



ASX ANNOUNCEMENT

21 October 2013

**Announcement No. 22/13
The Manager
Corporate Announcement Office
Australian Stock Exchange**

**ALE PROPERTY GROUP
PRESENTATION AT 19TH ANNUAL PROPERTY FUNDS INDUSTRY FORUM**

In accordance with the Listing Rules, I attach the presentation to be made by the Mr. Andrew Wilkinson at the 19th Annual Property Funds Industry Forum held between 21 October 2013 and 22 October 2013.

For further information, please contact ALE's Managing Director, Andrew Wilkinson on (02) 8231 8588.

- Ends -

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ALE Property Group

PIR 2013 Property Funds Industry Forum – *21 October 2013*



The Breakfast Creek Hotel, Brisbane, QLD

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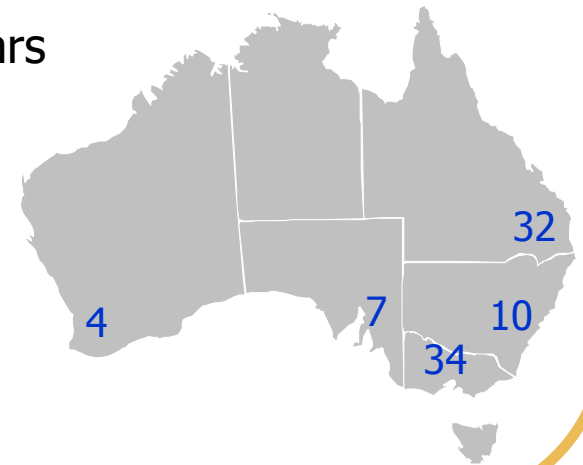
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About ALE

Summary of Portfolio and Leasing Arrangements

- ALE (ASX:LEP) is the largest freehold owner of pubs in Australia
- Established in 2003 with properties acquired from Foster's
- Currently owns 87 pub freehold properties
- High quality portfolio across the mainland capital cities
 - All on long-term triple-net¹ leases
 - 25 year initial term with average 15 years remaining
 - Four options for lessee to extend lease by up to 40 years
- 100% leased to ALH who is
 - Australia's leading pub operator
 - 75% owned by Woolworths Limited
 - Owner of licences and certain development rights

ALE's 87 Pubs in Australia



1. Three of the 87 properties are on double-net leases

About ALH

A Strong and Performing Tenant

- In November 2004 Woolworths / Mathieson JV acquired ALH for \$1.33 billion
- ALH now operates more than 320 licensed venues and over 460 retail liquor outlets across Australia, including BWS and Dan Murphy's
- For FY13 the ALH Group reported EBITDAR of \$697m, up 29.5% pcp and includes impacts of Victorian gaming restructure and recent acquisitions
- Woolworths operates more than 1,300 retail liquor outlets across Australia with liquor sales for the year to 30 June 2013 of \$7.2 billion
- ALH is Australia's leading pub operator on any measure



About ALE and ALH

A quality and sustainable pub landlord and tenant arrangement

- Capital city located properties with long term record of pub operation
- Investment grade tenant with strong commitment to pub operations
- Profitable tenant with capacity and willingness to fund capital expenditure
- Rents at each property that are substantially below market rent levels given the operator's strong profit profile
- Sustainable longer term relationship between rent and operator profit driven by uncapped inflation indexed and periodic market rent reviews
- Triple net lease structure that ensures the tenant as operator has the freedom and incentive to make property improvements to maximise operating profit
- Cross defaulting leases that maximise tenant compliance across the portfolio



ALE's Attractive Investment Proposition

- High quality tenant **75% owned by Woolworths Limited**
- Weighted average **triple net lease**
- Remaining average term of **15 years plus options**
- **Next market rent review in 2018** (10% cap & collar)
- Portfolio **under rented** according to independent valuers and a range of indicators
- Weighted **average debt maturity of 5 years**
- **Distribution yield of around 6.1%¹** for FY14
- **ALE Notes 2** (ASX listed debt security: LEPHC) current passing **yield of 6.4%²**

1. Based on closing security price of \$2.67 as at 14 October 2013 and guidance distribution of 16.0 cps plus CPI for FY14.

2. Based on closing security price of \$102.80 as at 14 October 2013 and current interest rate of 6.58% to 20 November 2013.

ALE Property Group Properties

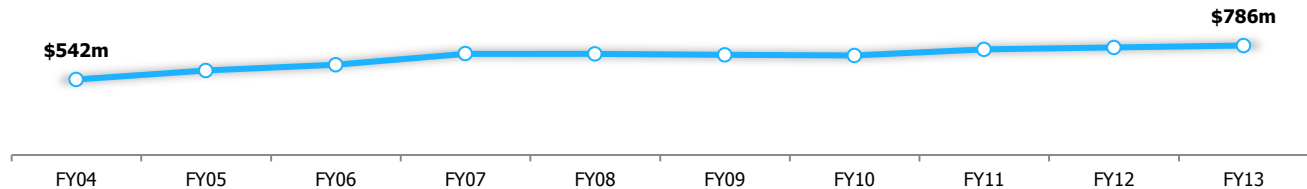


Burvale Hotel, Melbourne, VIC

Properties

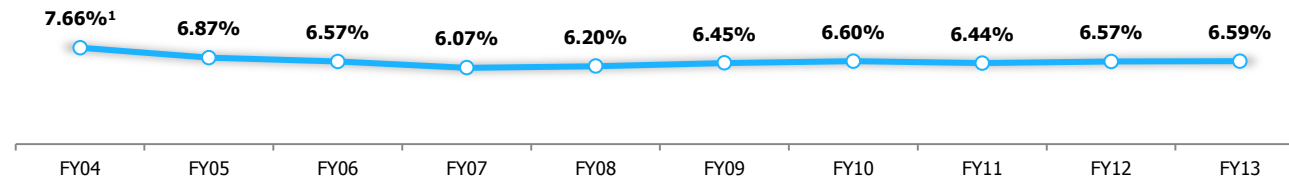
Record of Stable Value Growth

Consistent Value Appreciated of 87 Continuing Properties



ALE's properties have demonstrated consistent value growth through volatile economic cycles with rent increases driven by higher levels of CPI

Consistent Capitalisation Rate Stability

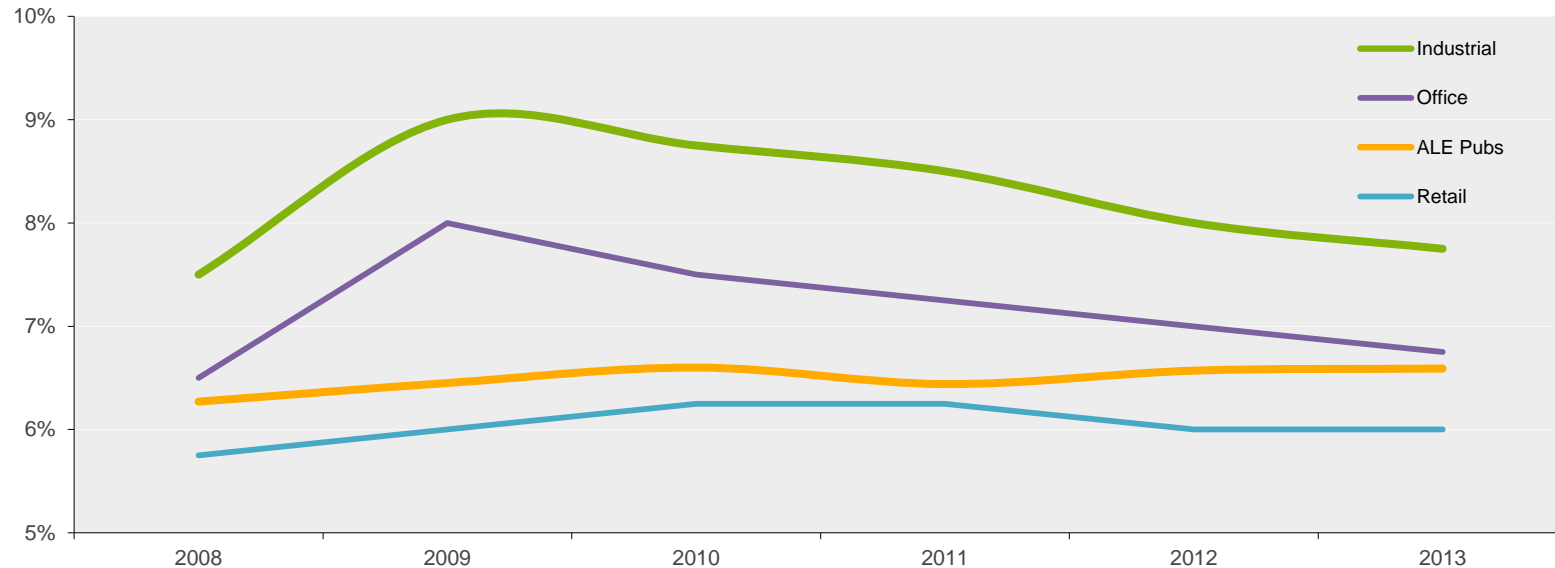


ALE's properties have demonstrated very stable cap rates for a decade and throughout a period of unprecedented volatility. Testament to the quality of properties and leasing arrangements

Properties

June 2013 Valuations

Prime Grade Property Sectors - Historic Capitalisation Rate Trends



Source: ALE and Urbis

Note: ALE's weighted average capitalisation rates are based on independent and Directors' valuations.

- ALE's property capitalisation rates have been less volatile and are yet to follow the more recent compression trend in other sectors.
- A lack of recent and directly comparable evidence is one contributing factor

Properties

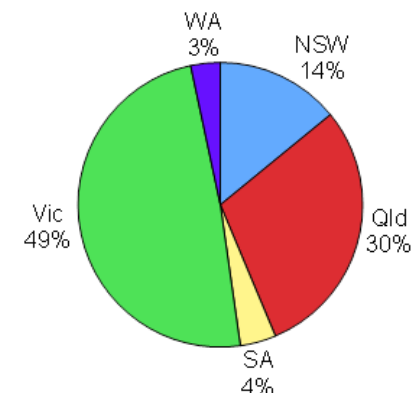
June 2013 Valuations

- Valuations increased 1.9% incorporating November 2012 CPI rental increase of 1.8%
- Cap. rate of 6.59% – remains in the stable range of between 6.1% and 6.6% since 2006
- Valuations substantially exclude significant capital expenditure by ALH over past six years
- All June 2013 independent valuations (DCF) assumed a rent increase of 10% for 2018 review
- Weighted average lease expiry of around 15.3 years

Portfolio breakdown by geography (as at June 2013)

	Number of Properties	Value (\$m)	Average Value (\$m)	WACR
VIC	34	384.4	11.3	6.68%
QLD	32	232.6	7.3	6.38%
NSW	10	110.6	11.1	6.60%
SA	7	32.1	4.6	6.71%
WA	4	26.3	6.6	6.83%
Total	87	786.0	9.0	6.59%

Portfolio Breakdown by Value



WACR: Weighted Average Capitalisation Rate

Properties

ALE's 2013 Property Compendium

ALE's 2013 Property Compendium launched today at www.aleproperties.com.au

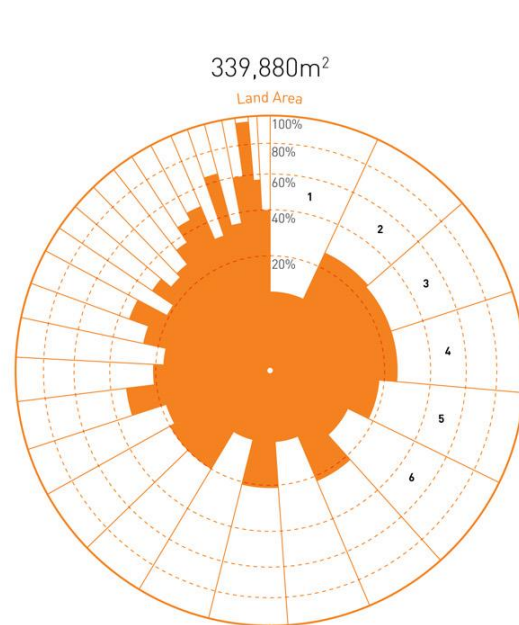


- 87 properties - aerial and selected ground level photos
- 210,615m² of pub and retail liquor building area (around 22% of the land area)
- 958,071m² of freehold land which is equivalent to one of the following:
 - nearly ONE SQUARE KILOMETRE
 - more than half of the Melbourne CBD *
 - the entire Core Sydney CBD *
- More than 10,000 car spaces

* Melbourne CBD is bounded by Spring, Flinders, Spencer and LaTrobe Streets
Core Sydney CBD is bounded by Cahill Expressway, Macquarie, Park and Sussex Streets
All areas and car spaces are approximations only

Properties

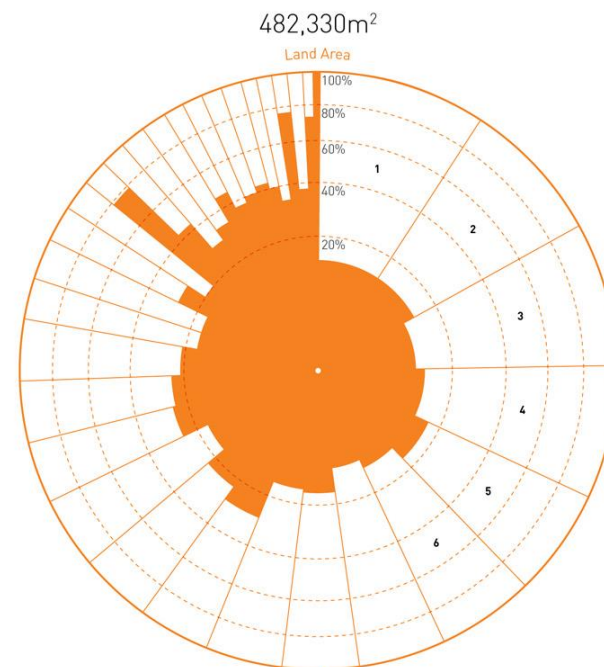
22% Building to Land Utilisation



Largest Six Properties

1. Nudgee Beach Hotel 9%
2. Springwood Tavern 26%
3. Vale Hotel 25%
4. Dalrymple Hotel 25%
5. Kirwan Tavern 19%
6. Albany Creek Tavern 12%

QLD / 32 Properties



Largest Six Properties

1. Burvale Hotel 14%
2. Village Green Hotel 14%
3. Sandown Park Hotel 12%
4. Stamford Inn Hotel 13%
5. Gateway Hotel 17%
6. Bayswater Hotel 13%

VIC / 34 Properties

Average 22%* building to land utilisation at ALE's properties may provide opportunities for further development by ALH and additional future earnings for ALH and market rent growth for ALE

Market Rent Outlook

- ALE is unable to provide forecasts of future ALH EBITDAR growth and corresponding market rent
- Rent reviewed to market at 2018 (10% cap / collar), at 2028 and each 10 years to 2058 (open)
- Independent valuers advise that market rent for pub properties in Australia is usually set at between 35% and 45% of the pub operator's EBITDAR
- Capital expenditure by ALH, ALH's operating capability and Victorian gaming reforms are materially increasing ALH's EBITDAR. This is all positive for future market rent reviews

Market Rent Outlook

- Statutory valuations by CBRE/Urbis adopt comparable property capitalisation rates and 10 year discounted cash flow (DCF) methodologies
- All CBRE/Urbis June 2013 valuations assumed that a 10% increase in rent would occur in 2018. They included little if any value arising from the 2028 open market rent reviews. If these open reviews are included then the property valuations may change
- ALE currently considers that a portfolio purchaser may be prepared to pay a premium for the portfolio given the value inherent in both the unique leasing arrangements and the independent valuers' positive outlook for market rent

ALE Property Group Capital Management



New Brighton Hotel, Manly Beach, Sydney, NSW

Capital Management

Current Capital Structure

Debt Facilities

Facility	Amount (\$M) June 2013	Scheduled Maturity	Maturity Term (Years) at June 2013	Base Rate ³	Credit Margin
CIB (Tranche AA)	\$138	November 2023	10.4	3.20%	0.20%
CMBS (Tranches AB and B)	\$160	May 2016	2.9	3.83%	2.34%
Total Secured Debt	\$298		6.4		
ALE Notes 2	\$165	August 2016 ¹	3.1	3.83%	4.00%
(Cash) On Deposit ²	(\$55)				
Total Net Debt Facilities	\$408	Weighted Averages	5.2		2.29%

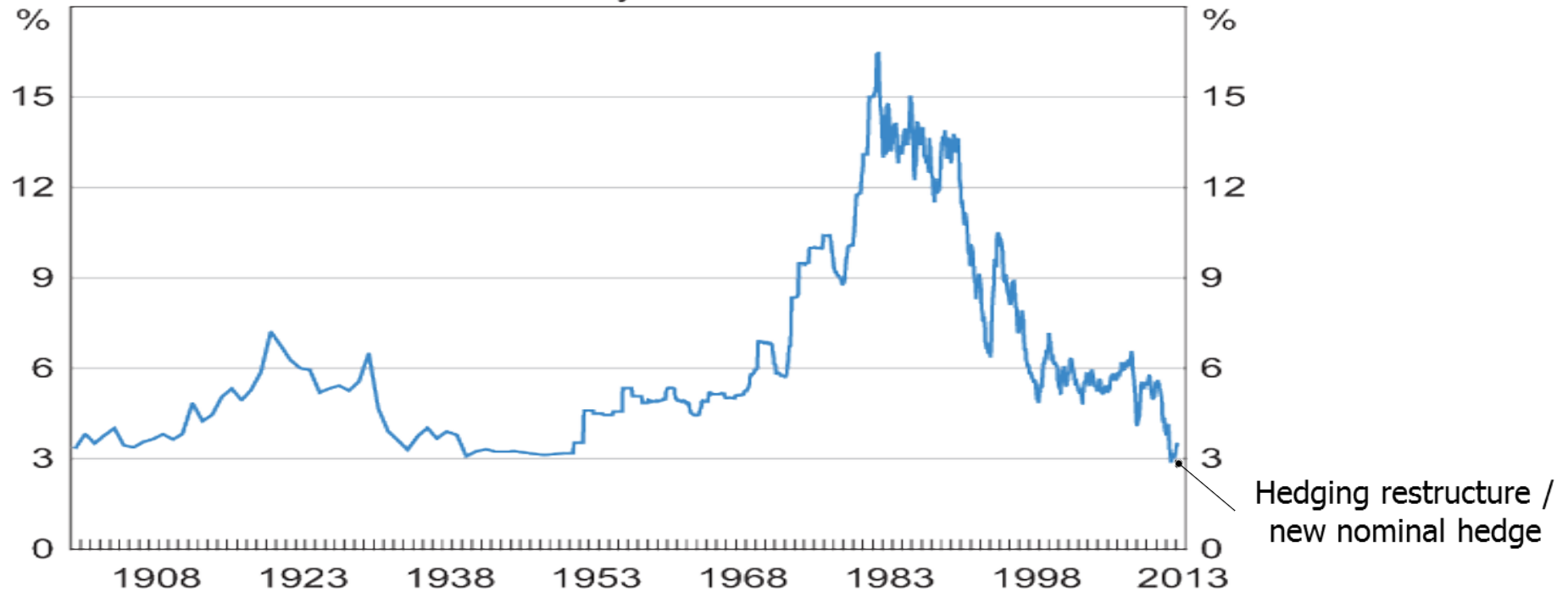
- Focus is on any margin savings and other benefits from refinancing 2016 maturities
- 100% of net debt fully hedged to November 2022 (9 years) at base rate of 3.83% p.a.

1. ALE has the option to extend ALE Notes 2 maturity from August 2014 by one or two years to August 2016
2. Includes amounts in debt reserve and hedging security accounts.
3. Base Rate for CIB is a Real Rate as balance escalates at CPI. Net interest payable benefits from in the money counter hedging arrangements.

Capital Management

Rates locked in at 100+ year lows

Australian Government Bond Yield 10-year



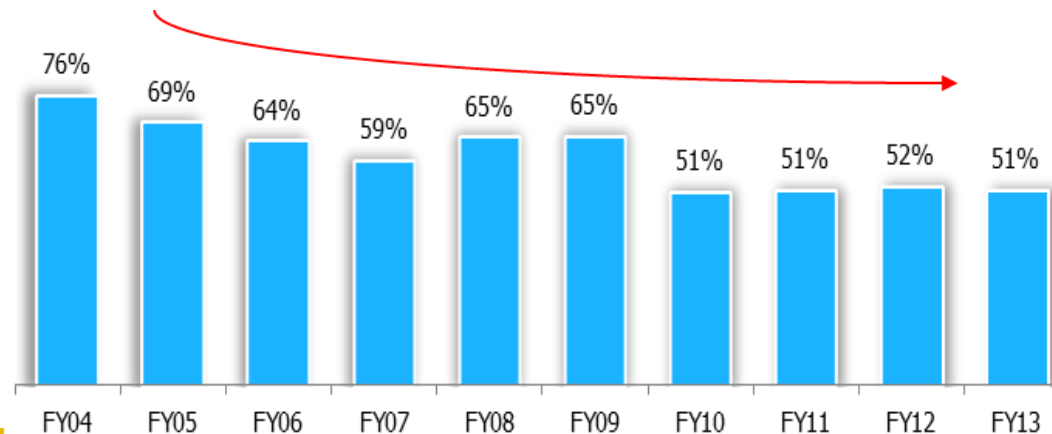
Source: RBA

Long Term Interest Rates Locked In At Low End Of Cycle

Capital Management

Successful Capital Management Record

- Dec 2012 capital raisings of \$107m were well supported with significant oversubscriptions
 - placement to both institutions and sophisticated retail investors
 - SPP with 57.5% of 4,500 holders participating
- June 2013 net covenant gearing of 50.9%
 - substantial headroom to covenant of 67.5%
 - cap rates would have to increase from 6.6% to 8.8%
 - property values would have fall 25%



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FY14 Outlook and Strategy



Young & Jackson Hotel, Melbourne CBD, VIC

FY14 Outlook and Strategy

Lower Interest Rates Remain the Key Driver

- During FY13 ALE's properties demonstrated their high quality by increasing in value
- Cyclically low interest rates locked in for the long term from simplified hedging is expected to provide significant ongoing value to securityholders
- Positive outlook for market rent increases, as recognised by the independent valuers of the properties
- ALE will continue to review acquisition opportunities that meet our strict strategy and criteria

ALE aims to grow distributions by CPI each financial year until the next refinancing

- FY14 distribution guidance of 16.00 cents per security increased by CPI. Further guidance will be provided at the AGM on 12 November
- Tax deferred component is expected to increase in future years due to hedge restructure deductions
- Notwithstanding long debt maturity profile, the Board is already focussed on a range of refinancing options given the lower credit margins currently available
- Distribution guidance includes benefits from in the money counter hedges that will be fully amortised by the expected date of next refinancing
- Materially reduced gearing position provides opportunity to maintain stable through cycle distribution profile beyond amortisation of counter hedge benefits

All guidance assumes an unchanged portfolio, hedging and capital structure

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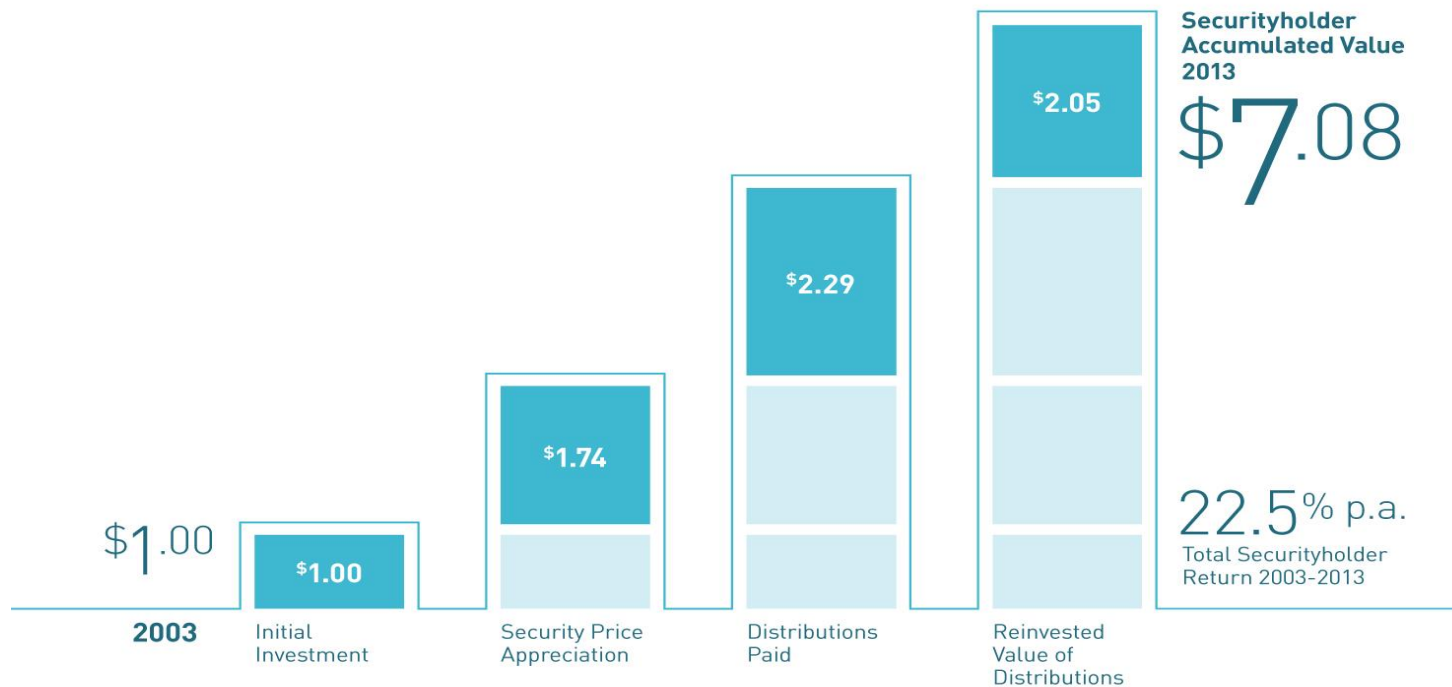
A Decade of Performance



Sail and Anchor, Fremantle, Western Australia

A Decade of Performance

\$7.08 of Accumulated Value

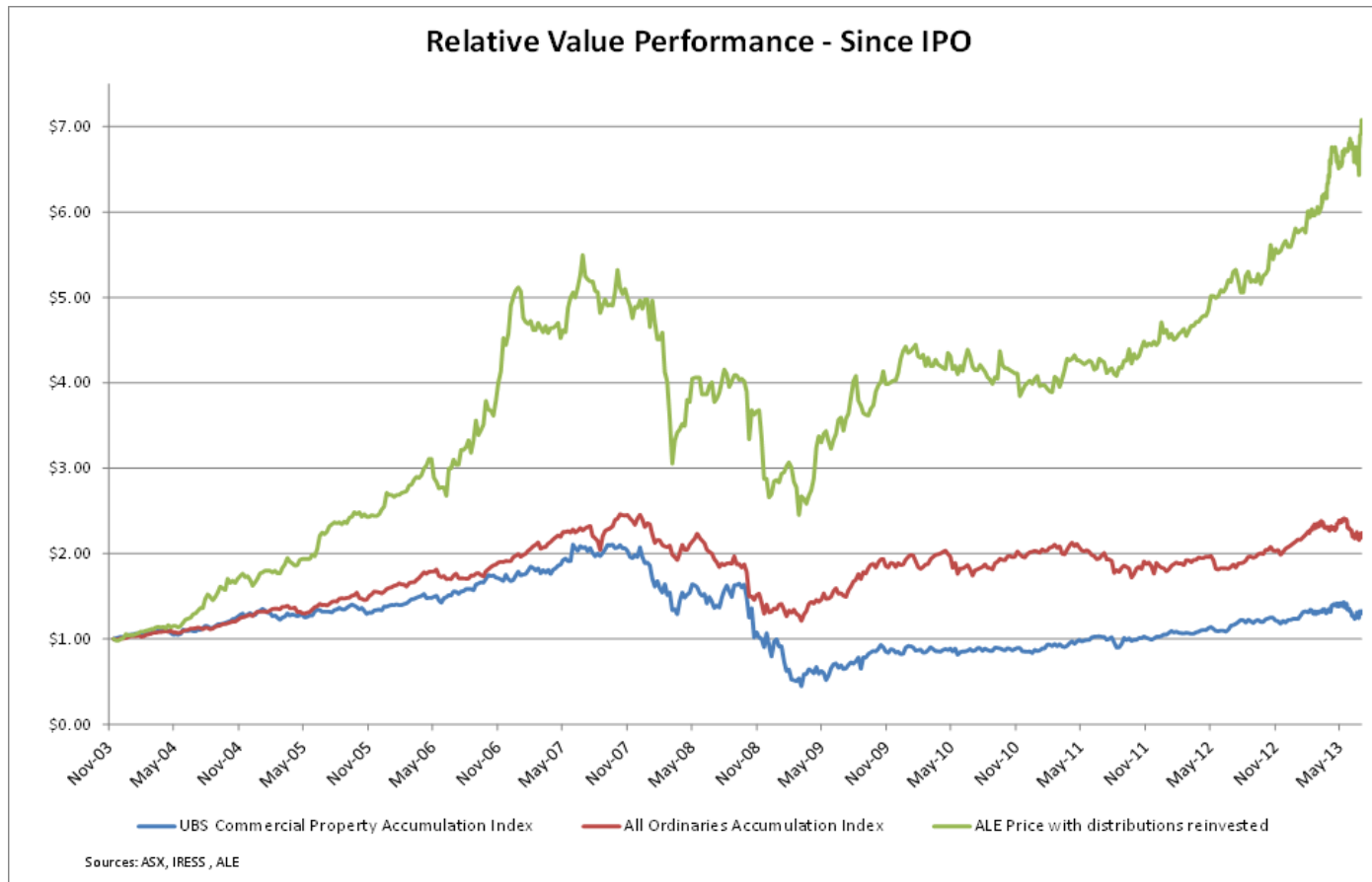


Capital management has added significant accumulated value for securityholders

Based upon \$1.00 investment at 2003 IPO, reinvestment of all distributions paid/declared to September 2013 including payment for renouncing Sep 2009 rights and a closing security price of \$2.74 on 2 July 2013.

A Decade of Performance

\$7.08 of accumulated value



ALE : \$1.00 invested in 2003. \$7.08 of accumulated market value¹

1. Includes market value as at 2 July 2013 and reinvestment of distributions and 2009 renunciation payment

A Decade of Performance

Outperforming all benchmarks

ALE continues to outperform against all benchmarks

Total Returns to 30 June 2013 (p.a.)

	ALE	A-REITs	All Ords.
➤ One year	33.2%	24.0%	21.9%
➤ Three years	17.6%	13.4%	13.4%
➤ Five years	11.3%	0.3%	2.7%
➤ Ten years since 2003 ASX listing	<u>22.5%</u>	1.7%	6.5%

Source: UBS

ALE's Longer Term Performance

➤ Investment at 2003 ASX listing	\$1.00
➤ Total distributions and payments so far	\$2.29
➤ Tax deferred distributions so far	\$1.59
➤ Accumulated market value	\$7.08
➤ Market capitalisation growth since 2003	\$91m to \$532m

1. Based on 2 July 2013 closing security price of \$2.74

2. Accumulated market value and market capitalisation includes security price of \$2.74 at 2 July 2013 plus reinvestment of distributions since 2003 listing

3. Distributions include payment for renouncing Sep 2009 rights (half of \$0.41) and all other distributions paid and declared to September 2013

4. Total returns include both distributions and security price movements

About ALE

Research Analyst Coverage of ALE

The following equity research analysts currently cover ALE's stapled securities:

- | | |
|--------------------------------|----------------------|
| ➤ Paul Checchin & Rob Freeman | Macquarie Securities |
| ➤ Rob Stanton & Scott Molloy | JP Morgan Securities |
| ➤ Adrian Atkins | Morningstar |
| ➤ James Carlisle & Jason Prowd | Intelligent Investor |

ASX codes for ALE's listed securities:

- | | |
|--------------------------------|-------|
| ➤ Stapled Securities (equity): | LEP |
| ➤ ALE Notes 2 (debt): | LEPHC |

ALE Property Group

Convenient access to ALE's information and results...and useful too

- USB containing all FY13 results and property materials:
 - FY13 Results Presentation
 - Video interview with Managing Director
 - Annual Review PDF + link to Review website
 - Property Compendium PDF + link to www.aleproperties.com.au
 - Annual Report including audited accounts



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Stamford Hotel, Melbourne, VIC

Attachment FY13 Results



Crows Nest Hotel, Crows Nest, Sydney, NSW

FY13 Results

Distributable Profit

	FY13 (M)	Comments on comparison to FY12
Property income	\$53.3	➤ Average CPI based rent increase
Interest income	\$2.8	➤ Reduced average cash balances and deposit rates
Borrowing expense	\$17.8	➤ Hedge restructure and lower hedged interest rates
Management expense	\$4.3	➤ Remains one of lowest expense ratios in A-REIT sector
Land tax expense	\$2.3	➤ Land tax for QLD properties only
Distributable Profit ¹	\$31.7	➤ 2% above guidance
Funds From Operations (FFO)	\$31.7	➤ Equal to distributable profit
Securities on Issue	194.2	➤ Placement and SPP in late 2012
Distributable Profit (cps)	16.32c	➤ 2% above guidance
Distribution (cps)	16.00c	➤ In line with guidance

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

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