ASX ANNOUNCEMENT

7 August 2019

Announcement No. 08/19
The Manager
Australian Securities Exchange

ALE Property Group FY19 Results

ALE Property Group (ASX: LEP), the owner of Australia's largest portfolio of freehold pub properties, today released its FY19 financial results.

Highlights

- Distributable profit of $28.3 million
- Statutory net profit after tax of $26.6 million
- Full year distribution increased 0.5% to 20.90 cents per security
- Full year distribution will be 81.32% tax deferred
- Current passing gross rent increased 4.28% to $61.04 million following the completion of the 2018 rent review for 36 of the 79 properties involved
- Weighted average adopted yield increased from 4.98% to 5.09%
- Directors' valuations of 86 properties increased by 2.4% to $1,163.2 million
- ALE continues to benefit from the majority of properties being subject to long term triple net lease arrangements with up to 40 years of options
- Spread between falling Australian Government long term bond rates and the yields applying to ALE's properties has materially expanded
- Capital position remains strong with gearing at historic low of 41.5%
- Debt maturities are diversified over the next 4.4 years
- Rent review outcomes are expected to deliver a positive result
- 2003 investment of $1.00 in ALE has an accumulated value of $17.44 at 30 June 2019 or an annual total return of 20.1% p.a.

Results for Year Ending 30 June 2019

Millions	June 19	June 18	Change
Revenue from Properties	**$60.2**	$58.1	$2.1
Other revenue	**$0.8**	$1.0	($0.2)
Borrowing expense	**($22.2)**	($22.0)	($0.2)
Management expense	**($7.6)**	($5.7)	($1.9)
Land tax expense	**($2.9)**	($2.4)	($0.5)
Distributable Profit [1]	**$28.3**	$29.0	($0.7)
Distributable Profit (cps)	**14.45c**	14.83c	(0.38c)
Distribution (cps)	**20.90c**	20.80c	0.10c

The difference between the distribution and distributable profit for the period was paid out of capital and funded from existing cash reserves. Distributable profit excludes the non-cash accounting items including changes to investment property and derivative values.

Distributable Profit

A number of factors contributed to a distributable profit of $28.3 million for the year to 30 June 2019:

- Property income increased by 3.7% to $60.2 million due to rent increases of 10% for 36 of the properties from November 2018, and CPI or fixed rent increases for seven properties, that are not subject to the 2018 rent review process;
- Borrowing expenses remained largely unchanged;
- Management expenses were higher due to $3.1m of additional costs of preparing rent review submissions for determination; and
- Land tax expenses increased based on increased land value assessments and the higher rates now applicable in Queensland.

The distribution of 20.90 cents per security will be 81.32% tax deferred.

Accounting Profit Result

ALE's reported net profit after tax (NPAT) of $26.6 million for the year to 30 June 2019 includes non-cash changes to the value of the properties and interest rate derivatives. The NPAT also includes other non-cash items including amortisation of pre-paid financing costs and CIB accumulating indexation. A full reconciliation of accounting profit to distributable profit has been provided in the Directors' Report.[1]

Statutory Property Valuations

The statutory valuations of ALE's properties increased by 2.4% to $1,163.2 million at 30 June 2019 based on independent valuations of a representative sample of 34 of ALE's properties conducted by CBRE and Savills. Consistent with the increase in rents and stable market yields for pub properties, ALE's weighted average adopted yield increased from 4.98% to 5.09%. The portfolio's passing gross rent (or annualised gross rent as at 30 June 2019), increased 4.28% during the year to $61.04 million.

For further details please refer to the ASX Announcement made by ALE on 15 July 2019.

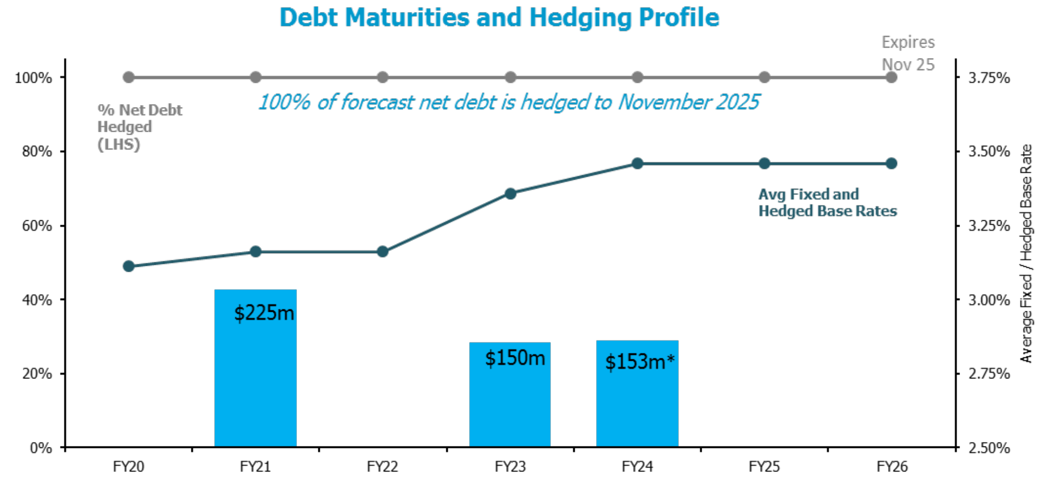
Capital Management

ALE's debt capital structure was characterised by the following positive features at June 2019:

- Investment grade credit rating of Baa2 (stable)
- Next debt maturity in August 2020
- Debt maturities diversified over the next 4.4 years
- 100% of forecast net debt hedged over the next 6.4 years
- All up cash interest rate of 4.26% fixed until August 2020
- Gearing at historical low of 41.5% (41.6% at June 2018)
- Interest cover ratio at 2.5 times (2.6 times at June 2018)

ALE's debt facilities include a number of market standard covenants. ALE currently enjoys significant headroom to all of them. The total value of ALE's properties would need to fall in value by 32% (around $370 million) before meeting the nearest gearing covenant.

ALE has two types of fixed rate debt instruments, Capital Indexed Bonds (CIB) and Australian Medium Term Notes (AMTN) with diversified maturities.



** balance escalates with CPI*

2018 Rent Review

During the 2019 financial year, ALE's first major rent review commenced on 79 of the ALE's 86 investment properties. Of the remaining seven properties, four properties have later review dates, including two that have received CPI increases in the current period, and three properties have non-standard leases.

On 3 August 2018, ALE issued rent notices to its tenant, ALH, advising that the rent on each of the 79 properties subject to the current rent review should increase by 10%. ALE and ALH had already agreed that two properties' rents would increase by 10%. ALH accepted the rent notices on 32 of the properties and rejected the remaining 45 notices. ALH has subsequently accepted two additional properties. 43 properties remain subject to independent determination.

The 36 accepted rent notices and regular CPI and fixed rent increases on six other properties increased ALE's total passing gross rent as at 30 June 2019 to $61.04 million, an increase of 4.28% on the prior year. QLD land tax is the only deduction included in ALE's total net passing rent.

The passing gross rent for the remaining 43 properties may increase or decrease by up to 10%.

The following table provides additional information around the types of leases and timing of the rent reviews:

Hotel	Next Rent Review Date	Rent* ($m)	Next Renewal Date	Renewal Term (Years)	Lease Type, Review and Renewal Details **
Berwick, VIC	Jun 2018	1.20	Jun 2028	10	Standard lease. In progress
40 Hotels	Nov 2018	26.99	Nov 2028	10	42 standard leases. In progress
Pelican Waters, QLD	Dec 2018	0.50	Dec 2028	10	Standard lease. In progress
Four Mile Creek, QLD	Dec 2018	0.63	Dec 2028	10	Standard lease. Minimum ratchet and maximum 10%. In progress
Noosa Reef, QLD	Jun 2019	0.72	Jun 2029	10	Standard lease
Brass Monkey, WA	Jun 2020	0.59	Jun 2020	5	Minimum ratchet and maximum open
Pritchard's, NSW	Sep 2020	1.78	Sep 2020	10	Increase at fixed 3%
Balmoral, WA	Feb 2023	0.52	Feb 2023	5	Greater of CPI and 7% of Turnover as maximum open
Burleigh Heads, QLD	Nov 2023	0.80	Nov 2033	10	Standard lease
Narrabeen Sands, NSW	Jun 2024	0.83	Jun 2034	10	Standard lease
Anglers Arms, QLD	Nov 2028	0.64	Nov 2028	10	Standard lease. Increase of 10% occurred June 2017
36 Hotels	Nov 2028	25.76	Nov 2028	10	34 standard leases. Increase of 10% agreed. 2 pre-agreed
Total Rent		**60.96**			

* June 2019 gross passing rent amounts before deducting land tax for QLD properties. 79 of ALE's 86 properties were subject to 2018 rent reviews

** Standard leases review to market between Jun 2019 and Jun 2024 and may increase or decrease by up to 10% from preceding year's rent. The first of four 10 year options for ALH to renew standard leases occur between 2028 and 2034. The three non-standard leases are Balmoral, Brass Monkey and Pritchard's.

*** Property adjoining Miami Hotel, QLD receives a rent of $0.08m which is excluded from the above rent amounts.

ALH and Endeavour Group

On 3 July 2019, Woolworths Group, ALH's majority shareholder, announced that it has entered into an agreement to merge its Endeavour Drinks division with ALH. Woolworths' shareholders approvals for the merger are expected in late CY19 and the merged entity is to be named Endeavour Group. This will create Australia's largest drinks and hospitality business with sales of approximately $10 billion and EBITDA of $1 billion.

Following the merger and as a second step, during CY20 it aims to separate Endeavour Group from Woolworths by demerger or value accretive alternative. In event of a demerger, the Group's capital structure will target an investment grade rating.

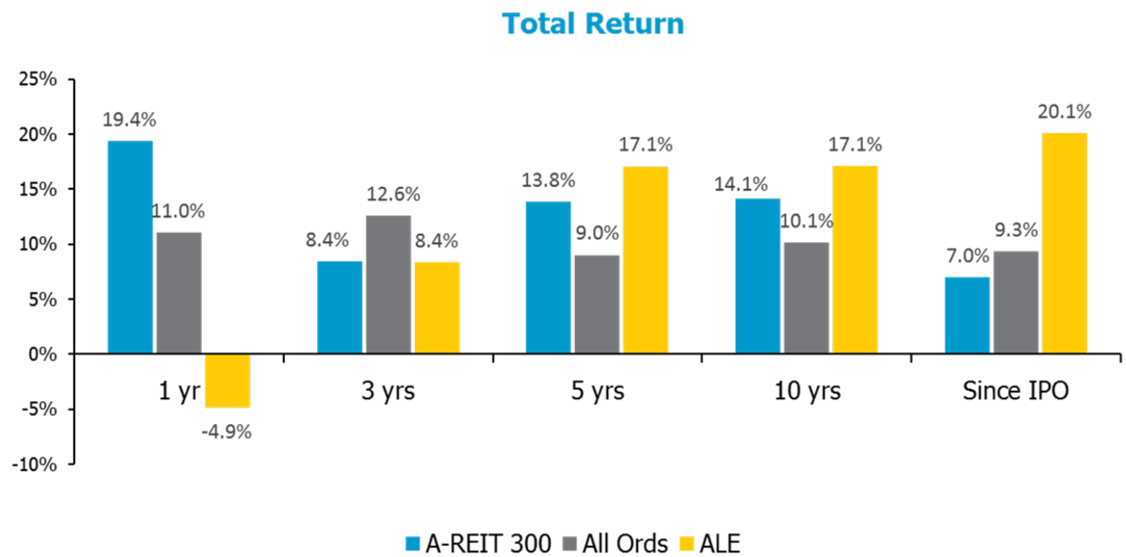
ALE will continue to monitor any developments in relation to the control and ownership of ALH.

ALE's Performance

As indicated by the chart below, ALE has underperformed both S&P/ASX 300 AREIT index and the S&P/ASX All Ordinaries Index over the past one and three years. However over the past five, 10 and 16 years to 30 June 2019, ALE has delivered total returns that have outperformed both those indexes.

A $1.00 investment in ALE at the time of the ASX listing nearly 16 years ago, with reinvested distributions, would have grown to $17.44 as at 30 June 2019.

This is equivalent to 20.1% p.a. total return since the ASX listing.



1. Total return is the annual compound return (IRR) for the number of years ending 30 June 2019
2. Includes ASX market price of $5.10 as at 30 June 2019 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

FY20 Outlook

Non-recurring FY19 rent review submission costs of $3.1m reflect the commitment of time, resources and external experts to the process.

ALE's current view is that the total passing rent is materially less than the uncapped rents. That said, the extent of the difference between passing and uncapped rent is not evenly spread across the portfolio.

Rents may increase or decrease by up to 10% for remaining 43 determinations. The range of gross passing rent for the portfolio of 86 properties is as follows:

- Worst case $58.5m (no change)
- Best case $63.7m (+8.9%)

Note: Changes are in comparison to the gross passing rent before any Nov 2018 rent increases are applied. Best case is less than + 10% as seven of the 86 properties are not included in CY18 rent reviews

ALE remains confident of a positive result but notes it may not receive a full 10% rent increase for all properties. The remaining 43 rent determinations are to be handed down at the same time and are currently anticipated late CY19. The rent determination results will be back dated to 4 November 2018.

- Ends -

Further Notes

1. 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.
2. Gearing relates to AMTN covenant being (Net Finance Debt – Cash) / (Total Assets – Cash – Deferred Tax Assets) of ALE Direct Property Trust. This ratio is considered, in the opinion of the Directors, most relevant to securityholders as it is the debt covenant that is most relevant for assessing the headroom available.
3. Accumulated value includes security price of $5.10 at 30 June 2019 plus reinvestment of all distributions and renunciation payments since ALE's 2003 listing.

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