

ASX ANNOUNCEMENT

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Corporate Announcement Office
Australian Securities Exchange

Distribution Guidance **Capital Management Update**

The directors of listed property trust and management company, ALE Property Group (ALE) (ASX code: LEP) advise that ALE has now undertaken a review of its distribution and capital management policies having regard to the receipt of the rental determinations announced on 14 September 2020 and the updated statutory valuations announced on 16 November 2020.

In determining the appropriate distribution and capital management policies, the Directors have considered the specific features of ALE's investment portfolio including:

- a high quality and diversified national pub portfolio with a 87% weighting by value to metropolitan Sydney, Melbourne and Brisbane;
- predominantly triple net leases to an investment grade tenant;
- long term leases (8.0 year WALE with predominantly 4x10 year options) over strategically important properties;
- predominantly CPI rental increases with a floor;
- the opinion of the statutory valuers regarding the under-renting of the portfolio (with uncapped/uncollared rents in aggregate estimated as at 31 October to be 33% higher than passing rents); and
- the expected rent increases at the finalisation of the 2028 uncapped/uncollared rent reviews (where options to renew are exercised).

The Directors have also considered, among other things:

- the historically low covenant gearing of ALE of 39.7% following the 31 October 2020 independent valuations; and
- the prevailing economic and interest rate environment and outlook for asset values.

Updated Distribution Policy and Guidance

ALE will maintain its strategic priority of delivering predictable and growing distributions for securityholders whilst maintaining an investment grade credit profile. ALE's distribution policy going forward reflects the positive outlook for earnings and valuations following receipt of the 2018 rental determinations and expected to flow from the 2028 uncapped/uncollared rent reviews.

ALE is pleased to announce FY21 distribution guidance of 21.50 cents per security, representing a 3% increase relative to FY20 distributions. Further details

are set out in our distribution announcement for the 6 months to 31 Dec 2020 released today.

In addition, it is presently expected that distributions following FY21 will be increased by at least CPI.

Gearing policy

Given distributions are expected to remain above operating earnings, gearing is expected to increase over time. The extent to which gearing increases will be impacted by actual business performance, asset valuations and capital and portfolio management initiatives which may be undertaken from time to time.

Credit rating

ALE currently has an investment grade Baa2 unsecured debt credit rating issued by Moody's Investors Service ("Moody's"). ALE has been engaging with Moody's in relation to its capital management policies.

ALE is committed to maintaining an investment grade credit profile in order to provide access to diversified funding sources through different market cycles.

These priorities assume no material changes to either current business conditions, ALE's property holdings or contractual arrangements with ALH and will be reviewed as appropriate in the light of prevailing circumstances.

This ASX release was approved and authorised for release by Robert Mactier, Chairman.

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