



EUMUNDI GROUP

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ASX RELEASE

Eumundi Group announces net profit after tax of \$1.974 million for FY2019
Significant refurbishment of shopping centres nearing completion
Net tangible assets 99.1 cents per share
Fully franked final dividend of 2.35 cents per share

Eumundi Group Limited (the “Group”), the Queensland hotel and investment property company, is pleased to report a profit after tax of \$1.974 million for the year ended 30 June 2019, representing earnings per share of 5.17 cents.

At an operating level, that is excluding all fair value revaluations and adjustments, the Group’s net profit after tax increased by a healthy 9% from \$1.647 million to \$1.801 million in the period under review. The Plough Inn revenues were the main contributor to the improved result, while the Group’s Aspley operations were significantly disrupted as anticipated by major capital works which have been ongoing since November 2018.

The net profit after tax of \$3.900 million in the previous corresponding period included a \$2.253 million gain net of tax on fair value revaluations of the Group’s investment properties, mainly attributable to the Aspley Arcade Shopping Village. The current year result includes a \$0.239 million net gain after tax on fair value revaluation predominantly attributable to The Plough Inn.

Other comprehensive income this year included a net after tax gain of \$0.559 million on fair value revaluations of the Group’s land and buildings primarily in relation to Aspley Shopping Centre and Ashmore Tavern, compared with a \$0.452 million net gain after tax for these properties in FY2018.

As a result, the Group’s total comprehensive income net of tax in FY2019 was \$2.533 million compared with \$4.352 million in the previous corresponding period.

The result was achieved on total revenue of \$24.938 million, a 1% increase over the total revenue for the prior comparative period of \$24.782 million. This is a positive outcome in the prevailing conditions.

The Board is pleased with the overall performance of the Group’s operations which is summarised below:

Year ended 30 June (\$'000)	2019	2018	Change
Revenue	24,938	24,782	1%
Total comprehensive income net of tax	2,533	4,352	-42%
Fair value revaluations of land and buildings net of tax	559	452	n/a
Reported net profit after tax	1,974	3,900	-49%
Net gain on fair value adjustment of investment properties after tax	173	2,253	n/a
Net profit after tax (excluding fair value adjustments)	1,801	1,647	9%
Net tangible assets per share (cents)	99.1	103.5	
Dividends (cents per share), fully franked *			
- Interim	3.20	2.25	
- Final	2.35	3.30	
Total dividends	5.55	5.55	

* FY2019 dividends franked at 27.5% (FY2018: 30%)

Comments on result

In line with the Board's stated intention for the 2019 financial year, the Group significantly enhanced its existing shopping centres and hotels through a programme of major works to improve future returns. These works included:

Ashmore Tavern

- upgrade of Ashmore Tavern gaming equipment in August 2018 at a cost of \$0.145 million;
- refurbishment of the Ashmore Tavern sports bar in January 2019 at a cost of \$0.085 million including furniture;
- refurbishment of the Ashmore Tavern kitchen, lounge bar and bistro, and air-conditioning upgrade at a total cost of \$0.338 million, of which \$0.154 million was recognised as at 30 June 2019. These works were completed in July 2019; and
- conceptual design and planning works for the expansion of the Ashmore Tavern gaming room, bistro extension, and a new sports bar deck which are anticipated to occur in late FY2020.

Aspley Central Tavern

- upgrade of Aspley Central Tavern gaming equipment in January 2019 at a cost of \$0.083 million;
- acquisition of seven additional gaming authorities for Aspley Central Tavern by tender in April 2019 at a cost of \$1.269 million, increasing the gaming authorities owned for that venue from 35 to 42; and
- conceptual design and planning works for the expansion of the Aspley Central Tavern gaming lounge which commenced in July 2019 and are scheduled to complete in early September 2019. Total construction costs of \$0.540 million are expected with \$0.069 million recognised as at 30 June 2019.

Aspley Shopping Centre and Aspley Arcade Shopping Village

- major refurbishment of Aspley Shopping Centre and Aspley Arcade Shopping Village, which commenced in November 2018, consisting of updates to facades, car parking and drainage systems; roof and air conditioning replacement; installation of security systems; and landscaping to the site;
- recently commenced extension of the initial works to upgrade the full site; and
- completion of all Aspley works is scheduled for late October 2019, with the total investment expected to be \$3.827 million, of which \$3.530 million has been recognised as at 30 June 2019.

As foreshadowed in prior reports, disruption during the Aspley refurbishment works has resulted in net revenues from Aspley Shopping Centre and Aspley Arcade Shopping Village being below the prior year with a continued high level of vacancy. During the significant disturbance, leasing was put on hold, to seek optimum results by completing the works and leasing properly presented premises.

Aspley Central Tavern revenues were also impacted as expected by the Aspley vacancy levels and the disruption from the building works. Despite this, and following approval of extended trading hours in the prior year, gaming revenues increased by 15% delivering a 10% increase in gaming contribution after costs while bar, bistro and retail revenues were down throughout the second half of FY2019.

Ashmore Tavern gaming revenues declined on the prior period due to the continued difficult economic conditions post the Commonwealth Games in April 2018. Pleasingly, the venue still managed to outperform most of its Gold Coast competitors. Bar and bistro sales continued to improve from the prior year's modest base, following the redecoration of the sports bar in January 2019. Retail liquor sales from the Ashmore Tavern increased slightly over the prior year, however with a slightly weaker margin.

In summary, given the disruptions to trading at Aspley and Ashmore during the refurbishments, the Group's hotel operations performed well, operating cash flows remained strong and the Group's assets

were significantly improved. While the financial results will continue to be impacted in the short term, the initiatives implemented by the Board should improve hotel performance and leasing outcomes.

The Group continued to generate strong cash flows from operations which were \$3.159 million during the year compared with \$2.982 million in the previous period. The substantial increase reflected the overall satisfactory trading of the Group's hotel operations, rental income from The Plough Inn head lease and the timing of annual insurance premium payments.

Strong financial position

The Group remains in a strong financial position:

- The Group's Ashmore Tavern land and building assets were valued to fair value as at 30 June 2019 by independent assessment by a member of the Australian Property Institute. The Aspley Shopping Centre land and building and all investment property assets were valued by directors' assessment. This resulted in net gains after tax of \$0.559 million for land and buildings and \$0.173 million for investment properties as at 30 June 2019.
- Net debt (borrowings less cash) increased by \$3.476 million to \$24.080 million at 30 June 2019, primarily due to increased borrowings to fund the Group's capital works programme.
- The net debt to equity ratio was 58.8% at 30 June 2019, with earnings before interest, tax, depreciation and amortisation (excluding fair value revaluations and adjustments) of \$4.261 million comfortably covering net finance costs of \$0.866 million during the year.
- Net assets increased by \$2.411 million to \$40.964 million, representing equity of 103.6 cents per share.
- Net tangible asset backing per share as at 30 June 2019 of 99.1 cents compared with 103.5 cents in the prior year. This reflects the purchase of an additional seven gaming authorities for the Aspley Central Tavern for an amount of \$1.269 million which is included in the balance sheet as an intangible asset.
- The Group renegotiated expiring commercial debt facilities on favourable terms for three years, increasing approved facilities by \$4.0 million to fund the remainder of the capital works.

The continued strength of the Group's financial position provides scope for completion of, and further improvements to, the Group's hotel and property assets and maintains capacity to take advantage of suitable opportunities should they arise.

Final dividend

The Board is pleased to declare a final dividend of 2.35 cents per share fully franked at 27.5% (2018: 3.30 cents per share fully franked at 30%) with a Record Date of 3 September 2019, to be paid to shareholders on 16 September 2019. The final dividend brings total fully franked dividends for the 2019 financial year to 5.55 cents per share (2018: 5.55 cents per share).

The increased FY2019 interim dividend of 3.2 cents per share (paid on 18 March 2019) and the final FY2019 dividend of 2.35 cents per share reflect the Board's adoption of a revised policy to align the timing of the dividend distributions more closely with the underlying earnings of the Group, the majority of which are usually generated in the first half of the financial year.

The Dividend Reinvestment Plan will apply to this dividend to preserve working capital for the programme of asset improvements. Shareholders who have not previously elected to participate in the DRP or wish to vary existing DRP participation should update their details online at www.investorcentre.com or by calling Computershare Investor Services on 1300 850 505 to obtain a DRP Election / Variation Form. The form must be received by the share registry on or before 5pm on Friday 6 September 2019.

Outlook

Ashmore Tavern

Substantial upgrades are under consideration for the Ashmore Tavern including expansion of the gaming room, the addition of a large deck to the sports bar and additional all-weather dining areas. Architect's designs have been received and are currently being reviewed. This further work will ensure that the gaming room and the Group's other on-premise operations continue to meet the market's expectation for modern hotels.

Aspley Central Tavern

As noted previously, seven additional gaming authorities for the Aspley Central Tavern were obtained during the year and the works to expand the gaming room substantially will be completed in the coming weeks. The new room will comfortably accommodate 42 gaming machines, up from 35 at present.

Revenue growth across bar, bistro and gaming will be constrained until the new gaming lounge commences trading. However, once the refurbishment of the Aspley centres and the gaming room expansion are completed, management anticipates a considerable upturn in patronage for the Tavern.

Aspley Shopping Centre & Aspley Arcade Shopping Village

The Board is pleased with the major enhancement to the Aspley centres. The building works have significantly transformed the asset as illustrated below:







Vacancy at the centres remains high, and post completion our primary objective is to deliver quality leasing outcomes, ensuring the best tenants and uses are found for each of the available tenancies for the long term success of the centre. Leasing agents have been engaged and a targeted marketing programme is now underway.

Having significantly improved shareholders' assets, the Board looks forward to reporting on the results of these initiatives, and the progress of Ashmore Tavern improvements during the year.

Suzanne Jacobi-Lee
Chief Executive Officer