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ALE Property Group Update
Managing Director Interview with Finance News Network

ALE Property Group (ASX: LEP) is pleased to provide securityholders with a video update on ALE's results for the year ended 30 June 2016 following Managing Director Andrew Wilkinson's interview with Finance News Network.

A transcript of the interview is attached.

To view the full interview, please visit the link below.

http://www.alegroup.com.au/Investor-Centre/?page=Results-Centre

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Transcription of Finance News Network Interview with ALE Property Group (ASX: LEP) Managing Director, Andrew Wilkinson

Carolyn Herbert: Hello I'm Carolyn Herbert from the Finance News Network and joining me from ALE Property Group (ASX: LEP) to discuss its full year results is Managing Director, Andrew Wilkinson. Andrew, welcome back.

Andrew Wilkinson: Thank you very much, I'm pleased to be here.

Carolyn Herbert: Can you start by giving us an overview of ALE's results for the 2016 financial year?

Andrew Wilkinson: 2016 was another good year. All of the key metrics - distributions, valuations and gearing all went in the right direction.

Carolyn Herbert: What was the distribution outcome for security holders?

Andrew Wilkinson: It was an increase of around 19 per cent, to 20 cents per security and that was 100 per cent tax deferred, in line with Board guidance.

Carolyn Herbert: Now to property valuations, how did they move throughout the year and what is the valuation outlook?

Andrew Wilkinson: The value of the properties increased by 10 per cent to nearly $1 billion across the 86 properties that we own. That was driven by a reduction in the capitalisation rate, from 6.0 per cent down to 5.5 per cent, or just above that at 5.53 per cent, and what we noticed this year, for the first time is our valuers were focused on the discounted cash flows of the properties and that impacts on the valuations, particularly as we approach the market rent reviews in 2018 and in 2028.

Carolyn Herbert: How are ALE's investors thinking about value?

Andrew Wilkinson: They think about value in three layers. The first is income. The value of the income on the properties runs for the next 12 years, plus options for ALH (Australian Leisure and Hospitality Group) to extend out for a further 40 years. Triple net leases to the largest operator of pubs in Australia, a very secure income stream.

The second component is the value of growth. ALH have been spending hundreds of millions of dollars on the properties, over the last 12 to 13 years and that leads to their operating profits increasing and the market rent prospects for ALE, in 2018 and 2028.

And the final component of value is the value of opportunities. Across the one square kilometre of land that ALE owns, only 25 per cent of that land is occupied by buildings. There's the opportunity for ALE and ALH to come to a common agreement around how utilisation on those sites can be increased and the value of their operating profits increased and potentially a rent increase for ALE.

Carolyn Herbert: Were there any notable achievements on the capital management front?

Andrew Wilkinson: There were three things worth mentioning. Firstly, the valuation of our properties saw the gearing reduce to an all-time low of less than 45 per cent. Secondly, our investment grade credit rating of Baa2 was fully maintained, with a stable outlook. And finally, our hedging was extended out to nine years on 100 per cent of our debt, at very low rates.

Carolyn Herbert: How has ALE been performing against the rest of the market?

Andrew Wilkinson: It's been another good year for ALE. The total return of 30 per cent outperformed many others in the sector. But if you look to the longer term, over the last 13 years, you can look at other investment classes like bonds, equities and other property trusts, they've grown by around six, seven or eight per cent over that 13 year period. ALE on the other hand, has grown by 23 per cent.

Or to put that in simpler terms, if you invested $1 back in 2003 in those other sectors, you would have between $2 and $3 of accumulated value today, including reinvested dividends and the like. Putting $1 into ALE 13 years ago has grown to nearly $14. So as compounding effects have had their place over that 13 year period, it's certainly added up to a big difference in value for ALE security holders.

Carolyn Herbert: Finally Andrew, what's the outlook for ALE for the 2017 financial year?

Andrew Wilkinson: We are looking forward to 2017. The Board's given guidance that the distributions will increase by at least CPI and we expect the value of the properties to increasingly reflect the discounted cash flow methods that the valuers are applying. All in all, we are looking forward to 2017.

Carolyn Herbert: Andrew Wilkinson, thanks for the update.

Andrew Wilkinson: Thank you.

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