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ASX RELEASE

Eumundi Group achieves record net profit after tax of \$4.263 million for FY2021
Earnings per share of 10.26 cents
Net asset backing of 107.8 cents per share

Eumundi Group Limited (the “**Group**”), the Queensland hotel and investment property company, reported a profit after tax of \$4.263 million for the year ended 30 June 2021 (“**FY2021**”), equating to earnings per share of 10.26 cents. This is a record profit result for the Group and represents a major turnaround from the loss of \$1.022 million in FY2020.

The current year profit includes a \$1.769 million fair value adjustment on revaluations of the Group’s investment property net of tax, of which \$1.169 million pertains to The Plough Inn and \$0.600 million relates to the Aspley Arcade Shopping Centre. The loss in the prior year included a \$1.543 million loss on fair value adjustment net of tax on revaluation predominantly attributable to the Aspley Arcade Shopping Village.

At an operating level, that is excluding all fair value adjustments on revaluation, the Group is pleased to report a net profit after tax of \$2.494 million in FY2021, up 378% from \$0.522 million in FY2020. This is also a record result for the Group. The Board is particularly pleased with the strong underlying performance of the Group’s hotel operations, notwithstanding the disruption from the major capital works at the Ashmore Tavern.

Other comprehensive income this year included after-tax gains on revaluation to fair value of the Group’s land and buildings of \$4.313 million, in relation to Aspley Shopping Centre and the Ashmore Tavern, compared with an after-tax loss of \$3.695 million on revaluation to fair value of these properties in FY2020.

As a result, the Group recorded total comprehensive income net of tax in FY2021 of \$8.576 million, which was a substantial improvement on the total comprehensive loss of \$4.717 million net of tax last year.

Total revenue of \$26.216 million in FY2021 represented an increase of a 27% above the total revenue of \$20.715 million in the prior year.

The FY2021 result is summarised below:

Year ended 30 June (\$'000)	2021	2020	Change
Revenue	26,216	20,715	27%
Total comprehensive income / (loss) net of tax	8,576	(4,717)	n/a
Fair value revaluations of land and buildings net of tax	4,313	(6,695)	n/a
Reported net profit (loss) after tax	4,263	(1,022)	n/a
Net gain on fair value adjustment of investment properties after tax	1,769	(1,543)	n/a
Net profit after tax (excluding fair value adjustments)	2,494	522	378%
Earnings per share (cents)	10.26	(2.51)	+12.8 cps
Net assets per share (cents)	107.8	87.1	+20.1 cps
Net tangible assets per share (cents)	102.0	82.7	+19.3 cps
Dividends (cents per share)			
- Interim (50% franked at 27.5%)	-	2.35	
- Final	-	-	
Total dividends	-	2.35	

Comments on result

The FY2021 result contrasts starkly to last year when mandated government COVID-19 closures of the Group's hotel operations and the provision of rent relief to affected lessees of the Group's investment properties severely impacted the Group's financial performance.

Going into FY2021, the long-term outlook remained uncertain and consumer confidence was low. When the Group re-commenced full operating hours at both hotels in July 2021, social distancing restrictions highlighted how significantly ongoing capacity limits would constrain hotel revenues. In particular, the capacity limits at the Ashmore Tavern meant a 50% reduction in bistro and bar capacity and a 40% reduction in gaming capacity.

Despite these challenges, the Group had earlier taken the strategic decision to proceed with the major planned capital works at the Ashmore Tavern to maintain and improve revenue streams, building for the future when conditions improved. These works included:

Ashmore Tavern

- completion of enclosed atrium bistro deck in July 2020 at a cost of \$0.431 million of which \$0.152 million was recognised as at 30 June 2020;
- completion of front entry upgrade at a cost of \$0.245 million and sports bar dining deck at a cost of \$0.208 million in September 2020;
- completion of gaming lounge, garden bistro and deck, and sports bar smoking deck upgrade in March 2021 at a cost of \$2.014 million;
- upgrade of gaming equipment at a total cost of \$0.160 million in December 2020 and June 2021;
- upgrade of audio visual and security systems throughout the venue including installation of temperature sensing cameras at a total cost of \$0.201 million. Works were undertaken progressively with each stage of the capital works program and completed in March 2021; and
- advanced detailed design for major kitchen expansion which is scheduled to commence in February 2022 and complete early in June 2022 with an expected construction cost of \$1.0 million.

Aspley Central Tavern

- completion of designated smoking area for the gaming room at a cost of \$0.054 million in August 2020;
- upgrade of security systems including installation of temperature sensing cameras at a cost of \$0.028 million in December 2020;
- upgrade of gaming equipment at a cost of \$0.120 million in December 2020; and
- acquisition of three gaming authorities at a cost of \$0.567 million in April 2021 and three new gaming machines at a cost of \$0.061 million in May 2021.

Aspley Shopping Centre and Aspley Arcade Shopping Village

- capital contributions of \$0.773 million in respect of new leases at the Aspley investment properties.

As expected, revenue at the Ashmore Tavern was constrained during the year-long capital works programme due to the reduction of the operational gaming fleet, lower overall patron capacity and the required closure of the drive through liquor outlet. Nonetheless, revenue growth was achieved through FY2021 as each new stage of the project was completed and the venue's capacity increased.

The substantial investment has transformed the Ashmore Tavern, creating a vibrant, modern venue providing a high standard of bar, bistro, and gaming entertainment, on par with the Gold Coast's best.

Aspley Central Tavern benefitted from the works previously undertaken in the FY2020 year and suffered far less disruption in FY2021 from social distancing limits.

Prior to re-opening in early July 2020, after the COVID-19 closure, approval was received to extend the trading hours of Aspley Central Tavern in line with local competitors. In addition, the Group acquired another three gaming authorities in April 2021, which were put into use at the hotel in May 2021 with the acquisition of three new gaming machines. This brings the venue's total number of gaming machines to 45, being the maximum number presently allowed under Queensland legislation.

Despite three Queensland State Government mandated COVID-19 closures, and the additional operating costs of COVID-19 compliance, the Aspley Central Tavern improved its profitability, benefiting from an uplift in customer activity at the Group's adjoining Aspley Shopping Centre.

Overall, the Group's hotel operations increased revenue by 32% from \$17.8 million in FY2020 to \$23.4 million in FY2021, with a significant improvement in profitability.

Leasing conditions at the Group's Aspley Shopping Centre and Aspley Arcade Shopping Village remained difficult, reflecting the prevailing economic uncertainty. This resulted in the overall vacancy rate at the centres increasing in FY2021, despite the major site upgrade completed a year earlier.

Nonetheless, the Group's concerted leasing efforts achieved some success with existing tenants as well as new tenants, especially in the second half of the financial year. As a result, vacancy rates at the centres have decreased from 29.9% as at 30 June 2020 to 16.7% as at 30 June 2021, while weighted average lease expiry has increased from 3.28 years to 5.29 years over the same period.

Overall, the Group's investment property operations achieved a small increase in contribution to the Group on slightly lower revenues, which was a pleasing result in the circumstances.

Acquisition of the Court House Hotel

Subsequent to 30 June 2021, the Group successfully completed the acquisition of the land and buildings of the Courthouse Hotel at Murwillumbah, NSW in August 2021 for \$6.0 million.

The hotel business will be owned and operated by former Dixon Hospitality stakeholder, Michael Dixon, under the Athena Hospitality Group banner, for an initial term of 15 years with four further options of 10 years each. The lease is a triple net lease, with all outgoing and the costs of capital supported by a three-month bank guarantee and directors' guarantees.

The Courthouse Hotel acquisition meets the Group's stated objectives of targeting blue chip assets with substantial capital growth potential, minimal management involvement by the Group and solid income backed by tenants of substance and proven capability. This strategic acquisition ideally complements the Group's impressive hotel portfolio and is expected to make a net contribution of approximately \$0.26 million to the pre-tax result of the Group in the first year of ownership.

Strong financial position

The Group remains in a sound financial position. Net debt (borrowings less cash and cash equivalents) was \$26.417 million as at 30 June 2021 (2020: \$27.131 million), representing a net debt to equity ratio of 59.0% (2020: 75.0%). Net assets per share were 107.8 cents, a 20.7 cents per share uplift on the 87.1 cents per share as at 30 June 2020.

The substantial increase in net assets per share relates to the strong trading performance of the hotels upon re-opening in 1QFY2021, following the COVID-19 forced closures, and the resulting restoration of asset values. The hotel assets had been devalued in FY2020 on the basis of highly conservative COVID-19 assessments during the Q4FY2020 lockdowns. The current valuations also reflect the substantial capital works at the Ashmore Tavern during FY2021, the strong operating performances of the hotels and improved leasing outcomes at the Aspley investment properties.

Interest cover remains comfortable at 7.72 times in FY2021. Subsequent to year end, the Group also renegotiated and increased its bank facilities on favourable terms to facilitate the acquisition of the Court House Hotel.

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

Dividends

With COVID-19 lockdowns currently in place across NSW and Victoria and the very real risk that transmission may cross the Queensland border, out of an abundance of caution, the Board has determined not to declare a final dividend in respect of the FY2021 result. The Board is committed to restoring interim and final dividend payments to shareholders when it is appropriate to do so.

Outlook

Aspley Shopping Centre & Aspley Arcade Shopping Village

The continued shift away from CBD and Westfield style shopping centres due to COVID-19, has delivered positive outcomes for inner-suburban, strip-style shopping centres such as the Group's. Subsequent to 30 June 2021, two additional leases have been finalised with new tenants at the Group's centres, further improving the lease profile and lowering vacancy rates. Other leases are also under active negotiation as a degree of confidence returns to the market. These positive signs leave the centres well placed to deliver an improved performance for the Group in the current year in the absence of unforeseen circumstances.

Aspley Central Tavern

Having achieved a strong performance at the Aspley Central Tavern during FY2021, the gaming room now has the maximum allowable number of 45 operational gaming machines. Following the upgrades to the venue in FY2020 and FY2021, the Aspley Central Tavern is well placed to become the venue of choice in the North Brisbane area. Additionally, the Group expects to achieve further revenue growth at the Ashmore Tavern across all areas of operation as vacancies in the adjoining Aspley Shopping Centre food precinct are leased.

Ashmore Tavern

The major capital works program at the Ashmore Tavern has delivered a highly attractive venue with substantial growth potential. There is more to be done in the short term to improve performance, including expansion of the existing kitchen facilities to ensure the venue can deliver food to all new areas of the venue seamlessly and efficiently while achieving 100% capacity. These works are expected to commence in Q3FY2022 and complete before the end of FY2022.

It is impossible to know what the coming year holds. However, the Group remains optimistic for the future given the quality of its assets, the strength of its businesses and the improvements that have been made throughout the year.



Suzanne Jacobi-Lee
Chief Executive Officer

