



AMALGAMATED HOLDINGS LIMITED

ANALYST PRESENTATION

Date: 20th FEBRUARY 2015

Further information

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AHL
AMALGAMATED HOLDINGS LIMITED

Half year December 2014 results summary

	31 Dec 2014	31 Dec 2013
Total revenue and other income	\$570.534 million	\$568.528 million
Profit for the half year	\$51.190 million	\$46.240 million
Profit before individually significant items	\$51.190 million	\$42.039 million
Earnings per share (basic)	\$0.324	\$0.293
Net tangible asset backing per ordinary share	\$5.23	\$5.17
Interim dividend (fully franked)	\$0.16	\$0.15

Key highlights

- Net profit before individually significant items was 21.8% above the prior year result. Net profit after tax was 10.7% above the prior comparable half year result.
- Interim dividend increased by 6.7% to 16 cents per share (fully franked).



	31 Dec 14	31 Dec 13	Movement	
	\$'000	\$'000	\$'000	Movement
Results				
Cinema Exhibition – Australia	24,810	27,379	(2,569)	(9.4)%
Cinema Exhibition – New Zealand	3,030	1,962	1,068	54.4%
Cinema Exhibition – Germany	10,574	10,326	248	2.4%
Hotels and Resorts	23,214	18,687	4,527	24.2%
Thredbo Alpine Resort	16,917	9,126	7,791	85.4%
Leisure and Attractions	1,196	285	911	319.6%
Technology	122	923	(801)	(86.8)%
Available-for-sale investments	400	368	32	8.7%
Property	3,478	3,333	145	4.3%
Unallocated revenues and expenses	(7,645)	(9,662)	2,017	20.9%
Total <u>normalised result</u> (before interest and tax)	76,096	62,727	13,369	21.3%
Net finance costs	(3,716)	(3,784)		
Income tax expense	(21,190)	(16,904)		
Profit before individually significant items	51,190	42,039	9,151	21.8%
Individually significant items (net of tax)	–	4,201		
Total reported profit	51,190	46,240	4,950	10.7%



Business operations update

Cinema Exhibition – Australia

- 67 sites (including joint operation sites)
- 626 screens (including 507 traditional, 73 Gold Class, 44 Vmax and 2 Drive In screens)

The normalised profit before interest and income tax expense was \$24,810,000 or 9.4% below the prior comparable half year. The result was predominately impacted by a 2.5% fall in box office, reflecting a reduction in admissions and 3D content, and less screen advertising revenue.

A soft film line up in the first quarter of 2014/15 was followed by stronger performing titles being released in the second quarter. During the half year there were four titles that grossed in excess of \$20 million at the Australian Box Office, these included *The Hunger Games: Mockingjay Part 1* (\$32.6 million), *Gone Girl* (\$26.9 million), *Guardians of the Galaxy* (\$26.6 million) and *Interstellar* (\$20 million). During the half year there were 13 films that grossed more than \$10 million at the Australian Box Office compared to 17 films in the prior comparable half year.

Merchandising revenue spend per admission experienced positive growth over the prior comparable half year across both Gold Class and Scoop Alley Candy Bars. The increased merchandising revenue, together with an increased cost focus and implementation of tight cost controls over the cost of goods sold, assisted in marginally offsetting the box office and screen advertising impact.



Business operations update (continued)

Cinema Exhibition – Australia

The Group continues to pursue increased market share and visitation loyalty through the Cinebuzz loyalty program. The total number of active members at 31 December 2014 totalled 909,000 up 15.6% from the previous comparable period.

The Group has an extensive cinema development schedule with approximately 80 screens being added progressively to the Australian circuit over the next two years. During the half year period the Group opened a new traditional five-screen cinema complex at Townsville in North Queensland and closed its 12 screen cinema at Pacific Fair on the Gold Coast, which is being fully refurbished as part of the redevelopment of the shopping centre and is anticipated to re-open later in the 2015 calendar year. A new Event Cinema offering will open in the redeveloped Westfield Miranda in April 2015 and will include two Gold Class, two Vmax and six traditional screens.



Business operations update

Cinema Exhibition – New Zealand (including Fiji)

- 19 sites (including joint operation sites)
- 132 screens (including 4 Gold Class, 1 Vmax and 1 IMAX screens)

The normalised profit before interest and income tax expense was \$3,030,000, an increase of 54.4% on the prior comparable half year. The result was predominately achieved through an increase in merchandising revenue, significant cost saving initiatives particularly relating to payroll and cost of goods sold. The result was marginally impacted by a 1.5% fall in box office and reduced screen advertising revenue.

During the half year there were four titles that grossed in excess of NZ\$4 million at the New Zealand Box Office, these titles included *The Hobbit: The Battle of the Five Armies* (NZ\$6.0 million), *The Hunger Games: Mockingjay Part 1* (NZ\$5.8 million), *Guardians of the Galaxy* (NZ\$4.5 million) and *How to Train Your Dragon 2* (NZ\$4.0 million). The four films achieved a combined total of NZ\$20.3 million compared to the top four films in the prior comparable half year which collectively grossed \$22.3 million.

Merchandising revenue spend per admission increased by 8.7% over the prior comparable half year. This growth was driven by a continued focussed sales approach along with a number of successful Candy Bar Combo promotions. The continued strengthening of the New Zealand dollar also had a positive impact on the half year result.



Business operations update (continued)

Cinema Exhibition – New Zealand (including Fiji)

The Group continues to pursue market share, particularly through the Cinebuzz loyalty program. The total number of active members as at 31 December 2014 totalled 126,000 up 40.6% from the prior comparable half year.

The Group has expanded its footprint in New Zealand by acquiring two cinemas in the Bay of Plenty region. The cinemas included a leasehold eight screen complex at Tauranga and a freehold four screen complex at Mount Maunganui. The acquisition was completed in December 2014.

The result includes the Fiji Cinema Joint Venture, which includes a 66.7% share in three cinemas located in Fiji.



Business operations update

Cinema Exhibition – Germany

- 53 sites (including two 50% joint venture sites)
- 411 screens (including 2 IMAX screens)

The normalised profit before interest and income tax expense was \$10,574,000, an increase of 2.4% on the prior comparable half year. Improved merchandising revenues and margins assisted in offsetting the 1.8% fall in box office. The Euro also weakened slightly against the Australian dollar which had an unfavourable impact on the half year result.

The half year started slowly when cinema visitation in July 2014 was severely impacted by Germany's success at the Football World Cup, however an improved release schedule from late July 2014 assisted in a box office recovery. The films which achieved in excess of 2 million admissions at the German Box Office during the half year included: *The Hobbit: The Battle of Five Armies* (4.6 million admissions); *The Hunger Games: Mockingjay Part 1* (3.6 million admissions); *Transformers: Age of Extinction* (2.4 million admissions); *How to Train Your Dragon 2* (2.6 million admissions); and the French hit, *Monsieur Claude and his Daughters* (3.6 million admissions). These five films achieved a combined total of 16.8 million admissions compared to six films in the prior comparable half year which collectively achieved 22.6 million admissions.



Business operations update (continued)

Cinema Exhibition – Germany

Despite the slow July 2014 start, German produced films managed to attain a reputable 16.1% share of the total German Box Office compared to 20.4% in the prior comparable half year. In addition, the German film *Honig im Kopf*, released late in December 2014, opened well and has continued to perform strongly into January and February 2015.

Similar to the Australian and New Zealand cinema businesses, the Group has recently commenced a loyalty program for the German cinema operations. The new CineStarCARD loyalty program currently has in excess of 152,000 members and will be heavily promoted to further grow the membership base.



Business operations update

Hotels and Resorts (Rydges Hotels and Resorts, QT Hotels and Resorts and Atura Hotels)

- 22 owned hotels (3,253 rooms) | 30 managed hotels (6,128 rooms)
- Total = 52 hotels (9,381 rooms)

The normalised profit before interest and income tax expense was \$23,214,000, an increase of 24.2% on the prior comparable half year. Each of the Group's brands (Rydges, QT and Atura) performed well and contributed to the increased profit for the half year.

QT Sydney has continued to maintain its recent strong growth with profit increasing by \$1,446,000. In addition, the contribution from Atura Blacktown (which opened in October 2013) improved by \$1,223,000 over the prior comparable half year result. Collectively, the improved results from these two hotels account for 59.0% of the total uplift in the overall Hotels' result. QT Gold Coast, Rydges Melbourne and Rydges Queenstown all strongly outperformed the prior comparable half year period.

Occupancy levels of the owned hotels portfolio increased by 2.4 percentage points to 76.0% with average room rate increasing by 2.3% to \$160. Revenue per available room (revpar) increased by 5.5% to \$122. Demand was generally stronger across the owned hotels. The impact of continued competition and price pressure in the domestic leisure market was offset by improved market share in the corporate and government segments. The conference segment was patchy in demand throughout the half year however several hotels did achieve a pleasing uplift. The change in segment mix, together with tighter cost controls, generated better margins across most hotels.



Business operations update (continued)

Hotels (Rydges Hotels & Resorts, QT Hotels & Resorts, Atura Hotels)

Despite the pressure in the domestic leisure segment, high levels of promotional activity and increased inbound arrivals provided growth in regional centres and tourist destinations such as Cairns and Rotorua. The continuing stagnation of activity within the mining sector, particularly relating to new developments, impacted the results from the Group's hotels located in Townsville and Gladstone.

During the half year the Group undertook a major relaunch of the hotel loyalty program, *Priority Guest Rewards*. The benefits of the program have been expanded and enhanced and are designed to increase direct bookings and gain market share over increasing competition from Online Travel Agents (OTA's).

Atura Blacktown, which opened in October 2013, has gained considerable traction and performed well within its market. The expansion of the Atura brand has commenced with the acquisition, in October 2014, of a 128 room hotel in Doveton (Victoria) which has been rebranded as Atura Dandenong and the refurbished Rydges Albury being recently relaunched as Atura Albury.

The development of QT Melbourne (188 rooms) has commenced with an expected opening around mid-2016. The development includes 24 residential apartments of which 20 apartments have been pre-sold. The new QT Residence (69 rooms) at Bondi Beach is expected to open in September 2015.



Business operations update (continued)

Hotels (Rydges Hotels & Resorts, QT Hotels & Resorts, Atura Hotels)

The Group added another 180 rooms to the managed hotel portfolio with two new Art Series hotels opening, including The Watson (84 rooms) and The Larwill (96 rooms). Additional changes have also been announced relating to the managed hotel portfolio, with the management agreement for Bell City in Melbourne (828 rooms) terminating in January 2015, Rydges Perth (245 rooms) is expected to exit in September 2015 and Rydges St Kilda (80 rooms) was added to the portfolio in January 2015.



Business operations update

Thredbo Alpine Resort

The normalised profit before interest and income tax expense was \$16,917,000, an increase of 85.4% over prior comparable half year. The result reflects the outstanding 2014 ski season.

Revenues increased by 24.1% over the prior comparable half year. Skier numbers for the half year improved by 15.1% to 406,000 and improved yields from lift ticket sales, ski hire and retail revenues, together with growth of 22.0% in the ski school participation all contributed to the improved result. Reductions in electricity rates together with improvements in snow making procedures and electricity demand management delivered a 32.9% reduction in energy costs compared to the prior comparable half year.

The outstanding success of the 2014 ski season was primarily due to two early major snowfalls followed by a series of very cold nights which allowed excellent snow making production. This contrasts markedly to the 2013 ski season which was one of the worst on record where any material snowfall was followed by warm wind and rain. The 2014 ski result highlights the significance and importance of the Group's snow making ability and capacity.



Current development pipeline

Cinemas

Location	Opening	Type of operation	Lease term	Total	Screens		
					Gold Class	Vmax	Traditional
Miranda NSW	2015	50% joint operation	20 years	10	2	2	6
Springfield (Brisbane) QLD	2015	50% joint operation	15 years	8	2	2	4
Pacific Fair QLD (upgrade)	2015	100%	20 years	11	3	1	7
Hurstville NSW (upgrade)	2015	50% joint operation	15 years	7	-	1	6
Glenelg SA	2015	50% joint operation	10 years	6	-	-	6
Palmerston Darwin NT	2016	50% joint operation	15 years	6	-	2	4
Smithfield Cairns QLD	2016	100%	20 years	6	-	1	5
North Lakes (Brisbane) QLD	2016	50% joint operation	20 years	8	2	2	4
Kotara (near Newcastle) NSW	2016	100%	20 years	8	2	1	5
Plenty Valley VIC	2017	50% joint operation	20 years	9	2	1	6
Westfield Newmarket NZ	2017	100%	20 years	6	-	2	4
Total				85	13	15	57

Note: Lease terms may also include additional lease extension options (not included in the above).



Current development pipeline (continued)

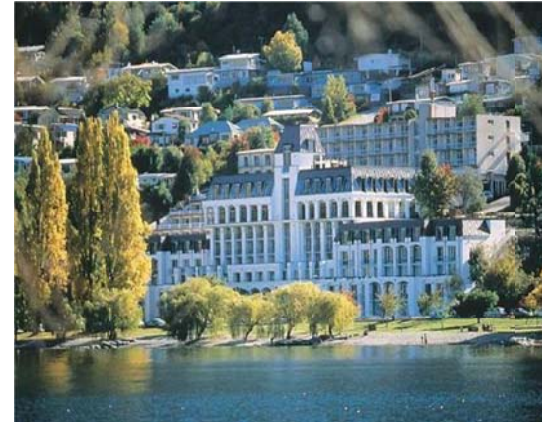
Hotels

- **QT Melbourne** (former cinema site on Russell Street)
 - 188 room QT hotel
 - Selling 24 apartments on the top two levels (contracts for 20 apartments have been exchanged to date)
 - Expected to open 2016

- **QT Queenstown** (conversion to part of the existing Rydges Queenstown)
 - 63 room QT hotel
 - Expected to open early 2016



Above: Russell Street Melbourne (Artist's impression of the development)



Above: Rydges Queenstown



Current development pipeline (continued)

Other

- **Double Bay (former cinema site)**
 - \$10 million capex
 - 5 levels (1 retail and 4 commercial levels)
 - Expected to open mid-2015

- **478 George Street**
 - \$38 million capex (plus fit-out costs of \$14 million)
 - 16 levels (2 retail and 14 commercial levels)
 - 950m² retail space – expecting superior returns
 - 9 of the commercial levels will be occupied by AHL (corporate office)
 - Expected to be completed by September 2015



Potential future developments

General

- Mosman NSW (former cinema site)
 - Preparation of a planning proposal for the Mosman cinema site is currently underway
- Perth WA (former cinema site on corner of Barrack and Murray Streets)
 - Potential QT hotel
- Brisbane QLD (418 Adelaide Street)
 - Potential QT hotel
- Darwin NT (currently an operating cinema site on Mitchell Street)



Recently completed developments

Atura Blacktown: Opened in mid-October 2013 on the site of the Group's Blacktown Drive In in Western Sydney.



Recently completed developments/acquisitions



Atura Albury: conversion from Rydges Albury



Atura Dandenong: acquisition



Bay City cinemas (New Zealand): acquisition



C I N E M A S

BCC Townsville Central: new development



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Capital Expenditure

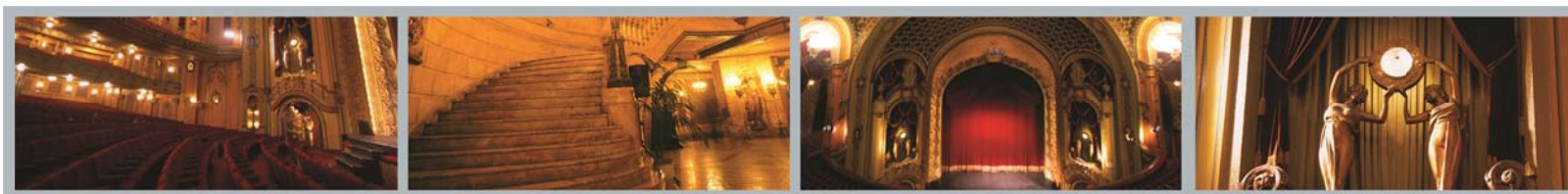
The annual routine capital expenditure for the AHL Group is expected to total approximately \$35 million.

Routine capital expenditure excludes any capital expenditure relating to significant developments or acquisitions.

Dividend History

A summary of the dividend history is provided below:

Cents per share	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Interim	5.0	5.0	5.0	6.0	7.0	8.0	10.0	11.0	11.0	14.0	14.0	14.0	15.0	15.0	16.0
Final	5.0	6.0	6.5	7.0	11.5	16.0	18.0	19.0	21.0	23.0	23.0	25.0	27.0	27.0	–
Special	–	–	–	–	–	–	–	–	–	–	4.0	–	–	–	–
Total dividend	10.0	11.0	11.5	13.0	18.5	24.0	28.0	30.0	32.0	37.0	41.0	39.0	42.0	42.0	–



Upcoming film line-up

Up to June 2015:

- Fifty Shades of Grey (Feb 2015)
- The Second Best Exotic Marigold Hotel (Feb 2015)
- Cinderella (Mar 2015)
- Insurgent (Mar 2015)
- Fast and Furious 7 (Apr 2015)
- The Avengers: Age of Ultron (Apr 2015)
- Pitch Perfect 2 (May 2015)
- Mad Max: Fury Road (May 2015)
- Ted 2 (Jun 2015)
- Jurassic World (Jun 2015)
- Aloha (Jun 2015)
- Minions (Jun 2015)
- Inside Out (Jun 2015)

After June 2015:

- Terminator: Genisys (Jul 2015)
- Magic Mike XXL (Jul 2015)
- Ant-Man (Jul 2015)
- Mission Impossible 5 (Aug 2015)
- The Fantastic Four (Aug 2015)
- Pan (Sep 2015)
- The Hunger Games: Mockingjay Part 2 (Nov 2015)
- Spectre (Nov 2015)
- Star Wars: the Force Awakens (Dec 2015)



Non – IFRS Financial Information

The AHL group results are prepared under Australian Accounting Standards, and also comply with International Financial Reporting Standards (“IFRS”). This presentation includes certain non-IFRS measures, including the normalised profit concept. These measures are used internally by management to assess the performance of the business, make decisions on the allocation of resources and assess operational performance. Non-IFRS measures have not been subject to audit or review, however all items used to calculate these non-IFRS measures have been derived from information used in the preparation of the reviewed financial statements.

Included in the Appendix 4D for the half year reporting period ended 31 December 2014 is a reconciliation of the Normalised Result to the Statutory Result.

