



Australian Leisure and Entertainment Property Management Limited

ALE PROPERTY GROUP ANNUAL GENERAL MEETING 2021

MANAGING DIRECTORS ADDRESS

Good morning everybody, my name is Guy Farrands and I am managing director of ALE Property Group.

This morning I will present the results for the year ended 30 June 2021 and also talk about some of the subsequent events. Rob will cover all issues to do with the proposed Scheme of Arrangement with the Charter Hall Consortium in the Extraordinary General Meeting.

FY21 Financial Highlights

ALE performed very well in the year ended 30 June 2021. Statutory profit was up 794% from the previous corresponding period, this is due to increased property valuations which reflected the very strong property market, increasing Net Tangible Assets per security to \$3.71. The strength of the property market was also clear in the price we achieved for the six properties that we sold, 24.2% above book value. Distributions increased by 2.8% to 21.5 cents per security, and gearing remains moderate at 36.4%.

Financial Performance

This shows us the result in a little more detail. You will see that the key drivers for the improved revenue, apart from the very substantial increase in property valuations which contributed \$141.3 million to profit, is improved rent owing to CPI increases and the impact of the increased rents flowing from the 2018 rental determinations back dated to 2018.

Costs were higher owing to legal costs in relation to the Victorian rental determinations, CEO transition and also for the first time in sometime all staff positions were full for the entire 12 month period.

If ALE remains independent in 2022 property revenue will decrease because we have sold four properties in FY 2021 and two additional properties in FY22, all at prices well in excess of book value and those rentals will no longer be receivable.

Distributable Income

Distributable income improved by 13% for a variety of reasons, these include the impact of better revenue as I discussed a few moments ago but also, and this is quite material, 21.9% lower cash finance costs mainly because of lower interest cost.

You will note that, as in previous years, ALE distributes more cash to security holders than the distributable profit it earns.

Financial Position

As many of you have been invested in the group for some time you would know that gearing at 36.4% is historically low. The key driver of this is the substantial increase in property values, both over the last 12 months and years prior.

Net assets per security also increased due to lower derivative values and lower borrowings.

During the year six properties were sold and four of those were settled prior to year end, achieving an average price that was 24.2% above book values. We will talk more about property valuations in the Extraordinary General Meeting to follow this meeting.

30 June 2021 Valuation Outcomes

The slide briefly summarises the June 2021 valuation outcomes, excluding the updated valuations that were undertaken subsequent to year end as part of our evaluation of the proposal from Charter Hall.

Property valuations have increased very quickly over the last two years; you will note that the values as at June 30, 2021 were 24% above that 12 months prior, and 14.4% above that adopted only six months earlier, reflecting the strong property investment market.

Portfolio Review and Sales

Here is a summary of the property sales that occurred during the period showing the weighted average premium of 24.2% to the book value applicable at the time of sale.

Independent property valuers provided an opinion of the uncapped and uncollared rent for the portfolio, excluding those which were sold during the period. This was assessed at being 35.6% higher than the rent that is currently payable under lease.

Endeavour Group Demerger

Endeavour group completed its demerger from Woolworths during the period. Endeavour listed on 24 June and Woolworths and Bruce Matheson Group both hold significant shareholdings in that company.

Key Subsequent Events

There were of course several key events that occurred between 30 June 2021 and today.

- the proposed Scheme of Arrangement with a Charter Hall managed consortium,
- the result of further property valuations we undertook subsequent to receipt of Charter Hall's proposal and
- the receipt of the judgement from the Supreme Court of Victoria in relation to the 2018 rent determinations that we challenged.

While we will discuss these in the Extraordinary General Meeting, I want to mention the results of the Victorian litigation. The Court has decided that ALE is entitled to a declaration that the 2018 rent determinations in Victoria were not made in accordance with the leases, are not binding and must be done again. In reaching that decision, the Court considered the two grounds upon which ALE contended that the valuer had erred and, among other things, held that:

- the valuer correctly interpreted and applied the valuation methodology. There was no requirement in the valuation methodology to assess rental on the basis of a good average manager, although it was open to the valuer to do so if the valuer considered that was appropriate; and
- the valuer took into account a submission from the tenant relating to the tenant's EBITDA information which the valuer was not permitted to take into account.

It will be necessary for the landlord and the tenant to seek to agree a process by which the 2018 rent determinations in Victoria will be undertaken again.

I will now hand back to Rob to carry out the formal part of this meeting..

Guy Farrands
Managing Director

2 December 2021