ALE PROPERTY GROUP

A positive outlook

FY21 Full year results

4 August 2021

Agenda

ALE Investment Proposition

Attractive lease structure[1]

- Leased for 7 years + 4 ten year options
- Triple-net basis
- Annual CPI rent reviews
- Uncapped/uncollared rent reviews if options exercised

Properties

- Uncapped/uncollared rents independently assessed as 35.6% higher than currently payable
- Diversified portfolio in all mainland states
- In several cases, assets have land values higher than as leased investments

Industry

- Highly resilient through economic cycles
- Strong contributor to state government tax revenue

Distributions are paid quarterly

- Distribution guidance for YE 30 June 2022 of 22.0 cents per security[1]
- Present intention is to increase annual distributions by CPI
- Quarterly instalments of 5.50 cents per security are anticipated, beginning September 2021 quarter

Tenant

- Australia’s largest hospitality and drinks business, looking to grow
- Market-leading brands and positions
- Strong financial performance

Balance Sheet

- Leverage is at a historic low

1: Applies to 98% of leases

FY21 Financial Highlights

$179.2m
Statutory profit after tax
+794.0% on FY20

$3.71
Net tangible assets per stapled security
+24.2% on FY20

24.2%
Margin above book value for six properties sold

$34.4m
Distributable income
+13.0% on FY20

21.5c
Distribution per security
+2.8% on FY20

36.4%
Gearing ratio
–490 bps on FY20

Financial Results

Financial Performance

Strong profit growth based on rental determinations, CPI linked rents and strong investment property market

- **Property revenue increased due to:**
  - Rent determinations received in Sept 2020
  - CPI increase on determined rent for FY19 and FY20
  - Annual CPI increases for FY21
- **Fair value increments to investment properties due to adopted yields decreasing 49 bps and increased passing net rents**
- **During the year 6 properties were sold (4 settled) achieving prices 24.2% above aggregate book values**
  - Management expenses increased due to:
  - Legal costs in relation to the challenge to the Victorian rental determination
  - CEO transition costs
  - All management positions filled for the whole year
  - Increased insurance costs

	FY21	FY20	Change	
	($'000)	($'000)	($'000)	(%)
Property revenue	62,473	61,408	1,065	1.7%
Other revenue	99	301	(202)	(67.1%)
Total Revenue	**62,572**	**61,709**	**863**	1.4%
Fair value increments to investment properties	141,301	10,930	130,371	1,192.8%
Fair value increments to derivatives	6,091	–	6,091	–
Profit on sale of investment properties	4,230	–	4,230	–
Total other income	**151,622**	**10,930**	**140,692**	1,287.2%
Total revenue and other income	**214,194**	**72,639**	**141,555**	194.9%
Land tax	(3,329)	(3,313)	16	0.5%
Management expenses	(7,888)	(6,148)	(1,740)	28.3%
Finance costs	(23,540)	(25,856)	2,316	(9.0%)
Fair value decrements to derivatives	–	(17,306)	17,306	–
Income tax expense	(266)	7	(273)	–
Profit after income tax	**179,171**	**20,023**	159,148	794.0%

Distributable Income Performance

Increased earnings and growing distributions

- **Property income increased due to:**
  - Rent determinations received in Sept 2020
  - CPI increase on rent determinations for FY19
  - Annual CPI increases for FY21
  - Less impact of sold properties
- **Finance costs reduced as borrowings were refinanced during the year at lower interest rates**
- **Distributable income increased during the year due to increased rent received, lower interest costs offset by higher management expenses**

	FY21	FY20	Change	
	($'000)	($'000)	($'000)	(%)
Property revenue – Continuing Properties	59,247	57,847	1,400	2.4%
Property revenue – divested properties	3,226	3,561	(335)	(9.4%)
Other revenue	99	301	(202)	(67.1%)
Total Revenue	**62,572**	**61,709**	**863**	**1.4%**
Land tax	(3,329)	(3,313)	(16)	0.5%
Management expenses	(7,665)	(5,944)	(1,721)	29.0%
Finance costs – cash	(17,205)	(22,041)	4,836	(21.9%)
Distributable income	**34,373**	**30,411**	3,962	13.0%
Distributable income per stapled security (cents)	17.15	15.53	1.62	10.4%
Distribution per stapled security (cents)	21.50	20.90	0.60	2.9%

Financial Position

Strong balance sheet with capacity to fund distribution policy

- **During the year 6 properties were sold (4 settled) achieving prices 24.2% above aggregate book values.**
- **Investment properties have increased in value as adopted yields decreased from 5.08% to 4.59%, combined with increased net rent.**
- **Net assets per security increased due to higher investment property values, lower derivative values and lower borrowings.**
- **Cash balances increased equity raised from Distribution Re-investment Plan and by property sales, offset by derivative restructure payments and borrowings repaid**

	FY21	FY20	Change	
	($'000)	($'000)	($'000)	(%)
Cash	43,621	39,568	4,053	10.2%
Investment properties held for sale Investment properties	68,886 1,225,375	– 1,174,160	120,101	12.4%[1]
Total assets	**1,339,875**	**1,214,882**	**125,093**	**10.3%**
Borrowings	540,894	551,412	(10,518)	(1.9%)
Net assets	**742,984**	**584,601**	**158,383**	**27.1%**
Securities on issue (m)	200.4	195.8	4.6	2.4%
Net Tangible Assets Value per stapled security	**$3.71**	**$2.98**	$0.73	24.2%
Covenant Gearing[1]	**36.4%**	**41.3%**	4.9%	11.9%

1. Valuation of properties at 30 June 2020 includes the four properties that sold during the financial year. The % movement is shown on a like for like basis for properties held at both balance.

Capital Management

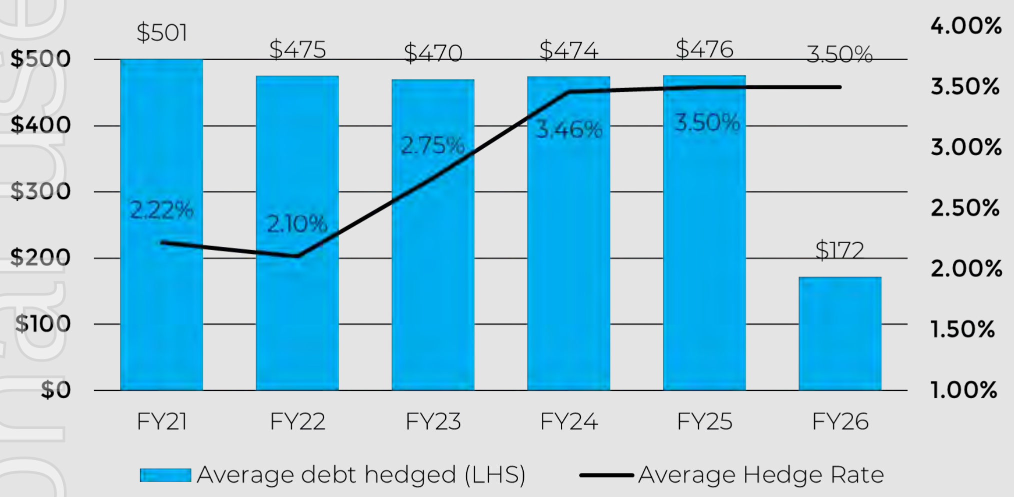
Debt maturity extended, debt composition expanded and interest rate swap restructured

- **Borrowings with maturities in FY22 were refinanced during the year**
- **Funding sources diversified during the year to provide flexible debt structure**
  - Agreements with Australian and offshore banks to provide bilateral loan facilities totalling $100m
  - Issue of a 3.5 year floating rate A-MTN for $150m
- **ALE is committed to maintaining an investment grade credit rating in order to provide access to diversified funding sources through different market cycles**
- **DRP was in operation during the year – raised $22m in new equity (since suspended)**

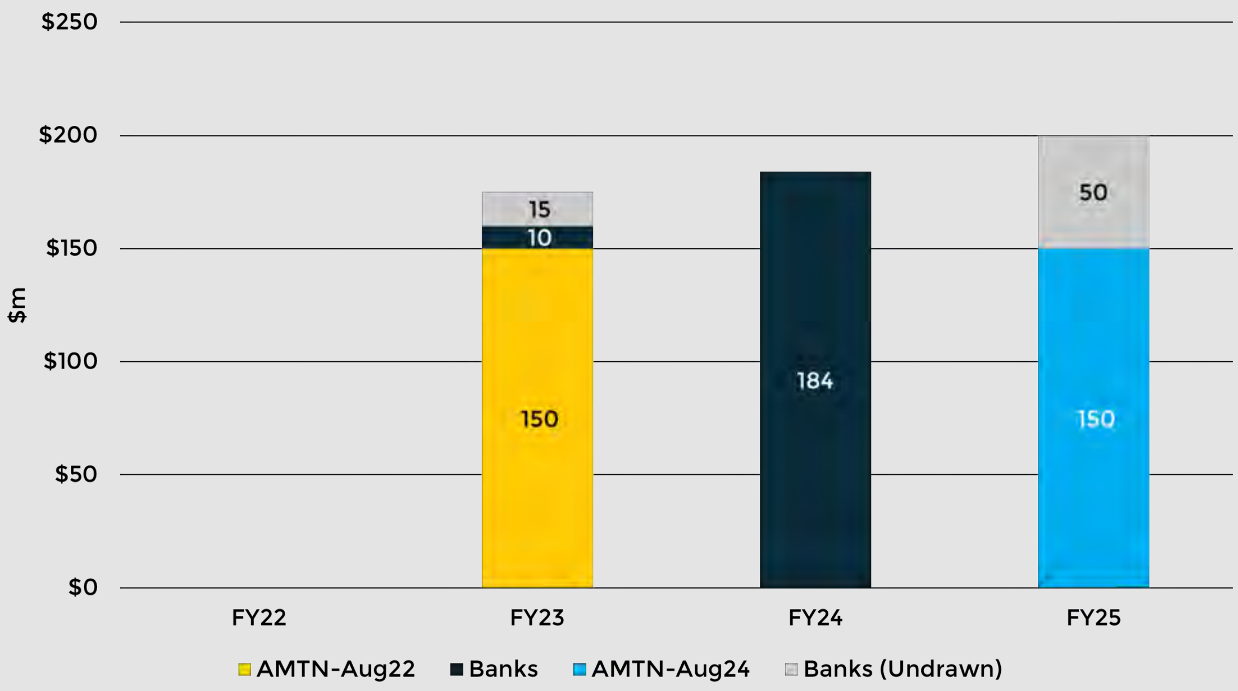
Debt Facility	30 June 2021	30 June 2020	Change
Gross Borrowings	$543.1m	$556.7m	($13.6m)
Cash	($43.6m)	($39.6m)	($4.0m)
Net Borrowings	$497.3m	$511.8m	($14.5)
Covenant Gearing	**36.4%**	**41.3%**	**(4.9%)**
Weighted average facility term	2.5 years	2.4 years	0.1 years
Weighted average costs of debt	3.48%	4.11%	(0.6%)
Covenant Interest cover ratio	3.38x	2.62x	+0.76x
Hedge cover	98%	100%	
Weight average hedge rate	2.22%	3.53%	
Weighted average hedge term	4.4 years	5.4 years	

Debt / Liquidity

Hedge Maturity Profile $m



Debt Maturity Profile as at 30 June 2021



Portfolio Update

Portfolio update

Portfolio shows strong resilience

Oct 2020

2018 rent determinations received

Litigation to have Victorian determinations set aside has been heard, judgement is expected within 3-6 months

31 Dec 2020

The entire portfolio was independently revalued

$51.6m NTA uplift from 30 June 2020

30 Jun 2021

Portfolio revalued

$89.7 million NTA uplift from 31 December 2020

During COVID

All rent received when due

Portfolio review undertaken

All rent received when due; tenant's business showed high resilience

- 6 assets sold for 24.2% more than book value
- 2 more assets for sale

- NTA $3.71
- Uncapped/ uncollared rent is 35.6 % higher than currently payable

June 30 2021 valuation outcomes

- NTA per stapled security increased to $3.71
  - 24.2% above 30 June 2020
  - 14.4% above 31 December 2020
- Continuing Properties value has **increased by 6.95%** since December 2020
- The average Passing Yield of the Continuing Properties has **decreased by 32bps** since December 2020 from 4.90% to 4.58%
- A greater reliance on the DCF valuation methodology is likely to better reflect the under-renting in the portfolio
  - Sales of ALE's six Non-Core properties indicate that the purchasers' estimated IRR is lower than that that adopted by valuers for the Continuing Properties
  - ALE believes the DCF method better reflects the long-term value of the properties

Valuation Outcomes

Contributors to Change in Valuation $m

Portfolio Review and Sales

Strong investment market and high quality properties/tenancy

- **Six properties sold:**
  - Weighted average premium of 24.2% to the book value applicable at the time of sale
  - 4.40% weighted average initial yield
- **Two additional properties for sale by auction/tender in early August, subject to Melbourne lockdown restrictions**
- **Very strong market for income producing investments with long leases and low credit/leakage risk**
  - All properties sold at or immediately after auction/tender
- **Proceeds used to reduce net debt/partially restructure swaps**

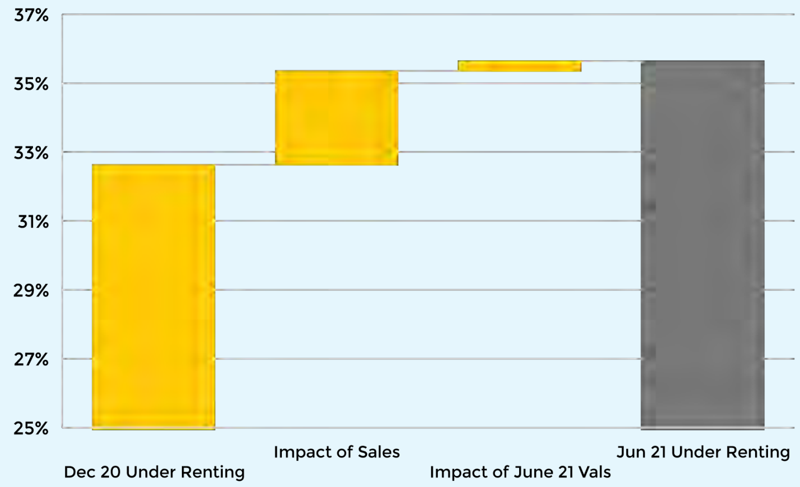
To determine the extent of under renting of the Continuing Properties:

- For properties independently valued as at 30 June 2021, the independent valuers' assessment as at that date was used
- For properties not independently valued as at 30 June 2021 the independent valuers' assessment as at 31 December 2020 was used

Uncapped/uncollared rents

- **Independent valuers have provided an opinion of the uncapped/uncollared rent of the Continuing Properties.**
- **As at 31 December 2021 the assessed uncapped/uncollared under-renting is 35.6%**
  - 9.2% increase from December 2020 levels
- **Largely due to sales of non-core properties.**

Contributors to Change in Under-renting



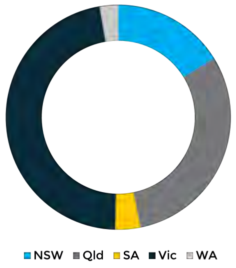
Portfolio Overview

Geographically diversified Continuing portfolio with a strong weighting to metro locations along the eastern seaboard

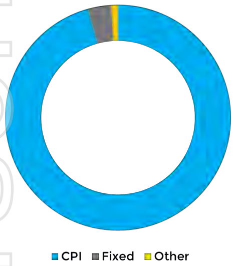
	No. of Properties[1]	Value ($m)	Value (%)	Avg. Site Area (m²)	Avg. Value ($m)	WACR (%)	WALE (years)
Metro	77	1,218.1	99	11,710	15.8	4.58	7.3
Regional	1	7.3	1	6,465	7.3	4.52	7.3
Total	**78**	**1,225.4**	**100**	**11,643**	**15.7**	**4.58**	**7.3**

1: Continuing portfolio

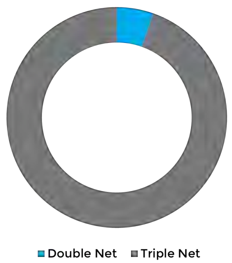
Geographic split by value[2]

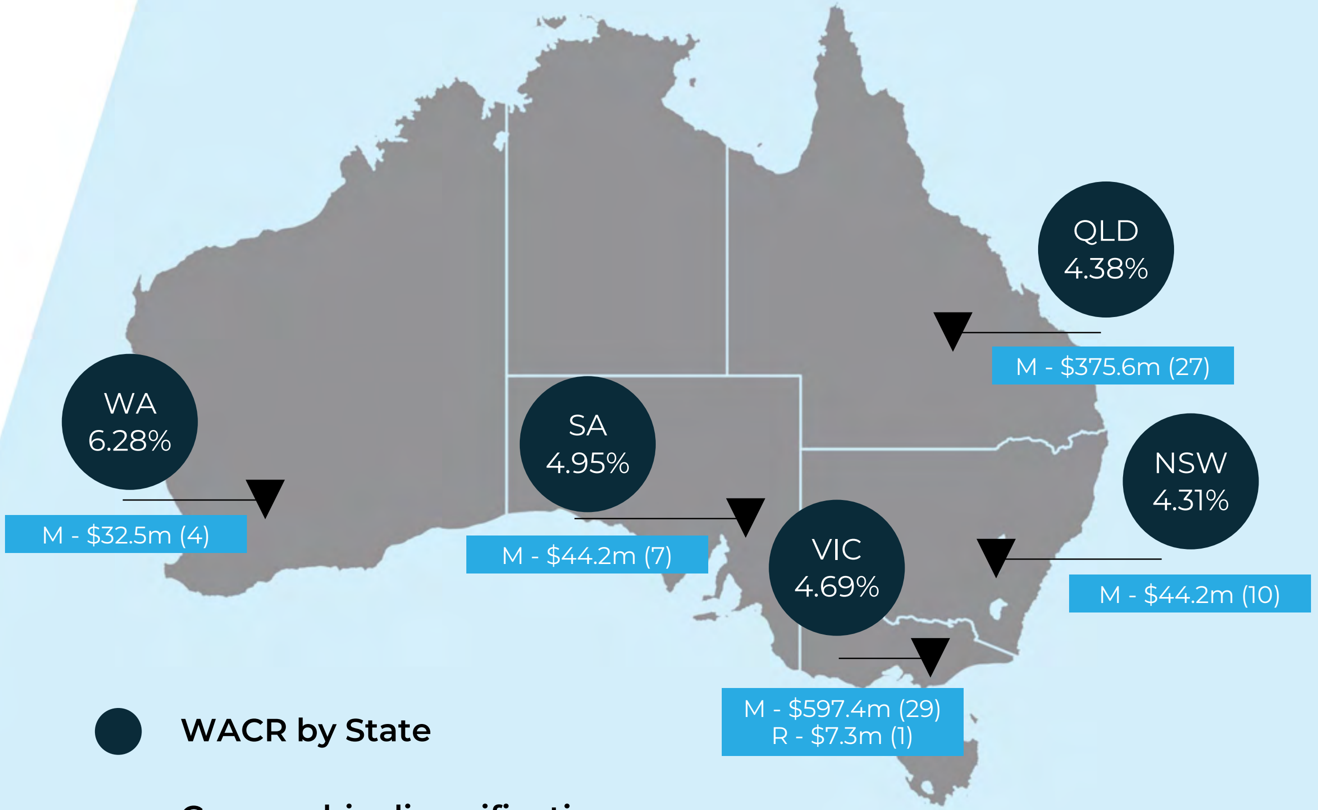


Annual rent review type by income



Lease structure type by income





WACR by State

Geographic diversification by value (number)

M Metropolitan

R Regional

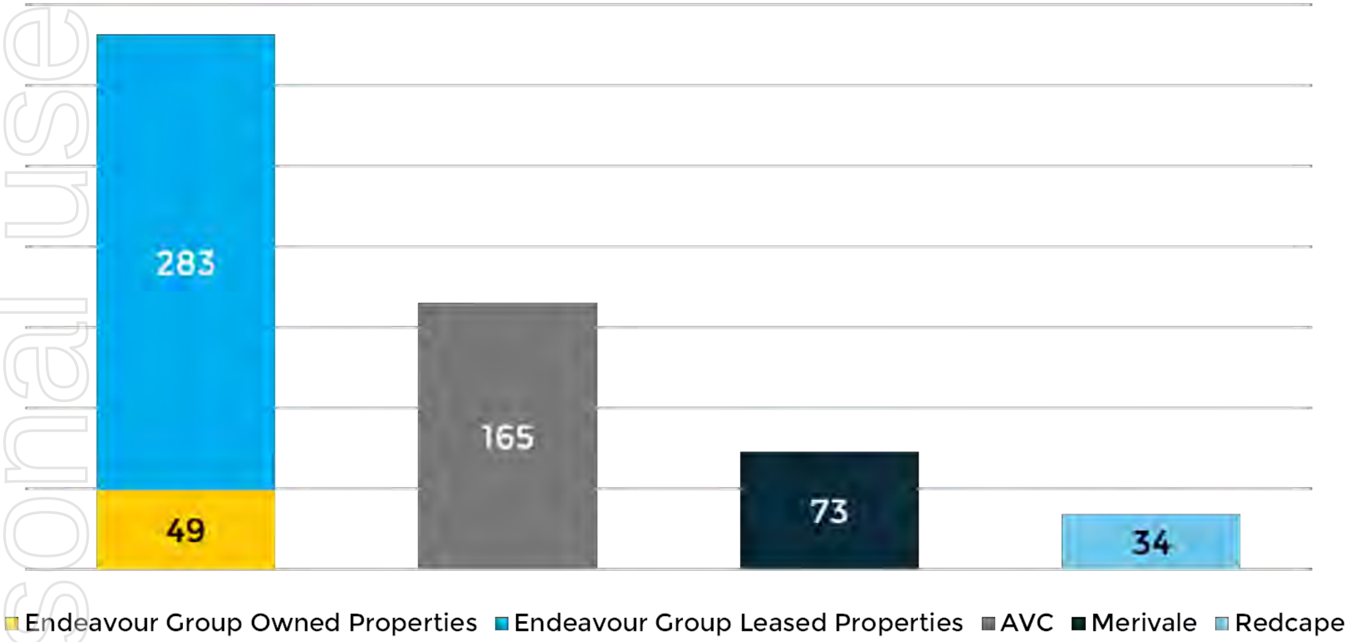
Endeavour Group

Endeavour Group Overview[1] (ASX:EDV)

EDV is Australia's leading drinks and hospitality business

FY20			Pubs		Retail		Staff	Major Brands
Revenue	EBITDA	NPAT	Outlets	Market Share	Outlets	Market Share		
$10,624m	$693m	$328m	332	9%	1,630	40%	28,000+	9

Hotels network in Australia (approximate number of venues as at H1 F21)[1]



1: Source: Endeavour Group Demerger Booklet 10 May 2021

Endeavour Group Demerger

- EDV demerged from Woolworths and listed on ASX on 24 June 2020
  - Woolworths – 14.6%
  - Bruce Matheson Group – 14.6%
- EDV[1] – some of the key areas of future growth
  - Strategic Expansion of Network
    - › Accelerate acquisition, roll-up and development of new hotels
  - Enhancing the existing footprint
    - › Accelerate hotel refurbishments
    - › Unlock the value of freehold and leasehold property assets over time
  - $500m+ debt facility headroom at demerger

1: Source: Woolworths Demerger of Endeavour Group – Briefing Presentation 10 May 2021

Outlook

Portfolio Strategy

Current Conditions

1

ALE owns a portfolio of 78[1] pubs leased to Australia's largest hospitality and drinks business.

2

The portfolio is diversified across all mainland Australian states.

3

Independent valuers have assessed uncapped/ uncollared rents as 35.6% higher than currently payable.

4

Our tenant is keen to grow its business, both within existing outlets and by acquiring new outlets.

5

The businesses operating within the portfolio represent an important source of revenue for many state governments.

6

In several cases, assets have land values higher than leased investments.

7

The 2018 rental determinations, received in September 2020, provide fresh insight into some aspects of some of the portfolio.

1: Not including two for sale

Portfolio Strategy

Portfolio Objectives

1

To work with our tenant to assist it to grow its business, where that makes sense for ALE securityholders

- ALE offers an alternative source of capital to Endeavour Group
- Litigation about rent review interpretations expected to be resolved 1HFY22

2

Portfolio review

- Continue portfolio review to maximise returns and take advantage of opportunities created by the strong market
- Undertake strategic disposals, if appropriate

3

New opportunities

- Consider new opportunities that enhance value for ALE's securityholders

FY 22 Outlook

Portfolio review

- Continue portfolio review to maximise returns and take advantage of opportunities created by the strong market
- Undertake strategic disposals, if appropriate

Endeavour Group

- Seek to work with our tenant help them grow their business
- ALE provides Endeavour with the potential for an alternative source of capital

ESG

- Expand existing ESG work to encompass appropriate ESG objectives
- Consider impact of ALE's triple-net leases and that operational control rests with tenant

Capital management

- Explore the most appropriate capital structure once portfolio stabilised
- Review the current debt structure especially super-senior CPI bonds

FY 22 Guidance

- Distribution guidance for YE 30 June 2022 of 22.0 cents per security[1]
- 2021 +2.3%
- Quarterly instalments of 5.50 cents per security beginning September 2021 quarter

1: Guidance is subject to current economic conditions persisting and no unforeseen circumstances arising

Appendix

Valuation Outcomes

	December 2020		June 2021		Movement		
	Passing Adopted Yield	Valuation $m	Passing Adopted Yield	Valuation $m	Valuation Increase $m	% Change	Change in Passing Adopted Yield
NSW	4.58%	186.200	4.31%	198.430	12.230	6.57%	(27bps)
QLD	4.70%	349.970	4.38%	375.595	25.625	7.32%	(32bps)
SA	5.20%	42.050	4.95%	44.200	2.150	5.11%	(25bps)
VIC	5.04%	535.000	4.69%	574.670	39.670	7.41%	(35bps)
WA	6.28%	32.480	6.28%	32.480	–	0.00%	–
Continuing Properties	4.90%	1,145.700	4.58%	1,225.375	79.675	6.95%	(32bps)
Properties sold or to be sold	5.45%	80.050	4.71%	68.886	10.036	17.10%	(74bps)
Total properties	4.94%	1,225.750	4.59%	1,294.261	89.711	7.32%	(35bps)

Property Sales

Property	Price	Yield	Premium to Book Value	Agency
Boundary Hotel, East Bentleigh Vic	$33.00m	4.23%	30%	JLL – at tender
Edinburgh Castle Hotel, Kedron Qld	$7.50m	4.54%	0%	Burgess Rawson – immediately after auction
Kedron Park Hotel, Qld	$4.60m	4.80%	35%	Burgess Rawson – at auction
Morwell Hotel, Vic	$3.06m	4.74%	13%	Burgess Rawson – at auction
Noosa Reef Hotel, Noosa Heads, Qld	$13.90m	4.81%	15%	JLL – at auction
Pelican Waters Inn Caloundra Qld	$10.80m	4.06%	42%	Burgess Rawson – at auction
	$72.86m	4.40% w. av.	24.2% w. av.	

Capital Management

Debt maturity extended, debt composition expanded and interest rate swap restructured

Debt Facility	Issue Rating	Face or Indexed Value (m)	Facility Limit	Fixed / Hedged Base Rate	Credit Margin	All up Fixed / Hedged Rate	Scheduled maturity	Remaining Term (Years)
AMTN (Unsecured)	Baa2	$150.00	$150.00	2.50%	1.50%	4.00%	20-Aug-22	1.1
CIB (Secured)	AAA/ Aaa	$158.10	$158.10	3.20%	0.20%	3.40%	20-Nov-23	2.4
AMTN (Unsecured)	Baa2	$150.00	$150.00	0.49%	1.90%	2.39%	20-Aug-24	3.4
Bank loans (Unsecured)[1]		$85.00	$100.00	0.49%	2.50%	2.99%		2.7
TOTAL	–	**$543.10**	**$558.10**	**2.00%**	**1.48%**	**3.48%**		**2.4**
Cash on Deposit		($43.60)						
Total Net Debt		**$499.50**						

1: Weighted average

- Base rate for CIB is a real interest rate. In addition, the principal escalates with CPI
- Bank facilities and the Aug 24 AMTN are at floating rate interest rates. $165m is hedged at average base rate of 0.49%.
- For the 22 AMTN and CIB, all up fixed cash rates apply until the maturity dates, after which the base interest rates are hedged (forward start) until November 2025 on around 100% of ALE's expected net debt amounts
- In aggregate, fixed rate and forward start hedging facilities provide an average total hedging term of 4.4 years on 100% of forecast net debt
- Cash balance includes $9.9m for debt service reserve security, $2.0m reserve for AFSL.

Glossary

Continuing Properties

• Portfolio as at 30 June 2020 less:
  - Sold: Boundary Hotel, Edinburgh Castle Hotel, Kedron Park Hotel, Noosa Reef Hotel, Morwell Hotel, Pelican Waters Hotel
  - For sale: Tudor Inn Hotel, Royal Exchange Hotel

Under-rented

• To determine the extent of under renting of the Continuing Properties:
  - For properties independently valued as at 30 June 2021, the independent valuers' assessment as at that date was used
  - For properties not independently valued as at 30 June 2021 the independent valuers' assessment as at 31 December 2020 was used

Metro

• Properties in cities with populations greater than 100,000