Mantra Group

HY2017 Results Presentation

17 February 2017

Ala Moana by Mantra, Honolulu

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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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MANTRA
GROUP
Highlights
Peppers Noosa Resort & Villas, Noosa

HIGHLIGHTS

MANTRA GROUP

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3. Inbound market buoyant
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HIGHLIGHTS – STATUTORY

TOTAL REVENUE	EBITDAI	NPAT
$356.2M	$57.0M	$30.5M
↗ 15.9%	↗ 17.8%	↗ 26.0%

NPATA	EPS	INTERIM DIVIDEND
$31.8M	10.3 CPS	5¢
↗ 24.6%	↗ 14.2%	PER SHARE

HIGHLIGHTS – UNDERLYING*

EBITDAI
$58.7M
↑ 10.3%

NPAT
$31.8M
↑ 15.1%

NPATA
$33.1M
↑ 14.4%

REVPAR
$144.91
↑ 5.9%

EPS
10.7 CPS
↑ 3.7%

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PROPERTIES ADDED

* Underlying Results are the statutory results excluding acquisition related transaction costs of $1.7m expensed in the period

Peppers Dockands, Melbourne

MANTRA GROUP LOCATIONS

MANTRA GROUP

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

Note:
1 Map is not to scale

Financial Performance

Mantra Richmont Hotel, Brisbane

PERIOD ON PERIOD RESULTS OVERVIEW

	H1FY2017 ($m)	H1FY2016 ($m)	Change ($m)	Change (%)
Total revenue	356.2	307.4	48.8	15.9
Statutory results				
EBITDAI	57.0	48.4	8.6	17.8
NPAT	30.5	24.3	6.2	26.0
NPATA	31.8	25.6	6.2	24.6
Underlying Results[1]				
EBITDAI	58.7	53.2	5.5	10.3
NPAT	31.8	27.6	4.2	15.1
NPATA	33.1	28.9	4.2	14.4
Other key statistics				
Rooms available ('000)	2,323	2,093	230	11.0
Occupancy (%)	82.2	79.9	2.3	2.9
Average room rate ($)	176.33	171.14	5.19	3.0
RevPAR ($)	144.91	136.82	8.09	5.9

COMMENTS

- Business has performed strongly in H1FY2017 with strength of Resorts and acquisitions more than offsetting softness in CBD
- Revenue, Underlying EBITDAI[1], NPAT and NPATA all performed ahead of the previous corresponding period (pcp)
  - Total revenue increased by 15.9% to $356.2m from $307.4m
  - Underlying EBITDAI increased by $5.5m or 10.3% to $58.7m from $53.2m
- Strong revenue growth driven by
  - Four property acquisitions completed in the period (increase of $27.9m)
  - Organic[2] growth (increase of $20.9m)
- Underlying EBITDAI margin decreased from 17.3% to 16.5% due to ARR decrease in CBD
- Strong Asian inbound trends continue

[1] Underlying Results are the statutory results excluding transaction costs of $1.7m (H1FY2016: $4.8m) incurred in respect of certain acquisitions completed in the period
[2] Organic excludes properties added in H1FY2017

REVENUE AND UNDERLYING EBITDAI BY SEGMENT

Operating Revenue	H1FY2017 ($m)	H1FY2016 ($m)	Change ($m)	Change (%)
Resorts	163.0	125.3	37.7	30.1
CBD	162.8	157.4	5.4	3.4
Central Revenue and Distribution	28.3	23.1	5.2	22.5
Corporate	2.1	1.5	0.6	37.3
Total	**356.2**	**307.3**	**48.8**	**15.9**

Underlying EBITDAI[1]	H1FY2017 ($m)	H1FY2016 ($m)	Change ($m)	Change (%)
Resorts	28.1	21.7	6.4	29.5
CBD	26.3	27.7	(1.4)	(5.1)
Central Revenue and Distribution	18.8	16.8	2.0	12.1
Corporate	(14.5)	(13.0)	1.5	11.6
Total	**58.7**	**53.2**	**5.5**	**10.3**

COMMENTS

- Strong Resorts revenue growth of 30.1% to $163.0m compared to pcp
  - New Resorts properties contributed $27.9m in revenue and $4.7m in EBITDAI
  - Organic increase in Resorts revenue and EBITDAI was $9.8m (7.8%) and $1.7m (7.7%) respectively
- CBD revenue growth of $5.4m or 3.4% to $162.8m
  - Revenue benefitted principally from full year contributions from two CBD properties added mid and late H1FY2016
  - By contrast, EBITDAI decreased by $1.4m or 5.1% principally due to challenging rates in certain CBD locations (Perth, Brisbane and Darwin)
- CR&D segment results were driven by increased volumes generated via Mantra Group online booking channels as well as increased fees from management agreements
- The Corporate segment's results were negatively impacted by certain one off costs including KMP recruitment and Mantra Ala Moana set up costs

[1] Underlying Results are the statutory results before transaction costs of $1.7m (H1FY2016: $4.8m) incurred in respect of acquisitions completed in the period

RESORT SEGMENT - HIGHLIGHTS

Excellent growth in Resorts segment across all key metrics

- Total rooms available increased by 16.4%. Increase primarily came from the addition of Mantra Ala Moana (from 26 July 2016) to the portfolio.
- Occupancy increased by 5.3% as a result of increased demand from domestic and international travellers.
- Average room rate increased by 7.6% as a result of the increased demand, particularly in Queensland destinations.
- Average room rate increased in all Resorts regions.

	H1FY2017 ($m)	H1FY2016 ($m)	Change	Change (%)
Total rooms available (‘000)	1,369	1,176	193	16.4
Paid rooms sold (‘000)	1,086	886	200	22.6
Occupancy (%)	79.3	75.3	4.0	5.3
Average room rate ($)	179.24	166.63	12.61	7.6
RevPAR ($)	142.09	125.53	16.56	13.2

CBD SEGMENT - HIGHLIGHTS

Strong occupancy maintained in CBD segment and total rooms available increased 4.1% on pcp

- Total rooms available increased by 4.1%. Increase primarily came from a full six months contribution from two CBD properties added in H1FY2016 (Peppers Waymouth and Mantra on Mary).
- Occupancy increased by 0.5% following strong conference business and special events in Melbourne and Canberra, in particular. Occupancy at all CBD regions increased with the exception of Darwin.
- RevPAR decreased by 1.6%. This was principally as a result of the continued subdued operating conditions in Brisbane, Perth and Darwin. Excluding these regions, RevPAR increased by $3.10.

	H1FY2017	H1FY2016	Change	Change (%)
Total rooms available (‘000)	954	917	37	4.1
Paid rooms sold (‘000)	824	787	37	4.7
Occupancy (%)	86.3	85.9	0.4	0.5
Average room rate ($)	172.50	176.22	(3.72)	(2.1)
RevPAR ($)	148.95	151.31	(2.36)	(1.6)

CR&D SEGMENT

Growth in revenue and EBITDAI also experienced in CR&D segment

- CR&D revenue of $28.3m exceeded the prior corresponding period by $5.2m. H1FY2017 EBITDAI was $18.8m, an increase on H1FY2016 of $2.0m or 12.1%.
- Increases in management fees and increased volumes generated via Mantra Group online booking channels contributed to this growth.




H1FY2017 NEW PROPERTIES

Four new properties added in H1FY2017. Mantra Ala Moana performing ahead of expectations.

Mantra Ala Moana, Hawaii

Mantra Residences at Southport Central, Gold Coast

Peppers Kings Square, Perth

Mantra Observatory, Port Macquarie

STATUTORY PROFIT AND LOSS FOR THE PERIOD

	H1FY2017 ($m)	H1FY2016 ($m)	Change ($m)
Operating revenue	356.2	307.3	48.8
Other income	-	0.1	(0.1)
Total operating expenses	(299.2)	(259.0)	40.2
EBITDAI	**57.0**	**48.4**	**8.6**
Depreciation, amortisation (excluding amortisation of lease rights)	(11.6)	(9.1)	2.5
EBITAI	**45.4**	**39.3**	**6.1**
Amortisation of lease rights	(1.9)	(1.9)	-
Impairment reversal	3.2	-	3.2
EBIT	**46.7**	**37.4**	**9.3**
Net finance costs	(2.5)	(2.5)	-
Profit before tax	**44.2**	**34.9**	**9.3**
Tax expense	(13.7)	(10.6)	3.1
NPAT	**30.5**	**24.3**	**6.2**
NPATA	**31.8**	**25.6**	**6.2**
EPS	**10.3**	**9.0**	**1.3**

[1] Organic excludes properties added in H1FY2017

COMMENTS

- Business has performed well in H1FY2017
- Revenue, EBITDAI, NPAT and NPATA all performed ahead of the pcp
  - Operating revenue increased by $48.8m
  - EBITDAI increased by $8.6m
- Revenue growth driven by
  - Four property acquisitions completed in the period (increase of $27.9m)
  - Organic[1] growth (increase of $20.9m)
- Reversal of impairment of $3.2m in H1FY2017. All intangible assets are tested for impairment at least annually and more frequently when indicators of impairment or reversal of impairment exist.
- Strong Asian inbound trends continue

STATUTORY CASH FLOW

	H1FY2017 ($m)	H1FY2016 ($m)	Change ($m)
Cash flows from operating activities			
Receipts from customers	371.8	329.7	42.1
Payments to suppliers	(331.3)	(290.4)	40.9
	40.5	39.3	1.2
Net interest and tax payments	(15.4)	(15.2)	0.2
Net cash inflow from operating activities	**25.1**	**24.1**	**1.0**
Net cash (outflow) from investing activities	**(84.7)**	**(110.0)**	**(25.3)**
Net cash inflow from financing activities	**(0.1)**	**42.8**	**(42.9)**
Net (decrease)/ increase in cash and cash equivalents	**(59.7)**	**(43.1)**	**16.6**

COMMENTS

- Cash flow from operating activities for H1FY2017 continued to be strong
- Operating cash inflows increased by $1.0m to $25.1m in H1FY2017 primarily as a result of strong trading results
- Net cash outflow from investing activities totalled $84.7m following the acquisition of four properties in H1FY2017 (pcp: nine)
- Net cash inflow from financing activities has decreased by $42.9m to ($0.1m). In the prior period, $55m of additional debt was drawn down for the acquisition of properties. Only $15m was drawn down in the six months to Dec 2016.

BALANCE SHEET AND CREDIT METRICS

Statutory balance sheet	31 Dec 16 Actual ($m)	30 June 16 Actual ($m)	31 Dec 15 Actual ($m)
Cash and cash equivalents	56.7	117.1	42.0
Other current assets	86.2	60.0	75.0
Current assets	**142.9**	**177.1**	**117.0**
PPE	161.4	121.9	120.5
Intangible assets	519.8	469.4	474.8
Other non-current assets	4.7	0.6	1.0
Total non-current assets	**685.9**	**591.9**	**596.3**
Total assets	**828.8**	**769.0**	**713.3**
Trade and other payables	59.2	45.1	58.3
Other liabilities	53.1	44.3	47.9
Total current liabilities	**112.3**	**89.4**	**106.2**
Borrowings	140.3	125.1	160.4
Other non-current liabilities	94.6	91.5	96.5
Total non-current liabilities	**234.9**	**216.6**	**256.9**
Total liabilities	**347.2**	**306.0**	**363.1**
Net assets	**481.7**	**463.0**	**350.2**

COMMENTS

- Very strong balance sheet and cash position leaves the Group in a good position to take advantage of future growth opportunities
- Intangible assets have increased by $50.4m (10.7%) since 30 June 2016 following the acquisition of four properties.
- Other current assets are inflated in line with expectations given the busy December/January holiday period
- Other liabilities include advance deposits in relation to forward bookings of $32.8m (30 June 2016: $25.1m; 31 Dec 15: $30.1m)
- The Group is well within debt covenants under banking facilities

Credit metrics	
Borrowings ($m)	140.3
Cash and cash equivalents ($m)	56.7
Net total indebtedness ($m)	**83.6**
Net debt /LTM Underlying EBITDAI	0.9x
LTM Underlying EBITDAI/LTM Net finance cost	18.2x

MANTRA GROUP

Strategy and outlook

Peppers Seminyak, Seminyak

FY17 STRATEGY AND OUTLOOK

Mantra Group reaffirms its FY2017 guidance

- Guidance provided in August 2016 of EBITDAI, NPAT and NPATA of between $101.0m - $107.0m, $48.5m - $52.5m and $51.0m - $55.5m respectively is reaffirmed

- Guidance for FY2017 excludes the impact of any additional conditional or uncontracted properties as at 30 June 2016 and any transaction costs and foreign currency translation costs associated with FY2017 acquisitions

- In line with its key strategies, Mantra Group continues to assess suitable acquisition opportunities both domestically and abroad. Dividend payout ratio for full year expected to be between 60% to 80% of Statutory NPAT.




MANTRA GROUP

Properties scheduled to enter portfolio*

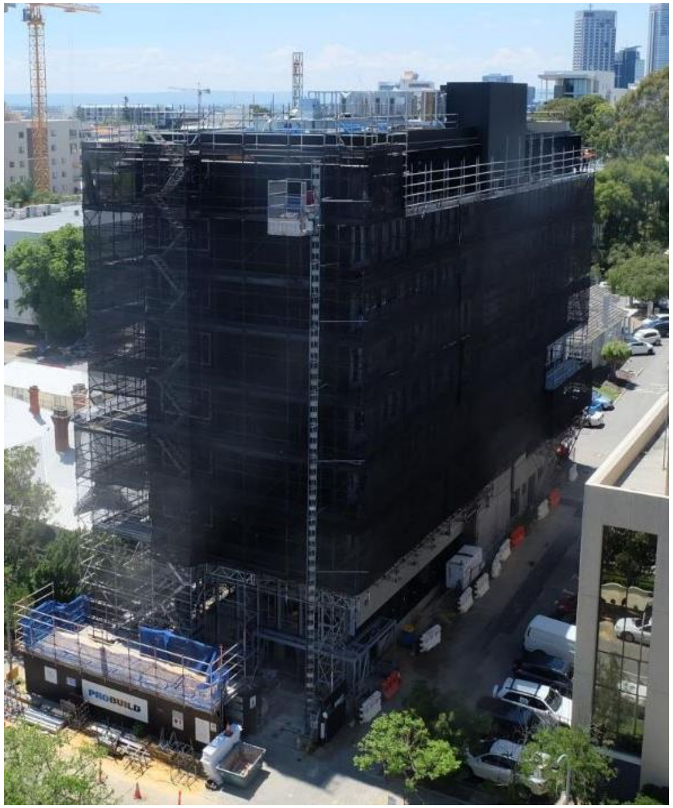
* All properties scheduled to enter the portfolio are Board approved. The terms and timing of certain properties entering the portfolio may be subject to change until completion.

Mantra 2 Bond Street, Sydney

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Mantra Club Crocodile
Location:	Airlie Beach, Whitsundays, QLD
Model:	HMR
Keys in building:	160
Opening:	H2FY2017
Segment:	CR&D

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



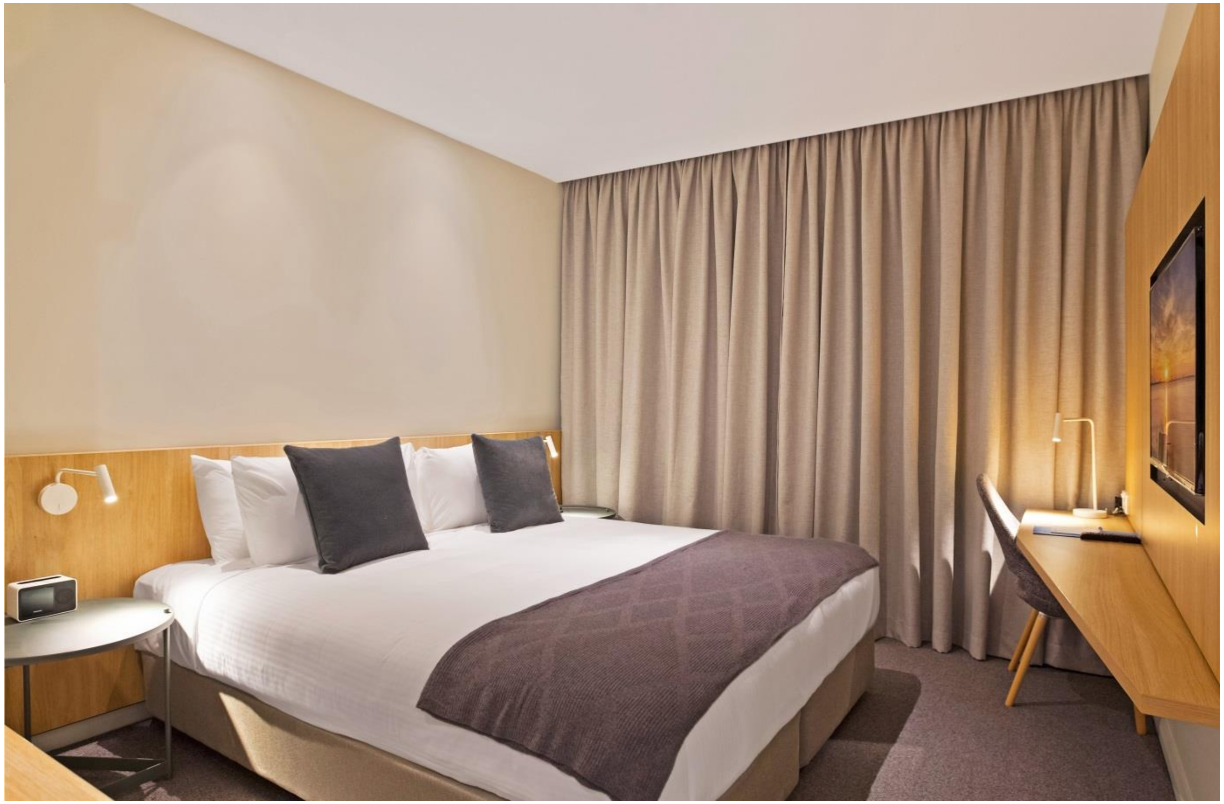
Property:	Tribe
Location:	West Perth, WA
Model:	HMR
Keys in building:	120
Opening:	H2FY2017
Segment:	CR&D

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	FV
Location:	Brisbane, QLD
Model:	MLR
Keys in building:	969 (across 3 towers with the 3rd due to open H1FY2020)*
Opening:	H1FY2018
Segment:	CBD

* Purchase price conditional on the number and type of keys obtained in the letting pool

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property:	Mantra Sydney Airport Hotel
Location:	Sydney, NSW
Model:	HMR
Keys in building:	136
Opening:	Estimated for H1FY2018
Segment:	CR&D

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Mantra Macarthur Hotel
Location:	Canberra, ACT
Model:	HMR
Keys in building:	176
Opening:	H1FY2018
Segment:	CBD

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Mantra Wallaroo Shores
Location:	Wallaroo, SA
Model:	MA
Keys in building:	100
Opening:	H2FY2018
Segment:	CR&D

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Mantra Sky Hotel Tekapo
Location:	Lake Tekapo, New Zealand
Model:	MA
Keys in building:	100
Opening:	H2FY2018
Segment:	CR&D

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Mantra 900 Hay Street
Location:	Perth, WA
Model:	LEASE
Keys in building:	250
Opening:	H1FY2019
Segment:	CBD

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Mantra Albury
Location:	Albury, NSW
Model:	HMR
Keys in building:	158
Opening:	H1FY2019
Segment:	CR&D

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Peppers Queenstown
Location:	Queenstown, NZ
Model:	HMR
Keys in building:	260
Opening:	H2FY2019
Segment:	CR&D

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Peppers Southbank, Melbourne
Location:	Melbourne, VIC
Model:	LEASE
Keys in building:	164
Opening:	H1FY2019
Segment:	CBD

PROPERTIES SCHEDULED TO ENTER PORTFOLIO

Property:	Peppers James Hotel
Location:	Brisbane, QLD
Model:	HMR
Keys in building:	144
Opening:	H2FY2019
Segment:	CR&D

PROPERTIES TARGETED TO ENTER PORTFOLIO

Property	Location	Model	Target	Segment
Mantra Penang	Malaysia	MLR	H1FY2018	CBD
Mantra Samui	Thailand	HMR	H1FY2018	CR&D
Peppers Phuket	Thailand	MA	H1FY2018	CR&D
Mantra North Sydney	NSW	LEASE	H2FY2018	CBD
Mantra Southport Sharks	QLD	MSA	H2FY2018	CR&D
Mantra Melbourne	VIC	LEASE/MLR	H2FY2018	CBD
Peppers Sydney	NSW	HMR	H1FY2019	CR&D
Mantra Kuala Lumpur	Malaysia	HMR	H1FY2019	CR&D
Peppers Launceston	TAS	HMR	H1FY2019	CR&D
Mantra Oakleigh	VIC	HMR	H1FY2019	CR&D
Mantra Epping	VIC	HMR	H1FY2020	CR&D
Peppers Melbourne	VIC	HMR	H1FY2020	CBD

Appendix: Additional information

Peppers Soul, Surfers Paradise

IMPORTANT NOTICE

Mantra Group's Financial Statements for the six months ended 31 December 2016 are presented in accordance with Australian Accounting Standards.

These measures are used by management and the Board to assess performance and make decisions on the allocation of resources.

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 (H1FY2016)
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 Results	Statutory results excluding transaction costs of $1.7m incurred in respect of the acquisitions completed in the H1FY2017period (H1FY2016: $4.8m)


MANTRA GROUP
PEPPERS
mantra
BreakFree
Mantra St. Kilda Road, Melbourne