



AHL

# Presentation to Investors

3 November 2009

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This Presentation has been prepared by Amalgamated Holdings Limited (51 000 005 103) (AHL)

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This Presentation contains summary information about AHL and its subsidiaries (AHL Group) and their activities current as at 3 November 2009. The information in this Presentation is of general background and does not purport to be complete. It should be read in conjunction with AHL Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

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This Presentation contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

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statements that are subject to risk factors associated with the industries in which AHL operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables and risks which could cause actual results or trends to differ materially, including but not limited to: film industry dynamics, quality of film product, technology, environment, exchange rate, capital investment, weather conditions, acquisitions, property redevelopment, litigation, staff, occupational health and safety, share price and volume fluctuations, economic risks, general business competition, government policies and legislation, taxation implications, changes in accounting policy, asset impairment, and investment property valuations.

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# Executive Summary

## RATIONALE

- AHL continues to pursue opportunities for acquisitions/redevelopments in its entertainment, hospitality and leisure, and property businesses
- Equity raising
  - Strengthens capital base
  - Increases financial flexibility to capitalise on growth opportunities

## OFFER

- AHL is raising \$107m in equity
- The equity raising is a 1 for 5 pro-rata renounceable entitlement offer
- Eligible Shareholders may apply for additional shares
- Not underwritten – AHL's major shareholders<sup>(1)</sup> have committed to participate for their full pro-rata entitlements (70%)
  - In seeking these commitments, each major shareholder was required to enter into a confidentiality agreement (including an acknowledgement of insider trading restrictions) before being given any details of the matter to be discussed
- Directors expect to maintain a 32 cent per share dividend in FY2010

## OFFER PRICE

- The offer is priced at \$4.10 per share, representing a 31.3% discount to last closing price and a 27.5% discount to the Theoretical Ex-Rights Price

Note:

1. Alpheob Pty Limited, Carlton Investments Limited, Enbear Pty Limited, Investors Mutual Limited, Maple-Brown Abbott Limited, Perennial Value Management Limited and Mr Alan Rydge.

# Overview of Operations



## ENTERTAINMENT



- FY09 Revenue: \$693m
- FY09 Norm. Result: \$66m

- Collectively one of Australia's leading cinema exhibitors
- Dominant exhibitor in QLD and NT
- Cinema exhibition interests in Germany and the Middle East

## HOSPITALITY AND LEISURE



- FY09 Revenue: \$196m
- FY09 Norm. Result: \$42m

- Thredbo: Australia's premier alpine resort
- Rydges: Owns and operates hotels and resorts in Australia, NZ, UAE and UK
- State Theatre: 2,000 seat theatre in Sydney
- Featherdale: Wildlife Park in Western Sydney

## ENTERTAINMENT TECHNOLOGY AND PROPERTY



- FY09 Revenue: \$33m
- FY09 Norm. Result: \$2m

- Edge Digital Technology: Installation and maintenance of cinema equipment
- Filmlab: Manufacture and supply of film processing equipment
- Cinesound: JV providing custody and maintenance of archival newsreel footage
- Extensive property holdings

- FY09 Revenue<sup>(1)</sup>: \$924m
- FY09 Norm. Result (PBIT)<sup>(2)</sup>: \$98m

PBIT: Profit Before Interest and Tax.

Notes:

1. From continuing operations. Includes \$212m of group share of revenue earned by jointly controlled entities. Includes \$2m of other income, finance income and other revenue. Excludes share of associates' revenue of \$33.6m which relates predominantly to the Middle East cinema business.
2. Before finance revenue/costs, income tax, discontinued operations and minority interest. Includes -\$12m of corporate expenses net of unallocated revenue.

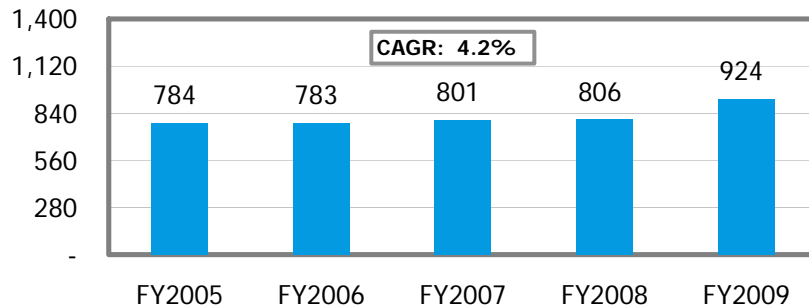


# Key Business Highlights

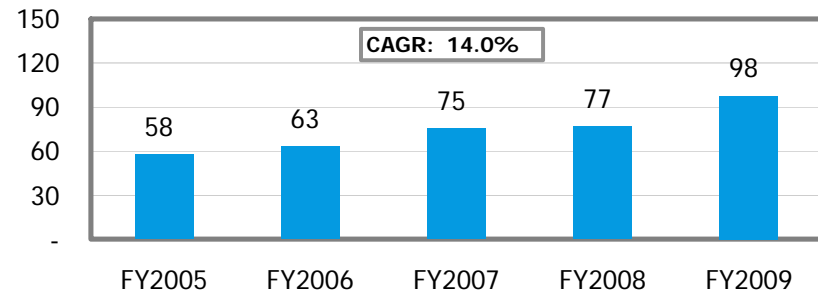
- ✓ Strong financial performance
- ✓ Diversified group of businesses
- ✓ Attractive add-on and growth opportunities
- ✓ Strong management and supportive shareholders

# Strong Financial Performance

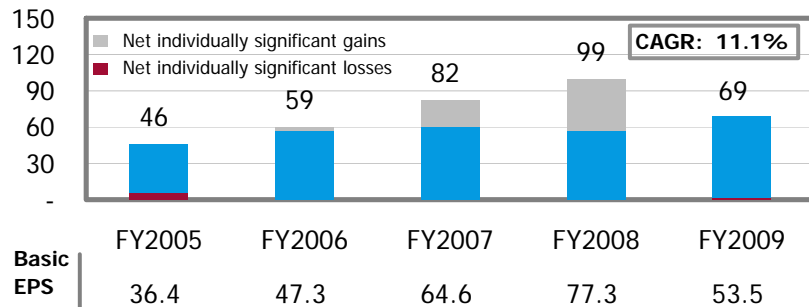
## REVENUE FROM CONTINUING OPERATIONS (\$M)<sup>(1)</sup>



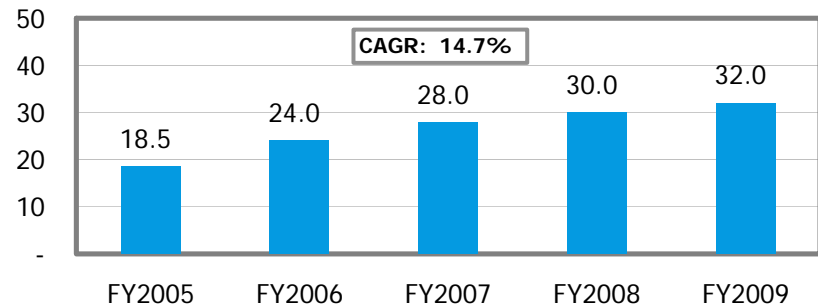
## PBIT FROM CONTINUING OPERATIONS BEFORE INDIVIDUALLY SIGNIFICANT ITEMS (\$M)



## NET PROFIT AFTER TAX (\$M)<sup>(2)</sup>



## DIVIDEND PER SHARE (CENTS)



PBIT: Profit Before Interest and Tax. CAGR: Compound Annual Growth Rate.

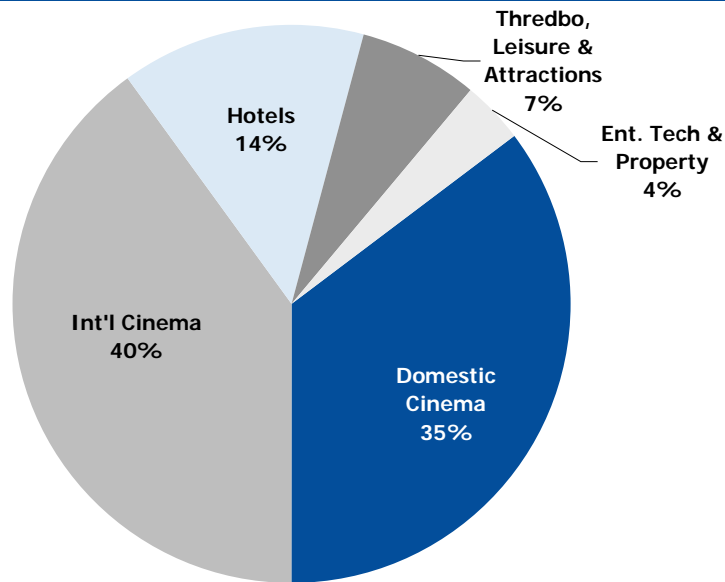
Notes:

1. Includes group share of revenue earned by jointly controlled entities, other income/revenue and finance income.
2. After individually significant items, net finance costs, minority interest and income tax. Net individually significant gains after tax in FY2008 totaled \$43m and included the gain on the disposal of Roadshow Distributors Pty Limited of \$38m. In FY2007 net individually significant gains after tax totaled \$22m and included gains from the sale of Pier 26 Bar and Café and the sale of AHL's shareholding in Village Roadshow Limited.

# Diversified Group of Businesses

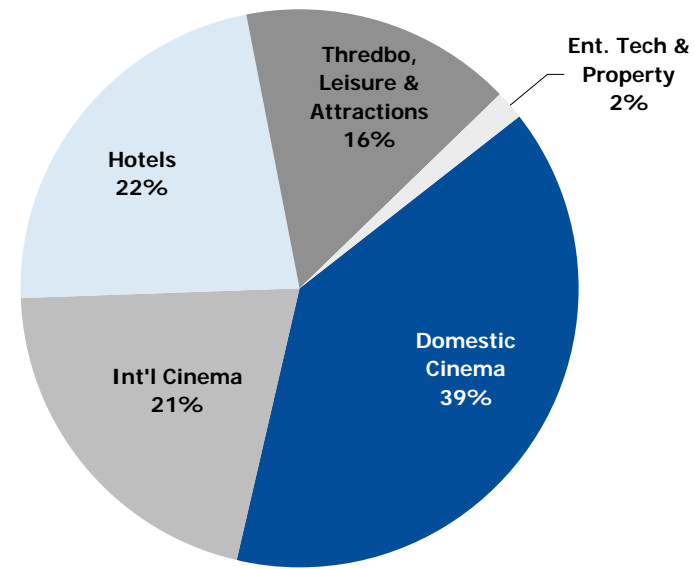
- AHL's portfolio of businesses provides significant sector and geographic diversification

**FY09 REVENUE BY SEGMENT**



FY09 Total<sup>(1)</sup>:  
\$924m

**FY09 NORMALISED RESULT (PBIT) BY SEGMENT<sup>(2)</sup>**



FY09 Total<sup>(3)</sup>:  
\$98m

PBIT: Profit Before Interest and Tax.

Notes:

- From continuing operations. Includes \$212m of group share of revenue earned by jointly controlled entities. Includes \$2m of other income, finance income and other revenue. Excludes share of associates' revenue of \$33.6m which relates predominantly to the Middle East cinema business.
- Percentages based on normalised result excluding -\$12m of corporate expenses net of unallocated revenue.
- Before finance revenue and costs, income tax, discontinued operations and minority interest. Includes -\$12m of corporate expenses net of unallocated revenue.

# Attractive Add-On and Growth Opportunities

<b>ENTERTAINMENT</b>	<ul style="list-style-type: none"><li>▪ Enhance cinema experience with expanded 3D footprint and exciting new food and beverage facilities, including our Scoop Self Serve Candy Bar and Set Café and Bar</li><li>▪ Premium cinema concept (Gold Class, Vmax) which lifts yield in average admission price</li><li>▪ Acquisition of additional cinemas as opportunities arise</li><li>▪ Continued focus on growth in online tickets with launch of mobile ticketing</li><li>▪ Expanded loyalty programs providing members with rewards</li><li>▪ Broadening of sales channels (focus on corporate sales and increased range of gift cards)</li></ul>
<b>RYDGES HOTELS AND RESORTS</b>	<ul style="list-style-type: none"><li>▪ Enhance hotel guest experience, including providing innovative, creative, new and exciting food and beverage opportunities</li><li>▪ Expanding portfolio of hotel assets (new management agreements, acquisitions)</li><li>▪ Continued focus on obtaining direct bookings through Rydges.com and growth through the Rydges priority guest program</li><li>▪ Continued focus on operating efficiency of existing locations</li></ul>
<b>THREDBO</b>	<ul style="list-style-type: none"><li>▪ Maintain facility as Australia's premier alpine resort</li><li>▪ Maximise returns from existing facility (growth through shoulder periods, summer revenue and cost improvements)</li><li>▪ Property development opportunities</li></ul>
<b>ENTERTAINMENT TECHNOLOGY</b>	<ul style="list-style-type: none"><li>▪ Income streams from deployment and maintenance of digital projection systems</li></ul>
<b>PROPERTY</b>	<ul style="list-style-type: none"><li>▪ Various property assets to be redeveloped over time</li><li>▪ Expansion of investment property portfolio with completion of the Canberra Civic commercial office development</li></ul>

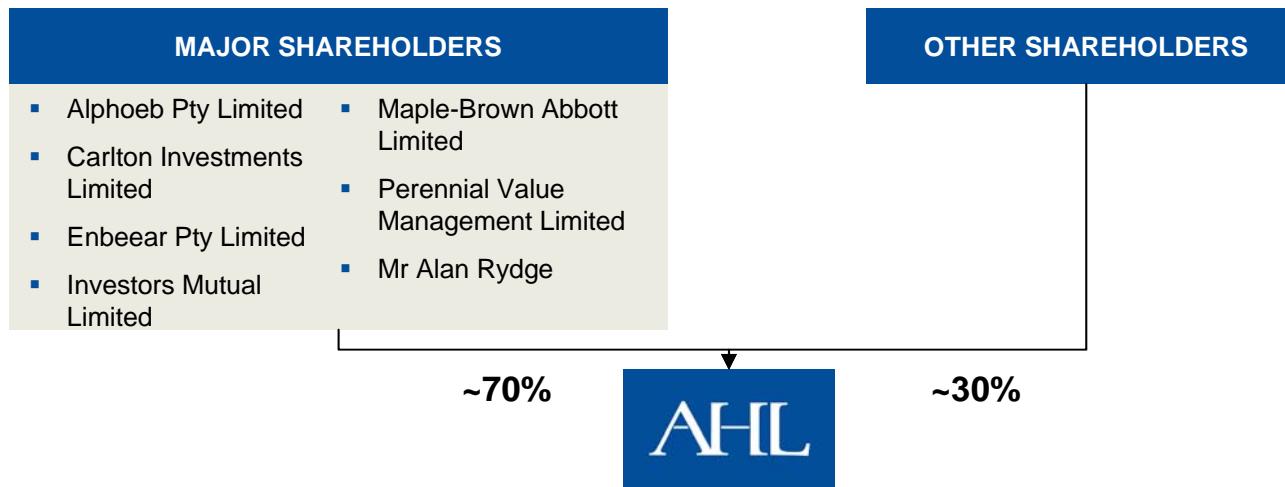
# Strong Management Team and Support of AHL's Major Shareholders

## Experienced executive leadership team

- Long standing service with the Group
- Sector and geographic expertise
- Proven operational experience

## AHL's major shareholders will retain a minimum 70% interest in AHL post the Offer

- Strong continuing support from major shareholders demonstrated by their commitment to participate for their full pro-rata entitlements
  - In seeking these commitments, each major shareholder was required to enter into a confidentiality agreement (including an acknowledgement of insider trading restrictions) before being given any details of the matter to be discussed



# Offer Details

## **\$107 million, 1 for 5 renounceable pro-rata entitlement offer**

- The Entitlement Offer is available to Eligible Shareholders as at the Record Date (7.00pm on Thursday, 12 November 2009)
- Eligible Shareholders may choose to accept all or part of their pro-rata entitlement or none at all
- Eligible Shareholders who take up their full entitlement can apply for additional shares
- Rights can be sold on ASX
- The Entitlement Offer is not underwritten

## **Fixed \$4.10 Offer Price**

- 31.3% discount to last closing price
- 27.5% discount to TERP<sup>(1)</sup>

## **Support of AHL's major shareholders**

- Major shareholders hold ~70% of issued capital
- Have committed to participate for their full pro-rata entitlements
  - In seeking these commitments, each major shareholder was required to enter into a confidentiality agreement (including an acknowledgement of insider trading restrictions) before being given any details of the matter to be discussed

## **Ranking**

- New shares to rank equally with existing shares, including in respect of future dividends

Note:

1. The theoretical ex-rights price is the theoretical price at which AHL shares would trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which AHL shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP.

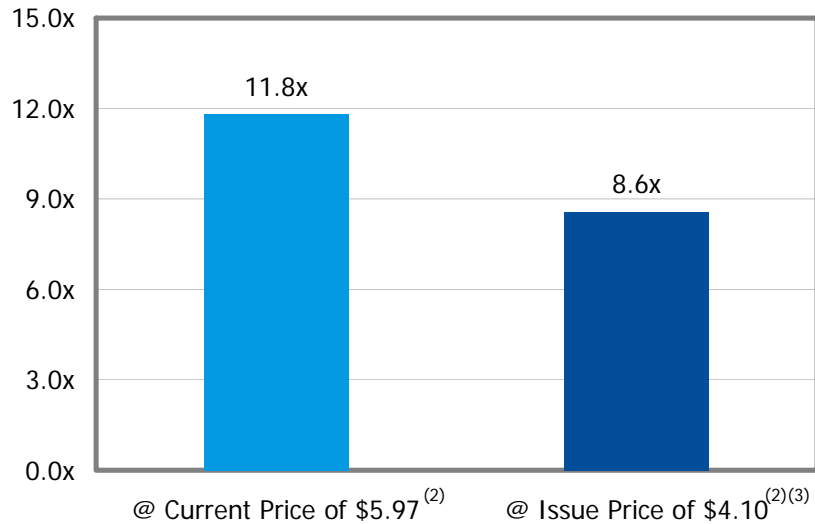
# Dividend

- Subject to any unforeseen circumstances, AHL expects to maintain a dividend of 32 cents per share on the expanded capital in FY2010
- It is expected FY2010 dividends will continue to be fully franked
- The new shares will be entitled to future dividends

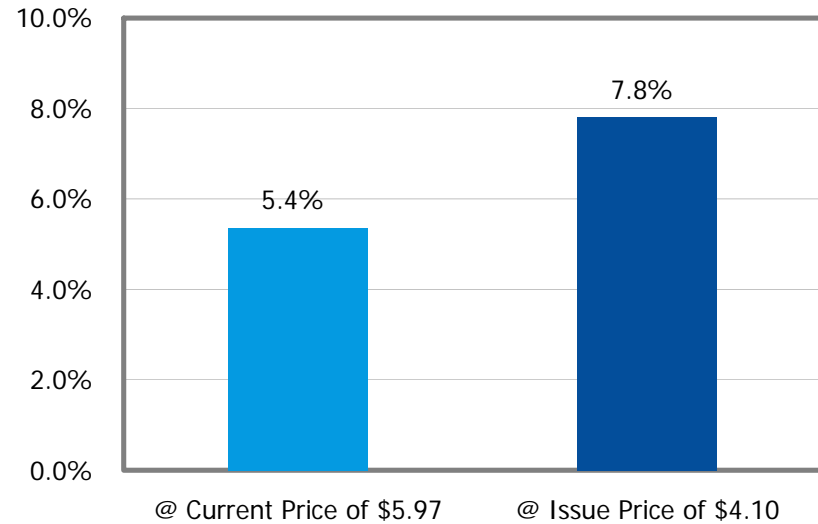
# Implied P/E and Dividend Yield of the Offer

- The Offer represents an opportunity to acquire AHL shares at an attractive P/E ratio and dividend yield

IMPLIED FY2009 P/E RATIO<sup>(1)</sup>



IMPLIED FY2010E DIVIDEND YIELD<sup>(1)(4)</sup>



Notes:

- Based on the closing price on 2 November 2009.
- Based on FY2009 basic earnings per share from continuing operations of 50.5 cents.
- Basic earnings per share adjusted for rights offer in accordance with AASB 133.
- Assumes FY2009 dividend of 32 cents per share maintained in FY2010.

# Summary Timetable

EVENT	DATE <sup>(1)</sup>
Entitlement Offer announced via the ASX	Tuesday 3 November 2009
AHL Shares quoted on an 'ex' basis and Rights trading commences	Friday 6 November 2009
Record Date	7pm Thursday 12 November 2009
Mailing of Offer Booklet and Entitlement and Acceptance Form to Eligible Shareholders	Monday 16 November 2009
Last day of Rights trading	Monday 23 November 2009
Trading of New Shares expected to commence on a deferred settlement basis	Tuesday 24 November 2009
Closing Date - Last day for acceptance and payment	5pm Monday 30 November 2009
Issue of New Shares	Tuesday 8 December 2009
Trading of New Shares expected to commence on a normal T+3 basis	Wednesday 9 December 2009

Note:

1. All times are references to EDT. AHL reserves the right to vary the timetable.

# Sources and Uses

<b>USES</b>	<b>\$M</b>
Increase in Liquidity	105.6
Transaction Costs	1.3
<b>Total Uses</b>	<b>106.9</b>

<b>FUNDING SOURCES</b>	<b>\$M</b>
Equity funding from participants <sup>(1)</sup>	106.9
<b>Total Funding Sources</b>	<b>106.9</b>

- Net proceeds from the Entitlement Offer will be used to:
  - strengthen the capital base
  - provide increased financial flexibility to pursue growth opportunities

Note:

1. Assumes 100% take up of Entitlement Offer.

# Equity Raising Strengthens AHL's Capital Base

## PRO FORMA 30 JUNE 2009 BALANCE SHEET (ADJUSTED FOR EQUITY RAISING)

AHL BALANCE SHEET AS AT 30 JUNE 2009 (A\$M)	PRE-EQUITY RAISING	EQUITY RAISING ADJUSTMENTS <sup>(1)</sup>	PRO FORMA POST-EQUITY RAISING
<b>Assets</b>			
Cash and cash equivalents	23.2	105.6	128.8
Other current assets	57.2	-	57.2
Non-current assets	758.1	0.4	758.5
<b>Total Assets</b>	<b>838.5</b>	<b>106.0</b>	<b>944.5</b>
<b>Liabilities</b>			
Interest bearing debt	80.0	-	80.0
Other liabilities	159.4	-	159.4
<b>Total liabilities</b>	<b>239.4</b>		<b>239.4</b>
<b>Equity</b>			
Issued capital	101.4	106.0	207.4
Retained Earnings	491.5	-	491.5
Other	6.2	-	6.2
<b>Total Equity</b>	<b>599.1</b>	<b>106.0</b>	<b>705.1</b>

Note:

- Share issue assumed to be \$106.9m. Cost of issue assumed to be \$1.3m with deferred tax benefit of \$0.4m.

# Financial Information

(A\$m)	FY2009	FY2008
Revenue and Other Income <sup>(1)</sup>	712	619
Normalised Result (PBIT) <sup>(2)</sup>	98	77
Normalised Net Profit <sup>(2)</sup>	71	54
Net Profit <sup>(3)</sup>	69	99
Dividends per share (cents)	32	30

- FY2009 Normalised Result (PBIT) up 27% over the prior year
- FY2009 Normalised Net Profit up 31% over the prior year
- Result benefited strongly from an uplift in profit from both international and domestic cinemas

PBIT: Profit Before Interest and Tax.

Note:

1. Revenue and other income excludes the group's share of revenue earned by jointly controlled entities (FY2009 \$212m, FY2008 \$187m) and revenue from discontinued operations.
2. Normalised result and net profit excludes discontinued operations and individually significant items.
3. Net profit after individually significant items, net finance costs, minority interest and income tax.

# 1Q2010 Update

- Profit before tax of \$42 million
- No individually significant items to report
- 35% increase over the prior comparable period
- German cinema business a major driver of the result
  - Benefited from absence of a major football championship and very strong release slate of film product
- Domestic circuit also contributed strongly to earnings
- Result from hotel business was encouraging with early signs of strengthened demand
- Thredbo result impacted by inconsistent conditions over August and September

# Ongoing Capital Expenditure

- Since 30 June 2009, AHL has acquired
  - 2 hotel properties (Ryldges Gladstone and Ryldges Townsville) for \$36.2m including acquisition costs
  - Leasehold interests in 2 cinema complexes (Beverly Hills and Cronulla) for \$10.3m including acquisition costs
- AHL will continue to assess acquisition opportunities consistent with its strategy
- AHL is currently in the process of assessing the acquisition of an interest in a hotel property in conjunction with a joint venture party. A 50% interest in this hotel, at a total cost of approximately \$17m, is under review. This interest may increase to 100% if the proposed joint venture party does not proceed
- AHL's 49% owned cinema operations in the Middle East have commenced fit out of a new cinema site which is due to open in the second half of FY2010. AHL's share of capital costs is \$7m
- In addition to the above, since 30 June 2009 AHL has incurred or has in progress capital expenditure, including share of joint venture capital expenditure, amounting to \$42.5m

# Financing Facilities

<b>Revolving multi-currency loan facilities</b>	<b>A\$160m</b>
<b>Cash advance facilities</b>	<b>A\$70m</b>
<b>Total Secured Bank Debt Facilities (Maturing on 10 July 2012)</b>	<b>A\$230m</b>
<i>Total Drawn as of 30 June 2009</i>	<i>A\$67m</i>
<b>Overdraft limits (Subject to Annual Review)</b>	<b>A\$5m</b>
<b>Other Working Capital Facilities (German Subsidiaries) (Subject to Annual Review)</b>	<b>€9m (A\$16m)</b>
<i>Total Drawn as of 30 June 2009</i>	<i>A\$1m</i>

# Excluded Shareholders

- Offer open to all shareholders except Excluded Shareholders
- A person will be an Excluded Shareholder if that person:
  - has a registered address which is not in Australia or New Zealand;
  - is in the United States or is a U.S. Person (as defined in Regulation S under the U.S. Securities Act of 1933) or acting for the account or benefit of a U.S. Person; or
  - is ineligible under any applicable securities laws to receive an offer under the Entitlement Offer
- Rights otherwise offered to Excluded Shareholders will be sold
  - AHL will appoint an ASIC approved nominee to arrange for the sale of the rights which would have been granted to Excluded Shareholders
  - Excluded Shareholders will receive the net proceeds (if any) of the sale of their rights
  - See Offer Booklet for further details

# Summary of Key Risks

- Further information on each key risk is provided on the next two slides

## SPECIFIC RISKS

- Film industry dynamics
- Quality of film product
- Technology
- Environment
- Exchange rate
- Capital investment
- Weather conditions
- Acquisitions
- Property redevelopment
- Litigation
- Staff
- Occupational health and safety

## GENERAL RISKS

- Share price and volume fluctuations
- Economic risks
- General business competition
- Government policies and legislation
- Taxation implications
- Changes in accounting standards
- Asset impairment
- Investment property valuations

# Key Risks

## **FILM INDUSTRY DYNAMICS**

AHL must contend with numerous industry trends which pose a threat to the profitability of its cinema operations. These threats include alternative film delivery methods and a rise in popularity of other forms of entertainment (including home entertainment), the shortening of the release window from film to DVD and an increase in the unauthorised recording (piracy) of audio and visual recordings for commercial sale.

AHL's entertainment strategy is to increase the appeal of the cinema experience in the face of these trends including innovative refurbishment of cinemas to enhance customer experience.

## **QUALITY OF FILM PRODUCT**

Cinema attendance and hence the performance of AHL's entertainment division depends to a significant extent on the quality of film product produced by film studios. A lack of quality film product for extended periods of time can have a significant impact on the performance of AHL's entertainment division.

## **TECHNOLOGY**

Across its divisions AHL needs to make significant investments in technology to maintain its competitiveness. Key technological capabilities which need to be maintained include delivery and presentation technologies (such as 3D and alternative content), and online booking capabilities. The cost of maintaining leadership in these and other key technologies can impact AHL's performance, as can the failure to maintain sufficient competitiveness in these technologies.

## **ENVIRONMENT**

AHL's resort and leisure businesses rely on being able to maintain the integrity of the surrounding environment in order to provide a quality customer experience. AHL's financial performance could be adversely affected if this integrity were compromised. AHL must also comply with stringent environmental regulations. If any breach of these regulations occurs AHL may be subject to material clean-up costs and other liabilities.

## **EXCHANGE RATE**

Fluctuations in the Euro, New Zealand Dollar and Dirham exchange rate

can impact the A\$ translated financial results and balance sheet of AHL. A sustained appreciation of the A\$ against international currencies can also have an effect on demand from overseas visitors, which could impact the performance of AHL's hospitality and leisure division.

## **CAPITAL INVESTMENT**

AHL must make significant capital investments in refurbishments, expansions and maintenance of its cinema, hotel and resort assets to remain competitive.

## **WEATHER CONDITIONS**

Weather conditions can have a significant effect on AHL's performance through their effect on the quantity and quality of snow at AHL's Thredbo resort during the winter period.

## **ACQUISITIONS**

AHL may consider acquisitions of businesses that fit within its strategy. There is a risk that appropriate acquisition opportunities or alliances may not be available or that the target companies may not enter into dealings with AHL. There is no guarantee that future potential acquisitions will be available on favourable terms or that they will be successfully integrated.

## **PROPERTY REDEVELOPMENT**

AHL derives profits from property redevelopments in its strategic investments division. Planned redevelopment can be impacted if AHL fails to obtain the required approvals in targeted timeframes.

## **LITIGATION RISK**

Litigation risks to AHL include, but are not limited to disputes, customer claims, personal injury claims, employee claims, disputes with landlords and intellectual property disputes. Legal claims, if successful could adversely impact the profits or financial position of AHL.

## **STAFF**

Maintaining quality and dynamic staff is key for the performance AHL's businesses.

# Key Risks (cont'd)

## **OCCUPATIONAL HEALTH AND SAFETY (OH&S)**

If AHL fails to comply with necessary OH&S legislative requirements, it could result in fines, penalties and compensation for damages as well as reputational damage to AHL.

## **SHARE PRICE AND VOLUME FLUCTUATIONS**

Securities may experience extreme price and trading volume fluctuations. Following the Offer, there may not be an active market trading in AHL shares. If a market is not sustained, it may be difficult for investors to sell their shares at a price that is attractive to them or at all. The price of the New Shares may not be representative of the price that will prevail after the Offer.

The equity market has experienced price and volume volatility that has affected the share price of many companies. Security prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of AHL shares.

## **ECONOMIC RISKS**

AHL is exposed to economic factors in the ordinary course of business. Factors such as changes in fiscal, monetary and regulatory policies can adversely impact AHL's earnings. Given that interest rates in Australia and New Zealand are at historically low levels, there is a strong likelihood of some increase in the medium to longer term.

## **GENERAL BUSINESS COMPETITION**

AHL can provide no assurance that AHL will be able to compete effectively with existing or new competitors or that increased competition will not have a material and adverse effect on AHL's future operating and financial performance.

## **GOVERNMENT POLICIES AND LEGISLATION**

AHL has operations in the entertainment, hospitality, leisure and property sectors, all of which are subject to government regulation. AHL may be affected by changes to government policies and legislation

including environment, taxation, the regulation of trade practices and competition as well as legislation and policies relating specifically to the industries in which AHL operates.

## **TAXATION IMPLICATIONS**

Future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in AHL shares, or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which AHL operates, may impact the future tax liabilities of AHL.

## **CHANGES IN ACCOUNTING STANDARDS**

AHL is subject to the usual business risk that there may be changes in accounting standards which impact on AHL.

## **ASSET IMPAIRMENT**

As a consequence of the global financial crisis, the Australian Securities and Investments Commission has specifically identified impairment of assets as an issue for Australian companies. The AHL Board regularly monitors impairment risk. Consistent with accounting standards, AHL is periodically required to assess the carrying value of its assets. Where the value of an asset is assessed to be less than its carrying value, AHL is obliged to recognise an impairment charge in its profit and loss account. Impairment charges can be significant and operate to reduce the level of a AHL's profits and, potentially, its capacity to pay dividends. Impairment charges are a noncash item.

## **INVESTMENT PROPERTY VALUATIONS**

AHL has a number of investment properties which are valued each half year. Movements in valuations are taken to AHL's profit and loss account. A significant movement in the property market may impact AHL's profits or financial position.

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- This presentation is not a prospectus under the Corporations Act and has not been lodged with ASIC. It does not contain all the information that would be required to be included in a prospectus.
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