

# ASX Announcement



## LANTERN HOTEL GROUP (ASX:LTN)

27 February 2015

### Results Presentation

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Please see attached presentation.

**Russell Naylor**

Executive Director  
Lantern Hotel Group  
GPO Box 5337  
Sydney NSW 2001  
+61 2 8223 3602

**Leanne Ralph**

Company Secretary  
Lantern Hotel Group  
GPO Box 5337  
Sydney NSW 2001  
+61 2 8223 3602



Results Presentation  
for the half-year ended 31 December 2014  
27 February 2014



# Performance Summary



Stapled Entity Consolidated – \$000s – 6 months ending	Dec 2014	Dec 2013
Operating Revenue	29,446	24,742
Operating Gross Profit	18,079	14,854
Profit/(Loss) from Continuing Operations Before Tax	837	(2,160)
Interest Received on Panthers Proceeds	-	(235)
Changes in Fair Value of PPE, Investment Properties, Intangibles and Derivatives	(692)	(235)
Expensed Capital Transaction Costs	217	-
Depreciation	1,524	926
Amortisation	106	740
Finance Costs	3,224	4,312
Group EBITDA	5,216	3,348

# Performance Highlights



6 Months Ending:	Dec 2014	Dec 2013	Change
Group Operating Revenue	\$29.4m	\$24.7m	Up 19%
Group EBITDA	\$5.2m	\$3.3m	Up 56%
Same Hotels <sup>(1)</sup> Revenue	\$25.3m	\$23.7m	Up 6.8%
Same Hotels GP (% of Revenue)	60.6%	59.7%	Up 0.9%
Same Hotels EBITDA	\$5.4m	\$4.6m	Up 18%

- Increased group revenue and EBITDA from completed venues and acquisitions.
- Ongoing incremental GP% improvement flowing from focus on margin improvement.
- Employment costs (as a % of revenue) starting to reduce as revenue growth in completed venues starts to flow through.
- Same hotels EBITDA up 18% to \$5.4m as improved operational performance from completed venues outpaces disruption.

1) Same-Hotels excludes Crown, Waterworks and Exchange Hotels, head office expenses, fund administration expenses, rental income and discontinued assets.

# Strategy Implementation



Overview of progress with our outlined focus for this financial year:

Focus	Progress
Operational Performance	<ul style="list-style-type: none"><li data-bbox="498 511 1765 682">• Revenue growth is starting to flow through from completed venues driven by improved venue quality, better quality and consistency of food and improved patron experience. Marketing support has commenced and is expected to continue to drive growth over the next 12 months.</li><li data-bbox="498 711 1765 796">• Wages as a percentage of revenue are starting to decrease across the group as venues start to grow into their staffing levels.</li><li data-bbox="498 825 1765 985">• Ongoing focus on purchasing and price points have resulted in incremental gross profit margin improvement despite increased contribution from food (as a % of total revenue) which typically has a lower gross profit margin than beverage.</li></ul>

# Strategy Implementation



Focus	Progress
Acquisitions	<ul style="list-style-type: none"><li>• Maintained a disciplined approach to acquisitions, acquiring the Waterworks and Exchange hotels bringing the total number of operated hotels to 13.</li></ul>
Re-investment in the portfolio	<ul style="list-style-type: none"><li>• Completed second round of expansionary capital works at the Bowral Hotel</li><li>• Implemented a group-wide loyalty program</li><li>• Commenced capital works at the Waterworks Hotel</li><li>• Continue to complete capital works at the Crown Hotel</li><li>• Completed installation of 'Ticket In – Ticket Out' at all venues other than Waterworks and Exchange.</li></ul>

# Strategy Implementation



Focus	Progress
Re-investment in the portfolio	<ul style="list-style-type: none"><li>• Continuing to progress the Development Application for the Five Dock Hotel.</li><li>• Gained Heritage Approval and Development Approval for the Cairns Courthouse Hotel and are currently finalising planning for commencement of works.</li><li>• Implementation of a new POS system across the entire group.</li></ul>
Exit New Zealand	<ul style="list-style-type: none"><li>• Following non-completion of a conditional sale of remaining New Zealand assets (as a portfolio) in December, marketing has recommenced on an individual asset basis. Continuing to progress towards finalisation of exit during the current financial year.</li></ul>
Capital Management	<ul style="list-style-type: none"><li>• Ongoing avenues for buy backs as part of our capital management strategy continue to be explored.</li></ul>



# Outlook



Focus for the balance of the current financial year remains unchanged.

The Group is well positioned to continue to grow from both the existing portfolio and via acquisitions. Enhanced operational performance is expected to continue together with growth underpinned by capital works completed to date.

We continue to make progress with rebuilding the business however still have more to do.

Reinvestment in the business during the second half of the year is expected to include:

- Completion of next stage of works at the Dolphin Hotel;
- Full completion of current works program at the Crown Hotel;
- Continuation of planned investment at Waterworks Hotel;
- Launch of 2<sup>nd</sup> tier food offering at the Commodore Hotel;
- Gaming upgrade at Waterworks and Exchange, including launch of 'Ticket-In Ticket-Out' in both venues;
- Commencement of works at the Courthouse Hotel in Cairns;
- Finalise other small works programs in a number of venues;
- Complete roll out of loyalty program across all venues.