

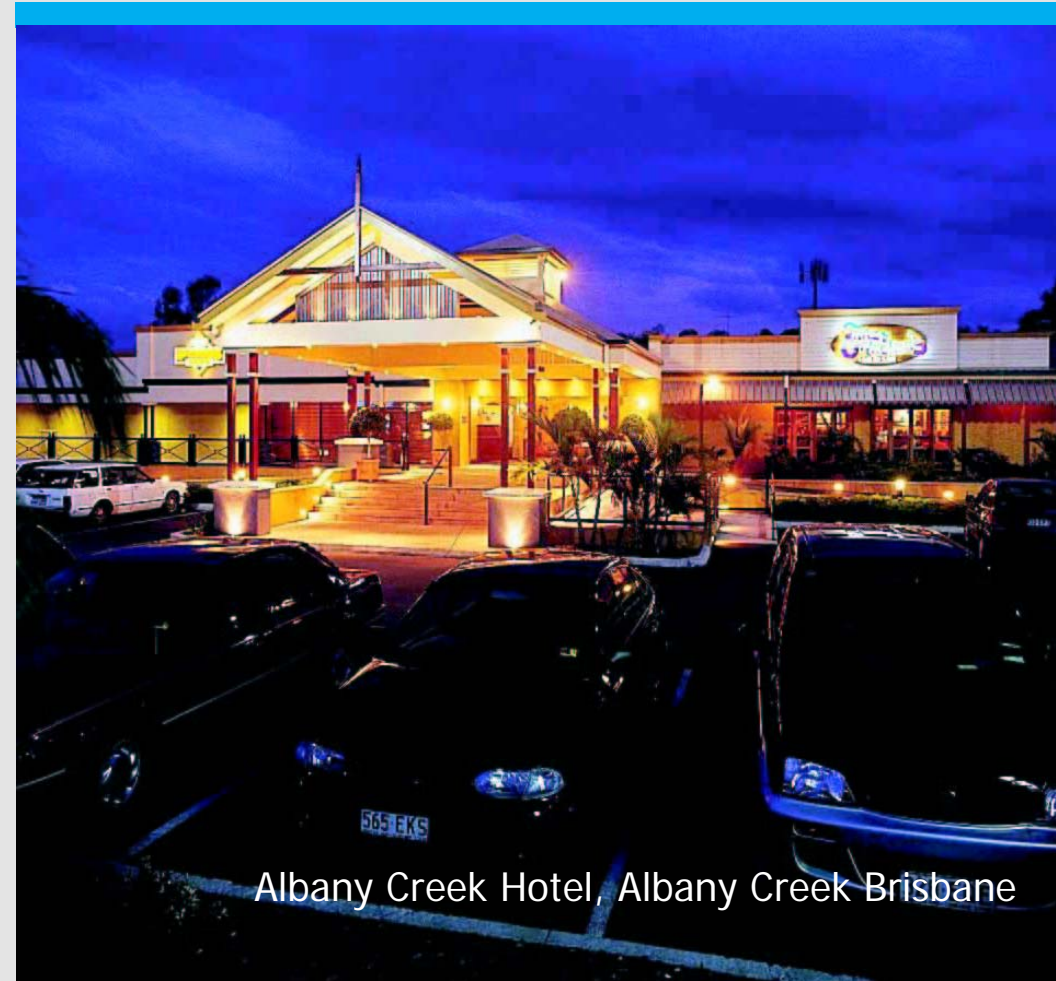


ALE Property Group

31 December 2019 Half Year Results

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- Highlights
- December 19 Half Year Results
- Pub Property Portfolio
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- FY20 Outlook
- Attractive Investment Proposition



Albany Creek Hotel, Albany Creek Brisbane



Group Highlights

Half Year to 31 December 2019

Property Portfolio

\$1,172.1m

Statutory property values

5.09%

Average property yield

8.8 years

Weighted average lease expiry

3.4%

Property revenue growth

100%

Occupancy

Capital Structure

41.1%

Net gearing

2.2 years

Average debt maturity

5.9 years

Hedge maturity

4.26%

All up cash interest rate

Baa2

Investment grade rating

Equity Performance

\$15.6m

Distributable profit

10.45 cps

Distribution

\$1,098.3m

ASX market capitalisation

13.0% p.a.

3 year total return

20.2% p.a.

16 year total return

Capitalisation rates, lease terms, interest rates, maturity terms and rental growth rates are all weighted averages.

Specific definitions are on other pages or in the statutory accounts.

Results are for the half year ending or as at 31 December 2019.

In addition to the weighted average lease expiry term, there are four 10 year options for ALH to extend (83 of 86 properties).



Financial Results

Half Year to 31 December 2019



Property Highlights

Half Year to 31 December 2019



Property Revenue

- \$30.7m, increased 3.4% on pcp
- Average of 1.7% CPI rent increases on 40 properties during the half year
- Full period impact of a 10% increase in November 2018 on 36 properties
- Rent unchanged for 43 properties awaiting determination



Property Development

- Refurbishment of Miami Tavern completed by ALH in December 2019



Property Valuations

- Total property values increased by 0.8% since June 2019 to \$1,172.1m
- Average property yield of 5.09%
- Valuers' general view of values, rents and capitalisation rates for pubs unchanged
- Demand for pub property investments remains strong with a lack of supply in the market



Financial Highlights

Half Year to 31 December 2019



Profit

- Distributable profit of \$15.6m, up 11.5%
- Net profit after tax (IFRS) of \$20.5m



Consistent Outperformance

- Investment in Nov 2003 IPO of \$1.00. Current accumulated value of \$19.54
- Equivalent to 20.2% p.a. total return
- Outperformed the AREIT 300 over past 1, 3, 5, 10 and 16 years



Distributions

- First half distribution of 10.45 cps (unchanged)



Sound Capital Position

- Gearing at historic low of 41.1%
- Next debt maturity in August 2020
- Plans well advanced for refinancing



Distributable Profit

Half Year to 31 December 2019

Millions	Dec 19	Dec 18	Comments
Revenue from properties	\$30.7	\$29.7	▪ Increases for 40 properties - CPI and full period impact of +10% in Nov 18 on 36 of those properties. 43 properties await determinations
Other revenue	\$0.2	\$0.4	▪ Lower cash balances and lower interest rates
Borrowing expense ¹	\$11.0	\$11.1	▪ Fixed interest rates on 100% of debt
Management expense	\$2.6	\$3.5	▪ Rent review costs of \$0.2m in current period. \$1.4m in prior period
Land tax expense	\$1.7	\$1.5	▪ QLD properties only. Land tax rate increased from 2.50% to 2.75%
Distributable Profit ²	\$15.6	\$14.0	▪ Rent increases and reductions in rent review costs
Distributable Profit (cps) ³	7.99c	7.16c	
Distribution (cps)	10.45c	10.45c	▪ 2.46 cps to be paid from cash and undrawn facilities

1. Borrowing expense unchanged with average all up interest rate remaining constant at 4.26% p.a.
2. Distributable Profit excludes non-cash accounting items – see full reconciliation to IFRS Net Profit.
3. 195.8 million securities were on issue as at both dates above
4. Rounding differences may arise



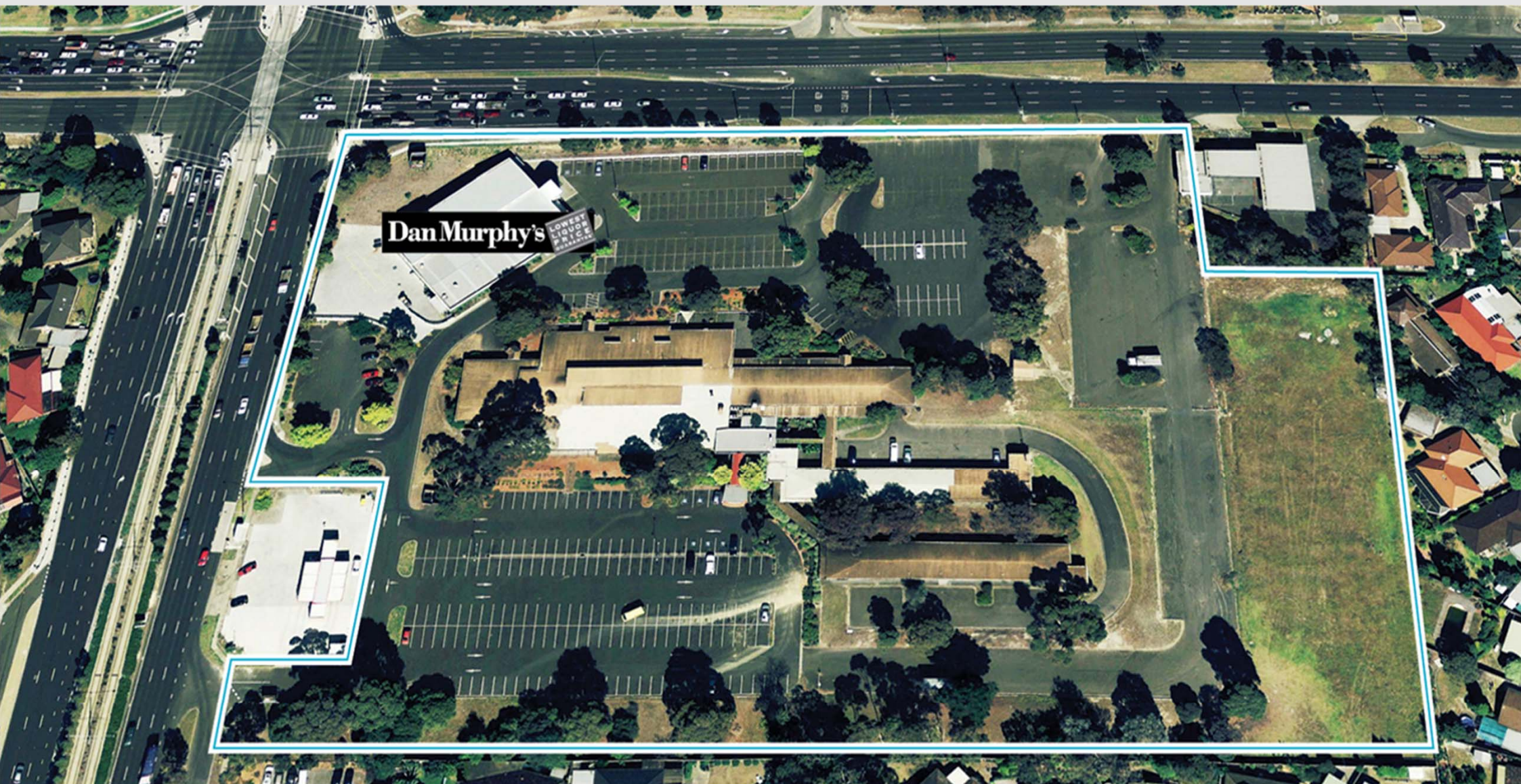
Net Profit (IFRIS) and Distributable Profit

Half Year to 31 December 2019

Millions	Dec 19	Dec 18
Total Revenue	\$30.9	\$30.0
Total Other Income (Including fair value increments)	\$8.8	\$-
Total Expenses (Including fair value decrements)	(\$19.2)	(\$24.4)
Income tax expense	(\$0.0)	(\$0.0)
Net Profit after income tax (IFRS) (Primarily impacted by derivatives decrements)	\$20.5	\$5.6
Add back non cash items:		
Fair value decrement/(increments) to investment properties	(\$8.8)	\$0.3
Fair value decrements to derivatives	\$2.5	\$6.4
Employee share based payments	\$0.1	\$0.1
Non-cash finance costs	\$1.3	\$1.5
Income tax expense	\$0.0	\$0.0
Distributable Profit*	\$15.6	\$14.0

ALE has a policy of paying distributions subject only to an amount not less than the taxable income of the trust under the Trust Deed. Distributable Profit is a non-IFRS measure that shows how free cash flow is calculated by ALE and hence how distributions are determined. Distributable Profit excludes items such as unrealised fair value (increments)/decrements arising from the effect of revaluing derivatives and investment property, non-cash expenses and non-cash financing costs. The reconciliation between Operating Profit before Tax and Distributable Profit has not been audited or reviewed by KPMG. Rounding differences may arise in the above table.

* Rounding differences may arise



Pub Property Portfolio

High Quality, Well Located and Development Potential

Burvale Hotel, Nunawading, Melbourne



Pub Property Portfolio

Endeavour and ALH Merger and Separation from Woolworths (WOW)

ALH: Australia's largest pub operator

- 328 licensed venues
 - > 1,000 bars & night clubs
 - 295 venues with restaurants or bistros
 - > 60,000 meals a day
- 599 liquor outlets
- 2,000 rooms across 96 locations
- WOW shareholders voted for merger of ALH and Endeavour Drinks 16 Dec 2019. Australia's largest drinks and hospitality business, named Endeavour Group: 1,904 venues and outlets



ALH

- FY19 \$4.67 billion of turnover
- FY19 \$583m of EBITDA

Endeavour Group

- WOW intends to pursue a separation by demerger or value-accretive alternative. Aims to complete during CY20
- FY19 \$10.33 billion of turnover
- FY19 \$0.95 billion of EBITDA
- In event of a demerger, Group's capital structure targeting an investment grade rating

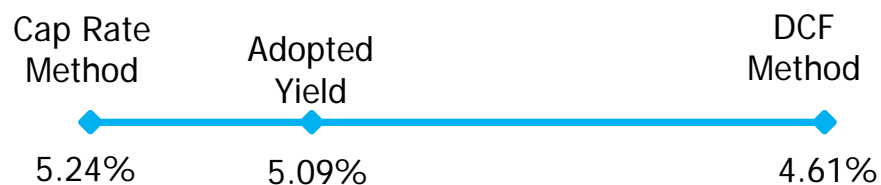




Pub Property Portfolio

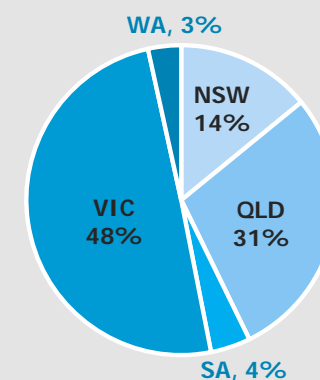
31 December 2019 Valuations

- 0.8% increase in passing net rent to \$59.6m for 86 properties since June 2019 was driven by average CPI increase of 1.7% for 40 of the properties
- Valuations increased by \$8.8m (or 0.8%) on advice from independent valuers, Savills and CBRE, that the average adopted yield of 5.09% remains unchanged
- Independent discounted cash flow (DCF) valuations of 34 properties at June 2019 equivalent to a cap rate of 4.61%
- Valuers' adopted yields reflect a blend of cap rate and DCF methodologies. Weighting remains substantially towards cap rate method



Portfolio composition as at 31 December 2019

State	Properties	Value (m)	Average Value (m)	WAAY*
NSW	10	\$164.9	\$16.5	5.11%
QLD	32	\$367.6	\$11.5	5.02%
SA	7	\$42.1	\$6.0	5.07%
VIC	33	\$565.8	\$17.1	5.06%
WA	4	\$31.8	\$8.0	6.28%
Total	86	\$1,172.1	\$13.6	5.09%



Geographic Diversity

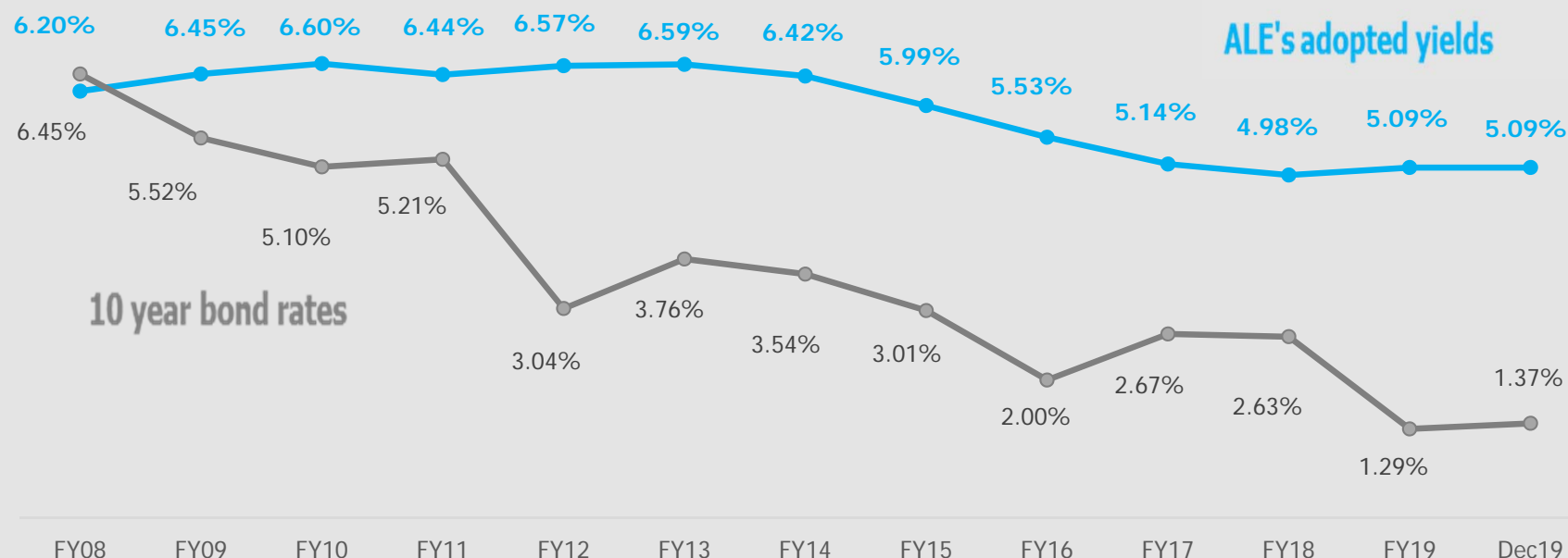
Geographic percentages represent book values in each State

* WAAY: Weighted Average Adopted Yield



ALE's Property Portfolio

Property Yield and Bond Rate Movements



- Over the last twelve years long term bond rates have fallen by around 508 basis points. ALE's adopted yields have only fallen by around 111 basis points. It is notable that the spread has expanded materially over the past financial year
- A sustained spread between yields and bond rates would also provide positive support to value
- Improvements to properties that enhance tenant earnings and shorter timeframes to 2028 open rent reviews are both positive contributions to value



Pub Property Portfolio

Layers of Value



Current Income

- 100% of the properties are leased to ALH, Australia's largest pub operator
- Long term triple net leases (83 of 86 properties)
- Properties operating in current locations as pubs for an average 60+ years



Future Increases In Income

- 2028 provides opportunity for open and uncapped review of rents



Potential Long Term Value

- 95 hectares of land
- 90%+ of the properties are located in capital or major cities
- Strategically important sites for ALH
- Mixed and alternate use opportunities exist in the longer term



History of Property Development

Development for mutual benefit



Redeveloped Hotels



Additions of Dan Murphy's

- Development highlights across 86 properties over the past 15 years
 - 10 substantial reconstructions
 - 24 significant refurbishments
 - 23 Dan Murphy's additions
- In addition, regular maintenance obligations exist for ALH
- Significant development expenditure and earnings accretion for ALH
- All earnings from all activities are included for rent review purposes, irrespective of the funding source for the additional leasehold improvements



Case Studies – Property Development by ALH

Miami Tavern, Gold Coast, QLD



Original Hotel



Refurbished Hotel



- Acquired hotel in 2003 for \$4.1m at a cap rate of 8.4%
- Acquired adjoining property in April 2018 for \$1.4m to facilitate longer term development opportunities
- Dan Murphy's added FY18
- Valued December 2019 at \$14.2m¹ at adopted yield of 5.17%
- Refurbishment of the beachside Bar and Bistro areas completed by ALH in December 2019

1. Includes adjacent lot purchased in April 2018



Property Portfolio Characteristics

Significant land holdings

- 90%+ of land located in Australian capitals and major cities
- \$1.17 billion of book value is based on passing rental income
- 86 properties occupy a land area of 95.4 hectares (ha)
- Average property size of 1.1 hectares
- Average book value of \$1,229 per square metre of land
- Average 25% of each property is occupied by pub and retail liquor buildings (balance is car parking and vacant land)
- All development opportunities are subject ALH's lease rights and require ALE and ALH to agree

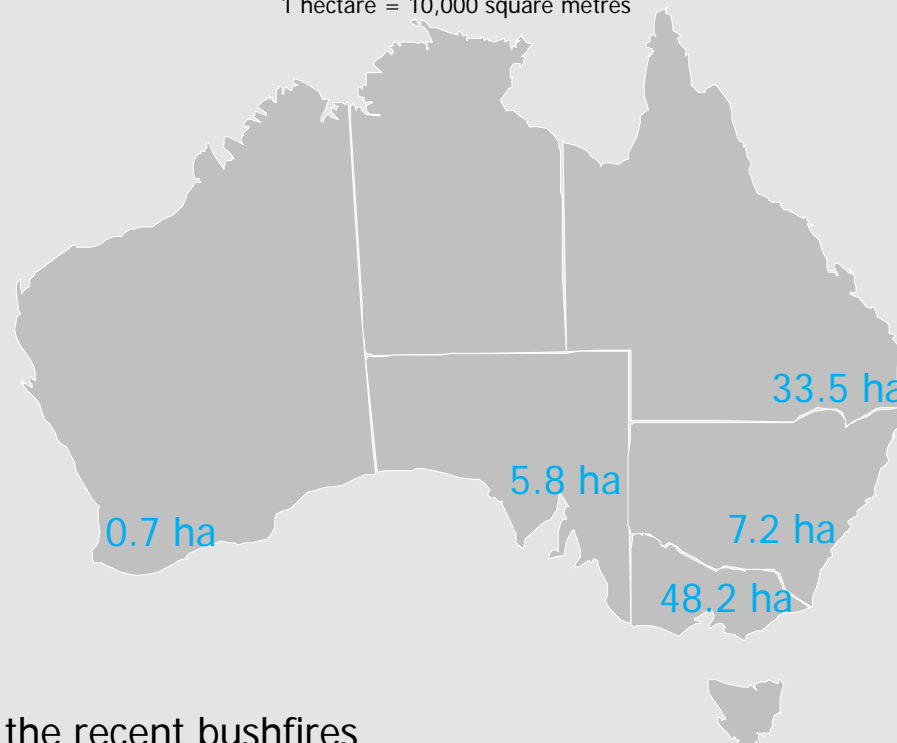
As at 31 December 2019. All areas are estimates and rounded approximations only

Australian Bushfires

- To date, none of ALE's 86 properties have been damaged by the recent bushfires
- The properties continue to be fully insured by ALH and are predominantly located in capital cities
- Our thoughts are with each of the many communities impacted by these devastating bushfires

Total Land Holdings – 95 hectares (ha)

1 hectare = 10,000 square metres





Capital Management



Capital Management

A Sound Debt Capital Structure

Capital management priorities

- Managing refinancing and interest rate risk
- Growing securityholder value

Capital structure with positive features

- Investment grade credit rating of Baa2 (stable)
- Next debt maturity in August 2020
- Debt maturities diversified over the next 3.9 years
- 100% of forecast net debt hedged over the next 5.9 years
- All up cash interest rate of 4.26% fixed until August 2020
- Gearing at low of 41.1% (41.6% at June 2019)
- Interest cover ratio at 2.7 times (2.5 times at June 2019)

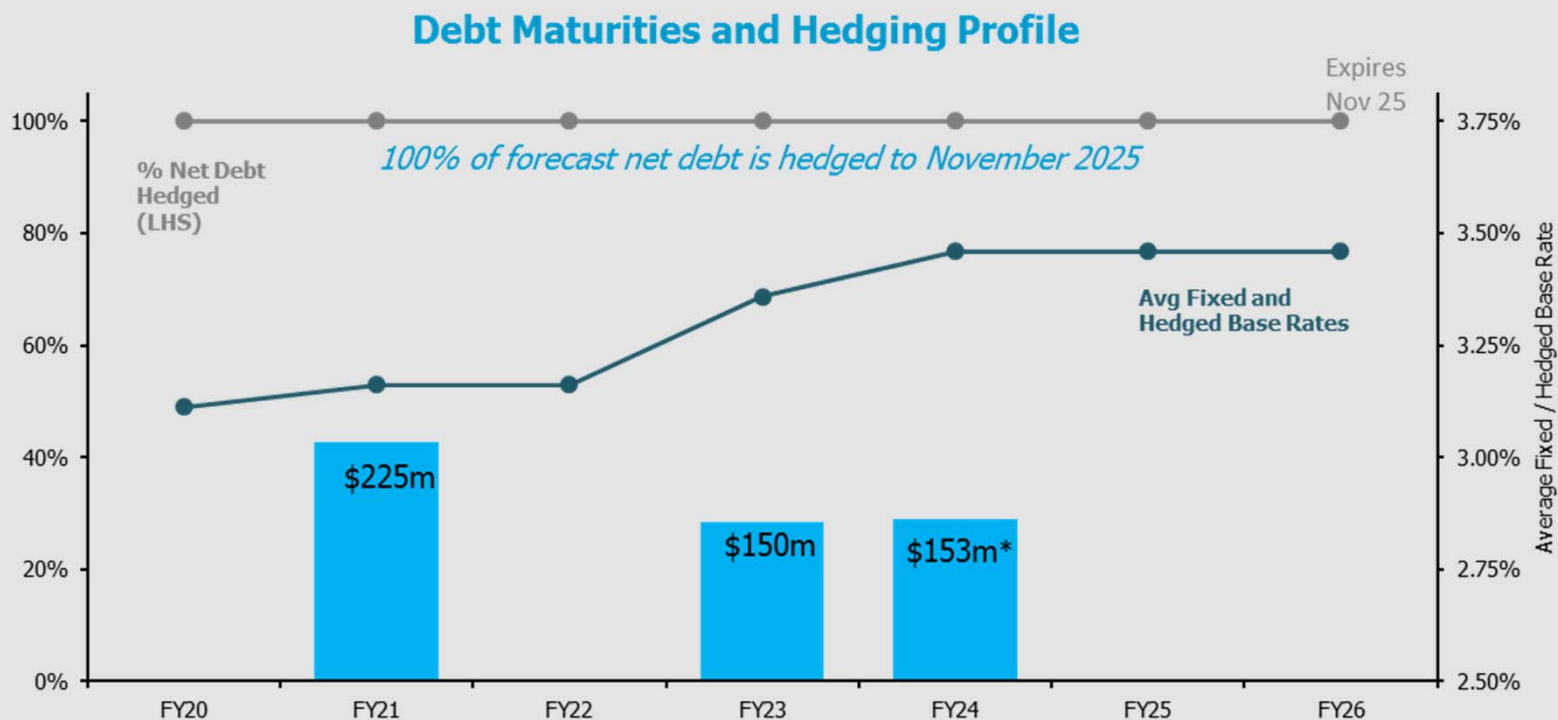


The Club Hotel, Ferntree Gully, Melbourne



Capital Management

Diversified Debt Maturities And Long Term Hedging



* balance escalates with CPI



Note: Base interest rates exclude credit margins



Capital Management

December 2019 Debt Capital Structure

As at 31 December 2019

Debt Facility	Issue Rating	Face or Indexed Value (m)	Base Rate	Issue Margin	All Up Fixed Cash Rate	Scheduled Maturity	Remaining Term (Years)
AMTN (Unsecured)	Baa2	\$225	3.50%	1.50%	5.00%	20 Aug 2020	0.7
AMTN (Unsecured)	Baa2	\$150	2.50%	1.50%	4.00%	20 Aug 2022	2.7
CIB (Secured)	AAA / Aaa	\$155	3.20%	0.20%	3.40%	20 Nov 2023	3.9
Total and Averages		\$530	3.13%	1.13%	<u>4.26%</u>		2.2
Cash on Deposit		(\$26)					
Total Net Debt		\$504					

- Base Rate for CIB is a real interest rate. The balance of the CIB escalates with CPI
- Debt amounts are gross and exclude reductions for any unamortised borrowing costs
- All up fixed cash rates apply until the AMTN and CIB maturity dates, after which the base interest rates are hedged until November 2025 on around 100% of ALE's forecast net debt amounts
- Fixed rate and forward start hedging facilities provide an average total hedging term of 5.9 years on 100% of forecast net debt
- Hedging facilities were \$37.2m out of the money as at 31 December 2019
- Cash balance includes \$8.4m for debt service reserve security, \$20.5m for March 2020 distribution and \$2.0m reserve for AFSL requirements. \$20m short term debt facility established and currently remains undrawn



Capital Management

Substantial Covenant Headroom

Key Capital Management Metrics

- Substantial headroom to all debt covenants continues
- AMTN covenant defined gearing of 41.1% (June 19: 41.6%)
- Headroom to AMTN covenant of 60% gearing equates to:
 - 33% (approx.) reduction in property values
 - Expansion in average adopted yield from current 5.09% to 7.83% (based on current rent)
 - ALE's average capitalisation rates have not exceeded 6.57% since 2006
- Gearing covenant for AMTN of 60% relates to distribution stopper and 65% relates to default
- Interest cover ratio at 2.7 times compares favourably to AMTN covenant at 1.5 times



Outlook and Strategy



Outlook

Rent determinations



Rent Reviews

- 10% rent increases agreed for 36 properties
- Remaining 43 properties subject to independent and binding determinations
- ALE lodged comprehensive submissions with independent determining valuers
- Total passing rent is materially less than ALE's view of uncapped rent
- Extent of the difference between passing and uncapped rent not evenly spread across portfolio



Rent Outlook

- Rents may increase or decrease by up to 10% for remaining 43 determinations. Range of 86 properties' gross passing rent
 - Worst case \$58.5m (no change)*
 - Best case \$63.7m (+8.9%)*
- ALE remains confident of a positive result
- Determination results for all 43 properties are to be announced at the same time and are expected in the current half year

* Note: Changes are in comparison to the gross passing rent before any Nov 2018 rent increases are applied. Best case is less than + 10% as seven of the 86 properties are not included in CY18 rent reviews

** Above scenarios are before any CPI rent reviews occurring after November 2018



Outlook

FY20 outlook



FY20 outlook

- FY20 distributable profit is expected to be impacted by a range of factors
 - Rent review results – determination results will be back dated to 4 Nov 2018
 - Rent review costs - \$0.2m for first half FY20. Expected to be materially lower than \$3.1m incurred in FY19
 - AMTN refinancing rate – current rates materially lower than 5.0% on maturing debt of \$225m. Timing of refinancing will determine savings
- AMTN refinancing plans are well advanced
- ALH / Endeavour Group to separate from Woolworths during CY20



Distribution & capital management

- As previously advised, following the finalisation of the rent review determinations, the Board will review the appropriateness of the current distribution and capital management policy
- Board will take into account
 - Rent review outcomes
 - Implications for property valuations
 - Prevailing property and capital market conditions
 - Expectations of securityholders
- Tax deferred components of distributions to be advised June 2020



ALE's Value Proposition



- National portfolio of 86 pub properties
- High quality pub properties mostly located in capital cities
- Triple net leases to ALH, Australia's largest pub operator
- Long term leases over strategically important property
- Weighted average lease expiry of 8.8 years plus four 10 year options to renew
- Investment grade and low risk capital structure



Attachments



Rent Reviews

Rent Reviews and Lease Renewals

Hotel	Next Rent Review Date	Rent* (\$m)	Next Renewal Date	Renewal Term (Years)	Lease Type, Review and Renewal Details **
Berwick, VIC	Jun 2018	1.20	Jun 2028	10	Standard lease. In progress
40 Hotels	Nov 2018	26.49	Nov 2028	10	42 standard leases. In progress
Pelican Waters, QLD	Dec 2018	0.50	Dec 2028	10	Standard lease. In progress
Four Mile Creek, QLD	Dec 2018	0.46	Dec 2028	10	Standard lease. Minimum ratchet and maximum 10%. In progress
Noosa Reef, QLD	Jun 2019	0.72	Jun 2029	10	Standard lease
Brass Monkey, WA	Jun 2020	0.60	Jun 2020	5	Minimum ratchet and maximum open. Renewed to Jun 2025
Pritchard's, NSW	Sep 2020	1.84	Sep 2020	10	Increase at fixed 3%
Balmoral, WA	Feb 2023	0.52	Feb 2023	5	Greater of CPI and 7% of Turnover
Burleigh Heads, QLD	Nov 2023	0.81	Nov 2033	10	Standard lease
Narrabeen Sands, NSW	Jun 2024	0.83	Jun 2034	10	Standard lease
Anglers Arms, QLD	Nov 2028	0.66	Nov 2028	10	Standard lease. Increase of 10% occurred at Jun 2017
36 Hotels	Nov 2028	26.88	Nov 2028	10	Standard leases. Increase of 10% agreed at Nov 2018
Total Rent		61.51			

* 31 December 2019 gross passing rent amounts before deducting land tax for QLD properties. 79 of ALE's 86 properties are subject to the CY18 rent reviews

** Standard leases review to market between Jun 2019 and Jun 2024 and may increase or decrease by up to 10% from preceding year's rent.

The first of four 10 year options for ALH to renew standard leases occur between 2028 and 2034. The three non-standard leases are Balmoral, Brass Monkey and Pritchard's.

*** Property adjoining Miami Hotel, QLD receives a gross passing rent of \$0.08m. It is excluded from the above rent amounts.



31 December 2019 Results

Key Metrics

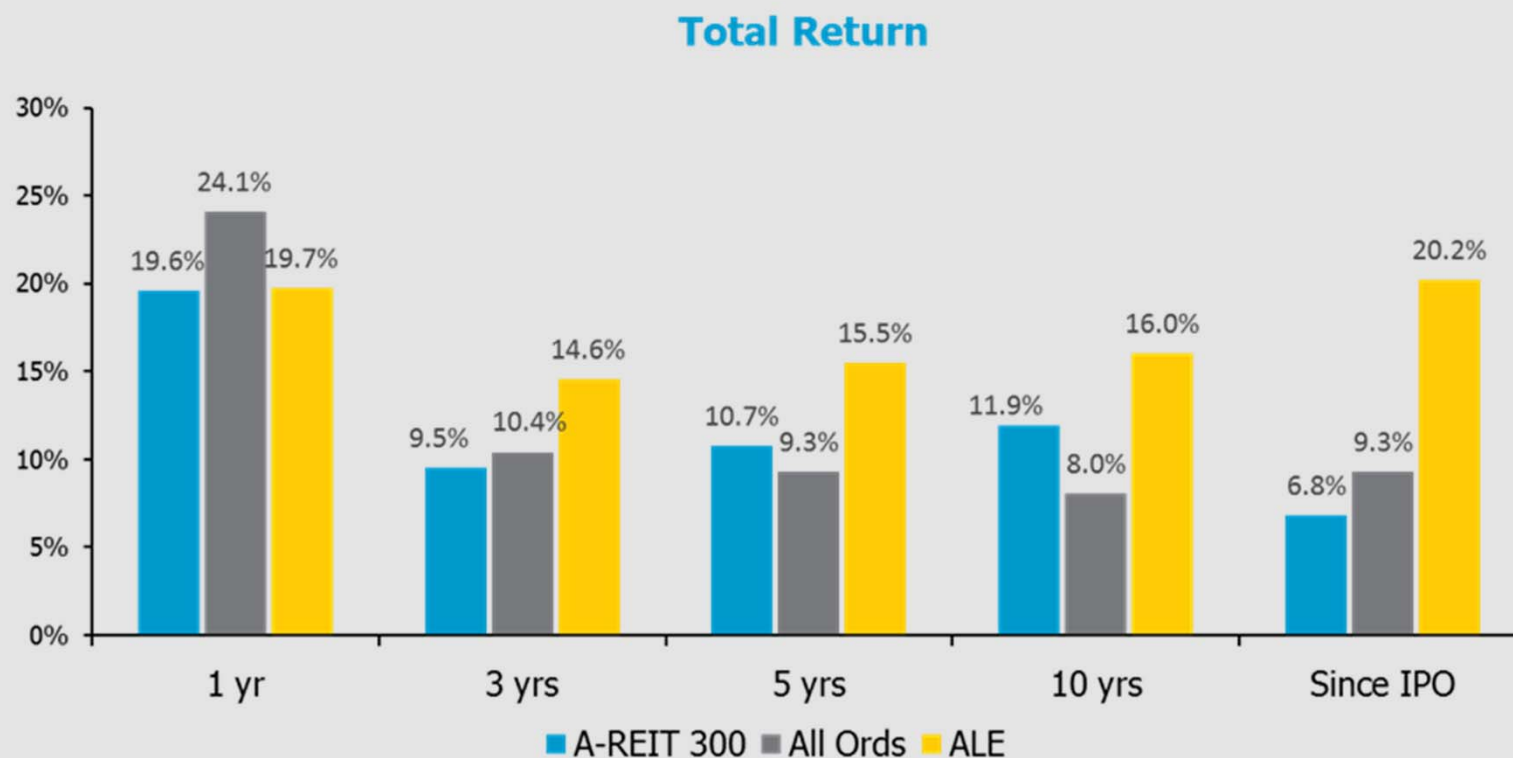
As at	December 2019	June 2019	Change
86 properties total value	\$1,172.1m	\$1,163.2m	0.8%
Gearing ¹	41.1%	41.6%	(0.5%)
Net assets	\$605.5m	\$605.6m	-
Net assets per security	\$3.09	\$3.09	-
Price as premium to NTA ²	81.6%	65.0%	16.6%
Market Capitalisation ²	\$1,098.3m	\$998.4m	10.0%

1. AMTN covenant gearing = (Total Borrowings – Cash) / (Total Assets – Cash) for ALE DPT. Excludes derivatives values, deferred tax assets and unamortised borrowing costs
This ratio is considered most relevant to securityholders as it is the debt covenant that has the least headroom available

2. Based upon security price of \$5.61 as at 31 December 2019 and \$5.10 as at 30 June 2019

ALE's 16 Years of Equity Performance

Outperformance



- Total return is the annual compound return (IRR) for the number of years ending 31 December 2019
- Includes ASX market price of \$5.61 as at 31 December 2019 and reinvestment of distributions and 2009 renunciation payment
- ALE, All Ordinaries Accumulation Index and UBS S&P REIT 300 Index data sourced from ASX, UBS and ALE
- **An investment in ALE at IPO in 2003 of \$1.00 has accumulated value at 31 December 2020 of \$19.54**

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