



September 2016 quarterly update

19 October 2016

# Highlights



- Continued strong financial results, building on the successful implementation of the transformation plan initiated in the prior financial year
- Operating revenue and EBITDA for the core hotels improved by 17.3% and 34.5% respectively when compared to the PCP
- Special distribution of 0.5 cents per security paid on 14 October 2016
- The programme for the divestment of non-core hotels has continued and all sales are expected to be completed by January 2016

# September 2016 Quarterly Results

Momentum has continued



Stapled Entity Consolidated	First quarter		Change %
	3 months to September FY2017 \$'000	3 months to September FY2016 \$'000	
<b>Revenue for core hotels<sup>(1)</sup></b>			
Gaming	5,852	4,591	27.5%
Beverage	2,534	2,339	8.3%
Food	498	645	(22.8%)
Other	275	235	17.0%
<b>Total revenue for core hotels</b>	<b>9,159</b>	<b>7,810</b>	<b>17.3%</b>
<b>EBITDA for core hotels<sup>(1)</sup></b>	<b>2,855</b>	<b>2,122</b>	<b>34.5%</b>
<i>EBITDA margin for core hotels</i>	<i>31.2%</i>	<i>27.2%</i>	
EBITDA for non-core and divested hotels <sup>(2)(3)</sup>	301	1,088	(72.3%)
<b>Total hotel EBITDA</b>	<b>3,156</b>	<b>3,210</b>	<b>(1.7%)</b>
Central support services expenses	(631)	(644)	(2.0%)
<b>Operating EBITDA</b>	<b>2,525</b>	<b>2,566</b>	<b>(1.6%)</b>
Rental income <sup>(4)(5)</sup>	508	632	(19.6%)
Corporate & fund expenses	(743)	(373)	99.2%
<b>Group EBITDA</b>	<b>2,290</b>	<b>2,825</b>	<b>(18.9%)</b>

**Notes:**

1. Core hotels represent Ambarvale, Crown, Five Dock, General Gordon, Uncle Bucks and Waterworks
2. Non-core and divested hotels represent all hotels divested prior to 30 September and the Courthouse and Commodore (reclassified from a core hotel during the period)
3. The sale of hotels means year on year comparisons are not relevant
4. FY2016 includes amounts associated with discontinued operations
5. Includes Uncle Bucks retail income

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# September 2016 Quarterly Results

Momentum has continued

34.5% growth in core hotels EBITDA over PCP



- The September quarter has seen a continued significant improvement in the performance of the core hotel portfolio when compared to the PCP:
  - ✓ Total operating revenue up by 17.3%
  - ✓ Gaming revenue up by 27.5%
  - ✓ EBITDA up by 34.5%
- The electronic gaming machine (EGM) replacement programme along with an improved customer experience has been the key driver of the turnaround with approximately 61% of the EGM's in the core hotels replaced by October 2016
- Operational efficiency measures implemented during the June half have continued to benefit operating margins
- Central support services (CSS) expenses for the September quarter reduced by 2.0% when compared to the PCP
- Corporate and fund expenses for the September quarter are higher than the PCP due to a number of one off costs associated with restructuring and strategic projects
- An ongoing focus on cost control is being maintained and a number of initiatives have been implemented that will generate considerable savings in CSS expenses in future periods

# Net debt

Debt levels balanced with security holder returns



- Gross bank debt approximately \$45m at 30 September 2016
- Net debt as at 30 September 2016 of approximately \$35m
- Increase in net debt from approximately \$28m at 30 June 2016 has arisen from the payment of the special distribution in August 2016 amounting to \$17.7m, offset by the proceeds from non-core hotel sales of approximately \$10m and the profits generated from operations



Waterworks Hotel, Botany



Five Dock Hotel, Five Dock

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# Divestment of Non-Core Hotels

\$50m in proceeds at 18% premium to book value



Hotel	Price	Settlement
Waikanae, NZ (surplus land)	NZ\$200k	Completed Feb 2016
Albert, NZ	NZ\$3.4m	Completed Feb 2016
Dolphin	\$11.15m	Completed Mar 2016
GPO	\$5.25m	Completed Jun 2016
Bowral	\$6.35m	Completed Jun 2016
Exchange	\$6.625m	Completed Aug 2016
Lawson Park	\$4.05m	Completed Sept 2016
Courthouse <sup>(1)</sup>	\$6.25m	Expected Nov 2016
Commodore	\$14.5m	Expected Dec 2016
Central	\$1.95m	Expected Jan 2017

Note 1: As announced on 17 October 2016, the Cairns Regional Council proposes to compulsorily acquire the Courthouse Hotel. At this stage Lantern is not in a position to make any comment as to what impact this may have in relation to Lantern's announced sale of the Courthouse Hotel, including the timing of completion of the sale.

- The divestment programme for non-core hotels commenced in November 2015 and will be completed by January 2017
- Completed and contracted sales expected to realise approximately \$60m which represents a premium to book value of 18.5%
- Following completion of all contracted sales Lantern will own six core hotels and one non-core hotel
- A sale process is underway for the Brisbane Hotel in Perth

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# Ongoing Focus Areas



- To ensure that the momentum achieved to date is maintained the following are the key focus areas:
  - Continue to divest non-core hotels
  - Actively manage capital
  - Identify and evaluate strategic alternatives
  - Until implementation of the proposed Sell Down Strategy, continue to improve the trading performance of the core hotels



Crown Hotel, Surry Hills



General Gordon Hotel, Sydenham

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