

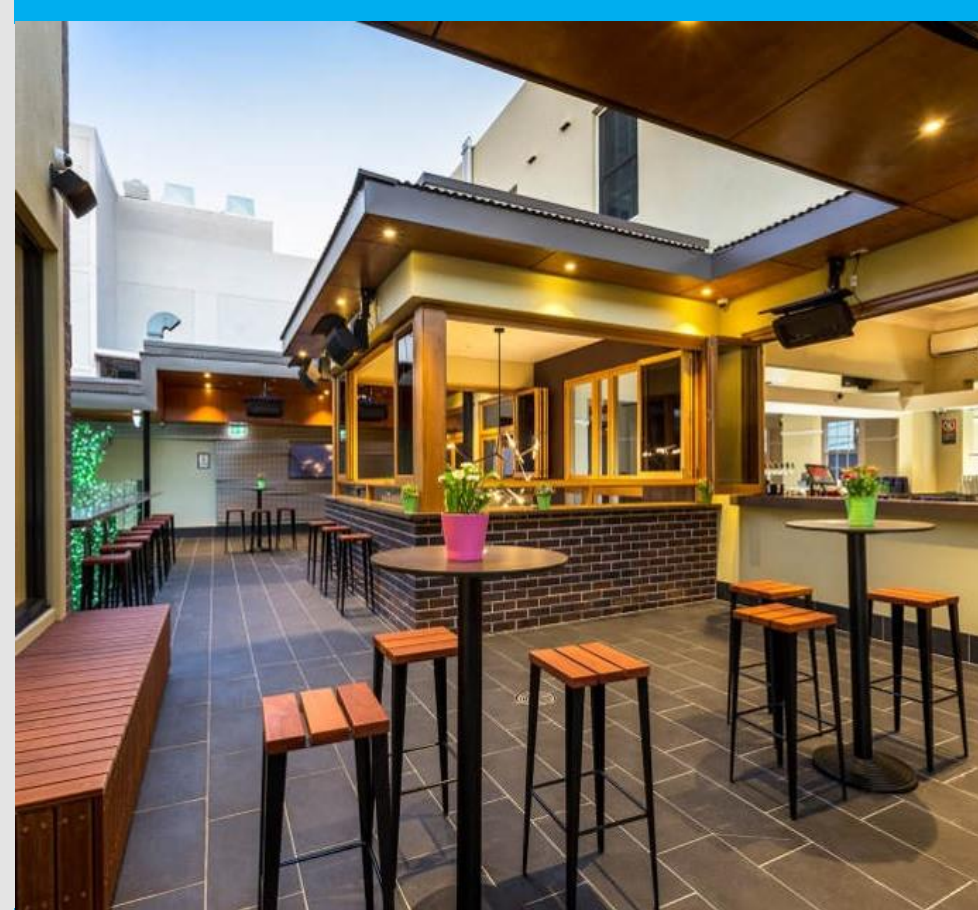


ALE Property Group

Annual General Meeting
25 October 2016

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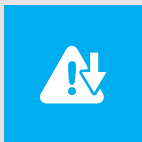
ALE Property Group

Growing Securityholder Value – Consistently



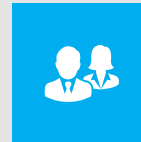
High quality properties

- Growing, long term and secure income
- Positive prospects for market rent review
- Low site utilisation



Low risk capital structure

- Investment grade credit rating




Strong and cost effective governance

- Independent and experienced Board
- Experienced management team
- Internal management structure
- One of the lowest management expense ratios in the AREIT sector

Group Highlights


Full Year to 30 June 2016

Portfolio Performance

\$990.5m
Statutory property values 


5.53%
Average capitalisation rate 

12.3 years
Average Lease Term 


1.7%
Rental income growth 


100%
Occupancy 


Capital Management

44.9%
Net gearing 


4.4 years
Debt maturity 

9.4 years
Hedge maturity 


4.35%
All up cash interest rate 


Baa2
Investment grade rating 


Equity Performance

\$29.6m
Distributable profit 

20.0 cps
Distribution 

100%
Distribution tax deferred 

29.5% p.a.
FY16 total return 

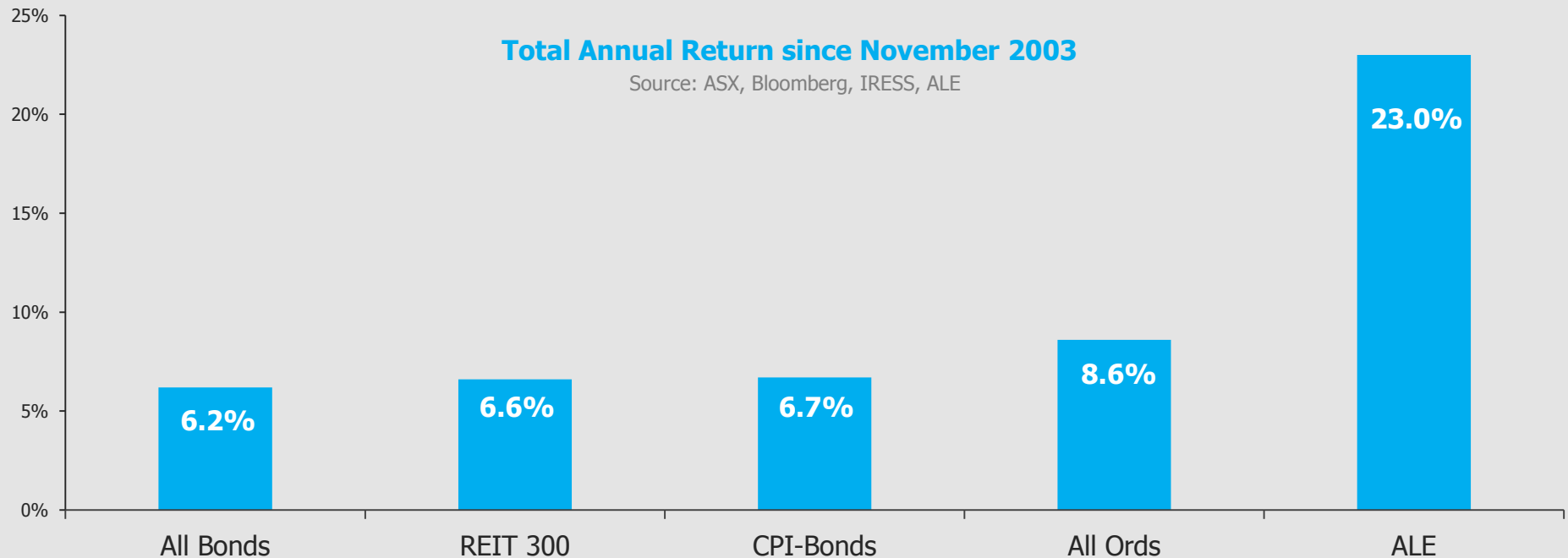
23.0% p.a.
13 year total return 

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 year ending or as at 30 June 2016

ALE's 13 Years of Equity Performance

Superior Total Returns



1. Includes ALE's equity market price of \$4.55 as at 30 June 2016 and reinvestment of distributions and 2009 renunciation payment
2. All Ordinaries Accumulation Index
3. BAICO Index - Australian credit inflation-linked securities
4. UBS S&P AREIT 300 Index
5. BAMSTO Index- composite of the Composite Bond, Inflation and Credit FRN indices



Financial Results

Full Year to 30 June 2016





Financial Highlights

Full Year to 30 June 2016



FY16 distributable profit of **\$29.6 million**



FY16 distribution of **20.00 cps**

- Up 18.7% on previous corresponding period (pcp)
- In line with guidance
- 100% tax deferred
- 92.2% funded from current and accumulated distributable profits



Sound capital position

- Gearing down to 44.9% provides significant headroom
- Gearing below medium term target of 50% to 55%
- Debt maturities diversified across next seven years
- Interest rate hedging extended to around nine years
- All up cash rate of 4.35% p.a. fixed to Aug 2017 maturity



Outperforming

- 2003 IPO investment in ALE of \$1.00
- Current accumulated value of \$13.70



Property Highlights

Full Year to 30 June 2016



Property revenue of **\$56.2m**

- Up \$1.0m vs pcp
- Driven by CPI rent review



Property valuations **\$990.5m**

- Increased by 10.0%
- Average capitalisation rate reduced from 5.99% to 5.53%
- Independent valuers increasingly using discount cash flow methodology (DCF)
- DCF valuation of June 2016 sample of 31 properties equivalent to a 4.79% cap rate



Valuation upside supported by

- Significant and continuing capital expenditure by ALH at ALE's properties
- 2018 'capped and collared' market rent reviews
- Potential for significant rent uplift from 2028 'open' market rent review



Weighted average lease expiry of 12.3 years



Distributable Profit

FY16 Results

Millions	FY16	FY15	Comments
Revenue from Properties	\$56.2	\$55.2	▪ Driven by annual November CPI based rent increases
Other revenue	\$1.1	\$1.8	▪ Interest income on lower cash balances
Borrowing expense	\$20.7	\$21.4	▪ Full impact of reduced margins from 2014 refinancing
Management expense	\$4.9	\$4.5	▪ On off items including response to Caledonia's proposal ▪ Remains one of lowest expense ratios in sector
Land tax expense	\$2.1	\$2.1	▪ Land tax for QLD properties only
Distributable Profit ¹	\$29.6	\$29.1	
Distributable Profit (cps)	15.11c	14.85c	
Distribution (cps)	20.00c	16.85c	▪ In line with guidance. Paid from current year profits, of prior year accumulated profits (3.33 cps) and capital (1.56 cps)



ALE's Property Portfolio

High Quality, Well Located and Significant Development Potential

Burvale Hotel, Melbourne, VIC



ALE's Property Portfolio

ALH Continues To Perform Strongly

Australia's largest pub operator

- 320+ licensed venues
- 550+ liquor outlets
- 1,800 short stay rooms

ALE owns 27% of ALH's operated venues

ALH FY16 Revenue

- \$4,106m
- Up 4.0% on pcp

ALH FY16 EBITDAR

- \$711m
- 17.3% of revenue





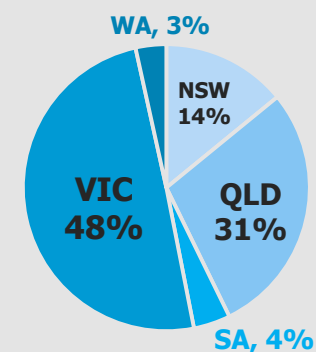
ALE's Property Portfolio

30 June 2016 Valuations

- Valuations increased by **\$89.6m** or around 10% during the year
- Average cap rate of **5.53%** reduced from 5.99%
- Valuations substantially exclude positive market rent prospects and significant capex by ALH
- Statutory valuations increasingly using discount cash flow methodology (DCF)
- Valuers advise that DCF will receive greater emphasis as market rent reviews draw closer
- DCF valuation of June 2016 sample of 31 properties equivalent to a 4.79% cap rate

Portfolio Composition as at 30 June 2016

	Properties	Value (\$m)	Av. Value (\$m)	WACR
NSW	10	138.7	13.9	5.37%
QLD	32	309.2	9.7	5.46%
SA	7	35.0	5.0	5.81%
VIC	33	479.0	14.5	5.54%
WA	4	28.7	7.2	6.47%
Total	86	990.5	11.5	5.53%



Geographic Diversity



ALE's Property Portfolio

A Material Difference Between Cap Rate and Bond Rate Movements



The current spread between ALE's capitalisation rates and Australian Government bond rates of around 3.5% is at one of the highest levels in 10 years



Case Studies – Property Development by ALH

Crows Nest Hotel, Sydney, NSW



Under Development



Completed Development

- Located in Sydney's lower north shore
- Acquired for \$8.8m in 2003 at a cap rate of 7.7%
- ALH has invested around \$8m capital to completely refurbish the hotel – reopened August 2016
- New facilities include five new function spaces across two floors
- EBITDAR for ALH and future market rent for ALE are expected to benefit significantly
- Market rent reviews apply in 2018 (10% cap and collar) and 2028 (open)
- \$17.7m June 2016 valuation at 5.2% cap rate (limited recognition of future market rent)



Case Studies – Property Development by ALH

Gepps Cross Hotel, Adelaide, SA



Completed Development

- Located in the north eastern suburbs of Adelaide
- Acquired for \$2.2m in 2003 at a cap rate of 9.9%
- ALH has invested around \$6m to substantially reconstruct the hotel – reopened May 2016
- ALH joined forces with Coopers Brewing to create Adelaide’s first Coopers Alehouse
- EBITDAR for ALH and future market rent for ALE are expected to benefit significantly
- Market rent reviews apply in 2018 (10% cap and collar) and 2028 (open)
- Valued June 2016 at \$5.8m at 5.0% cap rate (limited recognition of future market rent)



<http://www.coopersalehousegeppscross.com.au>

Now ALH’s best performing hotel in Adelaide



Case Studies – Property Development by ALH

Anglers Arms Hotel, Gold Coast, QLD



Before Development



Planned Development

- Located in Southport, Gold Coast next to an existing light rail stop
- Acquired in 2003 for \$4.4m at a cap rate of 8.4%
- ALH is investing \$8m to completely reconstruct the hotel. Expected to reopen mid 2017
- New facilities will include a new hotel and Dan Murphy's
- EBITDAR for ALH and future market rent for ALE are expected to benefit significantly
- Fixed 10% rent increase applies on completion with next open market rent review in 2028
- \$8.8m June 2016 valuation at 5.7% cap rate (limited recognition of future market rent)



Case Studies – Adjacent Metro Rail Projects

Crows Nest Hotel, Sydney and Y&J Hotel, Melbourne



Crows Nest Hotel

Sydney Metro Rail Project

- Australia's largest urban rail project
- Target capacity of ~ 40,000 passengers per hour
- Metro station to be 300 metres from Hotel
- Creates a new transport focus in the area
- Expected to be operational by 2024



Young and Jackson Hotel

Melbourne Metro Rail Project

- Major metro rail project (circa \$5 billion)
- Significant addition to CBD passenger capacity
- CBD South metro station to surround hotel
- Station access from both Flinders and Swanston Sts
- Expected to be operational by 2026



Property Valuation

Three Layers of Value



Value of Income

- 100% of the properties are leased to ALH
- Long term triple net leases with average lease term of 12 years
- ALH is Australia's largest pub operator



Value of Opportunities

- ALE owns ~ one square kilometre of land
- More than 90% of that land is located in Australian capitals and major cities
- Average 25% of the land is utilised by buildings
- Exploring opportunities for ALE and ALH to work together for mutual benefit



Value of Growth

- Potential for rental growth at market rent review dates
- Material capital expenditure by ALH over the past 13 years
- Tenant's operating EBITDAR enhanced by capital expenditure
- Higher EBITDAR positively enhances market rent review prospects
- 2018: may increase or reduce by up to 10%
- 2028: may increase or reduce by an unlimited amount



Capital Management



Capital Management

A Sound Debt Capital Structure

Capital management focus

- Managing all aspects of refinancing risk
- Maintaining growth in distributions to securityholders

Capital structure with positive features

- Simplified debt capital structure
- Investment grade credit rating of Baa2 (stable)
- Gearing down to 44.9% provides significant headroom
- Gearing below medium term target of 50% to 55%
- Debt maturities diversified across next seven years
- Interest rate hedging extended to around nine years
- All up cash rate of 4.35% p.a. fixed to Aug 2017 maturity

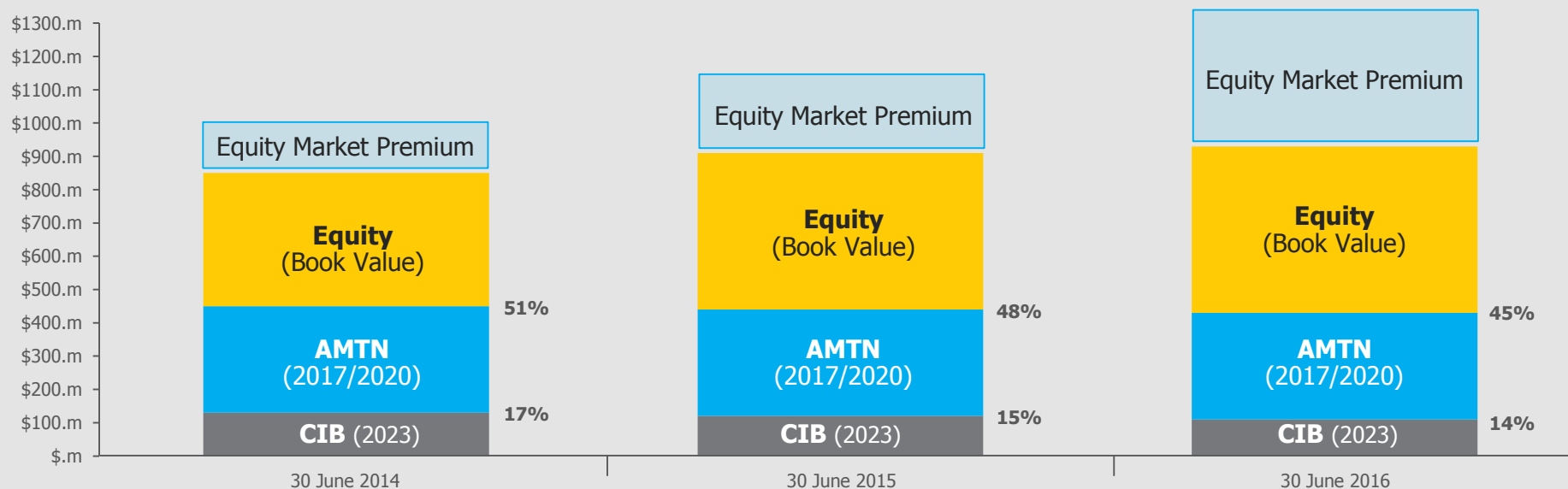




Capital Management

Capital Structure

Equity market premium increasingly recognises the Value of Income, Growth and Opportunities



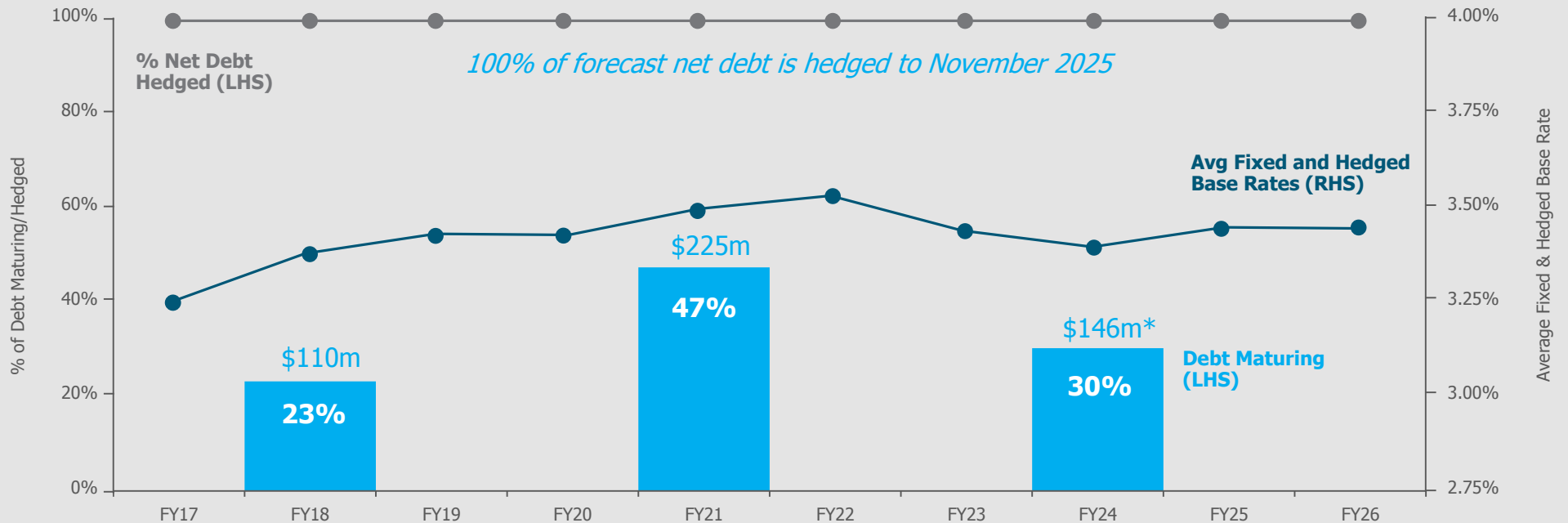
- Equity Market Premium is the difference between the equity market capitalisation based value and book value
- Covenant gearing references the book value of the properties
- June 2014 debt amounts assume redemption of ALE Notes 2



Capital Management

Diversified Debt Maturities And Long Term Hedging

Debt Maturities and Hedging Profile



Note: Base interest rates exclude credit margins



FY17 Outlook and Strategy



FY17 Outlook

Certainty Of Earnings With Value Upside



Portfolio's rents are expected to increase at the November 2018 market rent review

- Increases for each property are capped and collared within 10% of the 2017 rent
- EBITDAR levels for each property in the years leading up the review will be important



Continuing positive outlook for significant market rent increases in 2028



Interest expenses fixed at an all up cash rate of 4.35% p.a. until August 2017, when first tranche of AMTN (\$110m) is due for refinancing

Base interest rates on around 100% of forecast net debt is hedged until November 2025



970,000sm (approx.) of total land area

Increasing engagement with ALH to identify opportunities to monetise or develop underutilised properties



Actively reviewing acquisition opportunities that meet ALE's disciplined strategy and criteria

If these opportunities are not available

- ALE will continue to work constructively with ALH
- Ensure that existing properties' strong profitability are maintained & potentially enhanced through development



FY17 Outlook

Distribution Guidance



2016

FY16 consultation with a number of larger and smaller securityholders

ALE increased the level of distributions

Objective of maintaining the level of gearing over time



Expected that future distributions in will be maintained and continue to grow at least in line with increases in the CPI

Expected to be 100% tax deferred



2018

Seeking to move gearing back to target range of 50% and 55% over time

ALE will consider additional distributions following completion of the November 2018 rent reviews

All guidance assumes the existing portfolio, capital structure and hedging continue

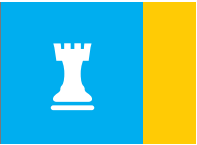


ALE's Current Value Proposition

Quality

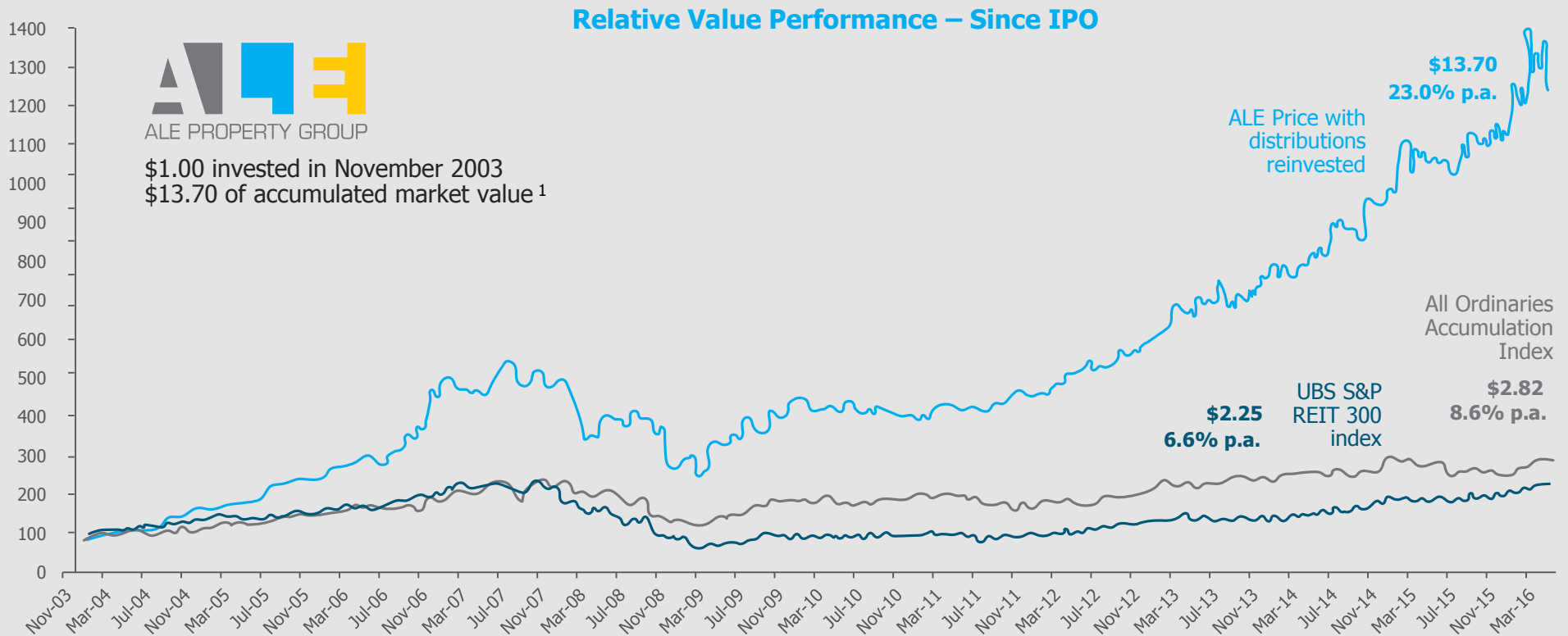


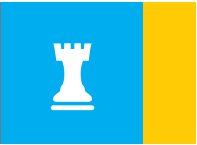
- **High quality property portfolio** in established locations with geographic diversity
- **Triple net leases** to ALH, Australia's largest pub operator
- **Long lease terms** averaging around 12 years, with annual CPI increases and options providing **secure and stable income and capital growth**
- Portfolio is **substantially under rented**, according to independent valuers, providing **potential upside at the 2018 and 2028 market rent reviews**
- **Opportunities from increased utilisation of the land**
- **Low risk capital structure** with diverse debt maturity dates across next seven years and base interest rates fully hedged for around nine years
- **FY17 distribution yield of at least 4.5%¹**



ALE's 13 Years of Equity Performance

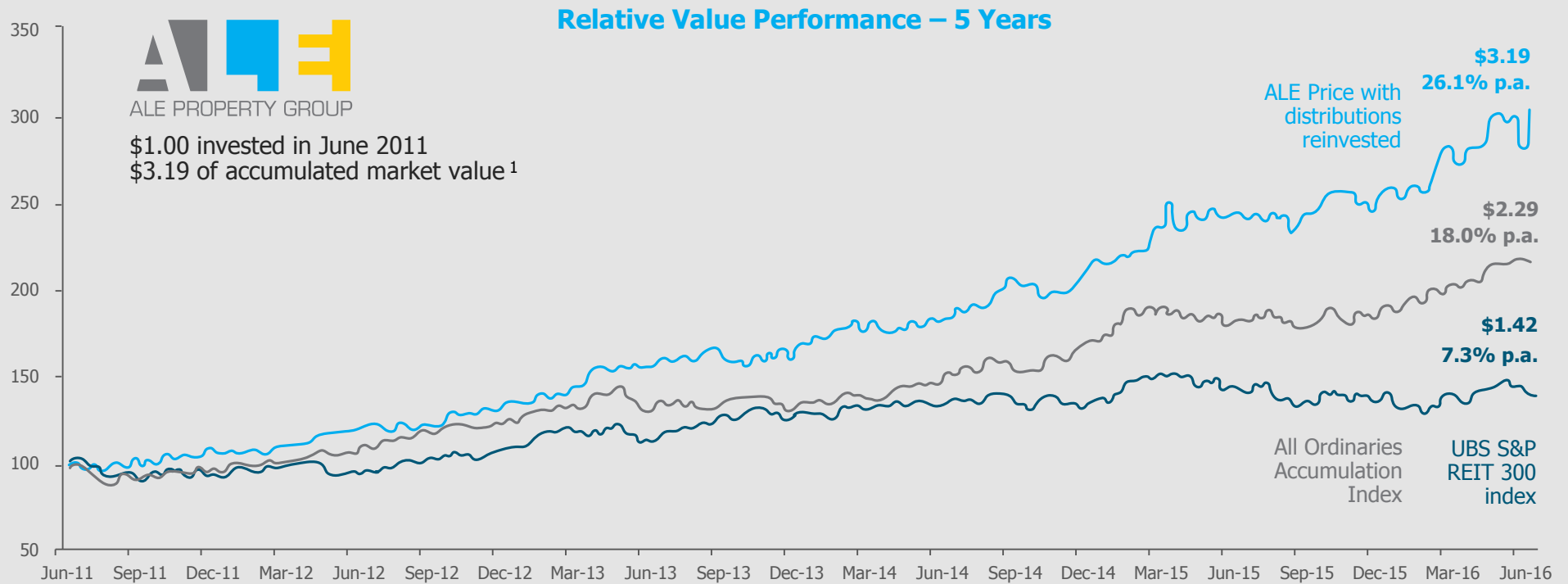
\$13.70 of Accumulated Value





ALE's Five Years of Equity Performance

Performing over the short, medium and longer term





2016 Annual General Meeting



Stamford Hotel, Melbourne, VIC



June 2016 Full Year Results

Key Metrics

As at	30 June 2016	30 June 2015	Change
86 properties valuation	\$990.5m	\$900.5m	10.0%
AMTN gearing ¹	44.9%	48.0%	(3.1%)
Net assets	\$495.9m	\$443.7m	11.8%
Net assets per security	\$2.53	\$2.27	11.8%
Price as premium to NTA ²	79.8%	62.6%	17.2%
Market Capitalisation ²	\$890.8m	\$722.1m	23.4%

1. AMTN gearing = (Total Borrowings – Cash) / (Total Assets – Cash). Derivatives values, deferred tax assets and unamortised borrowing costs are excluded
This covenant ratio is considered, in the opinion of the Directors, most relevant to securityholders as it is the debt covenant that has the least headroom available
2. Based upon security price of \$4.55 as at 30 June 2016 and \$3.69 as at 30 June 2015



ALE's Property Portfolio

Discounted Cash Flow (DCF) Valuations

- Independent valuers applied both traditional capitalisation rate and discounted cash flow (DCF) methods in determining this year's valuations of a representative sample of **31** properties
- Statutory valuation capitalisation rate of **5.53%** reflects a combination of methods but continues to place significant emphasis upon the traditional capitalisation rate method
- The valuers' DCF valuation results were equivalent to an average capitalisation rate of **4.79%** based on the following weighted average assumptions:
- ALE noted that the valuers' assumed EBITDAR growth rate was significantly lower than the rates that have been historically achieved by the tenant
- Also noted that ALE's average capitalisation rates during each of the last ten years have been materially lower than the terminal capitalisation rate of **7.0%** assumed by the valuers



Note: See ASX announcement dated 14 June 2016 for more details

Tenant's EBITDAR Growth Rate	1.2% p.a.
2028 Terminal Capitalisation Rate	7.0%
13 Year Discount Rate	7.9% p.a.



Capital Management

Substantial Covenant Headroom

- Substantial headroom to all debt covenants continues
- Covenant gearing of 44.9% (FY15 48.0%) is below target range of 50% to 55%
- Current level of gearing provides capacity to maintain inflation indexed distributions ahead of 2018 market rent review
- Headroom to AMTN gearing covenant of 60% equates to:
 - 25% (approx) reduction in property values
 - Expansion in average cap rate from current 5.53% to 7.40%
- ALE's average capitalisation rates have not exceeded 6.57% since 2006
- AMTN gearing covenant of 60% relates to distribution stopper and 65% to default
- Interest cover ratio at 2.7 times compares to AMTN covenant at 1.5 times
 - 100% of ALE's net debt is hedged for a term of around nine years
 - Next debt maturity in FY18 of \$110m represents only 23% of total debt

About ALE

Experience and Diversity

Board of Directors

- Board of Directors have extensive experience covering property, finance, risk management, compliance and capital management
- Board renewal and transfer of institutional knowledge is now well advanced



Peter Warne

Chairman &
Non-Executive Director

- Appointed as Chairman and a non-executive director in September 2003
- 30+ years experience



Andrew Wilkinson

Managing Director & CEO

- Appointed Managing Director in November 2004 and CEO in November 2003
- 30+ years experience



James McNally

Executive Director

- Appointed as an executive director in June 2003
- 20+ years experience



Pippa Downes

Non-Executive Director

- Appointed as a non-executive director in November 2013
- 20+ years experience



Paul Say

Non-Executive Director

- Appointed as a non-executive director in September 2014
- 30+ years experience



Nancy Milne

Non-Executive Director

- Appointed as a non-executive director in February 2015
- 30+ years experience

Senior Management Team

- Experienced and stable management team



Andrew Wilkinson

Managing Director & CEO

- Appointed Managing Director in November 2004 and CEO in November 2003
- 30+ years experience



Andrew Slade

Capital Manager

- Andrew joined ALE in July 2005
- 25+ years experience in investment banking and structured finance



Don Shipway

Asset Manager

- Don joined ALE in September 2010
- 15+ years experience in the corporate real estate sector



Michael Clarke

Company Secretary & Finance Manager

- Michael joined ALE in October 2006
- 27+ years experience in accounting, taxation and financial management

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