

28 February 2020

ASX Market Announcements  
Australian Stock Exchange Limited  
via ASX Online

## **FY20 HALF-YEAR REVIEW**

The Directors present the Half-Year Financial Report of Ariadne Australia Ltd (“Ariadne”) for the period ended 31 December 2019.

For the half-year period Ariadne reported a net loss after tax attributable to members of \$5.1 million (HY19: \$4.7 million loss).

In addition, a positive contribution (net of deferred tax) attributable to members of \$2.1 million (HY19: \$9.8 million negative contribution) was reported through the Statement of Comprehensive Income, resulting in a total comprehensive loss attributable to members of \$3.0 million (HY19: \$14.5 million loss).

The net tangible assets per share decreased during the period from 73.29 cents per share to 70.79 cents per share at balance date, after taking account of the payment of a 1.00 cent final dividend during the period.

The total comprehensive loss per share was 1.54 cents compared to a loss of 7.31 cents for the previous corresponding period.

While the half-year results are an improvement over the prior period results, they are nonetheless disappointing, particularly in light of the more positive results for Ariadne over more recent years. That having been said, the results for the period do not fully reflect the substantial advances made in some of our key investments, as more fully discussed later in this review.

The operating cash flow during the period was \$4.0 million (HY19: \$14.9 million). The inflow in the prior half year was boosted by the distributions received from associates following the sale of the commercial property located at 40 Tank Street, Brisbane.

The reported net loss for the half year period was significantly impacted by a disappointing operating result recorded by Hillgrove Resources Limited (“Hillgrove”), an associate of the Group, with Ariadne booking an equity-accounted loss of \$3.7 million, being its 25% share of Hillgrove’s results during the period.

For personal use only

---

# ARIADNE

---

## **Investments**

The Investment division recorded a net loss before tax of \$2.7 million (HY19: \$2.1 million net profit).

The division's result is derived from interest on cash reserves, share of profits and losses from the Group's investments in associates, and dividend and trading income from the trading portfolio. As noted above, the net loss during the period is predominantly attributable to the Group's share of Hillgrove's loss.

The strategic portfolio recorded a net loss (net of tax) of \$0.7 million (HY19: \$10.6 million net loss) during the period due to mark-to-market revaluations mainly arising from Ariadne's investment in ClearView Wealth Ltd ("ClearView"), offset by an upward revaluation of its investment in Ardent Leisure Group Ltd ("Ardent"). This loss is recorded through other comprehensive income and not included in the reported net profit.

Ariadne's investment in Foundation Life NZ Ltd continues to perform in line with expectations.

Ariadne's 53% interest in Freshxtend International Pty Ltd, with its 17% investment in the NatureSeal group, again contributed positively during the period, albeit at lower levels than previously as the patent expiration of key NatureSeal products continues to impact on overall margins.

## **Ardent**

Our direct holding in Ardent (22.6 million shares - representing 4.73% of Ardent's issued capital) increased in value by \$5.7 million during the period.

As reported in its recently released half year results, Ardent has made considerable progress as it seeks to rebuild shareholder value.

The company's principal business, Main Event Entertainment Group ("Main Event"), reported increases in revenue and EBITDA. There is good momentum in the business and the previously stalled roll-out strategy has been revived with three new centre openings to date, and a further opening planned, in the current financial year. Five new centres are expected to open in FY21, with 5 - 8 centres annually thereafter.

The company also announced an increase in full year constant centre revenue growth guidance to 1.5 - 2%, from 1 - 2% previously.

Ardent has appointed Goldman Sachs to explore potential partnership arrangements with parties that could support and accelerate Main Event's growth trajectory.

Ardent's Theme Park division also reported improved results. While still reporting an EBITDA loss for the period (although a 44% improvement on the prior period), the Theme Parks results noted solid growth in both attendance and revenues, showing that the turnaround plan for the division is gaining momentum and delivering improved results.

Ardent also reported a continuing decline in corporate costs, which are now significantly lower than before Ariadne's involvement in Ardent.

---

# ARIADNE

---

Notwithstanding the improvements underway in both of Ardent's businesses, the share price performance of Ardent has been volatile – no doubt influenced more recently by a number of factors including the perceived potential effects of the recent Coronial report into the Dreamworld tragedy and the coronavirus on Ardent's Theme Park businesses.

## **ClearView**

Our ClearView holding further declined in value by \$5.3 million during the period, reflecting the continuing uncertainty and disruption underway in the financial services sector in Australia.

In its recently-released results, ClearView reported an Embedded Value (including franking credits) of \$669.2 million, \$0.99 per share. ClearView's share price is currently trading at a significant discount to Embedded Value and does not, in our view, reflect the underlying value of ClearView's business.

At the current share price, Ariadne's holding in ClearView is now materially below the cost of our holding, a significant proportion of which was acquired at a price of \$0.55 per share as part of our involvement in the takeover offer for ClearView in 2012 – since which time ClearView's in-force premiums have increased nearly six-fold from \$44 million to over \$260 million, and funds under management have doubled from \$1.38 billion to \$2.88 billion.

## **Hillgrove**

Hillgrove recently announced that its agreement with AGL to develop a pumped hydro project storage project has been terminated by mutual agreement. Whilst this was disappointing as the potential cash payments of \$31 million over stages has been lost, the positive news is that free of the site restrictions imposed by AGL, Hillgrove will now be able to commence with underground mining on the site as the two could not have proceeded simultaneously. Earlier this year Hillgrove received regulatory approval to commence underground mining and will now progress with the additional drilling program, mine design, optimisation and feasibility studies and continue to advance its regional exploration.

## **Cover Genius**

During the period Ariadne increased its investment in Cover Genius by investing a further \$2 million as part of a funding round to further the company's international expansion. In addition to Ariadne's direct investment in the company we also have exposure through a fund managed by our strategic partner, King River Capital, which led the funding round. Cover Genius is a global insurtech company, based in Sydney, providing a "full stack" platform for large e-commerce companies to sell insurance to their customers. It has been profitable since its founding in 2014 and now operates in 60 countries with strategic partnerships with Booking.com, Despegar.com, EBay.com and Shipstation.com. The potential market opportunity for this fast-growing company is over US\$450 billion. We believe that the value of this investment has material upside should Cover Genius continue to meet its growth objectives.

## **Car Parking**

The Group's car parking division was break even for the period (FY19: \$0.7 million profit).

The division's result reflects the trading performance of its one remaining leased car park. The FY19 result also included the reversal of a provision relating to the sale of Secure Parking in 2017.

For personal use only

---

# ARIADNE

---

## **Property**

The Group's property division recorded a net loss of \$0.2 million for the period (FY19: \$0.9 million profit).

The division's result is derived from Ariadne's 50% interest in Orams NZ Unit Trust ("ONZUT") and interest received on its secured loan to ONZUT.

The Group's share of loss from ONZUT during the period was \$0.4 million (FY19: \$0.7 million profit), which includes interest on the loan to ONZUT of \$0.2 million (FY19: \$0.2 million). In addition, a positive contribution of \$2.6 million, representing the Group's share of the uplift in valuation of ONZUT's assets as part of the merger with OGL, was reported through the Statement of Comprehensive Income.

## **ONZUT**

As announced to the ASX on 23 October 2019, ONZUT merged its business and property assets with Orams Marine Services to create Orams Group Limited ("OGL"). Following this merger, Ariadne holds an effective 38% interest in OGL.

During the period, OGL completed the lease acquisition of Site 18 in the Wynyard Quarter pursuant to its Development Agreement with Panuku Development Auckland and commenced construction of the Stage IA Works, involving principally the remediation of the new marine area including a concrete encasement slab, groundwater cut-off wall and the strengthening of the seawall on the site.

This latter work has largely been completed – on time and within budget to date.

Due to the overall level of demand in the Wynyard Quarter precinct, OGL has now determined to proceed with the Stage IB Works, which involves the construction of two large marine sheds, and two office buildings and associated commercial and retail tenancies.

OGL is currently in an advanced stage of negotiating funding facilities to proceed with the Stage IB Works, with a view to completing a significant portion of the works in time for the 36<sup>th</sup> America's Cup to be held in Auckland in March 2021.

With a large part of the Stage IA Works having already been de-risked through the successful remediation of a significant portion of Site 18 and the near-completion of the strengthening of the sea wall, coupled with the overall strength of the property market in the Wynyard Quarter (reflected in anticipated rentals for the office and commercial space being materially above original forecasts, and further cap rate compression), Ariadne believes there is the prospect of significant value being created in relation to its investment in OGL (through ONZUT).

Ariadne proposes to review the carrying value of its investment in ONZUT at 30 June 2020 to reflect progress in completing both the Stage IA and IB Works at that time.

Subsequent to balance date, Ariadne has entered into conditional agreements to acquire an additional 30% equity interest in ONZUT from an existing unitholder. The agreement is subject to obtaining the approval of the New Zealand Overseas Investment Office as well as other necessary consents. In the event of completion of the acquisition Ariadne's indirect equity interest in OGL would increase from 38% to 61%.

For personal use only

# ARIADNE

## **Simplified Balance Sheet**

Ariadne is in a sound financial position as shown in the following presentation of the Group's assets and liabilities as at 31 December 2019. It is to be noted that markets have been volatile since balance date and the market value of Ariadne's listed investments have fallen since this date.

<b>Assets</b>	<b>\$M</b>	<b>\$M</b>	<b>Liabilities</b>	<b>\$M</b>
Cash		38.3	Debt	4.8
<u>Investments</u>			Payables and Provisions	6.1
Ardent	29.5		Minority Interests	6.1
Orams	19.7		<b>Total Liabilities</b>	<b>17.0</b>
ClearView	13.6			
Freshxtend	12.8		<b>Shareholders' Funds</b>	<b>138.9</b>
Other Strategic Assets	11.2			
Hillgrove	6.6			
Trading Portfolio	5.7			
Foundation Life	5.6			
Cover Genius	3.8			
King River	2.2			
<u>Total Investments</u>		110.7		
Fixed Assets and Other Receivables		6.9	<b>Total Liabilities &amp;</b>	
<b>Total Assets</b>		<b>155.9</b>	<b>Shareholders' Funds</b>	<b>155.9</b>

## **Tax**

Ariadne has substantial carry forward revenue and capital losses available to offset future taxable profits. At 31 December 2019 these are estimated to be \$81.1 million (30 June 2019: \$82.9 million) and \$75.5 million (30 June 2019: \$78.4 million) respectively. As at balance date, Ariadne has a deferred tax asset of \$43.1 million which is not recognised in Ariadne's accounts.

## **Dividends and Capital Management**

A partially franked interim dividend of 0.7 cents per share (\$1.4 million in total) has been declared in relation to the first half of the 2020 financial year.

On 20 February 2020, Ariadne announced the extension of its on-market share buy-back facility as part of ongoing capital management initiatives. During the period Ariadne repurchased and cancelled 0.65 million shares at a cost of \$0.4 million.

ENDS

**Authorised for release by:** The Board of Ariadne Australia Limited

*For further information please contact:*

**Gary Weiss**

Executive Director

+61 2 8227 5500