI rent increases apply until next open market rent review in 2028
- Valued June 2017 at $10.5m at a cap rate of 5.36%

Case Studies – Property Development by ALH

Gepps Cross Hotel, Adelaide, SA

Completed Development

- Located in the north eastern suburbs of Adelaide
- Acquired for $2.2m in 2003 at a cap rate of 9.9%
- Substantially reconstructed and then reopened the hotel in May 2016
- ALH joined forces with Coopers Brewing to create Adelaide's first Coopers Alehouse
- EBITDAR for ALH is expected to benefit significantly, positively underpinning ALE's future market rent
- Market rent reviews apply in 2018 (10% cap and collar) and 2028 (open)
- Valued June 2017 at $6.2m at a cap rate of 4.76%
- Recently obtained an approval to add a large format liquor barn with additional capital investment by ALH
- Awarded Best Redeveloped Metropolitan Hotel for 2017 in South Australia by AHA

Case Studies – Property Development by ALH

Accommodation – 428 Rooms

Reactivated Accommodation

- 428 rooms are currently offered across 24 of ALE's properties
- Significant reactivation of accommodation in recent years
- Large number of renovated and reopened rooms
- ALH currently operates around 1,900 rooms nationally
- Mostly three or four star short stay accommodation
- Positive for ALH's earnings
- Positive for ALE's future market rent prospects and property values

Case Studies – Melbourne Metro Rail Project

Young & Jackson Hotel, Melbourne, VIC

Young and Jackson Hotel

Melbourne Metro Rail Project

- Major metro rail project (circa $6 billion)
- Significant addition to CBD passenger capacity
- New CBD South metro station to surround hotel
- Station access from both Flinders and Swanston Streets
- Significant additional pedestrian traffic
- Expected to be operational by 2026
- Continuing dialogue with Cross Yarra Partnership and MMRA

Capital Management

Young & Jackson Hotel, Melbourne, VIC

Capital Management

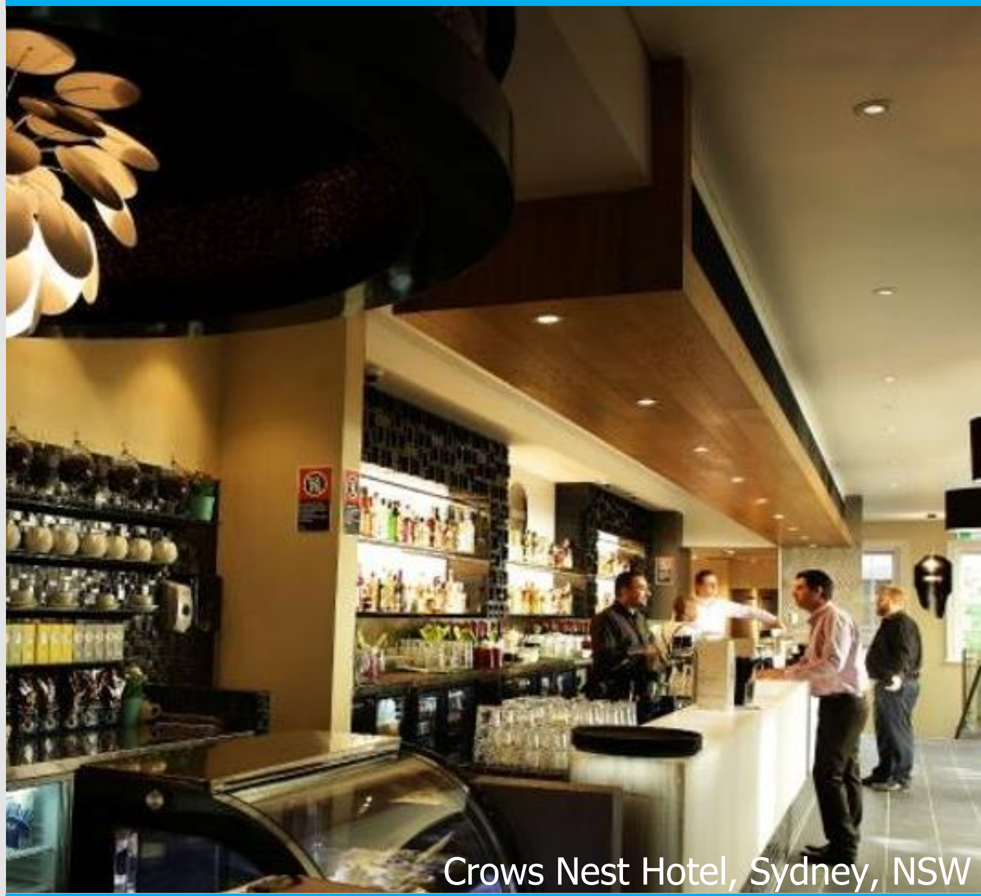
A Sound Debt Capital Structure

Capital management focus

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

Capital structure with positive features

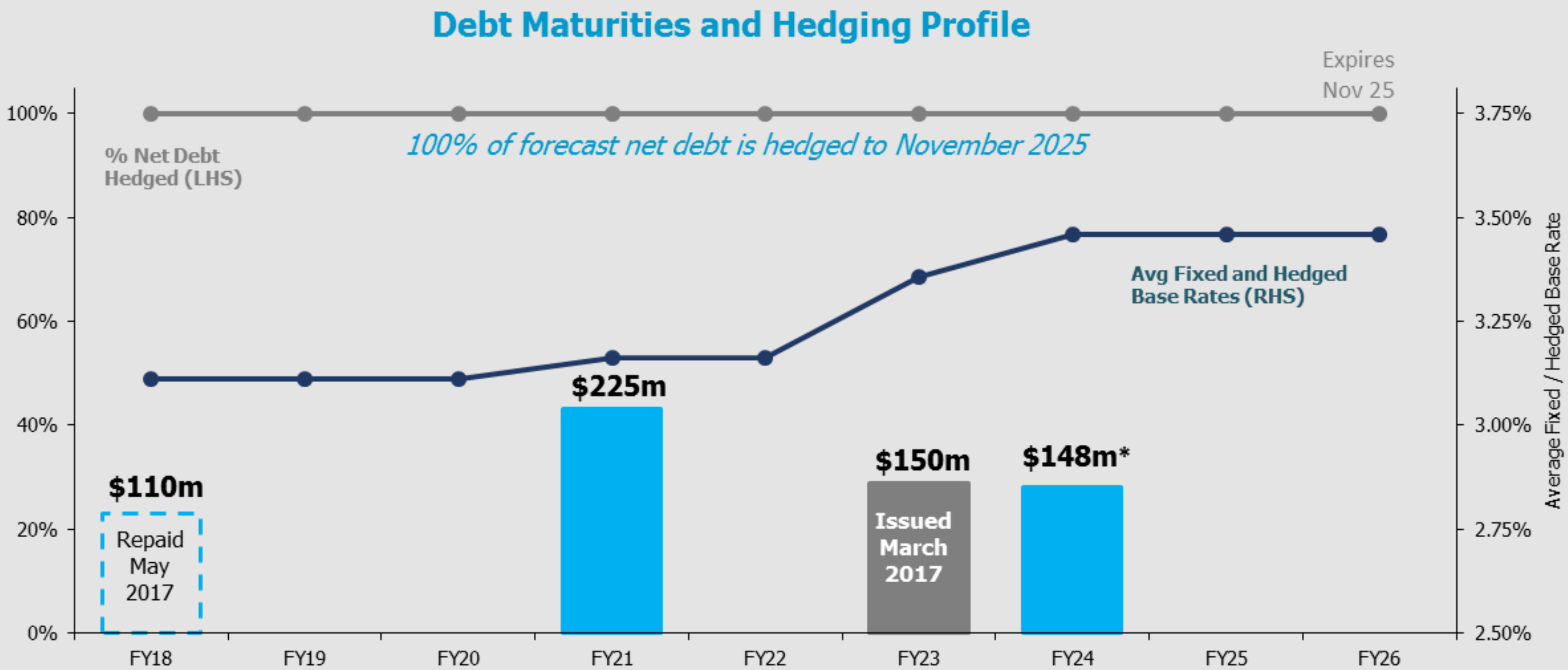
- Simplified debt capital structure
- Investment grade credit rating of Baa2 (stable)
- Lowest level of gearing since IPO, at 42.7%
- Significant headroom to all debt covenants
- Gearing below medium term target of 50% to 55%
- Debt maturities diversified across next 6.4 years
- Base interest rates fully hedged for next 8.4 years
- All up fixed cash rate reduced from 4.35% to 4.26% p.a.
- Next debt maturity in August 2020



Crows Nest Hotel, Sydney, NSW

Capital Management

Diversified Debt Maturities And Long Term Hedging



** balance escalates with CPI*

Note: Base interest rates exclude credit margins

Capital Management

June 2017 Debt Capital Structure

As at 30 June 2017

Debt Facility	Issue Rating	Amount (m)	Base Rate	Issue Margin	All Up Fixed Cash Rate	Scheduled Maturity	Remaining Term (Years)
AMTN (Unsecured)	Baa2	$225	3.50%	1.50%	5.00%	20 Aug 2020	3.2
AMTN (Unsecured)	Baa2	$150	2.50%	1.50%	4.00%	20 Aug 2022	5.2
CIB (Secured)	AAA / Aaa	$148	3.20%	0.20%	3.40%	20 Nov 2023	6.4
Total and Averages		**$523**	**3.13%**	**1.13%**	**4.26%**		**4.7**
Cash on Deposit		($60)					
Total Net Debt		**$463**					

- Base Rate for CIB is a real rate. The balance of the CIB escalates with CPI
- Debt amounts are gross. They exclude reductions for any unamortised borrowing costs
- The all up fixed cash rates apply until the AMTN and CIB maturity dates, after which the base interest rates are hedged until November 2025 on around 100% of ALE's forecast net debt amounts
- Fixed rate and forward start hedging facilities provide an average total hedging term of 8.4 years on 100% of forecast net debt
- Hedging facilities were $4.8m out of the money as at 30 June 2017
- FY17 hedging termination cost of $7.2m is similar to benefit arising from reduction in ALE's base interest rate expense over the next 5.5 years
- Cash balance includes $8.4m for debt reserve security, $20.1m for Sept 2017 distribution and $2.0m reserve for AFSL requirements

Outlook and Strategy

ALE PROPERTY GROUP

The Breakfast Creek Hotel, Brisbane, QLD

Corporate Governance

Succession of Chairman

Quality Board

- High quality Board composition with significant relevant experience
- Broad mix of property, legal, capital markets and governance skills
- Aim to comply with ASX best practice governance guidelines

Board Renewal

- Board's gradual renewal programme continues
- Over the past four years ALE has appointed Pippa Downes, Paul Say and Nancy Milne to the Board
- Rob Mactier was appointed as a non-executive director in November 2016

Succession of Chairman

- As foreshadowed, Rob Mactier succeeded Peter Warne as Chairman in May 2017
- Peter had served as a non-executive Director and Chairman since 2003 when ALE was first listed on the Australian Securities Exchange
- Peter oversaw and led the Board with great distinction
- The Board and management team acknowledge and thank Peter for his outstanding service and wishes him well

Outlook

Certainty Of Earnings With Upside

Capital Management Certainty

- Interest expense currently fixed at an all up cash rate of 4.26% p.a.
- Next debt maturity in August 2020

Rents Outlook

- A small positive step towards market levels at November 2018 as the market rent reviews for each property are capped and collared within 10% of the 2017 rent
- A much larger step increase at 2028 as the rent for each property is able to fully revert to market levels

November 2018 Reviews

- Individual hotels' outlook, the EBITDAR results in the years leading up to reviews and market rent parameters will be important to outcomes
- Processes commence June 2018 with results announced November 2018 for 74 properties (assuming no independent determinations required)
- On current EBITDAR results, ALE is on strong grounds for a positive outcome to the 2018 rent reviews (which are each capped at 10%) (see slide 33 for details)

Outlook

Development and Distribution Guidance

Development

- Over 14 years ALH has funded and constructed around 30,000 sq m of additional buildings
- More than 90% of the ~1 square kilometre of land is located in Australian capitals and major cities
- ALE and ALH continue to explore development opportunities together for mutual benefit

Acquisitions and Disposals

- ALE continues to review acquisition and disposals opportunities that align with our disciplined strategy and criteria

Distributions

- Expected that future distributions should continue to grow at least in line with increases in the CPI
- FY18 expected to be 100% tax deferred

Capital Management

- Given the quality of the properties and their future market rent prospects, ALE will give consideration to moving gearing back to medium term target range of 50% and 55% following the 2018 market rent reviews
- ALE will consider an enhanced distribution profile or other capital management initiatives to achieve this outcome

All guidance assumes the existing portfolio, capital structure and hedging continue

ALE’s Current Value Proposition

Quality

- High quality property portfolio in mostly established metropolitan locations with geographic diversity
- Triple net leases to ALH, Australia’s largest pub operator
- Long leases over strategically important property with terms averaging 11.3 years, with annual CPI increases and up to 40 years of options providing secure and stable income
- Portfolio rent is substantially below market, according to independent valuers, providing potential upside at the 2018 and 2028 market rent reviews
- Potential opportunities from increased utilisation of the land and development of existing venues
- Low risk capital structure with diverse debt maturity dates across next six years and base interest rates fully hedged for around eight years
- FY18 distribution yield of at least 4.4%[1]

1. Based upon a security price of $4.67 as at 30 June 2017 and FY18 distribution guidance of at least 20.40 cps plus CPI

ALE's FY17 Results

Results Materials

ALE Property Group released the following 2017 reporting materials today:

- FY17 Annual Review — aleproperty2017.reportonline.com.au
- FY17 Annual Report — aleproperty2017.reportonline.com.au
- FY17 Property Compendium — aleproperties.com.au

ALE's website contains all the results materials — alegroup.com.au

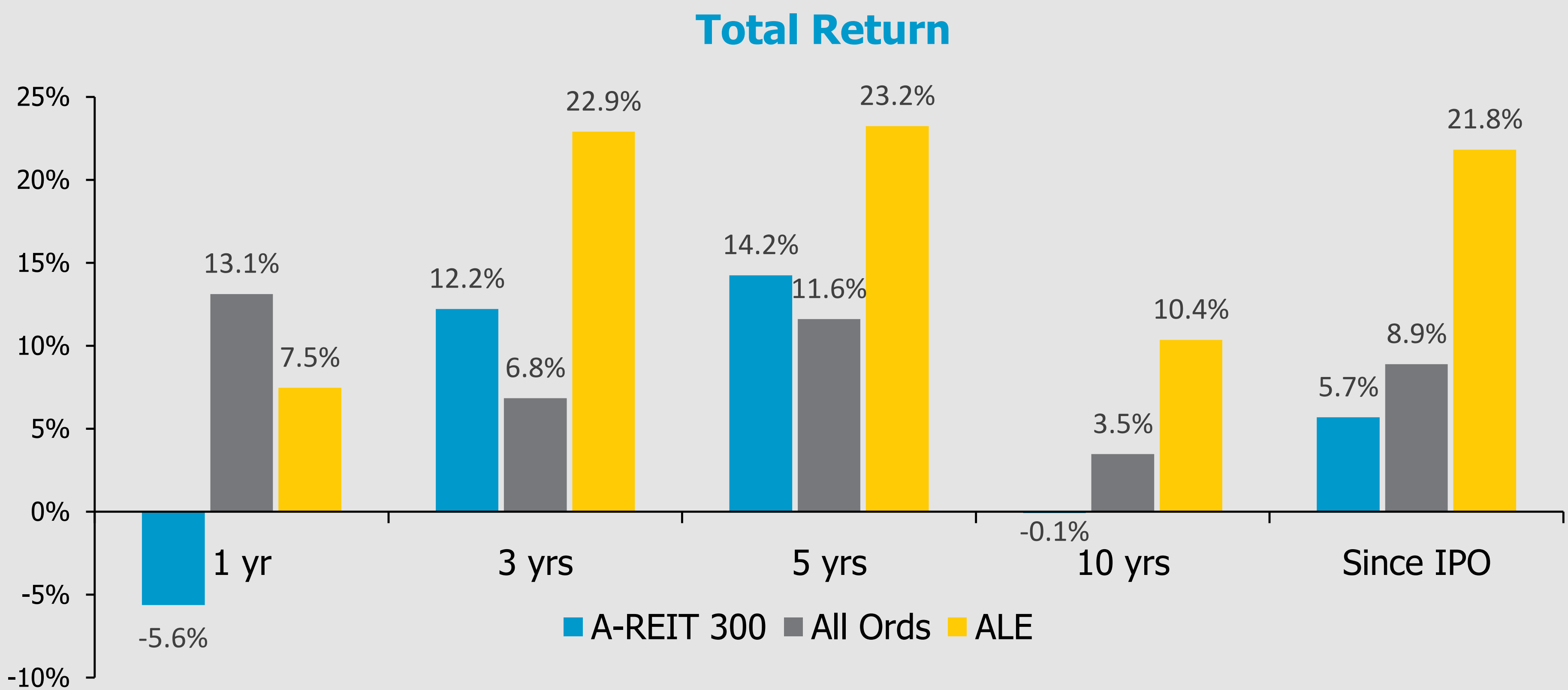
ALE's website also includes new videos

- FY17 results highlights including Q&A with both ALE's Chairman and Managing Director
- Tour above and through the Crows Nest Hotel, Sydney, NSW

Attachments

ALE's 14 Years of Equity Performance

Outperformance



1. Total return is the annual compound return (IRR) for the period shown
2. Includes equity market price of $4.67 as at 30 June 2017 and reinvestment of distributions and 2009 renunciation payment
3. ALE, All Ordinaries Accumulation Index and UBS S&P REIT 300 Index data sourced from ASX, UBS and ALE

June 2017 Results

Key Metrics

As at	**June 2017**	June 2016	Change
86 properties valuation	**$1,080.2m**	$990.5m	9.1%
Gearing[1]	**42.7%**	44.9%	(2.2%)
Net assets	**$586.0m**	$495.9m	18.2%
Net assets per security	**$2.99**	$2.53	18.2%
Price as premium to NTA[2]	**56.2%**	79.8%	(23.6%)
Market Capitalisation[2]	**$914.2m**	$890.8m	2.6%

1. AMTN gearing = (Total Borrowings – Cash) / (Total Assets – Cash). Derivatives values, deferred tax assets and unamortised borrowing costs are excluded. This covenant ratio is considered, in the opinion of the Directors, most relevant to securityholders as it is the debt covenant that has the least headroom available
2. Based upon security price of $4.67 as at 30 June 2017 and $4.55 as at 30 June 2016

ALE's Property Portfolio

Discounted Cash Flow (DCF) Valuations

- Independent valuers applied both traditional capitalisation rate and discounted cash flow (DCF) methods in determining June 2017 valuations of a representative sample of 33 properties
- Statutory valuation capitalisation rate of **5.14%** reflects a combination of methods but continues to place significant emphasis upon the traditional capitalisation rate method
- The valuers' DCF valuation results were equivalent to an average capitalisation rate of **4.48%** based on the following weighted average assumptions:

Tenant's EBITDAR Growth Rate	1.0% p.a. (nominal / including CPI)
2028 Terminal Capitalisation Rate	6.9% (1.7% premium to current rates)
11 Year Discount Rate	7.3% p.a. (nominal / including CPI)

- ALE noted that the valuers' assumed EBITDAR growth rate was below forecasted inflation levels and significantly lower than the rates historically achieved by ALH
- Also noted that ALE's average capitalisation rates during each of the last ten years have been materially lower than the assumed terminal capitalisation rate of 6.9%

Note: See ASX announcement dated 14 June 2017 for more details

ALE's Property Portfolio

Market Rent Reviews and Lease Renewals

Hotel	Next Rent Review Date	Rent* ($m)	Next Renewal Date	Renewal Term (Years)	Lease Type, Review and Renewal Details **
Anglers Arms, QLD	Jun 2017	0.62	Jun 2028	10	Standard lease. 10% increase already agreed
Balmoral, WA	Feb 2018	0.48	Feb 2023	5	2018 renewal agreed by ALH. CPI increase to apply
Berwick, VIC	Jun 2018	1.20	Jun 2028	10	Standard lease
Camp Hill, QLD	Nov 2018	0.29	Nov 2028	10	Standard lease. 10% increase already agreed
Gepps Cross, SA	Nov 2018	0.29	Nov 2028	10	Standard lease. 10% increase already agreed
74 Hotels	Nov 2018	49.01	Nov 2028	10	74 Standard leases
Pelican Waters, QLD	Dec 2018	0.50	Dec 2028	10	Standard lease
Four Mile Creek, QLD	Jun 2019	0.46	Jun 2029	10	Standard lease. 10% increase already agreed
Noosa Reef, QLD	Jun 2019	0.70	Jun 2029	10	Standard lease
Brass Monkey, WA	Jun 2020	0.58	Jun 2020	5	Review with minimum ratchet and maximum open
Pritchard's, NSW	Sep 2020	1.68	Sep 2020	5	Increase to maximum of 3% or 7% of Turnover
Burleigh Heads, QLD	Nov 2023	0.77	Nov 2033	10	Standard lease
Narrabeen Sands, NSW	Jun 2024	0.80	Jun 2034	10	Standard lease
Total Rent		**57.38**			

* June 2017 rent amounts before deducting land tax for QLD properties. ** Standard leases review to market between Jun 2018 and Jun 2024 and may increase or decrease by 10% from preceding year's rent with the first of four 10 year options for ALH to renew between 2028 and 2034. The 3 non-standard leases are Balmoral, Brass Monkey and Pritchard's.

Capital Management

Substantial Covenant Headroom

- Substantial headroom to all debt covenants continues
- Covenant gearing of 42.7% (FY16: 44.9%) is below medium term target range of 50% to 55%
- Target gearing range has regard to quality of the properties and their future market rent prospects
- Headroom to nearest AMTN gearing covenant of 60% equates to:
  - 29% or $315m reduction in property values
  - Expansion in average cap rate from current 5.14% to 7.26%
- ALE's average capitalisation rates have not exceeded 6.57% since 2006
- AMTN gearing covenant of 60% relates to distribution stopper and 65% to default
- Interest cover ratio at 2.6 times compares to AMTN covenant at 1.5 times
- 100% of ALE's net debt is hedged for a term of around eight years
- Next debt maturity of $225m in August 2020

About ALE

Research Analyst Coverage of ALE

The following equity research analysts currently cover ALE's stapled securities:

➢ Johannes Faul	Morningstar
➢ Rob Freeman / Stuart McLean	Macquarie Securities
➢ Richard Jones	JP Morgan Securities
➢ Andrew Legget	Intelligent Investor

About ALE

Experience and Diversity

Board of Directors

- Board of Directors have extensive experience covering property, finance, risk management, compliance and capital management
- Board renewal and transfer of institutional knowledge is now well advanced

Robert Mactier
Chairman & Non-Executive Director

- Appointed as a non-executive director in November 2016 and Chairman in May 2017
- 30+ years experience

Andrew Wilkinson
Managing Director & CEO

- Appointed Managing Director in November 2004 and CEO in November 2003
- 30+ years experience

James McNally
Executive Director

- Appointed as an executive director in June 2003
- 20+ years experience

Pippa Downes
Non-Executive Director

- Appointed as a non-executive director in November 2013
- 20+ years experience

Paul Say
Non-Executive Director

- Appointed as a non-executive director in September 2014
- 30+ years experience

Nancy Milne
Non-Executive Director

- Appointed as a non-executive director in February 2015
- 30+ years experience

Senior Management Team

- Experienced and stable management team

Andrew Wilkinson
Managing Director & CEO

- Appointed Managing Director in November 2004 and CEO in November 2003
- 30+ years experience

Andrew Slade
Capital Manager

- Andrew joined ALE in July 2005
- 25+ years experience in investment banking and structured finance

Don Shipway
Asset Manager

- Don joined ALE in September 2010
- 15+ years experience in the corporate real estate sector

Michael Clarke
Company Secretary & Finance Manager

- Michael joined ALE in October 2006
- 30+ years experience in accounting, taxation and financial management

ALE Property Group

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