



ALE Property Group

Annual General Meeting 17 November 2020

Group Highlights

Year to 30 June 2020

Property Portfolio

\$1,174.2m
Statutory property values

5.08%
Average property yield

8.3 years*
Weighted average lease expiry

0.92%
Passing gross rental growth

100%
Occupancy

Capital Structure

41.3%
Gearing

2.4 years
Average debt maturity

5.4 years
Hedge maturity

4.11%
All up cash interest rate

Baa2
Investment grade rating

Equity Performance

\$30.4m
Distributable profit

20.90 cps
Distribution

49.42%
Distribution tax deferred

\$973.0m
ASX market capitalisation

18.9% p.a.
17 year total return

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 2020

In addition to the weighted average lease expiry term, there are four 10 year options for ALH to extend (83 of 86 properties)

*As at 30 June 2020



Post balance date events

Year to 30 June 2020



2018 Rental Determinations and Legal Proceedings

- Received September 2020; overall increase 4.4%
- ALE has commenced proceedings in the Supreme Court of Victoria to set aside the 19 Determinations for properties in Victoria



Updated property valuations

- All 86 properties were revalued as at 31 October 2020, to take into account rental determinations received
- Overall increase of 4.4%
- The valuations and estimated uncapped/uncollared rent announced today do not take into account the potential impact of the Victorian legal proceedings

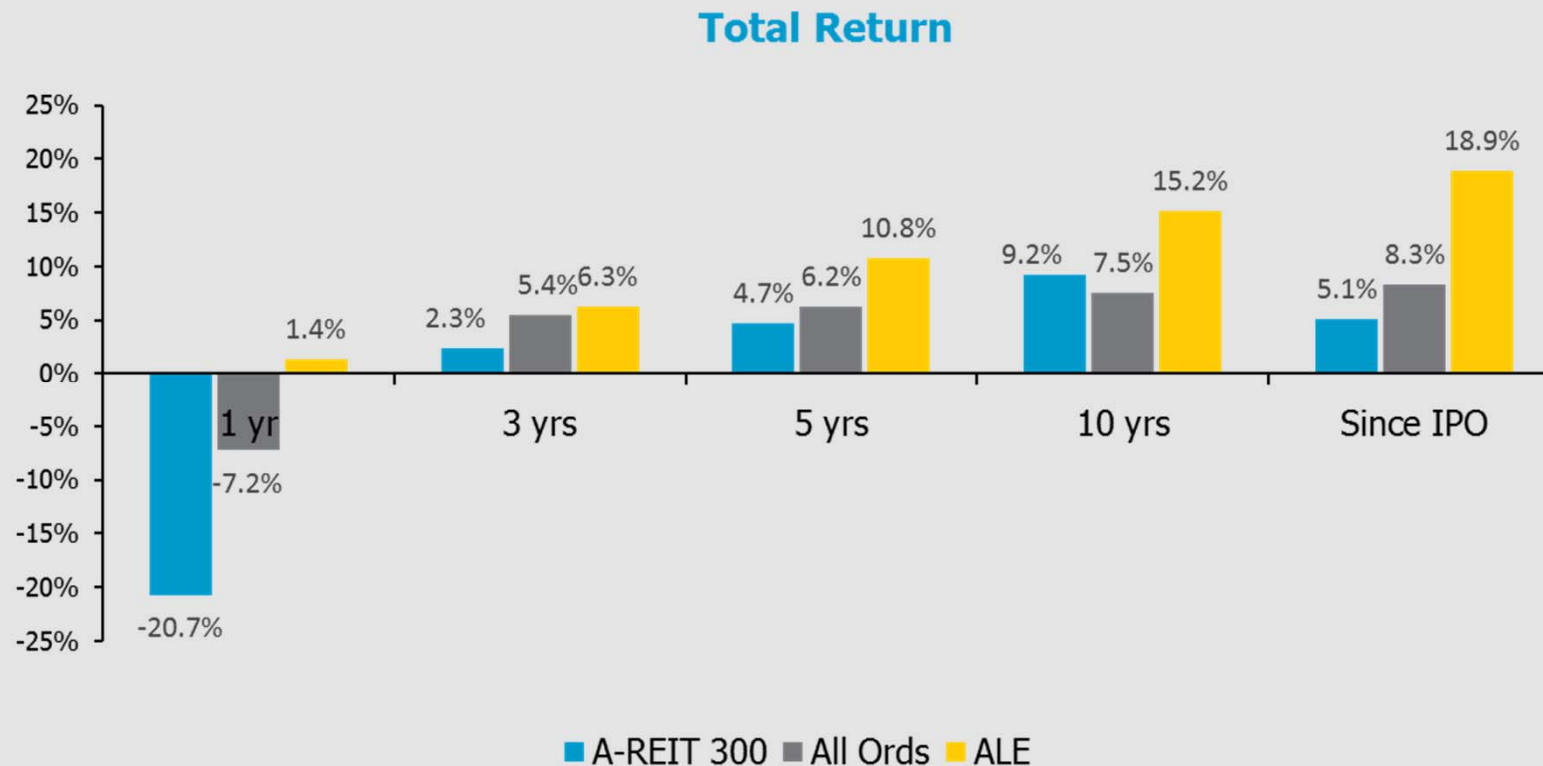


New Managing Director

- Guy Farrands commenced on 1 October 2020

ALE's 17 Years of Equity Performance

Outperformance



- Total return is the annual compound return (IRR) for the number of years ending 30 June 2020
- Includes ASX market price of \$4.97 as at 30 June 2020 and reinvestment of distributions and 2009 renunciation payment
- ALE, All Ordinaries Accumulation Index and UBS S&P REIT 300 Index data sourced from ASX, UBS and ALE
- **An investment in ALE at IPO in 2003 of \$1.00 has accumulated value at 30 June 2020 of \$17.67**



Financial Results

Year to 30 June 2020



Financial Highlights

Year to 30 June 2020



Profit

- Distributable profit of \$30.4m, up 7.5%
- Increased property revenue and reduced management expenses
- Net profit after tax (IFRS) of \$20.0m



Distributions

- Full year distributions of 20.90 cps (unchanged)
- 49.42% tax deferred
- DRP reactivated: 48.3% participation



Consistent Outperformance

- Investment in Nov 2003 IPO of \$1.00
- Equivalent to 18.9% p.a. total return
- Outperformed the AREIT 300 and All Ordinaries over past 1, 3, 5, 10 and 17 years



Sound Capital Position

- Gearing at historic low of 41.3%
- \$250m refinancing completed and used to repay maturing FY21 AMTN and bank debt
- Next debt maturity in April 2022



Distributable Profit

Year to 30 June 2020

Millions	June 20	June 19	Comments
Revenue from properties	\$61.4	\$60.2	▪ Increases for 43 properties - CPI and full year impact of +10% on 36 of those properties from Nov 2018. 43 properties await determinations
Other revenue	\$0.3	\$0.8	▪ Lower cash balances and lower interest rates
Borrowing expense	\$22.0	\$22.2	▪ Fixed interest rates on 100% of debt
Management expense	\$5.9	\$7.6	▪ Additional valuation costs of \$0.5m. Rent review costs of \$0.6m (FY19 \$3.1m)
Land tax expense	\$3.3	\$2.9	▪ Increased rate of land tax (QLD properties only)
Distributable Profit ¹	\$30.4	\$28.3	▪ Increase of 7.5%. Substantially due to reduced one-off rent review expenses
Distributable Profit (cps) ²	15.53c	14.45c	
Distribution (cps)	20.90c	20.90c	▪ In line with guidance. 5.37 cps paid out of capital and cash reserves

1. Distributable Profit excludes non-cash accounting items – see full reconciliation to IFRS Net Profit.

2. 195.8 million securities were on issue as at both dates above

3. Rounding differences may arise



Net Profit (IFRS) and Distributable Profit

Year to 30 June 2020

Millions	June 20	June 19
Revenue	\$61.7	\$61.0
Other Income (Fair value increments to investment properties)	\$10.9	\$26.6
Expenses	(\$35.3)	(\$35.8)
Other Expenses (Fair value decrements to derivatives)	(\$17.3)	(\$25.2)
Income tax expense	(\$0.0)	(\$0.0)
Net Profit after income tax (IFRS)	\$20.0	\$26.6
Add back non cash items:		
Fair value (increments) to investment properties	(\$10.9)	(\$26.6)
Fair value decrements to derivatives	\$17.3	\$25.2
Employee share based payments	\$0.2	\$0.1
Non-cash finance costs	\$3.8	\$3.0
Income tax expense	\$0.0	\$0.0
Distributable Profit	\$30.4	\$28.3

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.



Post Balance Date Events



2018 Rental Determinations

Post Balance Date Event



Received September 2020

- Background:
 - 36 properties - tenant accepted 10% capped increase
 - 43 subject to determination.
- Determinations as received saw rents essentially unchanged overall, but there were differences between the individual properties
- Including the rents for the 36 properties that were previously agreed to increase by the full 10% cap, the rent for 79 properties that were subject to review increased by 4.4%
- The first uncapped/uncollared rent review will be undertaken as at November 2028, for properties where the tenant has exercised its first 10 year option to renew
- ALE has commenced proceedings in the Supreme Court of Victoria to set aside the 19 Determinations for properties in Victoria



Proceedings in the Supreme Court of Victoria

Post Balance Date Event based on determinations received



Seeking to have Victorian Determinations set aside

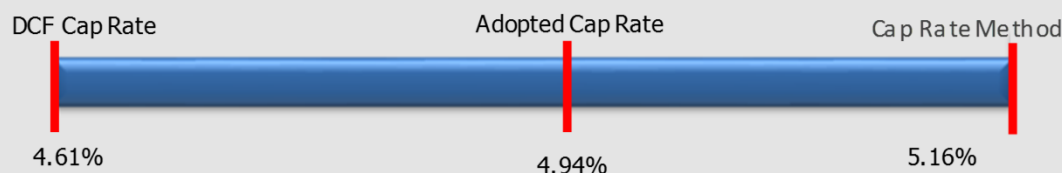
- ALE has commenced proceedings in the Supreme Court of Victoria to set aside the 19 Determinations for properties in Victoria
- ALE believes that the Determinations are the outcome of the application of an incorrect methodology.
- The valuations and estimated uncapped/uncollared rent announced yesterday do not take into account the potential impact of the proceedings
- The decision of the Court may impact:
 - the valuation of ALH's properties,
 - the 2018 Victorian Determinations and
 - the methodology for the assessment of uncapped/uncollared rent in 2028



31 October 2020 Valuations

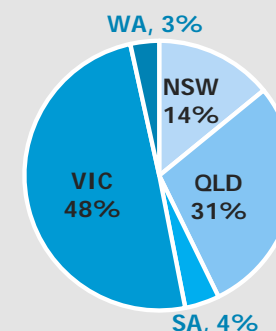
Post Balance Date event based on determinations received

- Independent valuations by Savills and CBRE across 86 properties
- Valuers have taken into account both the results and methodology of the rental determinations
- Valuations increased by \$51.6m (or 4.4%) since 30 June 2020
- Average adopted yield of 4.94% (30 June: 5.08%)
- Independent DCF valuations of properties are equivalent to a yield of 4.61% (30 June: 4.50%)
- Valuers' adopted yields reflect a blend of cap rate and discounted cash flow (DCF) methodologies



Portfolio composition as at 31 October 2020

State	Properties	Value as at 31 Oct 2020 (m)	Increase since 30 June 2020(m)	Yield*
NSW	10	\$186.2	\$18.3	4.58%
QLD	32	\$390.7	\$22.7	4.78%
SA	7	\$42.1	\$0.5	5.20%
VIC	33	\$574.3	\$9.4	5.06%
WA	4	\$32.5	\$0.7	6.28%
Total	86	\$1,225.8	\$51.6	4.94%



Geographic Diversity

Geographic percentages represent book values in each State
* Yield: Weighted Average Adopted Yield



Uncapped/uncollared rental levels

Post Balance Date Event



Estimate of Uncapped/Uncollared Rental levels as at 31 November 2020

- Independent valuers have estimated what the uncapped/uncollared rent would be for each of the properties as at 31 October 2020.
 - This was estimated as 33% higher than currently payable
 - \$82.9m compared with \$62.5m per annum currently
- Variance is unevenly distributed across the properties in the portfolio
- Valuers have taken into account both the results and methodology of the rental determinations
 - This estimate reflects the opinion of the independent valuers as at 31 October 2020 and should not be considered as a forecast
- The first uncapped/uncollared rent review will be undertaken as at November 2028, for properties where the tenant has exercised its first 10 year option to renew
 - In the meantime, almost all leases have annual CPI increases each November
- Any decision of the Supreme Court of Victoria providing guidance in relation to the rent review provisions in the leases may impact the estimate of uncapped/uncollared rent in 2028.



Capital Management



Capital Management

A Sound Debt Capital Structure

Capital management priorities

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

Capital structure with positive features

- Investment grade credit rating of Baa2 (stable)
- Debt maturities diversified over the next 3.4 years
- 96% of forecast net debt hedged over the next 5.4 years
- Gearing at historic low of 41.3% (41.5% at June 2019)
- \$250m debt facility used to repay all CY20 maturing debt



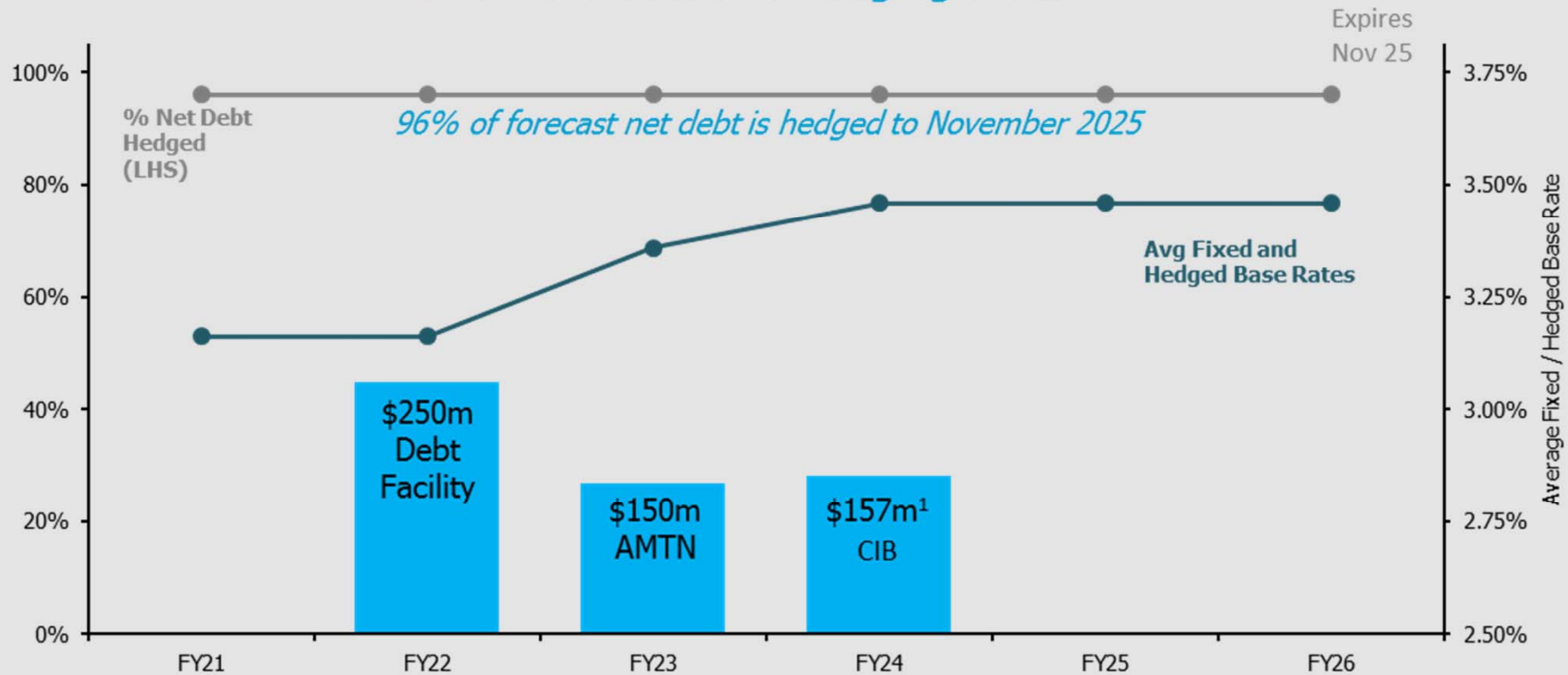
Breakfast Creek Hotel, Brisbane, QLD



Capital Management

Diversified Debt Maturities And Long Term Hedging

Debt Maturities and Hedging Profile



Note: Base interest rates exclude credit margins

1. CIB balance escalates with CPI



Outlook



ALH – update and outlook

ALH / Endeavour Drinks Merger and Separation from Woolworths

ALH: Australia's largest pub operator

- Wholly owned by Endeavour Group following February 2020 merger with Endeavour Drinks
- Around 330 licensed venues comprising > 900 bars & night clubs. Most venues have restaurants and bistros serving around 50,000 meals a day
- Around 600 liquor outlets
- 2,090 rooms across 96 locations
- FY19 \$4.67 billion of revenue
- FY19 \$583m of EBITDA

Endeavour Group: Intention to separate

- Endeavour Group: ownership 85.4% Woolworths and 14.6% Bruce Mathieson Group
- 1,926 venues and outlets
- Woolworths advised intention to pursue a separation during CY21 by demerger or value-accretive alternative
- In event of a demerger, Endeavour Group will be targeting an investment grade rating
- FY19 \$10.33 billion of revenue
- FY19 \$0.95 billion of EBITDA





Outlook

FY21 Outlook



Covid-19

- Impact being closely monitored
- ALE received all rental payments when due
- All pubs operated by ALH are currently open but subject to varying restrictions in each state



Distribution & Capital Management

- The Board will review the distribution and capital management policy and we will make an announcement as soon as possible



ALE's Value Proposition



- National portfolio of 86 pub properties, mostly located in capital cities
- 95 hectares of land approximately
- Predominantly* long term, triple net leases to ALH, Australia's largest pub operator
- Any annual State based CPI decreases do not reduce rental income (floor at 0%)
- Weighted average lease expiry of 7.8 years** plus four 10 year options to renew
- Uncapped/uncollared rents assessed as higher than current passing rent
- Investment grade capital structure

* three of the 86 properties are double net leases

** as at 31 October 2020

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