

# Chairman's and Managing Director's Q&A

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Robert Mactier



Guy Farrands, CEO Elect  
Robert Mactier, Chairman

## **Rob, we welcome your overall reflections on the past year**

FY20 required a very considered response to the extraordinary volatility brought about by the impact of the COVID-19 pandemic on both ALH's operations and the financial markets in which ALE obtains its funding.

Notwithstanding these challenges and the ongoing process to finalise the rent determinations, ALE successfully completed a \$250 million refinancing in May 2020.

We look forward to the imminent finalisation of the rent determination process and setting our strategy based on the outcome of these reviews and what they indicate about our expectations for the open market rent reviews in November 2028.

## **Andrew, what were the highlights of ALE's FY20 results?**

ALE once again delivered positive or unchanged results for all key financial metrics.

Full year distributions remained unchanged at 20.90 cents per security, 49.42% tax deferred.

The property valuations increased during the year to around \$1,174 million and gearing reduced to a historic low of 41.3%.<sup>2</sup>

The total return to securityholders over the past one, three, five, 10 and 17 years has outperformed the AREIT 300 and the wider All Ordinaries Index.

## **Andrew, what is the latest update for the 2018 rent review?**

Towards the end of FY19 ALE lodged comprehensive submissions for 43 of the 86 investment properties for what will be ALE's first major rent review.

ALH accepted a 10% increase for 36 properties while the rent for the remaining 43 properties may increase or decrease by up to 10% following determinations by independent valuers. The determinations are currently expected during the first quarter of FY21.

ALE remains confident of a positive result but notes it may not receive a full 10% rent increase for all 43 properties. The rent determination results will be back dated to 4 November 2018.

**Andrew, what is the status of Endeavour Group's separation from Woolworths?**

On 2 February 2020, Woolworths Group, ALH's majority shareholder, announced that it had successfully completed the merger of the Endeavour Drinks division with ALH, the tenant. The merged entity has been named Endeavour Group and ALH is a wholly owned subsidiary of that entity. As Woolworths has stated publicly, this created Australia's largest drinks and hospitality business with sales for FY19 of approximately \$10 billion and earnings of \$1 billion. While ALH currently operates around 600 retail liquor outlets, Woolworths advises that the merger expanded this to more than 1,900 venues and outlets.

Following the significant impacts of COVID-19, in March 2020 Woolworths announced that Endeavour Group's separation would be delayed until the second half of CY21. Woolworths also announced that the separation is to be by demerger or value accretive alternative. In the event of a demerger, the Group's capital structure is targeting an investment grade rating. ALE will continue to monitor any developments in relation to the future control and ownership of ALH.

**Rob, what is the status of the CEO succession plan?**

After nearly 16 years in the role, Andrew advised ALE's Board around 12 months ago that he would look to pursue new executive challenges outside ALE.

In May 2020, ALE's Board was pleased to announce the appointment of Guy Farrands as a consultant and the CEO elect. We are delighted to have secured an executive with Guy's extensive background and leadership experience in the property sector to lead ALE during its next period of growth.

It is anticipated that Andrew will step down as CEO/MD shortly after the receipt of the rent determinations and Guy will be appointed as CEO at that time. Andrew will continue to work closely with Guy and the Board to ensure a smooth succession.

We are particularly grateful to Andrew for his very significant contribution to ALE over the many years he has been the Company's CEO and Managing Director. Since Andrew advised the Board of his desire to step down he has continued to work in a very diligent, measured and effective manner for the benefit of ALE and its securityholders.



**Robert Mactier**  
Non-Executive Chairman



**Andrew Wilkinson**  
Managing Director

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