

# **EUMUNDI GROUP LIMITED**

**CEO's Presentation  
2017 Annual General Meeting**



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# FY17 summary

- ✓ Underlying profitability and operating cash flows remained solid
- Hotel operation initiatives delivered improvements:
  - ✓ - continued investment in gaming fleet at both venues
  - upgrade of audio visual system at Ashmore Tavern
  - Aspley and Ashmore Plaza Quench Liquor retail outlet upgrades
- ✓ Investment property performance adversely impacted 2H FY17 result
- ✓ Increase in NTA per share from 88.6 cents at 30 June 2016 (adjusted for 1:10 share consolidation) to 97.2 cents at 30 June 2017
- ✓ Fully franked ordinary dividends (interim and final FY17 payments) maintained at 0.55 cents per share paid to shareholders in cash
- ✓ Strong balance sheet and low gearing provided capacity to acquire Plough Inn post end of year

# Solid underlying profit

Year ended 30 June (\$'000)	2016	2017	Change
Total revenue	23,139	24,232	+5%
Reported profit after tax	1,976	1,464	-25%
Net gain on fair value adjustment of investment property	593	56	
<b>Profit after tax excluding fair value adjustment</b>	<b>1,383</b>	<b>1,408</b>	<b>+2%</b>

- The Company's overall result was solid, in particular the underlying financial performance of the hotel operations
- The result was achieved despite the disruption of the Aspley Shopping Centre tenancy reconfiguration and an increased vacancy rate
- FY17 reported profit after tax equates to EPS of 4.03 cents per share
- Cash flow from operations during the year was \$1.72 million (FY16: \$2.54 million), with the reduction on the previous year relating to the timing of annual significant payments

# Continued focus on core businesses

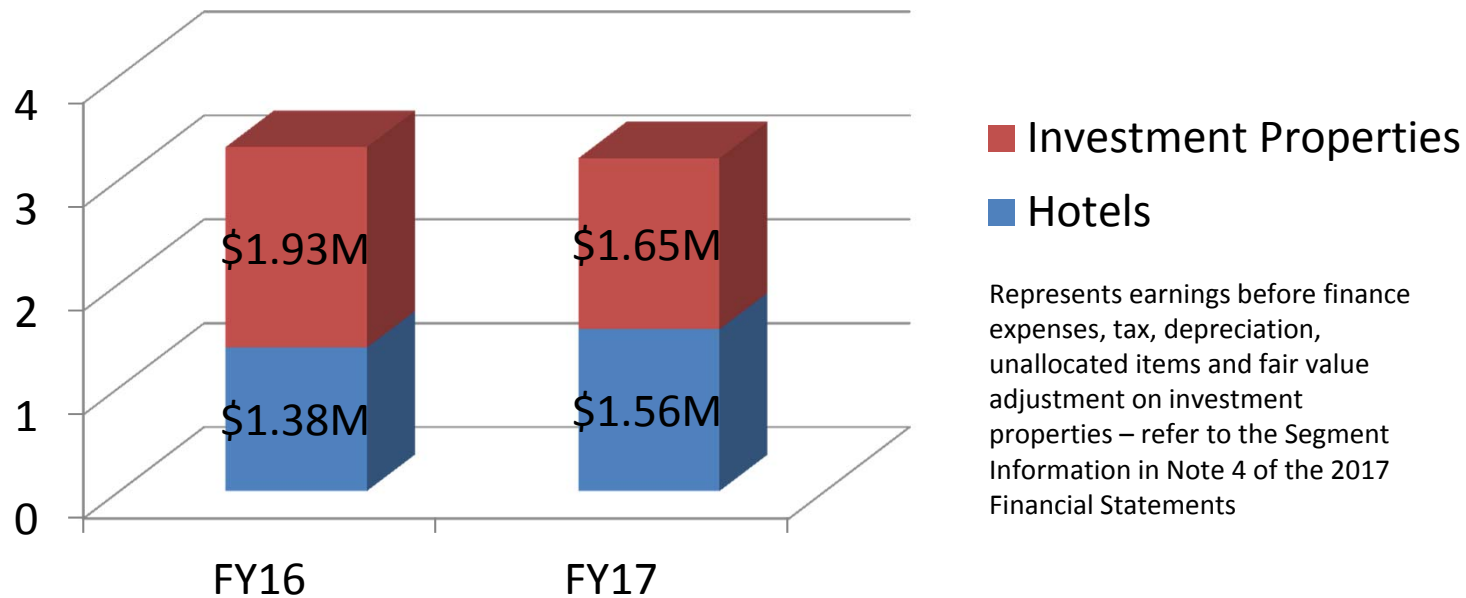
“The operational highlight of the year was undoubtedly the strong performance of the Group’s hotel operations”



# Continued focus on core businesses (cont)

“In contrast to the strong performance of the Company’s hotel operations, the board was disappointed with the results from the investment properties”

**Hotel segment result increased by 12.7% while Investment Properties result decreased by 14.6%**



# Ashmore Tavern improvements

Continued investment in the gaming room

- gaming fleet upgrades July 2016 & April 2017
- furniture upgrade June 2017
- total cost of \$0.18 million
- continued strong performance
- ranked 21<sup>st</sup> in OLGR FY17 annual report in Qld hotels



Audio visual equipment throughout the venue, in particular in the Sports bar

- total cost of \$0.11 million
- increased patron numbers for major sporting events and TAB
- significant uplift in bar revenues

# Aspley Central Tavern gaming upgrades

Continued investment in gaming room

- gaming fleet upgrades July 2016 & April 2017
- total cost of \$0.12 million
- underpinning continued growth



## Quench Liquor retail improvement

Upgrade of retail liquor outlets

- relocation and new fitout Aspley bottle shop April 2017
- upgrade fitout and shelving Ashmore Plaza bottle shop May 2017
- total cost of \$0.12 million
- increased sales and GP% at both outlets



# Operational review

## Increased contributions from Ashmore & Aspley Central Taverns

Ashmore Tavern turnover up 1.8%

- gaming revenues up 6.5%
- bar and bistro up 5.5%
- retail and wholesale liquor down 2.0%



Aspley Central Tavern turnover up 24.7%

- gaming up 21.8%
- bar & bistro up 9.8%
- retail up 37.8%



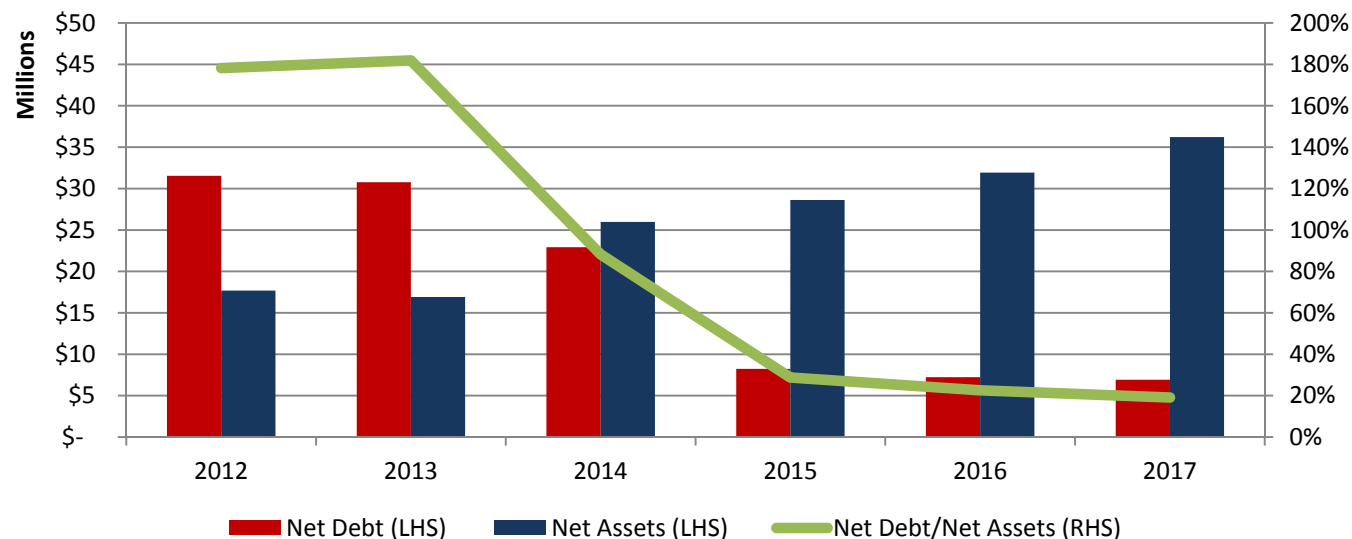
# Operational review (cont)

## Reduced contribution from the Aspley & Aspley Arcade Shopping Centres investment properties

- reconfiguration of centres to create separate dining and services precincts has commenced
- vacancy rate increased from 7.5% to 16.8% at year end
- WALE of 2.7 years
- capital works program in design phase with construction scheduled for completion 4Q FY18
- leasing program scheduled

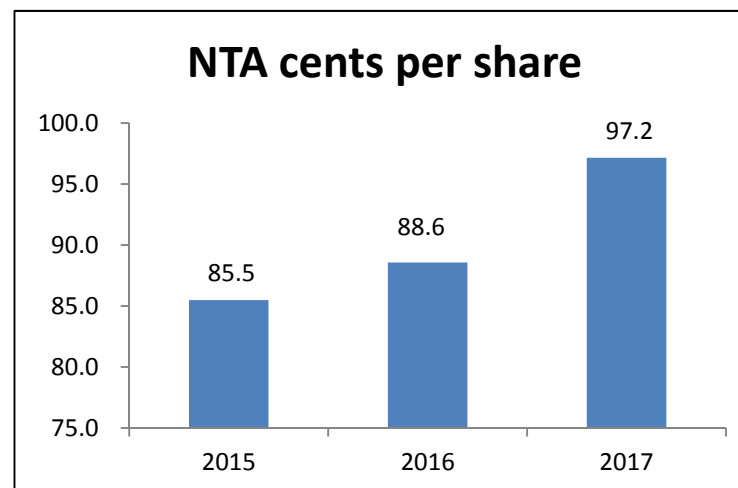
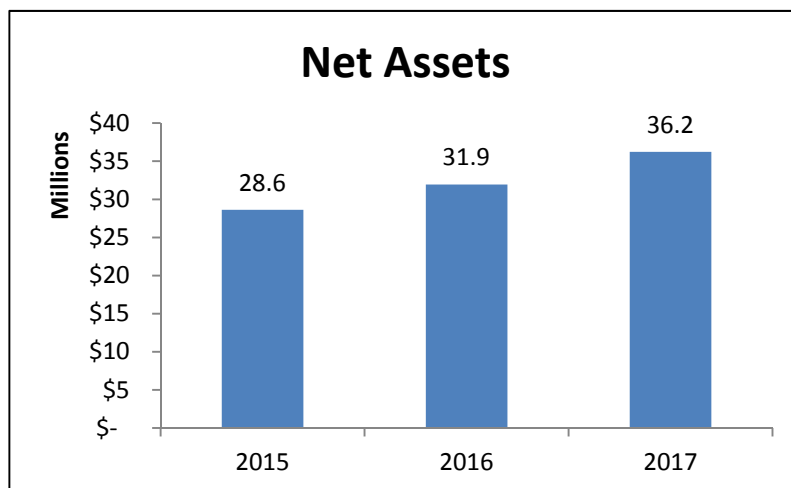


# Strong balance sheet



- Since June 2012, the Group has exhibited strong growth in net assets and a significant decline in net debt
- Eumundi had a net debt to net assets ratio of only 19.1% at 30 June 2017
- This strong position enabled the Group to sustain dividends, develop its core assets and actively pursue expansion opportunities such as the recent acquisition of the Plough Inn post balance date
- Post acquisition net debt to net asset ratio remains comfortably below 60%

# Continued growth in NTA



- Net assets at 30 June 2017 were \$36.2 million, an increase of 13.4% from \$31.9 million at 30 June 2016
- The major reason for the increase in net assets was the revaluation of investment properties by \$3.7 million, primarily due to compression of cap rates, compared with \$1.5 million last year
- Net tangible asset backing per share increased from 88.6 cents at 30 June 2016 to 97.2 cents at 30 June 2017

# Dividends

- Total fully franked FY17 ordinary dividends of 5.5 cents per share (interim of 2.25 cents and final dividend of 3.25 cents per share) paid in cash to shareholders
- Shareholders have received regular fully franked ordinary dividends since the initial special dividend in June 2014
- A total of 21 cents in fully franked dividends paid since June 2014 (adjusted for 1:10 share consolidation)
- Franking account balance at 30 June 2017 of \$0.53 million
- DRP suspended

# Share register

- Share consolidation of 1:10 successfully undertaken in November 2016
- Unmarketable parcels less than 10% of holders and only 0.03% of issued capital
- Share register legacy issues now addressed

# Strategic acquisition - Plough Inn



# Plough Inn (cont)

## Key points:

- central South Bank lifestyle and tourist precinct location
- acquired 96 year head lease over land and buildings
- purchase price of \$13.1 million (excluding acquisition costs) represents a 7.25% net cap rate
- financed through combination of unused existing facilities and new borrowings
- subleased to experienced hotel operators
- term of 15 +10+10+10 years
- triple net lease – all outgoings, repairs and capital works payable by lessee
- annual rises not less than 2.5%
- expected net pre-tax contribution to the Group of \$0.42 million on an annualised basis



# Outlook

- Address investment property issues
  - priority to reduce centre vacancy which continues to affect short term results
  - refurbishment design/planning finalisation Q2 FY18 for completion Q4 FY18
  - appointment of new property and leasing managers
- Further enhance performance of existing hotel operations
  - Ashmore Tavern interior upgrade Q3 FY18
  - Ashmore Tavern sports bar deck and gaming room expansion design/planning Q3 FY18 for completion FY19
  - Aspley Central Tavern gaming expansion Q4 FY18
- Contribution from Plough Inn acquisition