ALE Property Group

10th Annual General Meeting – *12 November 2013*

The Breakfast Creek Hotel, Brisbane, QLD

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Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278
Australian Leisure and Entertainment Property Trust ARSN 106 063 049

Contents

Key Points

- FY13 distributable profit of 16.32 cps exceeded guidance by 2.0%
- FY13 distributions of 16.00 cps was 34.76% tax deferred
- Property valuations increased by 1.9% to $786.0m
- Capital position remains strong
    - no final debt maturities until 2016
    - interest rates hedged at low rates until 2022
    - reduced gearing provides significant covenant headroom
- Positive outlook for future market rent reviews is further enhanced by
    - significant capital expenditure by ALH at the properties
    - Victorian gaming changes very positive impact on ALH's profit
- <u>FY14 distribution of at least 16.35 cps (at least 75% tax deferred)</u>
- 2003 investment of $1.00 in ALE has a current accumulated value of $6.90
- ALE named 2013 AREIT of the year by PIR

FY13 Results
Distributable Profit

	FY13 (M)	FY12 (M)		Comments
Property income	**$53.3**	$51.9		➢ Average CPI based rent increase
Interest income	**$2.8**	$3.8		➢ Reduced average cash balances and deposit rates
Borrowing expense	**$17.8**	$22.9		➢ Hedge restructure and lower hedged interest rates
Management expense	**$4.3**	$3.7		➢ Remains one of lowest expense ratios in A-REIT sector. FY12 included $0.6m legal cost recovery
Land tax expense	**$2.3**	$2.4		➢ Land tax for QLD properties only
Distributable Profit [1]	**$31.7**	$26.7		➢ 2% above guidance
Funds From Operations (FFO)	**$31.7**	$26.7		➢ Equal to distributable profit
Securities on Issue	**194.2**	159.0		➢ Placement and SPP in late 2012
Distributable Profit (cps)	**16.32c**	16.79c		➢ 2% above guidance
Distribution (cps)	**16.00c**	16.00c		➢ In line with guidance

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

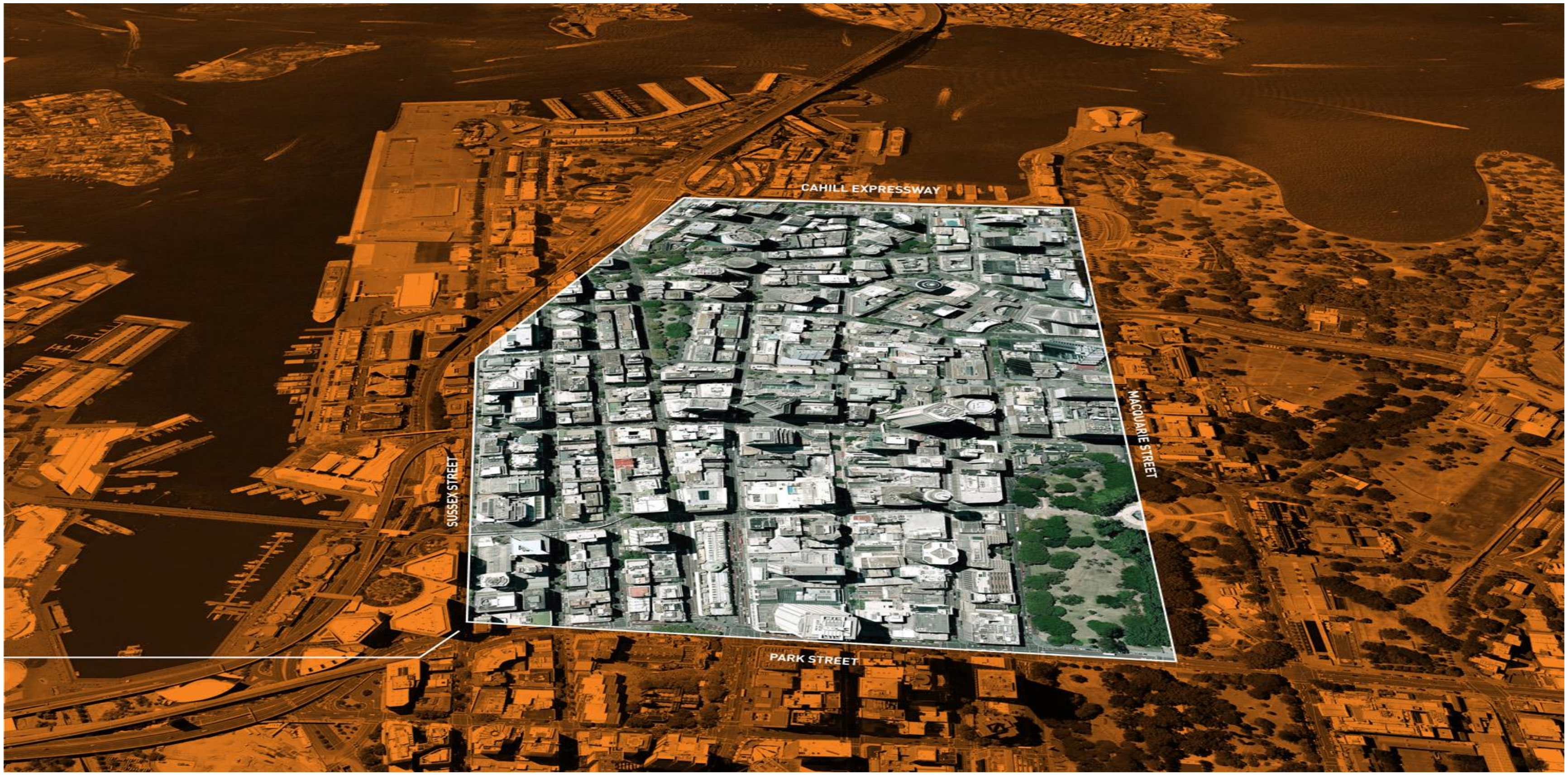
FY13 Full Year Results

Key Metrics

As at	30 June 2013	30 June 2012	Change
87 properties valuation	**$786.0m**	$771.5m	1.9%
Statutory gearing[1]	**57.4%**	63.1%	(5.7%)
Covenant gearing[2]	**50.9%**	51.9%	(1.0%)
Net assets	**$368.4m**	$312.5m	17.9%
Net assets per security	**$1.90**	$1.95	(2.6%)
Price as premium / (discount) to NTA[3]	**40.5%**	(4.5%)	45.0%
Market Capitalisation[3]	**$518.3m**	$340.3m	52.3%

1. Statutory gearing = Total Statutory Liabilities / Total Statutory Assets
2. Covenant gearing = (Net Finance Debt – Cash) / (Total Assets – Cash – Derivatives Assets) as per ALE Notes 2 covenant. This ratio is considered, in the opinion of the Directors, most relevant to security holders as it is the debt covenant that has the least headroom available
3. Based upon security price of $2.67 as at 30 June 2013 and $2.14 as at 30 June 2012

Properties
Nearly ONE SQUARE KILOMETRE of Land!



Source: Google Maps

ALE's 87 properties include a total of 958,071m^2 of land, which is equivalent to the Core Sydney CBD

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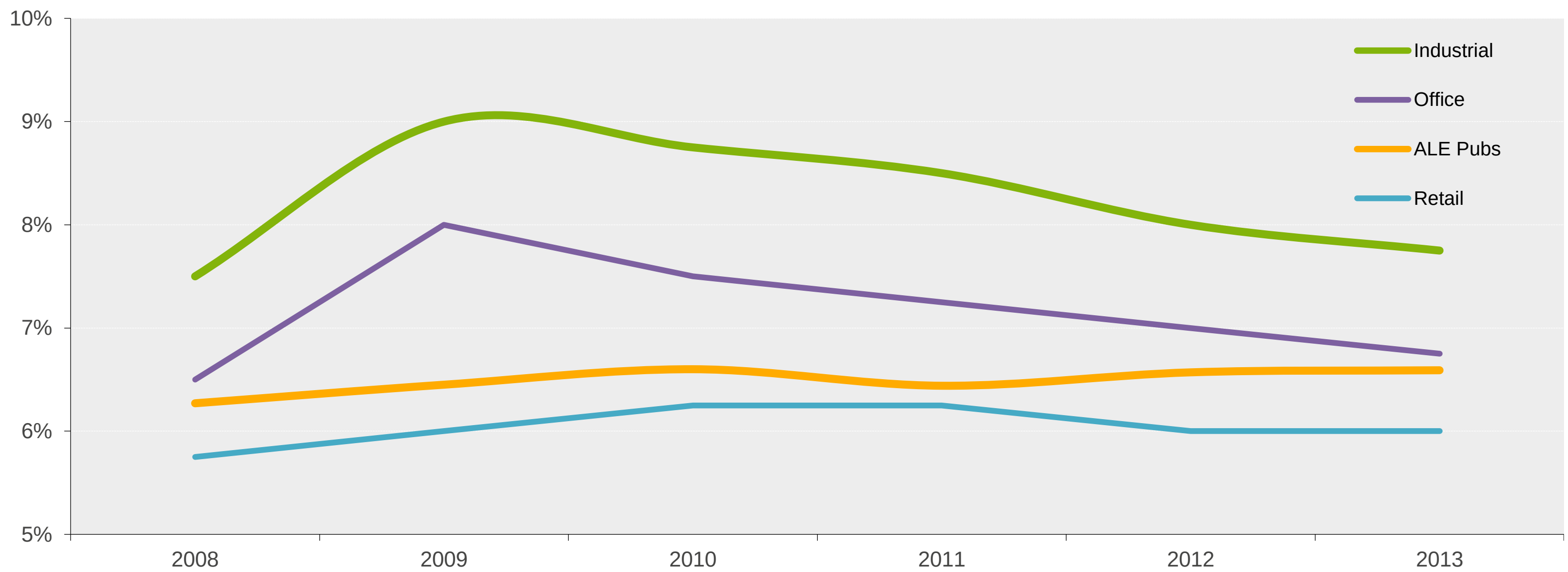
Properties
June 2013 Valuations

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

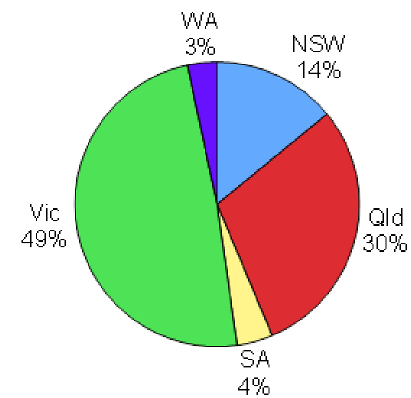
Properties
June 2013 Valuations

- 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
- <u>All June 2013 independent valuations (DCF) assumed a rent increase of 10% for 2018 review</u>
- <u>Weighted average lease expiry of around 15 years</u>

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
November 2013 Rent Reviews

- 79 of ALE's 87 properties rents were reviewed at November 2013 in line with state based CPI
- Weighted average CPI result for 79 properties of 2.2527% was higher than the national average due to higher CPI increase for Victoria
- Passing rent (before deducting QLD land tax) increases by $1.065m to $54.597m
- Any changes to the value of the properties will be confirmed following further discussions with ALE's independent valuers and announced during December 2013

WACR: Weighted Average Capitalisation Rate

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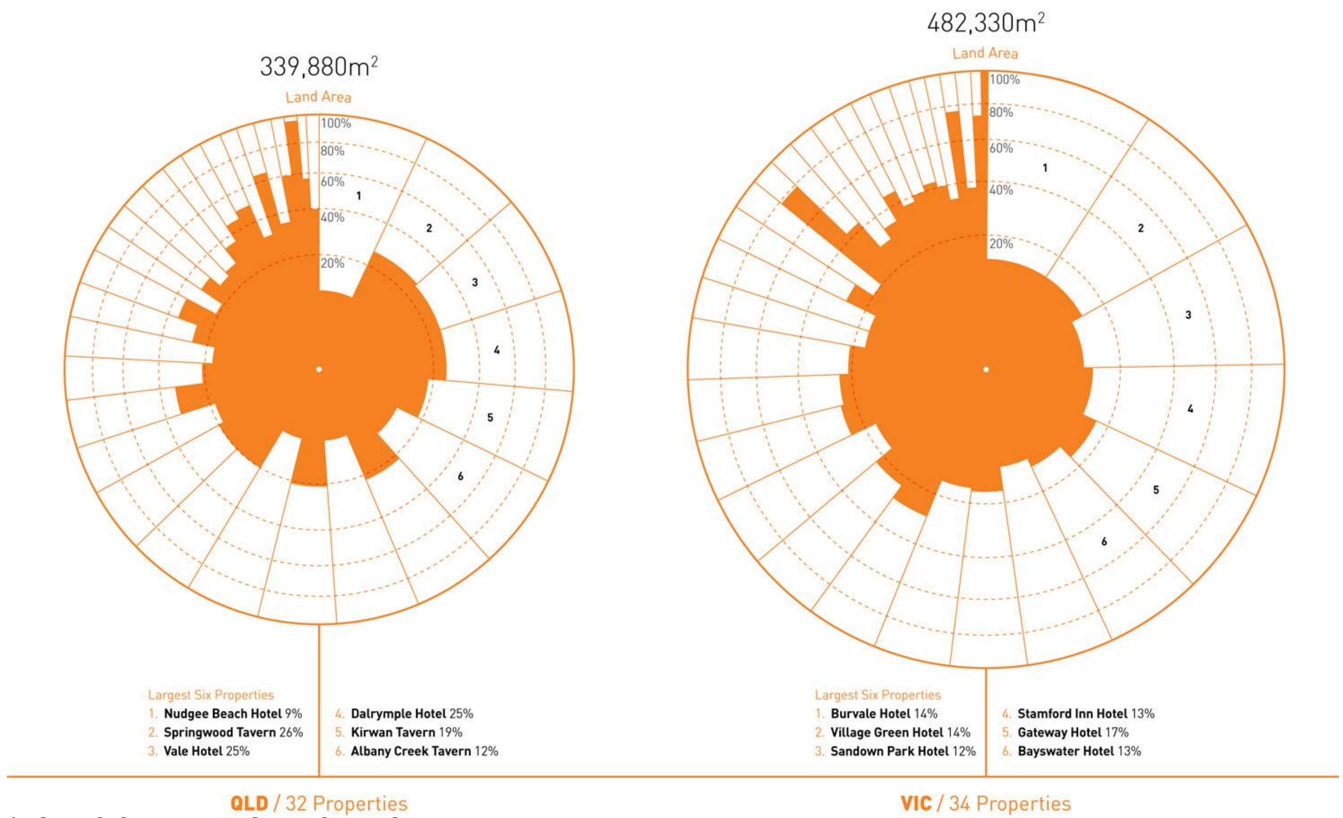
Properties

Burvale Hotel, Melbourne, VIC

Properties

22% Building to Land Utilisation



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

* Utilisation percentage is approximate only and excludes Dan Murphy's and other additions made by ALH

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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 (see separate announcement for more information)

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Capital Management

New Brighton Hotel, Manly Beach, Sydney, NSW

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Capital Management

Current Capital Structure

Debt Facilities

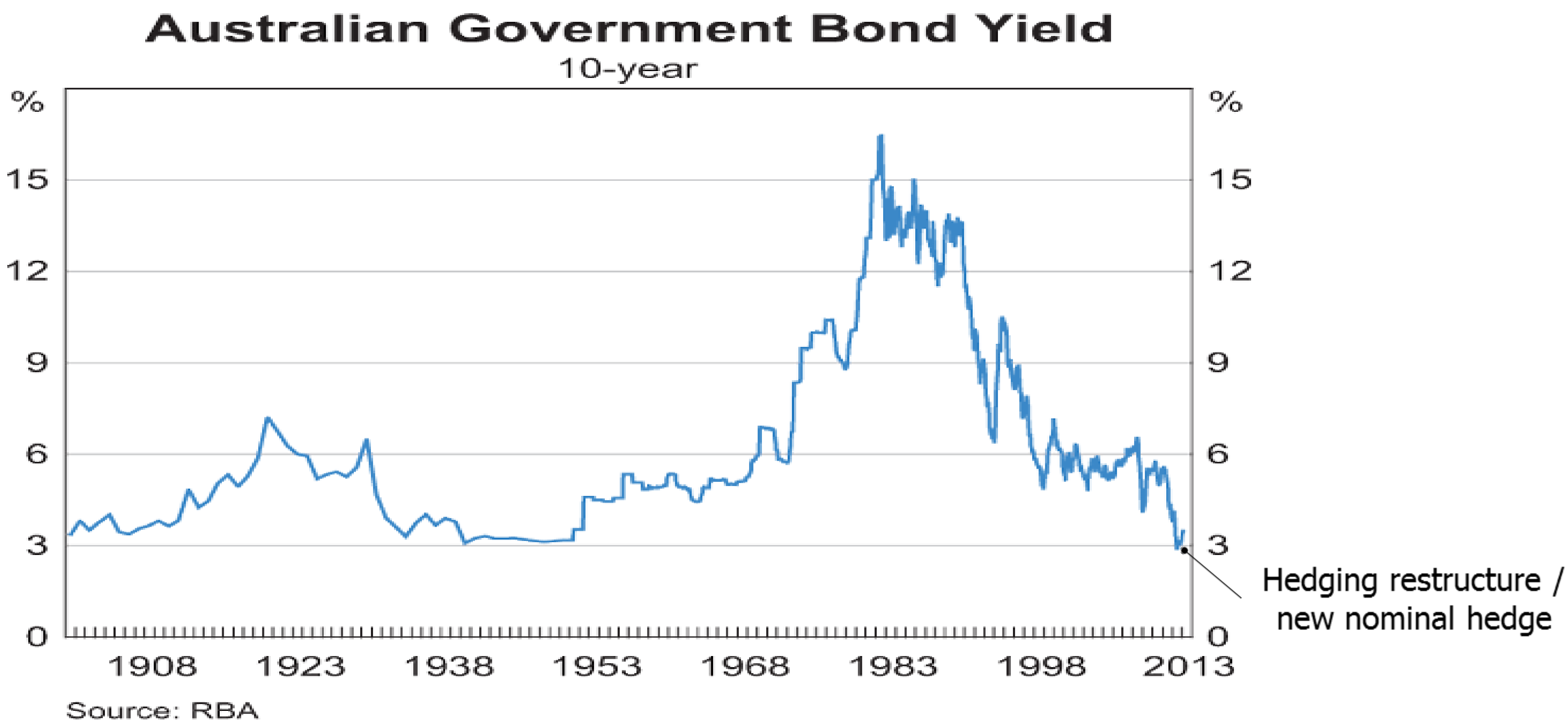
Facility	Amount ($M) November 2013	Scheduled Maturity	Maturity Term (Years) at November 2013	Base Rate[3]	Credit Margin
CIB (Tranche AA)	**$138**	November 2023	10.0	3.20%	**0.20%**
CMBS (Tranches AB and B)	**$160**	May 2016	2.5	3.83%	**2.34%**
Total Secured Debt	**$298**		6.0		
ALE Notes 2	**$165**	August 2016 [1]	2.7	3.83%	**4.00%**
(Cash) On Deposit [2]	**($55)**				
Total Net Debt Facilities	**$408**	**Weighted Averages**	**4.8**		**2.29%**

- Focus is on any margin savings and other benefits from refinancing 2016 maturities
- Net debt 100% hedged to November 2022 (9 years) at base rate of 3.83% p.a.[3]

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. FY14 net interest payable benefits from in the money counter hedging arrangements.

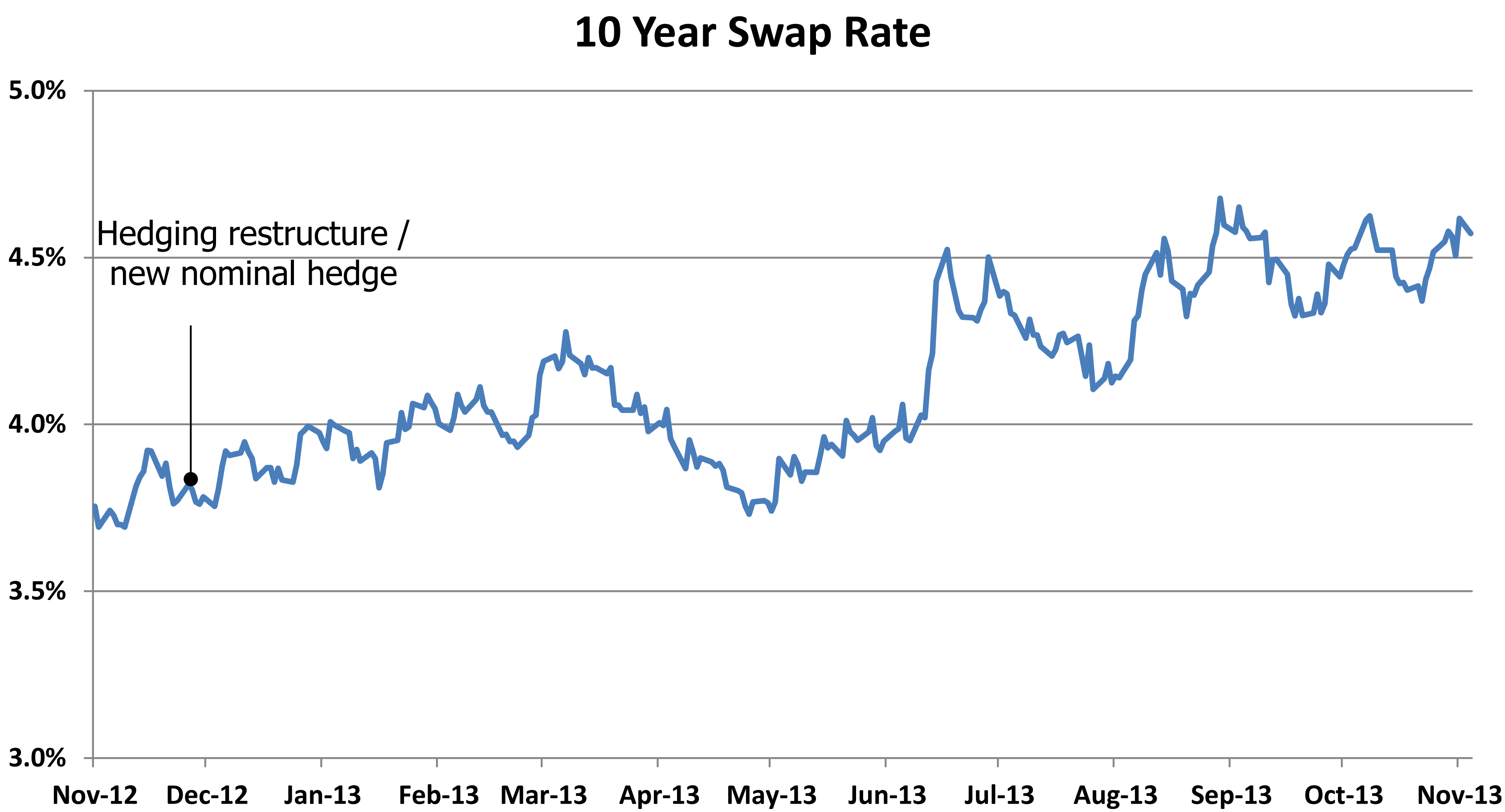
Capital Management

Rates locked in at 100+ year lows



Long Term Interest Rates Locked In At Low End Of Cycle

Capital Management
Lower Rates Locked In Through Hedging Restructure



Long Term Interest Rates Locked In At Low End Of Cycle

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FY14 Outlook and Strategy

Young & Jackson Hotel, Melbourne CBD, VIC

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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

FY14 Outlook and Strategy
Distribution Guidance

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

- FY14 distribution guidance of <u>at least 16.35 cents per security</u>
- FY14 distribution is expected to be <u>at least 75% tax deferred</u>
- 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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Stamford Hotel, Melbourne, VIC

ALE's Compelling 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 4.8 years**
- **Distribution yield of at least 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 31 October 2013 and FY14 distribution guidance of at least 16.35 cents per security

2. Based on closing security price of $102.80 as at 31 October 2013 and current interest rate of 6.58% to 20 November 2013

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

- USB containing all FY13 results and property materials:
  - 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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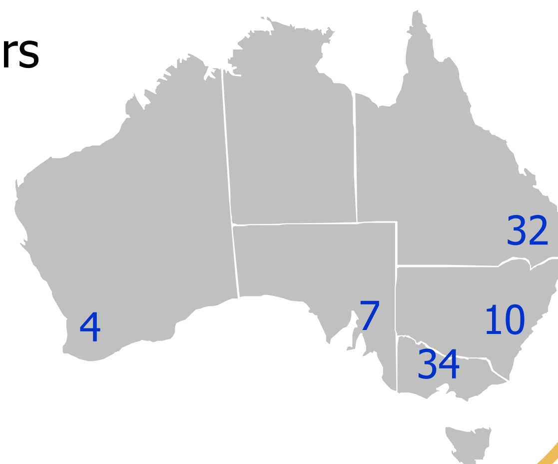
Attachments

Crows Nest Hotel, Crows Nest, Sydney, NSW

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-net[1] 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

AUSTRALIAN LEISURE & HOSPITALITY GROUP

BWS

Dan Murphy's
LOWEST LIQUOR PRICE GUARANTEE

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
➢ Coming soon	RBS Morgan
➢ 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

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