

Full Year Update - Fund Performance & NTA

Financial Year Ended 30 June	2017	2018 ⁽¹⁾
Portfolio value	\$31.8 m	\$46.8 m
Gearing (total debt / total assets)	31%	46% ⁽²⁾
Net Tangible Asset (NTA) value per unit	\$1.22	\$1.09
Distribution (cents per unit per annum)	5.1 cpu	8.45 cpu
EBITDA excluding transaction costs and fair value adjustments	\$1.7 m	\$2.8 m

⁽¹⁾ Subject to audit

⁽²⁾ Expected to reduce to 43% post settlement of Queens Hotel Motel sale (refer below for more details)

Pelathon Pub Group's strategy continues to focus on providing a competitive income return to investors and safeguarding that yield through portfolio diversification and prudent debt management.

The first half of the 2017/18 financial year saw four new assets added to the Group's portfolio at a total value of \$16.1m, extending our exposure in the accommodation sector and expanding our geographical diversification.

As a result, the Group raised its distribution rate (to a current level of 9 cents per unit per annum). The reduction in NTA from June 2017 to 2018 reflects the one-off impact of costs associated with those acquisitions.

Some key events of the past six months include:

Queens sale

The Group acquired the Queens Hotel Motel as part of a combined acquisition with Tandara Hotel Motel, placing it back on market almost immediately. We have contracted to sell the property at a small capital gain to the Group, with settlement expected in the coming weeks. Net sale proceeds will be primarily allocated to amortisation of senior debt, which is expected to reduce gearing to 43%.

Revaluations

Mary G's was independently valued in April 2017 at \$8.9 million, just one week after Lismore was inundated by significant flooding. At the time, the valuer noted his valuation was affected by the present state of the property and the risk of its ability to recover, compelling him to apply a higher capitalisation rate. We therefore engaged the same valuer to return to the property in April 2018 to assess its recovery, resulting in a \$1.4m uplift in value.

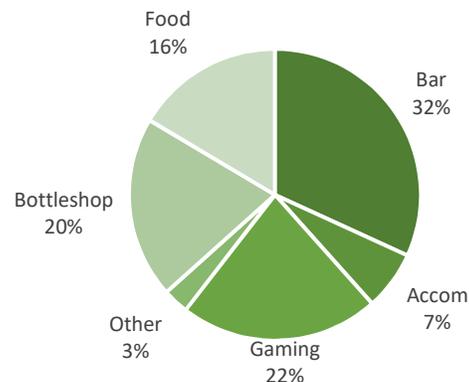
Given all other properties in the portfolio are carried at either independent valuations or purchase prices from within the last 18 months, no other independent valuations were sought.

Potential acquisitions

The Group investigated several potential acquisitions in line with our growth strategy. We will continue to build our pipeline in search of investments where we see an opportunity for income growth and long-term capital uplift, without compromising our investors' current yield or the financial stability of the Group.

With gearing at 43% (the expected level following settlement of the Queens sale), 80% of senior debt hedged on fixed terms until December 2019 (40% until September 2020) and the Group performing to all operating covenants under its current debt facilities, we are satisfied with the health of the Group's debt exposure, particularly heading into what is anticipated to be a tightening credit market.

Revenue Diversification



Source: Unaudited management accounts for the year ended 30 June 2018



The Loft @ The Victoria Hotel, Wagga Wagga

Audited Financial Statements

The Consolidated Financial Report of Pelathon Pub Group for the year ended 30 June 2018 will be made available online following completion of the audit (expected by the end of September).

Go to pelathon.com for more information.

Distributions and Taxation

The distribution for the quarter ended 30 June was paid on 30 July 2018 at a rate of 2.25 cents per unit. The distribution statement is now available for download from our online registry (access via www.pelathon.com).

Annual periodic and tax statements for the 2017/18 financial year are also now available for download from our online registry.

Further Capital Raising

As heralded in the previous update to investors, the Group is finalising a Prospectus & Product Disclosure Statement to facilitate new investment for the ultimate purpose of growing the portfolio through acquisition and expansion of the existing assets. We delayed work on the offer document while some potential transactions were under consideration (including the Queens sale). We now expect to complete the offer document and release it to the market in the coming months, subject to ASIC review.

More Information

To register your interest for the upcoming capital raising, or for any other information or assistance with your investment, please contact Lucy Partridge, Head of Funds Management, on (02) 9098 9100 or lucy@pelathon.com