



**Results Presentation
half-year ended
31 December 2015**

25 February 2016



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2015 Half Year Result Highlights



- Operating Revenue increased by 6.8%
- Group EBITDA increased by 4.8%
- Gaming led transformation ahead of plan
- Out of the money swaps were terminated
- Accelerated sales of non-core assets to strengthen overall financial position
- Previous operating cash flow challenges now fixed – positioning the group for strong operating cash flow in the future
- Return on assets measure on same hotels already showing improvement
- Significant work done to improve productivity including development of team capability, simplification of roles and reduction in central support expenses
- The Group is well positioned to accelerate the improvement in operating performance, improve operating cash flow and reduce debt levels

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Financial Performance



Platform for Growth



Performance Overview

Stapled Entity Consolidated	December 2015 \$'000	December 2014 \$'000	Growth
Operating revenue	31,456	29,446	6.8%
Rental income	1,273	1,271	0.2%
Operating gross profit	20,503	19,351	6.0%
Group EBITDA	5,410	5,160	4.8%
EBITDA Margin	17.2%	17.5%	
Amortisation of tenant incentive	38	38	
Interest received	28	20	
Change in fair value of PPE	(470)	-	
Change in fair value of discontinued operations	(420)	(37)	
Write off goodwill	(1,116)	-	
Change in fair value of interest rate swaps	1,239	695	
Loss on sale of fixed assets	(33)	(3)	
Capital transaction costs	(136)	(217)	
Depreciation	(1,504)	(1,524)	
Amortisation	(109)	(105)	
Interest expense	(3,028)	(3,224)	
Tax expense	-	-	
Profit/(loss) after tax	(101)	803	



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Key Messages

Revenue and Group EBITDA up by 6.8% and 4.8% respectively



- Operating Revenue and Group EBITDA for the HY have improved by 6.8% and 4.8% respectively when compared to the PCP
- The EBITDA margin for the HY of 17.2% is marginally lower than the PCP. This is due to the new hotels, namely Waterworks and Exchange, currently operating at lower margins than the group average. The overall EBITDA margin is expected to improve in the second half consistent with the transformation strategy
- The value of the Exchange Hotel has been written down to reflect current trading and this accounts for the majority of the overall reduction in the value of assets reported in the HY
- Out of the money interest rate swaps were terminated in December 2015 and this coupled with reducing debt via the sale of non-core assets will result in significantly lower finance costs and will contribute to the generation of stronger operating cash flows

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Good Signs Emerge



Stapled Entity Consolidated	December 2015 \$'000	December 2014 \$'000		December 2015 \$'000	December 2014 \$'000	
	Operating revenue	Operating revenue	Change	EBITDA	EBITDA	Change
Same hotels (1)	27,458	27,522	(0.2%)	6,054	5,997	1.0%
Gaming	11,492	10,840	6.0%			
Beverage	10,802	11,562	(6.6%)			
Food	4,156	4,155	0.0%			
Other	1,008	965	4.5%			
New hotels (2)	3,998	1,924	107.8%	402	313	28.4%
Gaming	1,414	668	111.7%			
Beverage	1,686	840	100.7%			
Food	831	372	123.4%			
Other	67	44	52.3%			
Rental income from investment properties & discontinued assets				1,273	1,271	0.2%
Central support services costs				(1,307)	(1,288)	1.5%
Fund expenses				(1,012)	(1,133)	(10.7%)
Total	31,456	29,446	6.8%	5,410	5,160	4.8%

1. Same hotels represent the Ambarvale, Bowral, Commodore, Courthouse, Crown, Dolphin, El Toro, Five Dock, General Gordon, Lawson Park and Uncle Bucks hotels.
2. New hotels represent the Waterworks and Exchange hotels.
3. Includes rental income from Uncle Bucks retail tenancies.



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Key Messages

Gaming revenue up by 6% - transformation ahead of plan



- Operating Revenue and Group EBITDA for the HY is in line with the PCP
- Gaming revenue for the HY has increased by 6% when compared to the PCP. This is a very positive outcome and supports the transformation strategy
- Beverage revenue for the HY has declined when compared to the PCP. This is mainly due to lower on premise sales at the regional hotels and off premise sales showing a general decline when compared to the PCP
- Corporate expenses for the HY are in line with the PCP. The HY result includes high legal and professional fee expenses associated with the cancellation of the buyback, general restructuring and the first full period of rent for the corporate office. The underlying corporate expenses have reduced and will continue to do so in line with various initiatives that have been implemented

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Return on Assets a Key Focus



Stapled Entity Consolidated	December 2015 \$'000	June 2015 \$'000	December 2015	June 2015
	PPE, Investment Properties & Intangibles	PPE, Investment Properties & Intangibles	Return on Assets (EBITDA)	Return on Assets (EBITDA)
Same hotels ¹	125,787	124,873	9.63%	9.60%
New hotels ²	14,999	16,369	5.36%	3.82%
Investment properties and discontinued assets ³	30,233	32,703	8.42%	7.77%
Central support services	661	712		
Total⁴	171,680	174,657	6.30%	5.91%

¹ Same hotels represent the Ambarvale, Bowral, Commodore, Courthouse, Crown, Dolphin, El Toro, Five Dock, General Gordon, Lawson Park and Uncle Bucks hotels.

² Same hotels includes the Exchange & Waterworks hotels.

³ For the purpose of this table the value of the Uncle Bucks retail tenancy component (FY15: \$5.15m, FY14:\$5.15m) has been moved from same hotels to investment properties. ROA is based on gross rental income received.

⁴ Plant, property and equipment, investment property and intangibles are stated as recognised in the financial statements.

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Key Messages

ROA expected to improve as plan is rolled out



Return on Assets

- The value of new hotels has been written down due to the current performance of the Exchange Hotel. A concerted effort is being made to improve the performance of this hotel
- The completion of the sale of two of the NZ hotels during the HY accounts for the downward movement in the value of Investment Properties and Discontinued Assets
- Overall ROA is expected to improve in the second half consistent with the implementation of the transformation strategy

Capital Expenditure Update

- There was limited capital expenditure during the HY pending the finalisation of the transformation strategy
- Consistent with the strategy the first tranche of the Electronic Gaming Machine (EGM) replacement programme was implemented in late December with 37 new EGM's installed
- The EGM replacement programme will continue in the second half along with cosmetic upgrades of the gaming rooms

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Debt Position

Swaps terminated / non-core asset sales ahead of schedule



- The out of the money interest rate swaps were terminated in December 2015 at a cost of approx. \$5.5m. This increased total bank debt to approx. \$80m as at the end of the HY
- The sale of the El Toro completed on 1 February 2016 and the net proceeds from this sale were applied to the reduction of bank debt
- Other non core asset sales are expected to complete during the balance of FY16 and the current intention is to apply the sale proceeds to further reducing bank debt and implementing the EGM replacement programme
- Expected low net debt and stronger operating cash flows at the end of FY16 will put Lantern in a good position to deliver improved returns for security-holders



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Outlook

Well positioned to accelerate growth



- During the HY Lantern has successfully dealt with a number of legacy issues as previously reported. This has provided a stable platform for potential growth, a number of options to improve security-holder returns and a positive outlook by key stakeholders
- The benefit of the initiatives that have been implemented have started to flow through and improved results are expected for the second half
- The Board and Management are focussed on the implementation of the transformation strategy and the early results from the EGM replacement programme are very encouraging
- The divestment of non-core assets is progressing well and this coupled with improved performance will result in lower debt levels and stronger operating cash flows
- Based on the progress that has been made the Board is planning to review Lantern's distributions policy and will provide an update to security-holders at the end of FY16 on the prospects and timing of future distributions

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Update on Implementation of Transformation Plan



A portfolio of core, strong performing hotels, and surplus capital from non-core divestments will position Lantern for growth



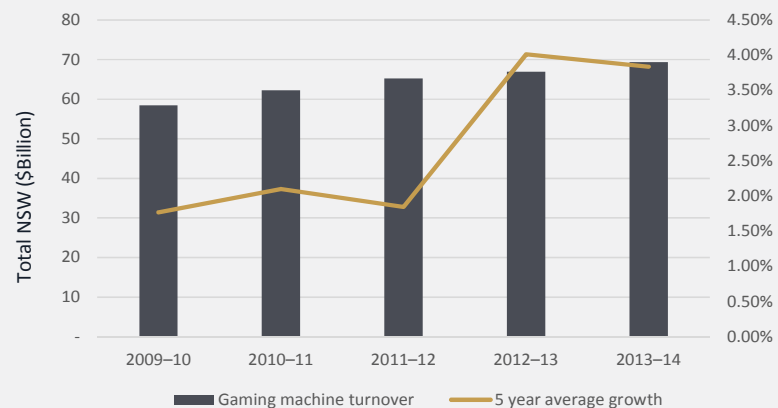
The Opportunity is Gaming led EGM replacement programme underway



Best product, Best facilities and Great service

- During late December 2015, 37 new EGM's were installed over 6 venues, 98 EGM moves were completed and a new gaming management team was put in place
- A further 56 EGMs are expected to be installed by Easter 2016, along with a number of upgrades to existing EGM's and systems
- The customer experience in gaming has been enhanced and is a key focus area for the venue based operational teams
- Improvements to the gaming rooms are planned to be rolled out during H2 with a focus on creating a better physical environment and ambience for our customers

Hotel	NSW Ranking		Change
	2010 Jun Qtr	2015 Jun Qtr	
Ambarvale	148	243	-95
Crown	78	221	-143
Five Dock	59	120	-61
General Gordon	144	212	-68
Uncle Bucks	96	231	-135
Waterworks	217	304	-87



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Improve the Profitability of Food Operations



- New menus tailored to the local markets being rolled out across the group
- The new menus along with more disciplined purchasing procedures will improve efficiency thus reducing the cost base
- A venue activation plan is in place to promote the venues to ensure Lantern is positioned to leverage lazy assets and to place its venues front of mind in the market



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Operational Excellence

Developing team capability / improved productivity / reducing central support expenses



Driving revenue while controlling cost

- New operations management structure in place including a COO, hands on Area Managers and experienced Venue Managers
- Performance measures in place that are linked to the transformation strategy and reward people for outperformance
- Improved internal communication to reinforce alignment with the transformation strategy
- Working more closely with suppliers to leverage relationships and achieve better pricing
- A number of initiatives have been implemented to reduce central support expenses



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Divestment of Non-Core Assets

Ahead of schedule



- The \$24.2m sale of the El Toro completed on 1 February 2016 and the net proceeds have been applied to the reduction of bank debt
- An unconditional contract for the sale of the Dolphin Hotel was exchanged on 4 December 2015. The purchase price is \$11.15m and the sale is expected to complete in late February
- An unconditional contract for the sale of Lantern's interests in the Albert Hotel in New Zealand was exchanged on 26 January 2016. The sale price was NZ\$3.4m and the sale is expected to complete in late February 2016
- An unconditional contract for the sale of vacant land in Waikanae New Zealand was exchanged on 5 February 2016. The sale price was NZ\$200k and the sale is expected to complete in late February 2016
- The completion of the two NZ sales will allow Lantern to exit its NZ business
- A number of other divestments are planned for 2016



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Looking Forward - Exciting Future



Lantern has a core portfolio of scalable hotels with potential to achieve significant growth

- Lantern management has commenced implementing the 3 year transformation plan
 - Improve the performance of the core portfolio of scalable hotels with initial emphasis on gaming
 - Stabilise the capital structure
 - Divest the non-core hotels in a **strong market**
 - Attract and retain the best people with emphasis on developing people from within the business
- Immediate improvement in EBITDA expected during FY16/17
- Lantern will be well positioned to consider options for improving security-holder returns in the next 6-12 months



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