MANTRA GROUP LIMITED

MANTRA GROUP | Art Series PEPPERS mantra BreakFree

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Important notice and disclaimer

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Non-IFRS financial information

Mantra Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as non-IFRS financial information. Mantra Group considers that this non-IFRS financial information is important to assist in evaluating Mantra Group's performance. The information is presented to assist in making appropriate comparisons with current periods and to assess the operating performance of the business. All non-IFRS financial information is reconciled to IFRS financial information.

All dollar values are in Australian dollars (A$) unless otherwise stated.

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HIGHLIGHTS

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RESULTS HIGHLIGHTS H1FY2018

UNDERLYING

TOTAL REVENUE	EBITDAI	NPAT	NPATA	EPS (CENTS)
$366.2M	$56.6M	$27.6M	$28.9M	9.3

STATUTORY

TOTAL REVENUE	EBITDAI	NPAT	NPATA	EPS (CENTS)
$366.2M	$54.0M	$25.1M	$26.4M	8.5

[1] Underlying EBITDAI is EBITDAI excluding transaction costs associated with a business combination of $0.7m (H1FY2017: $1.7m) and costs of $2.0m associated with the proposed acquisition by AccorHotels (H1FY2017: $nil). Underlying NPAT also excludes a net reversal of impairment (H1FY2018: Nil (H1FY2017: $3.2m)) and related tax impacts

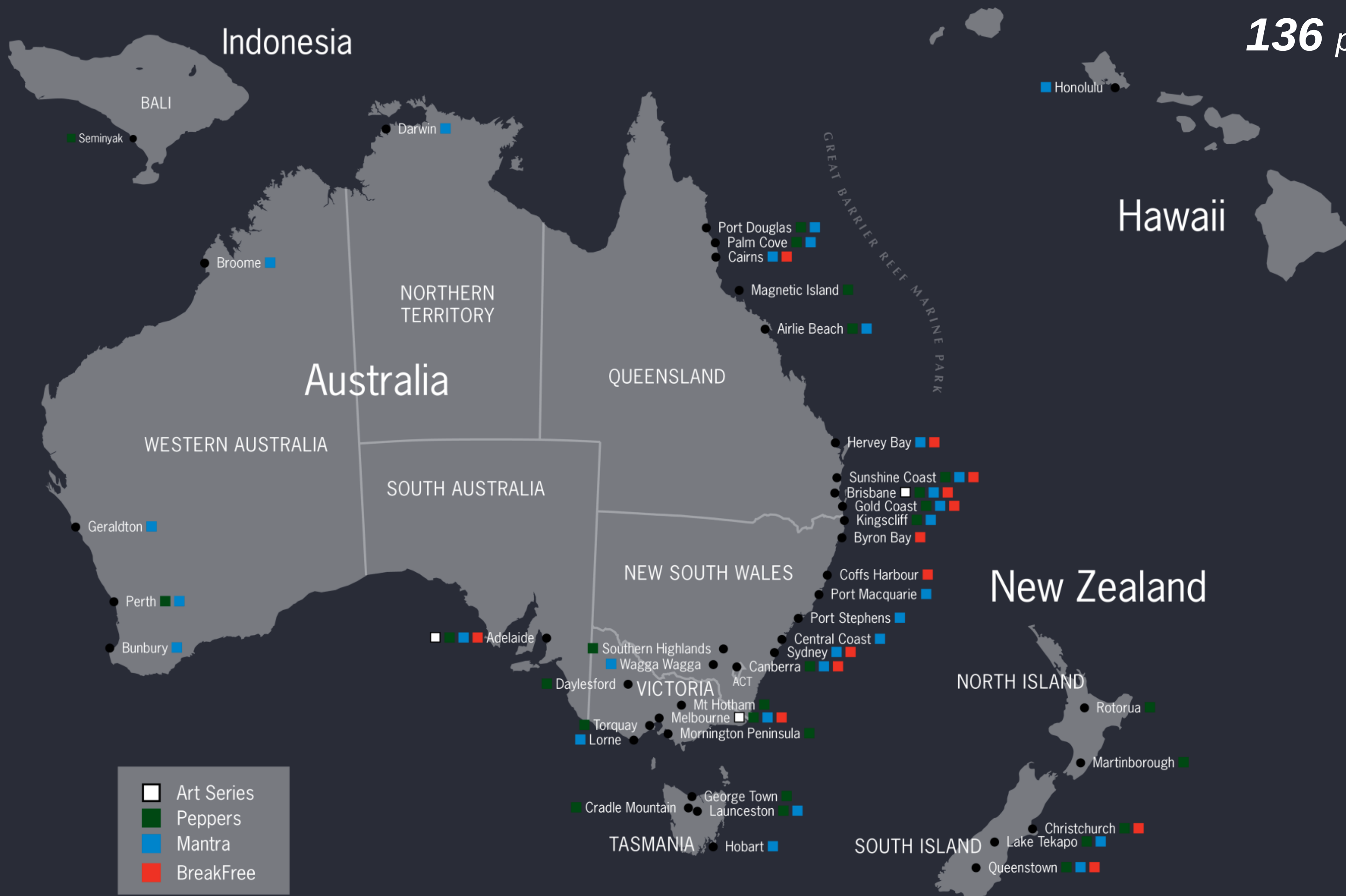
MANTRA GROUP’S BUSINESS

MANTRA GROUP

MANTRA GROUP LOCATIONS

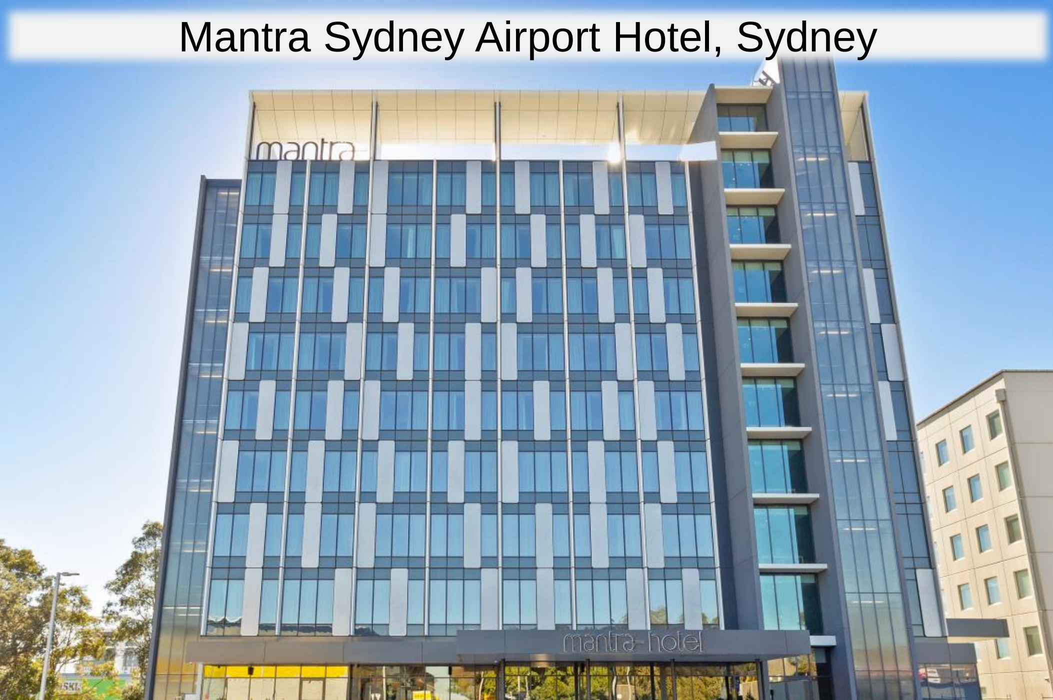
Mantra Group benefits from diversified geographic presence in the Australian accommodation market and has a growing presence in selected overseas markets

***136** properties*



H1FY2018 NEW PROPERTIES

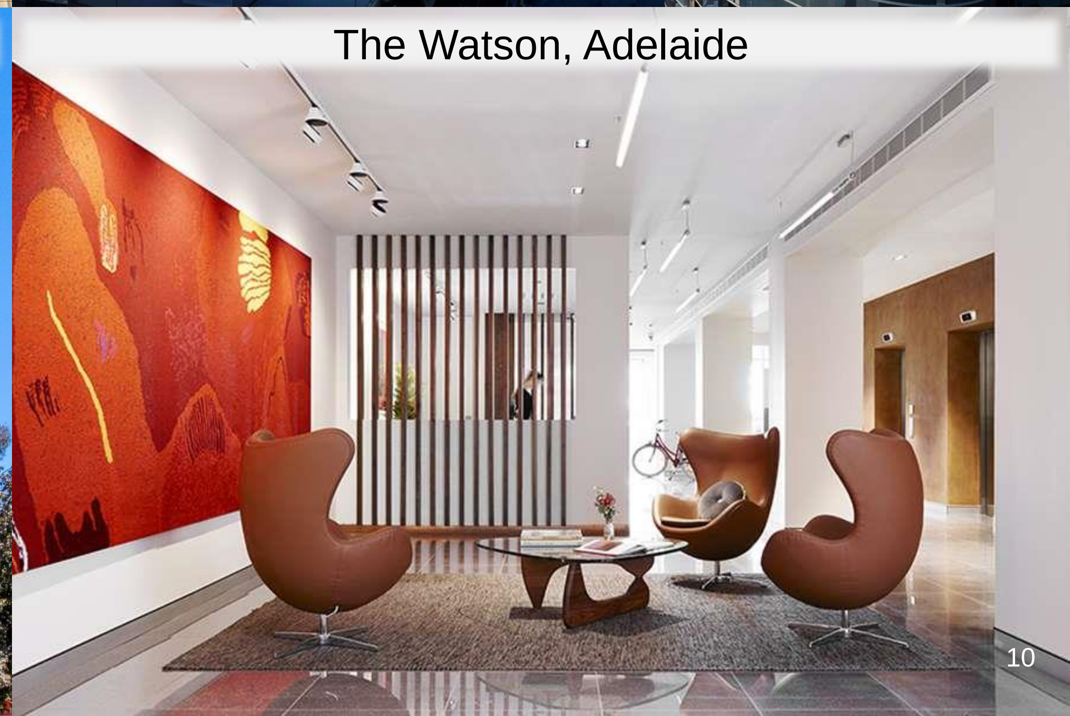
Mantra Sydney Airport Hotel, Sydney



Peppers FV, Brisbane

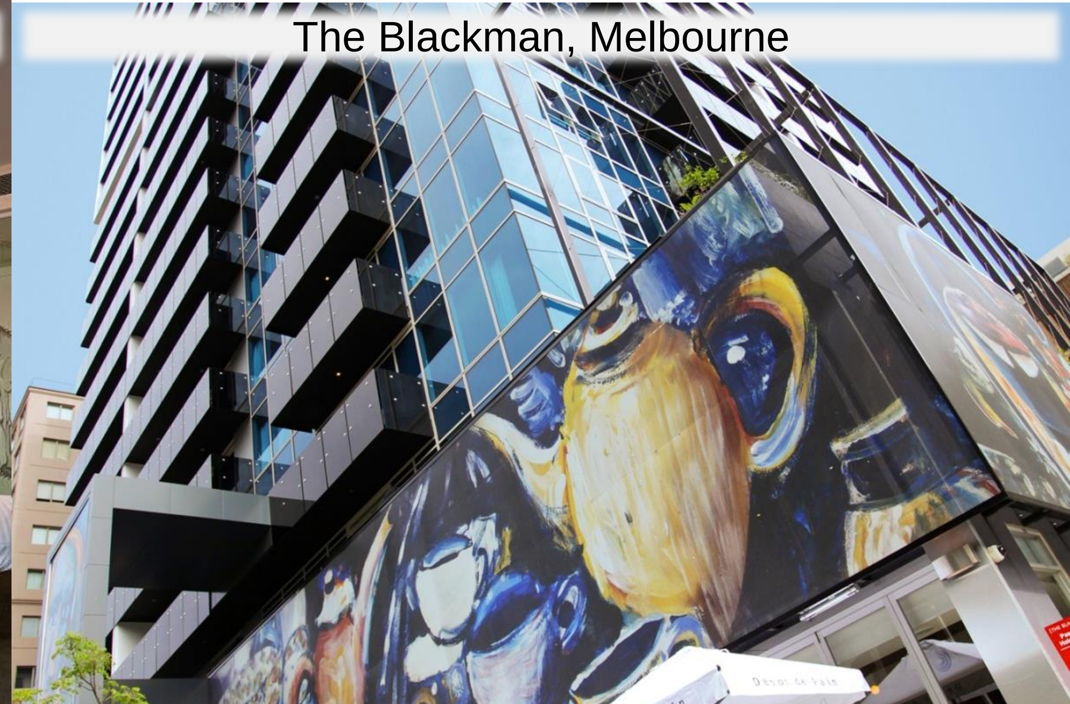
Mantra MacArthur Hotel, Canberra

The Watson, Adelaide



The Cullen, Prahran

The Blackman, Melbourne

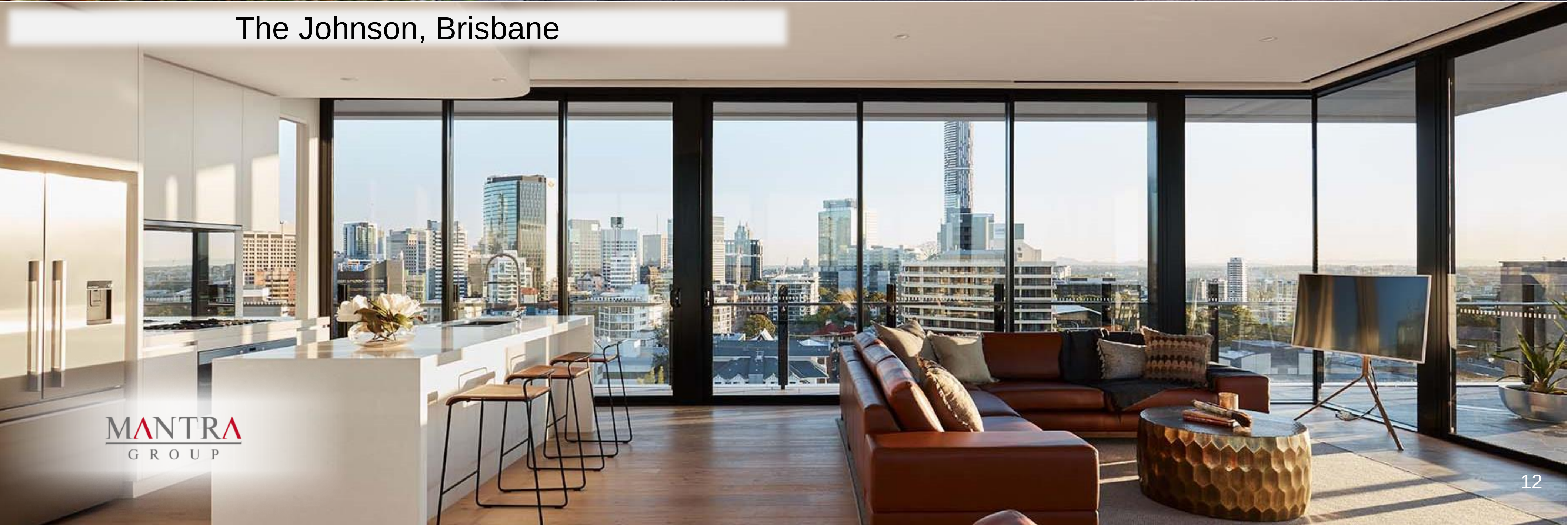


The Olsen, South Yarra

The Larwill, Melbourne

The Chen, Box Hill

The Johnson, Brisbane



FINANCIAL PERFORMANCE

PERIOD ON PERIOD RESULTS OVERVIEW

	H1FY2018 ($m)	H1FY2017 ($m)	Change ($m)	Change (%)
Total revenue	366.2	356.2	10.0	2.8
Statutory results				
EBITDAI	54.0	57.0	(3.0)	(5.4)
NPAT	25.1	30.5	(5.4)	(17.7)
NPATA	26.4	31.8	(5.4)	(16.9)
Underlying Results [1]				
EBITDAI	56.6	58.7	(2.1)	(3.6)
NPAT	27.6	29.5	(1.9)	(6.3)
NPATA	28.9	30.8	(1.9)	(6.1)
Other key statistics				
Rooms available ('000)	2,409	2,323	86	3.7
Occupancy (%)	81.9	82.2	(0.3)	(0.4)
Average room rate ($)	177.08	176.33	0.75	0.4
RevPAR ($)	145.07	144.91	0.16	0.1

COMMENTS

- Business performed well in tougher than anticipated trading conditions in some regions. Strong performing regions offset softness in certain CBD regions and US operations.
- Total revenue performed ahead of the previous corresponding period (pcp)
  - Total revenue increased by $10.0m or 2.8% to $366.2m from $356.2m
- RevPAR at record level for the period of $145.07
- Underlying EBITDAI decreased by $2.1m or 3.6% to $56.6m from $58.7m. Underlying EBITDAI margin decreased from 16.5% to 15.5%. These results were driven by softer trading conditions in US operations and Melbourne and Perth CBD locations.
  - New properties contributed $0.8m to EBITDAI for the period
- Key regions of Queensland resorts and Sydney performed strongly. Positive signs from Brisbane region throughout the period.

[1] Underlying EBITDAI is EBITDAI excluding transaction costs associated with a business combination of $0.7m (H1FY2017: $1.7m) and costs of $2.0m associated with the proposed acquisition by AccorHotels (H1FY2017: $nil). Underlying NPAT also excludes a net reversal of impairment (H1FY2018: Nil (H1FY2017: $3.2m)) and related tax impacts

REVENUE AND UNDERLYING EBITDAI BY SEGMENT

Operating Revenue	H1FY2018 ($m)	H1FY2017 ($m)	Change ($m)	Change (%)
Resorts	165.6	163.0	2.6	1.6
CBD	172.2	162.8	9.4	5.7
Central Revenue and Distribution	26.6	28.3	(1.7)	(6.0)
Corporate	1.9	2.1	(0.2)	(9.5)
Total	**366.2**	**356.2**	**10.0**	**2.8**

Underlying EBITDAI[1]	H1FY2018 ($m)	H1FY2017 ($m)	Change ($m)	Change (%)
Resorts	26.3	28.1	(1.8)	(6.1)
CBD	26.6	26.3	0.3	1.3
Central Revenue and Distribution	18.5	18.8	(0.3)	(1.8)
Corporate	(14.9)	(14.5)	0.4	2.6
Total	**56.6**	**58.7**	**(2.1)**	**(3.6)**

[1] Underlying EBITDAI is EBITDAI excluding transaction costs associated with business combinations of $0.7m (H1FY2017: $1.7m) and costs of $2.0m associated with the proposed acquisition by AccorHotels (H1FY2017: $nil)

[2] Organic excludes properties added in H1FY2018

COMMENTS

- Resorts revenue growth of 1.6% to $165.6m compared to pcp
  - Revenue benefitted principally from full year contributions from three Resorts properties added in H1FY2017 (Ala Moana by Mantra, Mantra Residences @ Southport Central and Mantra The Observatory Hotel)
  - By contrast, EBITDAI decreased by $1.8m or 6.1% as a result of annual payroll award and other annual increases in fixed operating costs in line with CPI.
- CBD revenue growth of $9.4m or 5.7% to $172.2m
  - New CBD properties contributed $9.1m in revenue and $1.3m in EBITDAI before opening costs of $0.7m
  - Organic[2] revenue remained in line with H1FY2017. Organic EBITDAI decreased by 1.0% as a result of annual increases in operating costs.
- For CR&D, management fees in H1FY2017 benefited from one off termination fees for management agreements which were terminated in that period. No such termination fees were earned in H1FY2018.
- The Corporate segment's results were negatively impacted by the costs associated with the integration of the Art Series' central services.

RESORT SEGMENT - HIGHLIGHTS

Growth in Resort RevPAR achieved

	H1FY2018	H1FY2017	Change	Change (%)
Total rooms available ('000)	1,384	1,369	15	1.1
Paid rooms sold ('000)	1,094	1,086	8	0.7
Occupancy (%)	79.0	79.3	(0.3)	(0.4)
Average room rate ($)	180.71	179.24	1.47	0.8
RevPAR ($)	142.78	142.09	0.69	0.5

RevPAR movements in key regions			
Gold Coast	0.2%	⬆	Impacted by reduced Group bookings as some facilities unavailable pre Commonwealth Games
Sunshine Coast	6.2%	⬆	Strong leisure demand, in particular to Noosa
TNQ	5.5%	⬆	Strong domestic and Asian inbound
New Zealand	10.6%	⬆	Strong leisure and Asian inbound
Hawaii	(10.5%)	⬇	New Waikiki supply and decreased demand in Convention Centre market

CBD SEGMENT - HIGHLIGHTS

Strong occupancy and average room rate maintained

	H1FY2018	H1FY2017	Change	Change (%)
Total rooms available (‘000)	1,025	954	71	7.4
Paid rooms sold (‘000)	880	824	56	6.8
Occupancy (%)	85.9	86.3	(0.4)	(0.5)
Average room rate ($)	172.57	172.50	0.07	0
RevPAR ($)	148.17	148.95	(0.78)	(0.5)

RevPAR movements in key regions			
Sydney	4.2%	↑	Continued strong demand and reopened Convention Centre
Canberra	2.6%	↑	Increased demand from government business
Melbourne	(3.2%)	↓	Reduction in constrained demand resulting from new supply. Greater Melbourne region RevPAR down 1.8%.
Brisbane	0.9%	↑	Demand driven by special events, government and corporate
Perth	(9.5%)	↓	Increased supply and rate discounting in line with broader market
Darwin	7.6%	↑	Ongoing infrastructure projects and increased leisure demand
Adelaide	8.9%	↑	Increased local events

CR&D SEGMENT

Commission revenue maintained

- CR&D revenue of $26.6m was lower than the prior corresponding period by $1.7m. H1FY2018 EBITDAI was $18.5m, a decrease on H1FY2017 of $0.3m or 1.8%.
- Results in this segment were impacted most significantly by termination fees received in HYFY2017 on management agreements which were terminated. No such fees were received in H1FY2018.




STATUTORY PROFIT AND LOSS FOR THE PERIOD

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	H1FY2018 ($m)	H1FY2017 ($m)	Change ($m)
Operating revenue	366.2	356.2	10.0
Total operating expenses	(312.2)	(299.2)	13.0
EBITDAI	**54.0**	**57.0**	**(3.0)**
Depreciation, amortisation (excluding amortisation of lease rights)	(12.7)	(11.6)	1.1
EBITAI	**41.2**	**45.4**	**(4.1)**
Amortisation of lease rights	(1.9)	(1.9)	-
Impairment reversal	-	3.2	(3.2)
EBIT	**39.3**	**46.7**	**(7.4)**
Net finance costs	(2.6)	(2.5)	0.1
Profit before tax	**36.8**	**44.2**	**(7.5)**
Tax expense	(11.6)	(13.7)	2.1
NPAT	**25.1**	**30.5**	**(5.4)**
NPATA	**26.4**	**31.8**	**(5.4)**
EPS (cents)	**8.5**	**10.3**	**(1.8)**

COMMENTS

- Business performance has been maintained in tougher than anticipated trading conditions in certain markets
- While revenue performed ahead of the pcp, operations in certain regions were impacted by soft operating conditions
  - Melbourne, Perth and the US were impacted by increased supply
- Revenue growth driven by
  - Ten property acquisitions completed in the period (increase of $9.3m)
- Strong Asian inbound and domestic travel trends continue

STATUTORY CASH FLOW

	H1FY2018 ($m)	H1FY2017 ($m)	Change ($m)
Cash flows from operating activities			
Receipts from customers	383.9	371.8	12.1
Payments to suppliers	(330.1)	(331.3)	(1.2)
	53.8	40.5	13.3
Net interest and tax payments	(17.4)	(15.4)	(2.0)
Net cash inflow from operating activities	**36.4**	**25.1**	**11.3**
Net cash (outflow) from investing activities	**(68.1)**	**(84.7)**	**(16.6)**
Net cash inflow /(outflow) from financing activities	**33.1**	**(0.1)**	**33.2**
Net increase /(decrease) in cash and cash equivalents	**1.4**	**(59.7)**	**61.1**

COMMENTS

- Cash flow from operating activities for H1FY2018 continued to be strong
- Operating cash inflows increased by $11.3m to $36.4m in H1FY2018 primarily as a result of an increase in advanced deposits
- Net cash outflow from investing activities totalled $68.1m following the acquisition of ten properties in H1FY2018 (pcp: four)
- Net cash inflow from financing activities increased by $33.2m to $33.1m. This was principally as a result of the drawdown in debt to fund the acquisition of the Art Series Hotel Group in November 2017.

BALANCE SHEET AND CREDIT METRICS

Statutory balance sheet	31 Dec 17 Actual ($m)	30 June 17 Actual ($m)	31 Dec 16 Actual ($m)
Cash and cash equivalents	64.3	62.9	56.7
Other current assets	95.8	67.2	86.2
Current assets	**160.1**	**130.2**	**142.9**
PPE	168.2	157.7	161.4
Intangible assets	571.8	513.4	519.8
Other non-current assets	5.1	5.1	4.7
Total non-current assets	**745.1**	**676.1**	**685.9**
Total assets	**905.2**	**806.3**	**828.8**
Trade and other payables	65.0	52.6	59.2
Other liabilities	60.1	45.0	53.1
Total current liabilities	**125.0**	**97.6**	**112.3**
Borrowings	186.4	135.3	140.3
Other non-current liabilities	108.6	95.4	94.6
Total non-current liabilities	**295.0**	**230.7**	**234.9**
Total liabilities	**420.0**	**328.3**	**347.2**
Net assets	**485.2**	**477.9**	**481.7**

COMMENTS

- The Group continues to generate strong cash flows through operations
- Intangible assets have increased by $58.5m (11.4%) since 30 June 2017 following the acquisition of ten properties
- Other current assets were increased in line with expectations given the busy December/January holiday period and increased number of properties
- Other liabilities include advance deposits in relation to forward bookings of $43.7m (30 June 2017: $26.1m; 31 Dec 16: $32.8m). Commonwealth Games deposits and the acquisition of the Art Series Hotel Group has impacted this balance.
- The Group is well within debt covenants under banking facilities

Credit metrics	
Borrowings ($m)	186.4
Cash and cash equivalents ($m)	64.3
Net total indebtedness ($m)	**122.1**
Net debt /LTM Underlying EBITDAI	1.24x
LTM Underlying EBITDAI/LTM Net finance cost	21.8x

SCHEME OF ARRANGEMENT WITH ACCORHOTELS

Update on transaction

- Mantra Group's Board continues to be in full support of the Scheme of Arrangement (Scheme) with AccorHotels which was announced on 12 October 2017

Price and dividend

- If the Scheme is approved, under the terms of the Scheme, Mantra Group shareholders will be entitled to receive $3.96 cash per share
- Mantra Group has the discretion to pay shareholders a special dividend of up to a maximum of 23.5 cents per share which will be deducted from the $3.96 headline value
- In this context, Mantra Group will not be declaring a dividend in respect of the half year




SCHEME OF ARRANGEMENT WITH ACCORHOTELS

Update on transaction continued

Indicative Timing

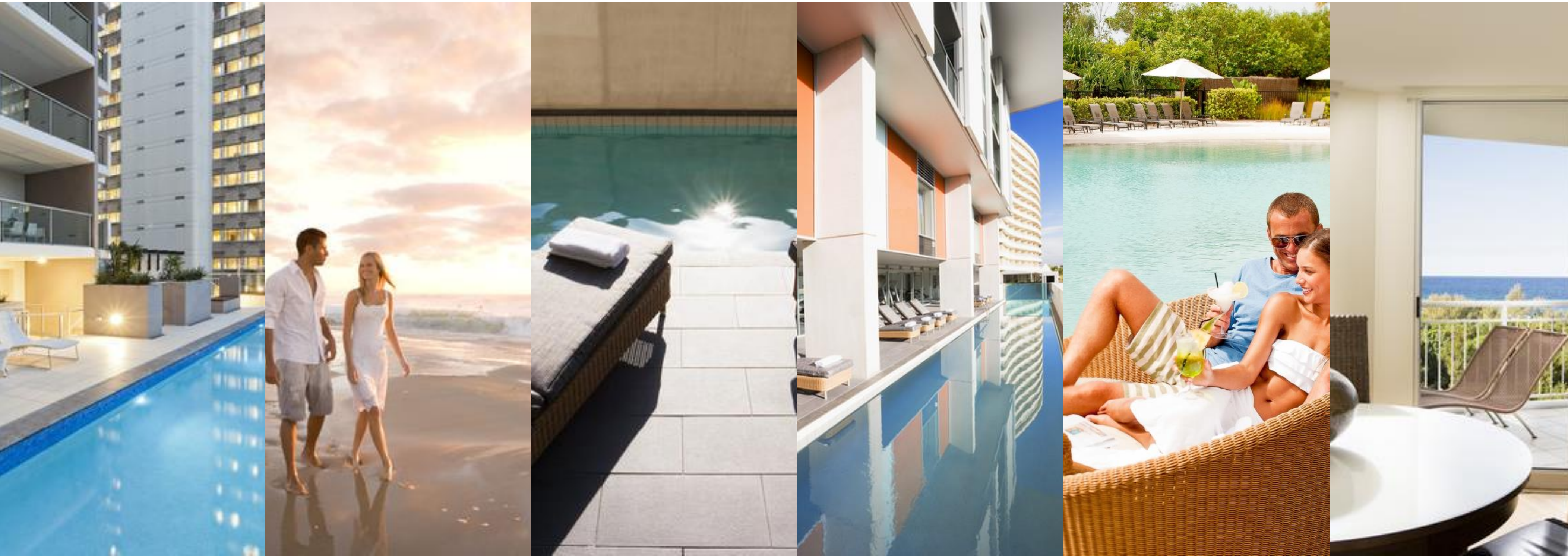
- The implementation of the Scheme remains subject to a number of customary conditions including the approval of Mantra Group's shareholders, as well as necessary regulatory approvals including ACCC and FIRB
- AccorHotels has been actively engaging with the ACCC, including responding to information requests, and believes the approval process remains on track. AccorHotels remains confident of obtaining approval.
- Subject to the above and based on current timing:
  - A Scheme booklet containing information relating to the Scheme is expected to be mailed in March or April 2018
  - A Scheme Meeting is expected to be held in April or May 2018




CONCLUSION

- Business performance has been maintained in tougher than anticipated trading in certain markets
- A record 10 properties transitioned during the reporting period resulting in higher opening and transition costs
- Art Series brand added to brand portfolio
- Management remains focussed on driving its core business
- Australian tourism sector continues to strengthen with strong gains in domestic and international tourism
- AccorHotels transaction on track for Q4FY2018 completion
- In the context of the Scheme with AccorHotels, Mantra Group is not in a position to provide specific earnings guidance



APPENDIX

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Peppers Silo Hotel
Location:	Launceston, TAS
Model:	HMR
Keys in building:	108
Opening:	H2FY2018
Segment:	CR&D

Property:	Mantra City Road
Location:	Southbank, Melbourne
Model:	MLR / LEASE
Keys in building:	469
Opening:	H2FY2018
Segment:	CBD

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Property:	Mantra Albury
Location:	Albury, NSW
Model:	HMR
Keys in building:	146
Opening:	H2FY2018
Segment:	CR&D

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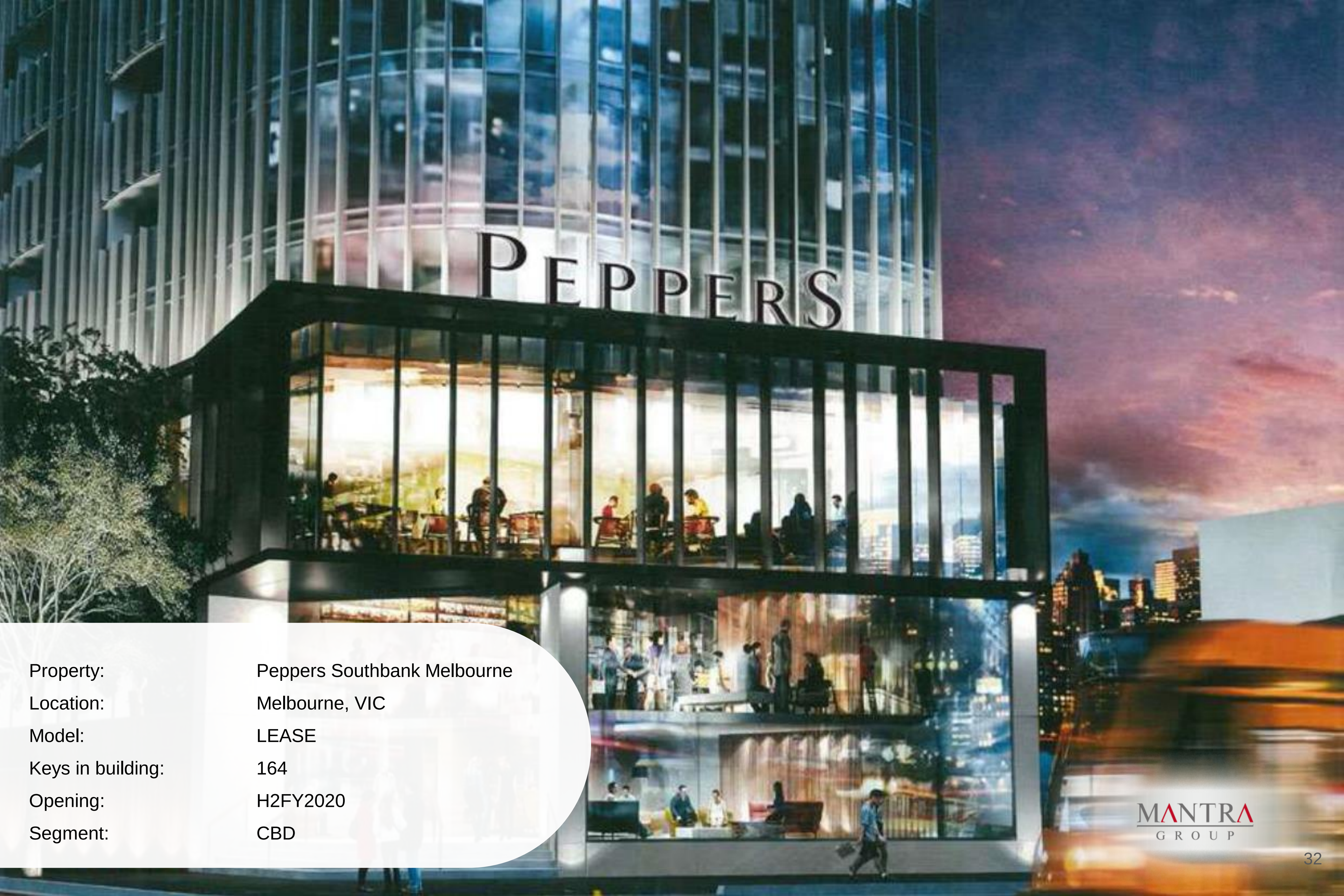
Property:	Mantra Southport Sharks
Location:	Gold Coast, QLD
Model:	MSA
Keys in building:	100
Opening:	H2FY2018
Segment:	CORPORATE

Property:	Mantra 900 Hay Street
Location:	Perth, WA
Model:	LEASE
Keys in building:	250
Opening:	H1FY2020
Segment:	CBD



Property:	Peppers Southbank Melbourne
Location:	Melbourne, VIC
Model:	LEASE
Keys in building:	164
Opening:	H2FY2020
Segment:	CBD

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Property:	Mantra Epping
Location:	Epping, VIC
Model:	HMR
Keys in building:	212
Opening:	H1FY2020
Segment:	CR&D

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Property:	Peppers Queenstown
Location:	Queenstown, New Zealand
Model:	HMR
Keys in building:	260
Opening:	H2FY2021
Segment:	CR&D

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Property:	Mantra Sky Hotel Tekapo
Location:	Lake Tekapo, New Zealand
Model:	MA
Keys in building:	100
Opening:	H2FY2020
Segment:	CR&D

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Property:	Mantra Wallaroo Shores
Location:	Wallaroo, SA
Model:	MA
Keys in building:	100
Opening:	H2FY2020
Segment:	CR&D

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Property:	Mantra M-City
Location:	Melbourne, VIC
Model:	MLR/LEASE
Keys in building:	250
Opening:	H1FY2021
Segment:	CBD

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IMPORTANT NOTICE

Mantra Group's Financial Statements for the six months ended 31 December 2017 are presented in accordance with Australian Accounting Standards. Certain measures are used by management and the Board to assess performance and make decisions on the allocation of resources (non-IFRS financial measurements). Further information regarding the non-IFRS financial measures and other key terms used in this presentation is included in the Glossary below. Non-IFRS measures have not been subject to audit or review.

Glossary	
Average room rate (ARR)	ARR measures the total average room revenue received per occupied room per day throughout the period. It is used as a metric to compare relative profitability of the accommodation industry and is one of the inputs used to calculate RevPAR along with Occupancy
CAGR	Compound annual growth rate
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAI	Earnings before interest, taxation, depreciation, amortisation and impairment
FY	Year to 30 June
HMR	Hotel Management Right
MLR	Management Letting Right
MA	Management Agreement
MSA	Marketing Services Agreement
NPAT	Net profit after tax
NPATA	Net profit after tax adjusted to add back expense relating to amortisation of lease rights
Occupancy	Measures the average number of rooms that have been utilised compared to the total average available rooms throughout the period. It is used as a metric to compare relative profitability of the accommodation industry and is one of the inputs used to calculate RevPAR along with Average Room Rate
Paid rooms sold	Number of rooms sold throughout the period
pcp	Previous corresponding period (H1FY2017)
RevPAR	Measures the total average room revenue received per room available throughout the period. It can also be calculated by taking the average occupied room rate and multiplying by the occupancy rate. It is used as a metric to compare relative profitability of the accommodation industry
Total rooms available	Number of rooms managed multiplied by the days in the period
Underlying EBITDAI	EBITDAI excluding transaction costs associated with business combination of $0.7m (H1FY2017: $1.7m) and costs of $2.0m associated with the proposed acquisition by AccorHotels (H1FY2017: $nil)
Underlying NPAT	Statutory NPAT excluding transaction costs associated with business combinations of $0.7m (H1FY2017: $1.7m) and costs of $2.0m associated with the proposed acquisition by AccorHotels and their related tax effect (H1FY2017: $nil)

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