



EUMUNDI GROUP

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ASX RELEASE

Eumundi Group achieves record net profit after tax of \$7.022 million for FY22

Earnings per share of 16.74 cents

Net asset backing of \$1.346 per share

Eumundi Group Limited (the “Group”), the Queensland hotel and investment property company, reported a profit after tax of \$7.022 million for the year ended 30 June 2022 (“FY22”), equating to earnings per share of 16.74 cents. This is a record profit result for the Group and reflects continued improvement across each of the Group’s assets.

The current year profit includes a \$4.085 million fair value adjustment on revaluations of the Group’s investment properties net of tax, of which \$1.691 million relates to the Aspley Arcade Shopping Centre, \$1.616 million pertains to The Plough Inn and \$0.778 million relates to the Court House Hotel. COVID-19 government subsidies totalling \$0.011 million net of tax were received in FY22.



The reported net profit after tax is a 65% increase on the prior year result of \$4.263 which included a \$1.769 million fair value adjustment on revaluations of the Group’s investment properties net of tax and COVID-19 government subsidies of \$0.432 million net of tax.

Excluding all fair value adjustments on revaluation and COVID-19 government subsidies, the Group is pleased to report a net profit after tax of \$2.926 million in FY22, including \$0.318 million income net of tax in respect of the Court House Hotel which was acquired on 2 August 2022. The result represents an increase of 42% compared with \$2.062 million in FY21.

Other comprehensive income this year included after-tax gains on revaluation to fair value of the Group’s land and buildings of \$6.081 million, in relation to Aspley Shopping Centre and the Ashmore Tavern, compared with an after-tax gain of \$4.313 million on revaluation to fair value of these properties in FY21.

As a result, the Group recorded total comprehensive income net of tax in FY22 of \$13.103 million which is a 53% lift on last year’s total comprehensive income of \$8.576 million.

Total revenue of \$27.684 million in FY22 is 6% above the total revenue of \$26.216 million in the prior year.

The FY22 result is summarised below:

Year ended 30 June (\$'000)	2022	2021	Change
Revenue	27,684	26,216	6%
Total comprehensive income net of tax	13,103	8,576	53%
Fair value revaluations of land and buildings net of tax	6,081	4,313	41%
Reported net profit after tax	7,022	4,263	65%
Net gain on fair value adjustment of investment properties net of tax	4,085	1,769	131%
COVID-19 Government subsidies net of tax	11	432	(97%)
Net profit after tax (excluding fair value adjustments and government subsidies)	2,926	2,062	42%
Earnings per share (cents)	16.74	10.26	+6.48 cps
Net assets per share (cents)	134.6	107.8	+26.8 cps
Net tangible assets per share (cents)	129.1	102.0	+27.1 cps
Dividends (cents per share)			
- Interim (unfranked)	3.5	-	
- Final (100% franked at 25%)	3.5	-	
Total dividends	7.0	-	

Comments on result

Throughout FY22 the Group continued its programme of strategic investment in its hotel and investment property assets to maintain and improve revenue streams.

Ashmore Tavern kitchen and bathroom construction works commenced in May 2022 and are scheduled to complete next week at a construction cost of around \$1.054 million of which \$0.533 million had been recognised as at 30 June 2022. Upgrades to the gaming equipment at both the Ashmore Tavern and Aspley Central Tavern were undertaken throughout the year at a total cost of \$0.175 million.

Capital contributions and incentives of \$1.078 million were recognised in respect of new leases at the Aspley investment properties.

The Group purchased the land and buildings of the Court House Hotel, Murwillumbah NSW, in August 2021 for a price of \$6.0 million plus acquisition costs. The Court House Hotel business is owned and operated by Athena Hospitality Group under a triple net lease with an initial term of 15 years with four further options of 10 years each.

COVID-19 restrictions continued to impact the Group's hotel operations throughout FY22: mandatory lockdowns were announced early in FY22 along with border closures; COVID-19 compliance costs were higher; and mandatory vaccination status restrictions resulted in a loss of both customers and staff, as did COVID-19 exposure.

Following finalisation of the Ashmore Tavern gaming, bistro and deck expansions in March 2022, bistro and bar revenues increased substantially compared with the prior year. The final stage of tavern capital works commenced in late May 2022, with demolition of the kitchen and bathroom facilities. A temporary kitchen was put in place during works to minimise loss of trade during the construction of new facilities. Bar and bistro revenues increased by 14.5% compared with the prior year, notwithstanding the disruption caused by these works. Gaming revenues remained strong, increasing by 4.7% over FY21. Retail liquor sales increased by 6.7% and contribution increased by 9.1% as a result of improved purchasing and cost management.

Aspley Central Tavern's profitability decreased in FY22, primarily attributable to lower gaming revenues. The prior year included a significant uplift in gaming in July 2021, when hotels first reopened after the Q4FY20 COVID-19

lockdown and the closest local competitor remained closed for several weeks. The Aspley site was impacted by heavy rains and flooding between December 2021 and April 2022 which resulted in localised flooding and road closures. Bistro operations were continually disrupted during the year, with several kitchen closures due to COVID-19 staff absences in turn affecting bar sales. Retail liquor sales increased by 10% due to improved leasing at the Aspley Shopping Centre and successful marketing initiatives.

The Group's hotel operations in total increased revenue slightly from \$23.4 million in FY21 to \$24.0 million in FY22.

Leasing conditions at the Group's Aspley Shopping Centre and Aspley Arcade Shopping Village improved significantly in the year under review. Seven new leases, accounting for 23.5% of the gross lettable area of the centre (excluding the Aspley Central Tavern), were executed with a weighted average lease expiry ("WALE") of 6.42 years. These new leases represent annual revenues of \$0.631 million. The total WALE of the combined centre (excluding the Aspley Central Tavern) increased from 5.29 years to 5.74 years during FY22.

The triple net lease of the Court House Hotel, acquired on 2 August 2022, delivered rental revenue of \$0.424 million in FY22. Revenues from The Plough Inn increased due to the contractual annual rent review.

The total contribution of the Group's investment property operations increased by 35.3% to \$3.103 million in FY22.

Strong financial position

The Group remains in a sound financial position. Net debt (borrowings less cash and cash equivalents) was \$29.601 million as at 30 June 2022 (2021: \$26.417 million), representing a net debt to equity ratio of 51.3% (2021: 59.0%). Net assets per share were \$1.346, compared with \$1.078 per share as at 30 June 2021.

The substantial increase in net assets per share mainly relates to the uplift in valuation of the Group's land and building and investment property assets, driven by strong market conditions and improved leasing at the Aspley investment properties. The current valuations also reflect the substantial capital works at the Ashmore Tavern during FY20 and FY21 and the strong operating performances of the hotels.

Interest cover remains comfortable at 7.51 times in FY2022.

During the year the Group renegotiated commercial debt facilities on favourable terms and conditions of three to five years, increasing approved facilities by \$10,000,000 to fund the acquisition of the Court House Hotel and provide increased working capital for planned capital works.

The continued strength of the Group's financial position, including access to undrawn credit lines, provides scope for completion of, and further improvements to, the Group's hotel assets, with the capacity to take advantage of other suitable opportunities should they arise.

Dividends

The Board has declared a fully franked final dividend of 3.50 cents per share (\$1.502 million in total). The Record Date for the final dividend is Friday, 2 September 2022 and the dividend will be paid Tuesday, 13 September 2022. This brings total dividends in respect of FY22 to 7.0 cents per share, including the unfranked interim dividend of 3.5 cents per share paid to shareholders on 14 March 2022.

The Eumundi Group Limited Dividend Reinvestment Plan ("DRP") will apply to the final dividend. Shareholders who have not previously elected to participate in the DRP or who wish to vary their DRP participation should update their details online at www.investorcentre.com or by calling Computershare Investor Services on 1300 552 270 to obtain a DRP Election/Variation Form. The election notice must be received by the share registry on or before 5pm Brisbane Time on Wednesday, 7 September 2022 to be effective for the final dividend.

Mandatory direct credit applies to this dividend payment. Where holders have already provided payment instructions, no further action will be required. Shareholders who have not previously provided direct credit payment details, or who wish to update their details, should do so online at www.investorcentre.com or by calling Computershare Investor Services on 1300 552 270.

Shareholders are reminded that for administrative convenience and cost, a minimum cash payment of \$5 will apply and that cash payments below this value will not be paid.



Outlook

Ashmore Tavern

The major capital works programme at the Ashmore Tavern has delivered a highly attractive venue with substantial growth potential. The hotel bathroom upgrade has been completed and the kitchen expansion works will be finished in the coming week. Upon completion, bistro and bar revenues are expected to recover quickly to prior levels and provide a solid platform for revenue growth through FY23 and beyond.

These latest works complete the Group's approved capital upgrade programme for the hotel. However, the Board will continue to investigate other works where such improvements will deliver a strong return on the investment and improve long-term business outcomes.

Aspley Central Tavern

Aspley Central Tavern has potential for future growth, with management pursuing the expansion of its retail liquor business and the solid core of health and food related businesses now established in the centre likely to improve its trade. However, other tavern revenues may be adversely impacted by interest rate increases and inflationary pressures, due to the sensitivity of the surrounding catchment to mortgage stress.

Investment Properties

As at 30 June 2022, only three vacancies remain at the Group's Aspley Shopping Centre and Aspley Arcade Shopping Village, representing 6.3% of the combined area of the centre. Active negotiations are underway in respect of one of those tenancies. However, the current uncertain economic conditions - labour shortages, high inflation and increasing interest rates - may impact outcomes and timeframes for leasing the remaining tenancies.

The Plough Inn and Court House Hotel are solid triple net lease investments with experienced multi-site hotel operators.

With inflation and interest rates increasing sharply in the past six months and continued global uncertainty, the Board is alive to potential market pressures in the coming year. Nonetheless, the Board remains optimistic about the Group's future prospects given the quality of its assets and the strength of its cash flows.

Suzanne Jacobi-Lee
Chief Executive Officer

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