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ASX RELEASE

Eumundi Group records net loss after tax of \$1.022 million for FY2020

Net profit after tax before fair value adjustments of \$522,000

Net tangible assets of 82.7 cents per share

Eumundi Group Limited (the “**Group**”), the Queensland hotel and investment property company, reported a loss after tax of \$1.022 million for the year ended 30 June 2020 (“**FY2020**”), representing negative 2.46 cents per share.

The current year loss includes a \$(1.543) million fair value adjustment on revaluations of the Group's investment property net of tax, predominantly attributable to the Aspley Arcade Shopping Village. The net profit after tax of \$1.974 million in the previous corresponding period included a \$0.239 million fair value adjustment on revaluation predominantly attributable to the Plough Inn.

At an operating level, that is excluding all fair value adjustments on revaluation, the Group was pleased to record a net profit after tax of \$0.522 million in FY2020, notwithstanding the current economic climate. COVID-19 related closures were the main contributing factor for the reduction in net profit from \$1.801 million in FY2019. The Group's Hotel and Investment property revenues were both significantly impacted by the forced closure of hotel operations from 23 March 2020, which also resulted in the provision of rental support to the Plough Inn.

Other comprehensive losses this year included after tax fair value adjustments on revaluation of the Group's land and buildings of \$(3.695) million, primarily in relation to Aspley Shopping Centre and Ashmore Tavern, compared with a \$0.559 million fair value adjustment on revaluation net of tax for these properties in FY2019.

As a result, the Group recognised a total comprehensive loss net of tax in FY2020 of \$4.717 million compared with a \$2.533 million gain net of tax last year.

Total revenue of \$20.715 million in FY2020 represented a decrease of a 16.9% from the total revenue of \$24.938 million in the prior, again attributable to COVID-19 forced business closures for most of Q4FY2020.

Having regard to the very serious economic impacts arising from COVID-19, the Board is pleased with the overall performance of the Group's operations, in particular the profit achieved at an operating level. The FY2020 result is summarised below:

Year ended 30 June (\$'000)	2020	2019	Change
Revenue	20,715	24,938	16.9%
Total comprehensive (loss)/ income net of tax	(4,717)	2,533	n/a
Fair value revaluations of land and buildings net of tax	(3,695)	559	n/a
Reported net profit after tax	(1,022)	1,974	n/a
Net gain on fair value adjustment of investment properties after tax	(1,543)	173	n/a
Net profit after tax (excluding fair value adjustments)	522	1,801	71.0%
Net tangible assets per share (cents)	82.7	99.1	
Dividends (cents per share) *			
- Interim	2.35	3.20	
- Final	-	2.35	
Total dividends	2.35	5.55	

* FY2020 and FY2019 dividends franked 50% & 100% respectively at a tax rate of 27.5%)

Comments on result

In line with the Board's stated FY2020 intentions, the Group continued its programme to improve returns by significantly enhancing its existing shopping centres and hotels through major capital works. These included:

Ashmore Tavern

- refurbishment of the lounge bar in July 2019 at a cost of \$0.317 million including furniture and equipment;
- upgrade of gaming equipment in September 2019 at a cost of \$0.174 million;
- commencement of enclosed bistro deck works in June 2020 at a cost of \$0.431 million, of which \$0.152 million was recognised in FY2020;
- advanced detailed design for the Stage 2 - sports bar deck, main entry and exterior upgrade, scheduled to complete in September 2020, with an expected construction cost of \$0.530 million; and
- advanced detailed design for Stage 3 - gaming & bistro deck extension, scheduled to complete early in February 2021, with an expected construction cost of \$1.9 million.

Aspley Central Tavern

- major upgrade and extension of the gaming room at a cost of \$0.687 million in September 2019; and
- upgrade of gaming equipment including the acquisition of seven additional machines at a cost of \$0.216 million in September 2019.

Aspley Shopping Centre and Aspley Arcade Shopping Village

- completion of the major refurbishment of the shopping centres in November 2019 at a total cost of \$5.373 million, of which \$1.843 million was recognised in FY2020; and
- construction of new amenities at Aspley Shopping Centre at a cost of \$0.109 million completed in May 2020.

Disruption of the Group's hotel businesses while the above works were completed was unavoidable. Nonetheless, the Group's focus remained firmly on enhancing the long term value of these assets through the much needed capital improvements.

Despite the completion of the major shopping centre redevelopment at Aspley, leasing deals remained difficult. Banks tightened lending criteria following the Royal Commission into Banking and potential lessees expected the landlord to play the additional role of financier with little or no tangible security offered in return. Nonetheless, there was and remains credible interest in the Aspley site by long term business operators.

Along with other environmental and economic risks, the potential impacts of COVID-19 were considered by the Board prior to March 2020. However, the speed and magnitude of both State and Federal Government reactions, especially the resulting devastation from the forced closure of the Group's hotel operations, were unforeseen.

The consequences of COVID-19 significantly impacted the FY2020 result, largely eroding the relatively strong profit achieved by the Group for the half year to 31 December 2019. From 23 March 2020, many of the Group's operational revenue streams were immediately lost or substantially reduced from the combined impact of hotel closures and the application of the mandatory code of conduct for rental agreements.

Retail liquor operations were able to continue to trade and growth was achieved across many retail outlets. However, this was offset by loss of business in corporate sales, predominantly Gold Coast restaurants and bars, and from the Broadbeach bottle shop, which was also heavily dependent on tourist activity.

The COVID-19 closures made it necessary to stand down staff immediately where they were not required for the ongoing operations of the business. Wherever possible, affected staff were offered roles within the retail liquor business or assigned other tasks such as maintenance and administration.

JobKeeper was vital to retaining contact with the Group's valued employees during the closure. Without this important Federal Government initiative, reopening the Group's taverns would have effectively meant building these businesses again from the ground up. The Board is grateful for the dedication and hard work of the Group's staff during this difficult period.

Other controllable costs were immediately contained to the minimum necessary to maintain continuing operations. The Group applied for all available assistance, including government subsidies, deferred supplier payment and relief offered by landlords under the mandatory code of conduct for commercial leases.

Bar and bistro operations were approved to reopen, albeit on a restricted social distancing basis, from 10 June 2020. Uncertain of the level of demand, the Group's operations were initially opened for limited trading hours. The COVID-19 trading requirements were also onerous and expensive to implement. However, trading improved with perseverance as the restrictions were gradually eased through the month.

The Group re-commenced full operating hours at both hotel venues on 3 July 2020 when gaming was approved to re-open. The early results are very encouraging, with an average uplift in excess of around 25% -35% across the venues to the end of August despite the capacity limitations, particularly at Ashmore with works underway.

Strong financial position

The Group remains in a strong financial position. Net debt (borrowings less cash and cash equivalents) was \$27.131 million as at 30 June 2020 (2019: \$24.080 million), representing a net debt to equity ratio of 75.0% (2019: 58.8%). Net tangible asset ("NTA") per share was 82.7 cents at balance date (2019: 99.1 cents).

Most of the gearing increase and the NTA per share reduction relates to the fair value asset adjustments noted previously. Interest cover remains comfortable and the Group also has access to undrawn credit lines.

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

Final dividend

The board has decided not to declare a final dividend for FY2020 given the current economic climate.

Outlook

Aspley Shopping Centre & Aspley Arcade Shopping Village

Redevelopment works are now complete and leasing results are gradually being achieved. In particular:

- terms have been negotiated for Ray White to relocate and expand its tenancy from 368m² currently leased to 454m² for a new 10 year deal;
- a lease has been successfully negotiated for a new seven year term over a 276m² tenancy in Aspley Arcade with a leading gym franchise; and
- negotiations continue for the expansion of one of the centre's allied health providers, with a new 10 year lease term sought by the tenant.

The fair value decrements included in the FY2020 result reflect high vacancy levels at the Group's shopping centres. However, as leasing outcomes are achieved, the Board believes these asset values will recover.

Aspley Central Tavern

Extended trading hours were applied for at Aspley Central Tavern in late 2019, with approval finally received prior to the recommencement of gaming trade in July 2020. Since reopening, turnover at the venue, in particular gaming, has substantially outperformed the prior comparative period when the gaming expansion works were underway.

Ashmore Tavern

Following on from the bistro deck expansion in July 2020, substantial upgrades are under underway at the Ashmore Tavern. These include the addition of a large deck to the sports bar, due to complete in September 2020; an upgrade of the main entrance and repainting and restoration work to the exterior of the venue, expected to complete in September 2020; and expansion of the gaming lounge and bistro area, expected to complete in February 2021. These further works will ensure that the gaming room and the Group's other on-premise operations continue to meet the market's high expectation for modern hotels.

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.



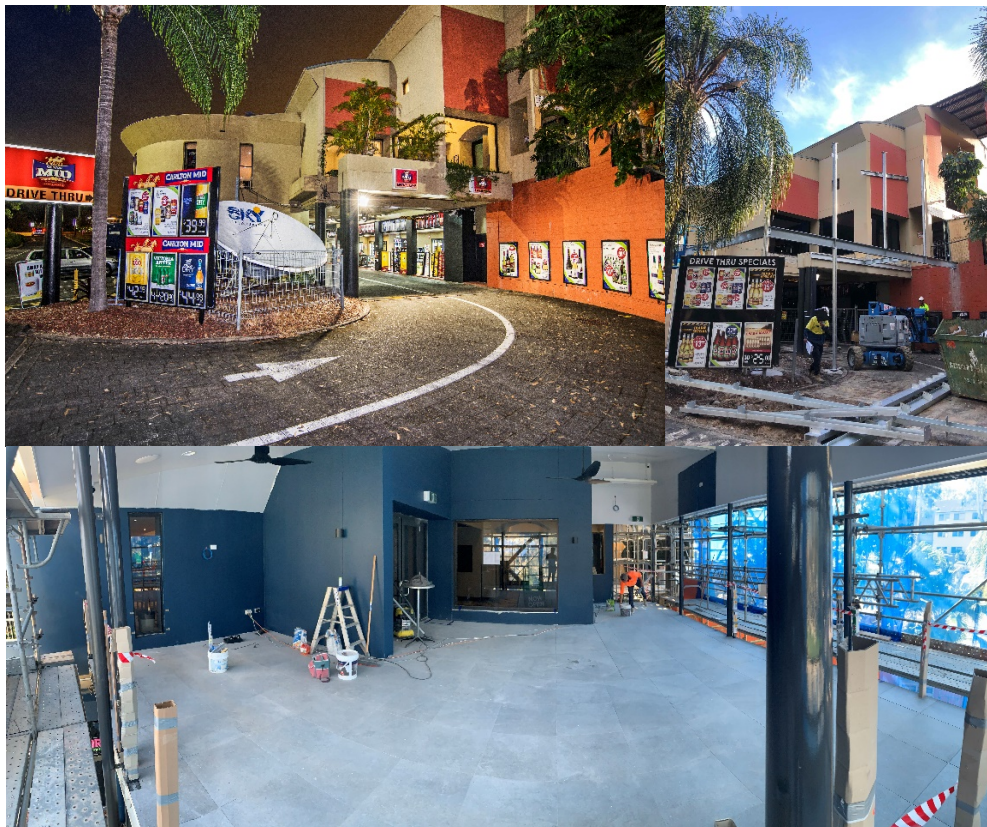
Suzanne Jacobi-Lee
Chief Executive Officer



Ashmore tavern bistro deck – before and after



Ashmore Tavern - main entry – works in progress –completion September 2020



Ashmore Tavern – sports bar deck - works in progress - completion September 2020

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