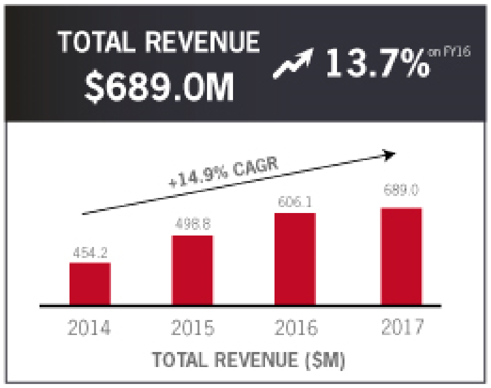
MANTRA GROUP

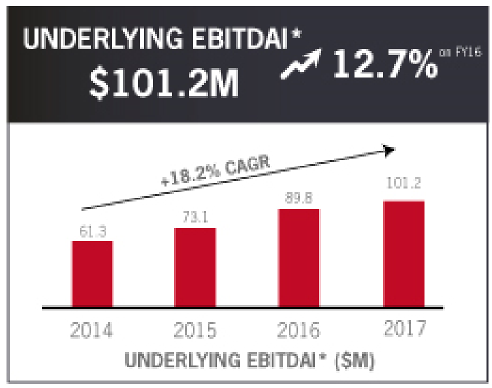
PEPPERS mantra BreakFree

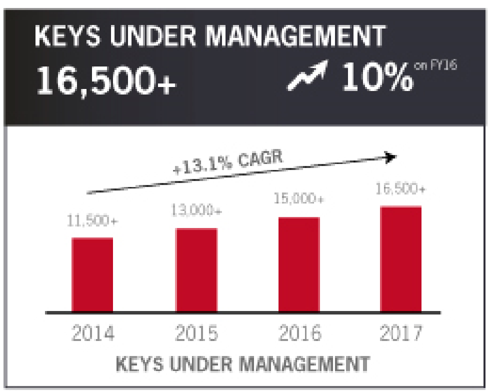
MEDIA RELEASE

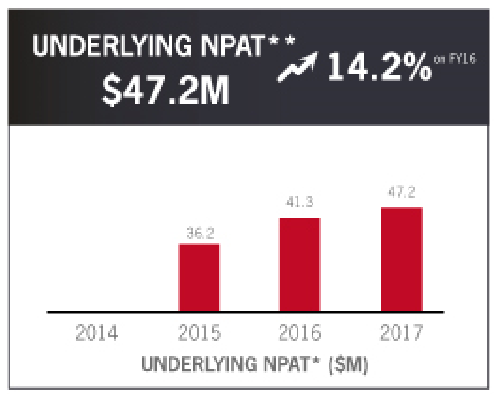
29 August, 2017

MANTRA GROUP ANNOUNCES RESULTS FOR THE YEAR ENDED 30 JUNE 2017









Mantra Group Limited (Mantra Group) (ASX: MTR) today announced its FY2017 results for the period ended 30 June 2017[1] reporting underlying EBITDAI[2] of $101.2m in line with market guidance announced on 17 February 2017, up 12.7% on FY2016. Underlying NPAT of $47.2m was up $5.9m and 14.2% year-on-year. FY2017 statutory NPAT was $45.6m. Six properties were added to the network during the year and Mantra Hotel at Sydney Airport opened in July 2017.

Key highlights include:

- Statutory total revenue of $689m, up 13.7% on FY2016
- Statutory NPAT was $45.6m, 22.7% higher than statutory NPAT of $37.1m for FY2016
- Statutory basic EPS of 15.3 cents per share, compared to 13.8 cents per share for FY2016

[1] This media release should be read in conjunction with Mantra Group's Full Year 2017 Results Presentation and Financial Report for the year ended 30 June 2017.

[2] Underlying EBITDA is EBITDAI excluding transaction costs of $1.7 (FY2016: $7.3m) incurred in respect of business combinations. Underlying NPAT also excludes the reversal of impairment of $1.4m (FY2016: $2.1m) and an impairment related deferred tax expense of $1.2m (FY2016: benefit of $1.0m).

- Underlying EBITDAI[2] of $101.2m was up 12.7% on the same period last year
- Revenue growth, excluding new properties, of $23.4m
- Underlying NPAT was up $5.9m to $47.2m in FY2017, an increase of 14.2%
- Underlying NPATA of $49.9m was 13.3% up on FY2016
- Underlying basic EPS of 15.9 cents per share was up 3.9% on the previous corresponding period
- Fully franked final dividend of 6 cents per share to be paid on 6 October 2017, bringing the total dividend for the year to 11 cents per share, an increase of 0.5 cents per share
- Strong pipeline of development opportunities in both domestic and international markets
- FY2018 market guidance of underlying EBITDAI of between $107m - $115m in constant currency terms

Mantra Group Chief Executive Officer Bob East said the Group performed strongly in FY2017 and delivered continued growth in revenue and profitability.

"During FY2017, the Group performed ahead of the previous corresponding period in revenue, and underlying EBITDAI, NPAT and NPATA," said Mr East.

"I'm pleased to report that for the year ended 30 June 2017, Mantra Group achieved earnings in line with market guidance given on 17 February 2017.

"The Group's revenue increased by $82.9 million, or 13.7%, to $689 million during the year.

"The majority of this improvement was driven by six new property acquisitions during the year and was supported by strong revenue growth from the key markets of Sydney, Melbourne, ACT, and Sunshine Coast, a $4.9 million increase in revenue from our Central Revenue & Distribution segment, improved occupancy levels, higher average room rates, an increase in the total number of rooms available and improved efficiencies in key areas of the business.

"The Group is in a strong financial position with total assets of $806.3 million, an increase of $37.2 million, and a strong operating cash flow."

The Group achieved year-on-year growth in each of its key business operating segments, with contributions as follows:

- **Resorts** delivered revenue of $316.2 million and EBITDAI of $45.6 million representing very strong increases on FY2016 (29.5% and 31.0% respectively). In addition to the contribution from FY2017's three new Resorts properties - Ala Moana Hotel by Mantra in Honolulu, Hawaii, Mantra Residences @ Southport Central on the Gold Coast and Mantra the Observatory at Port Macquarie - (which contributed $59.2 million in revenue and $9.1 million in EBITDAI), the Resorts segment benefitted from increased occupancy and average room rates, along with strong short term domestic and international travel demand and group demand from both corporate and Asian inbound markets.
- **CBD** revenue increased by $5.1 million representing a year-on-year increase of 1.6%. Underlying EBITDAI for the year was $46.7 million, an increase of 1.5% when compared to the previous corresponding year. The Group's strong revenue growth in Sydney, Melbourne, Canberra and Tasmania offset the reduction in revenue in other regions.
- **Central Revenue and Distribution** revenue increased by $4.9 million from $47.4 million to $52.3 million, an increase of 10.3%. Underlying EBITDAI in the segment was $35.3 million, which represents an increase of 5.4%. The results from this segment were driven by higher bookings through central distribution channels and additional management agreements.

In additional to the fully franked interim dividend of 5 cents per share, the Board has approved payment of a fully franked final dividend of 6 cents per share for the year ended 30 June 2017, bringing the total fully franked dividend for FY2017 to 11 cents per share.

Network Growth

During the FY2017, Mantra Group increased its portfolio by six new properties across several brands and operating models.

New properties included the 1,176 room Mantra-branded Ala Moana Hotel in Honolulu Hawaii, Mantra Residences @ Southport Central, Peppers Kings Square Hotel at Perth, Mantra the Observatory at Port Macquarie, Mantra Club Croc at Airlie Beach and Tribe Perth (Mantra Group is managing Tribe Perth as its first external brand). Mantra Hotel at Sydney Airport also opened in July 2017.

The recent acquisition of the Art Series Hotel Group, due to settle in late 2017 (subject to customary conditions), has again demonstrated Mantra Group's ability to identify and secure sizeable assets. This acquisition enhances Mantra Group's already extensive portfolio with a selection of unique properties in cultural hubs in Australian capital cities, offering our guests additional experience options under this unique brand.

Development pipeline remains strong for the Group with Mantra MacArthur Hotel, Canberra and the first two (of three) towers of FV by Peppers, which heralds the arrival of the Peppers brand in Brisbane, due to open in H1FY2018 (subject to customary settlement conditions).

The Group's new-build Mantra Southport Sharks Hotel on the Gold Coast and Mantra Albury Hotel in the Riverina district of New South Wales are scheduled to join the Group in H2FY2018 (subject to customary settlement conditions).

Mr East said Mantra Group will continue to surge ahead with FY2018 set to see ongoing portfolio growth, characterised by further acquisitions in key Australian and international destinations.

"As at 30 June, the Group has 18 contracted properties in our acquisition pipeline, including the Art Series Hotel Group properties, with our expansion focus predominantly remaining in Australia and New Zealand," he said.

"The Group's balance sheet and cash flow remain strong placing the business in a good position to capitalise on new opportunities as they arise."

Outlook and Strategy for FY2018

Mr East said Mantra Group is well placed to continue to deliver profitable growth and shareholder value in FY2018 and beyond.

"The Group's strong balance sheet, healthy pipeline of opportunities for future growth and sound business base all provide an excellent platform to deliver value to shareholders," said Mr East.

"Many markets are also experiencing favourable industry fundamentals, including strong inbound and domestic leisure demand, a growing corporate travel market and low supply growth.

"The Gold Coast region is also expected to significantly benefit from the Gold Coast 2018 Commonwealth Games next year.

"By contrast, we expect the markets that have slowed down in recent years, being Perth, Brisbane and Darwin, to continue to experience difficult trading conditions in FY2018.

"On balance, we expect further growth across the Resorts, CBD and Central Revenue and Distribution segment in FY2018."

Based on this, Mantra Group is well placed to deliver on its six key strategic priorities for FY2018:

- **Pipeline**: Continue to invest in the development team to ensure they have the resources to pursue opportunities which add shareholder value and prioritise sizeable portfolio assets;
- **Blue sky and funding options**: Pursue opportunities to invest in asset classes aligned with the Group's strategy and investigate alternative funding sources to enable further growth;
- **Engagement**: Increase the use of digital technology to engage guests, refresh employee value proposition to enhance engagement with team members, continue investor relations engagement, implement a 'virtual interactive display' enabling owners to view furniture options when considering apartment refurbishment, continue to deliver quality room inventory and F&B facilities, and an ongoing emphasis on owner engagement;
- **Distribution and brand**: To promote the Group's three brands to become the favourite in the market through the newly launched Mantra Hotels 'My Kind of Wonderful' brand campaign;
- **People:** Continue team member training and deliver quality service; and
- **Efficiency:** Continue to review processes and procedures aimed at improved efficiency and cost controls.

About Mantra Group

Mantra Group is the leading Australian-based hotel and resort operator. Mantra Group's portfolio consists of 128 properties with more than 21,500 rooms in properties under management, across Australia, New Zealand, Indonesia and Hawaii. Operating three well-known and trusted brands – Peppers, Mantra and BreakFree - Mantra Group operates the second largest network of accommodation properties in Australia (by room number). The Group is positioned to offer both leisure and business style accommodation ranging from full-service city hotels and self-contained apartments to luxury resorts and retreats. The Group successfully listed on the ASX in June 2014 and in its first year as a public company was elevated to the ASX 200*:*
www.mantragroup.com.au*;* www.peppers.com.au*;* www.mantra.com.au *;* www.breakfree.com.au

- ends -