

# Mantra Group H1FY2015 Results Presentation

26 February 2015

MANTRA GROUP

PEPPERS mantra BreakFree



# Important notice and disclaimer

## Important notice and disclaimer

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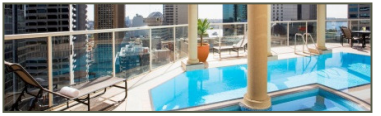




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## Pro forma financial information

Mantra 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. The non-IFRS information is predominately used in respect of the 2014 financial results. Mantra considers that this non-IFRS financial information is important to assist in evaluating Mantra's performance. The information is presented to assist in making appropriate comparisons with current periods and to assess the operating performance of the business. More detail on the reconciliation of prior year statutory results to proforma information is contained in Mantra's IPO Prospectus lodged with ASIC on 30 May 2014.

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

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## Section 1

### Highlights

# Financial highlights H1FY2015

H1FY2015 results on track to meet 2015 full year Prospectus forecast

- Statutory total revenue of \$252.7m, up 9.4% on H1FY2014.
- Statutory NPAT was \$21.8m, up \$23.4m on H1FY2014. This result benefitted from a saving in net finance costs of \$26.2m following the renegotiation of financing facilities in June 2014.
- EBITDAI of \$42.2m, up 17.5% on the same period last year. EBITDAI margin also up from 15.5% to 16.7% for H1FY2015.
- NPATA of \$23.1m, up 19.1% on the proforma result for the same period last year.
- Seasonality means over 60% of FY15 EBITDAI and over 64% FY15 NPATA per prospectus earned in the H1FY2015 period, in line with historical trends.
- Basic statutory EPS of 8.7 cents per share, compared to basic statutory EPS of (9.1) cents per share for H1FY2014.
- Interim dividend of 5 cents per share fully franked to be paid on 31 March 2015 in line with prospectus. Record date is 6 March 2015.
- All Expected New Properties noted in Prospectus have come online plus additional 2 others.
- Reconfirm Prospectus FY2015 forecasts.





## Section 2

### Mantra Group's business

# Overview

Mantra Group is a leading accommodation operator in Australia, attracting approximately 2 million guests per annum


- Second largest accommodation operator in Australia.
- Capital light business model with a diversified exposure to both business and leisure markets.
- Establishments range from luxury retreats and coastal resorts to serviced apartments in CBD and key leisure destinations.
- Well established platform for future growth.

## Three complementary brands



**29 properties / 2,245 rooms**

RETREATS • RESORTS • HOTELS



**60 properties / 7,704 rooms**

hotels resorts apartments



**25 properties / 1,848 rooms**

HOTELS • RESORTS • APARTMENTS

### Notes:

1. Properties and rooms data includes existing properties and rooms as at 31 December 2014
2. Total number of guests per annum is determined by multiplying the consolidated number of rooms sold by the total number of guests per room on an annual basis, divided by the average length of stay, which is a standard industry measure of total guests per annum

# Mantra Group locations

Mantra Group benefits from widespread geographic presence in the Australian accommodation market







Notes:

1 Map is not to scale

# Business segments

Mantra Group generates revenues across three strategic business segments

			
	CBD	Resorts	Central Revenue and Distribution
Segment description	<ul style="list-style-type: none"> <li>Operates accommodation properties in capital cities throughout Australia targeted towards corporate travellers</li> </ul>	<ul style="list-style-type: none"> <li>Operates leisure retreats and resorts throughout Australia and New Zealand, predominantly in attractive Queensland and regional locations</li> <li>Focused on expanding further into key leisure markets</li> </ul>	<ul style="list-style-type: none"> <li>Manages Mantra Group's in-house customer management, online booking services and digital marketing platforms</li> <li>Includes Management Agreements and Marketing Service Agreements</li> <li>Also includes refurbishment revenue</li> </ul>
Key features	<ul style="list-style-type: none"> <li>Generally experiences relatively stable occupancy throughout economic cycles</li> <li>Benefits from cyclical upside in certain industry sectors</li> <li>Higher margin</li> </ul>	<ul style="list-style-type: none"> <li>Benefits from cyclical upside in the tourism sector as economic activity increases</li> </ul>	<ul style="list-style-type: none"> <li>Highly stable</li> </ul>
Operating structures	<ul style="list-style-type: none"> <li>Primarily leases</li> </ul>	<ul style="list-style-type: none"> <li>Primarily Management Letting Rights</li> </ul>	<ul style="list-style-type: none"> <li>Management Agreements and Marketing Services Agreements</li> </ul>
Segment H1FY2015 Statutory revenue <sup>1</sup>	 <p>\$136m 54%</p>	 <p>\$95m 37%</p>	 <p>\$20m 8%</p>

1. Corporate segment revenue amounted to \$1.1m of total revenue for the period



## Section 3

### Financial performance

# Year-on-year statutory results overview

Statutory	H1 FY2015 (\$m)	H1 FY2014 (\$m)	Change (\$m)	Change (%)
<b>Operating Revenue</b>	<b>252.5</b>	<b>230.8</b>	<b>21.7</b>	<b>9.4%</b>
Other income	0.2	0	0.2	n/c
Total operating expenses	(210.5)	(194.9)	(15.6)	(8.0%)
<b>EBITDAI<sup>1</sup></b>	<b>42.2</b>	<b>35.9</b>	<b>6.3</b>	<b>17.5%</b>
Depreciation	(4.1)	(4.3)	0.2	5%
Amortisation (excluding amortisation of lease rights)	(2.9)	(2.7)	(0.2)	(7%)
<b>EBITA</b>	<b>35.2</b>	<b>28.8</b>	<b>6.4</b>	<b>22%</b>
Amortisation of lease rights	(1.9)	(1.9)	0	0%
<b>EBIT</b>	<b>33.3</b>	<b>26.9</b>	<b>6.4</b>	<b>24%</b>
Net finance costs	(2.2)	(28.4)	26.2	92%
<b>Profit before tax</b>	<b>31.1</b>	<b>(1.5)</b>	<b>32.6</b>	<b>n/c</b>
Tax (expense) / credit	(9.3)	(0.1)	(9.4)	n/c
<b>NPAT</b>	<b>21.8</b>	<b>(1.6)</b>	<b>23.4</b>	<b>n/c</b>

1. EBITDAI – Earnings Before Interest, Taxation, Depreciation, Amortisation and Impairment

## Comments

- Business has performed strongly in H1FY2015
- Revenue, EBITDAI and NPAT all performing ahead of the same period last year
  - Operating revenue increased by 9.4% to \$252.5m in H1FY2015 from \$230.8m in H1FY2014
  - EBITDAI increased by \$6.3m or 17.5% in H1FY2015 from \$35.9m in H1FY2014
- EBITDAI margin increased from 15.5% to 16.7% for the six month period
- Strong revenue growth driven principally by revenue growth in CBD segment
- Five new properties added in the 6 months to December 2014 and three added late in FY2014 contributed \$12.1m to revenue and \$1.2m to EBITDAI
- New properties contribute lower margins initially as properties transition into the Mantra business

# Proforma Results overview

	H1FY2015 Actual (\$m)	H1FY2014 Proforma <sup>2</sup> (\$m)
<b>Total revenue</b>	<b>252.7</b>	<b>230.0</b>
Total operating expenses	(210.5)	(193.0)
<b>EBITDAI<sup>1</sup></b>	<b>42.2</b>	<b>37.0</b>
Depreciation	(4.1)	(4.3)
Amortisation (excluding amortisation of lease rights)	(2.9)	(2.7)
<b>EBITA</b>	<b>35.2</b>	<b>30.0</b>
Amortisation of lease rights	(1.9)	(1.9)
<b>EBIT</b>	<b>33.3</b>	<b>28.0</b>
Net finance costs	(2.2)	(2.3)
<b>Profit before tax</b>	<b>31.1</b>	<b>25.7</b>
Tax expense	(9.3)	(7.7)
<b>NPAT</b>	<b>21.8</b>	<b>18.0</b>
<b>NPATA</b>	<b>23.1</b>	<b>19.4</b>

1. EBITDAI – Earnings Before Interest, Taxation, Depreciation, Amortisation and Impairment

2. H1FY2014 proforma numbers have been extracted from the Mantra Group Limited 2014 prospectus

## Comments

- Business has performed strongly in H1FY2015
- Revenue, EBITDAI and NPAT all performing ahead of the same period last year
- Strong revenue growth driven principally by revenue growth in CBD segment
- Five new properties added in the 6 months to December 2014 (3 CBD and 2 CRD) and three added late in FY2014 contributed \$12.1m to revenue and \$1.2m to EBITDAI
- Seasonality means over 60% of FY15 EBITDAI and over 64% FY15 NPATA per prospectus earned in period, in line with historical trends

# Revenue and EBITDAI by segment

Total Revenue	H1FY2015 Statutory (\$m)	H1FY2014 Pro forma (\$m)	Change (\$m)	Change (%)
CBD	136.4	120.2	16.2	13.5%
Resorts	95.1	91.8	3.3	3.6%
Central Revenue and Distribution	20.1	16.6	3.5	21.1%
Corporate	1.1	1.3	(0.2)	(15.4)%
<b>Total</b>	<b>252.7</b>	<b>230.0</b>	<b>22.7</b>	<b>9.9%</b>

EBITDAI <sup>1</sup>	H1FY2015 Statutory (\$m)	H1FY2014 Pro forma (\$m)	Change (\$m)	Change (%)
CBD	25.1	23.6	1.5	6.4%
Resorts	15.0	14.3	0.7	4.9%
Central Revenue and Distribution	15.8	13.1	2.7	20.6%
Corporate	(13.7)	(14.0)	0.3	2.1%
<b>Total</b>	<b>42.2</b>	<b>37.0</b>	<b>5.2</b>	<b>14.1%</b>

1. EBITDAI – Earnings Before Interest, Taxation, Depreciation, Amortisation and Impairment

## Comments

- Strong CBD revenue growth of \$16.2m or 13.5% to \$136.4m compared to H1FY2014 proforma revenue.
  - Like for like revenue growth of \$4.1m (3.4%), with new properties contributing \$12.1m to revenue in the period
- Solid Resorts revenue growth of 3.6% to \$95.1m compared to H1FY2014 proforma revenue.
  - Resorts EBITDAI of \$15.0m is 4.9% or \$0.7m ahead of H1FY2014 proforma EBITDAI.
- Central Revenue and Distribution segment results were driven by an increase in revenue from higher booking volumes through central channels and increased management fees from new properties under management.
- Good cost discipline in Corporate segment.

# CBD segment – highlights

CBD revenue increased by \$16.2m, from \$120.2m proforma H1FY2014 to \$136.4m, an increase of 13.5%

- Total rooms available increased by 11.4%. Increase predominately came from new properties.
  - New properties include BreakFree Fortitude Valley, Mantra St Kilda Road and Mantra on Quay (all late FY14), Peppers Gallery Hotel Canberra and Mantra Midtown and Mantra on Edward in Brisbane.
- Occupancy increased by 0.6% as a result of strong conference and corporate demand in Melbourne, Adelaide and Darwin and the G20 conference in Brisbane.
- Average room rate increased 0.8% and 1.5% for comparable properties to last year. Constrained demand in Darwin and city wide conferences in Melbourne and Brisbane the key drivers.



	H1FY2015 Actual	H1FY2014 Proforma	Change	Change (%)
Total rooms available ('000)	802	720	82	11.4%
Paid rooms sold ('000)	686	613	73	11.9%
Occupancy (%)	85.6	85.1	0.5	0.6%
Average room rate (\$)	177.83	176.38	1.45	0.8%
RevPAR (\$)	152.15	150.18	1.97	1.3%

# Resort segment – highlights

Resorts pro forma revenue increased by \$3.3m, from \$91.8m to \$95.1m, an increase of 3.6%

- Occupancy increased by 5.4% from 68.2% to 71.9% as a result of leisure and group demand on the Gold Coast and Sunshine Coast.
- RevPAR was higher by 5.0% as a result of strong demand in key leisure destinations of the Gold Coast, Sunshine Coast and Tropical North Queensland despite slightly lower average room rates.



	H1FY2015 Actual	H1FY2014 Pro forma	Change	Change (%)
Total rooms available ('000)	964	970	(6)	(0.6)%
Paid rooms sold ('000)	693	661	32	4.8%
Occupancy (%)	71.9	68.2	3.7	5.4%
Average room rate (\$)	152.64	153.46	(0.8)	(0.5)%
RevPAR (\$)	109.81	104.60	5.21	5.0%

# CRD segment – highlights

CRD pro forma revenue increased by \$3.5m, from \$16.6m to \$20.1m, an increase of 21.1%

- CRD EBITDAI of \$15.8m exceeded last year by \$2.7m.
- Growth resulted from increased management fees from new properties under management (Soul Surfers Paradise and Peppers Seminyak Bali) and the continued consumer trend to book through centralised channels.



# H1FY2015 new properties

Five new properties added in H1FY2015

- Contribution from these five and three late FY2014 acquisitions was \$12.1m revenue and \$1.2m EBITDAI



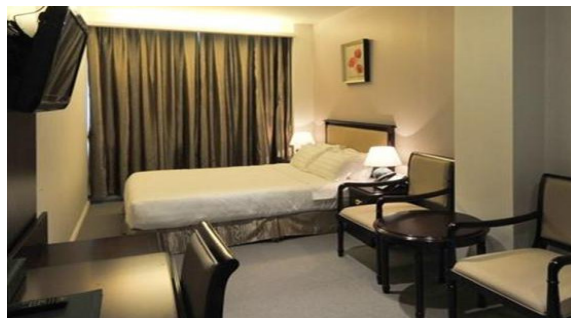
Peppers Gallery Hotel, Canberra



Mantra Terrace Hotel, Brisbane



Mantra Midtown, Brisbane



Breakfree on Clarence, Sydney

*Re-development potential*



Mantra on Edward, Brisbane

# Proforma cash flow before financing and taxation

	H1FY2015 (\$m)	H1FY2014 (\$m)
<b>EBITDAI</b>	<b>42.2</b>	<b>37.0</b>
Non-cash EBITDAI adjustments	0.8	0.3
Changes in working capital	(11.8)	1.0
Maintenance capital expenditure	(5.5)	(5.3)
New property growth expenditure	(16.1)	(3.8)
<b>Net cash flow before financing and taxation</b>	<b>9.6</b>	<b>29.2</b>

## Comments

- Net cash flow before financing and taxation has reduced by \$19.6m as a result of a decrease in the movement in working capital (\$11.8m) and an increase in new property growth expenditure (\$16.1m)
- Working capital movement in the 6 months to December 2014 was impacted by the timing of IPO related and compensation payments (\$8m) compared to the same period in the prior year.
- New property growth expenditure has resulted from the acquisition of five properties in H1FY2015 compared to three in H1FY2014.
- New property growth expenditure is higher than that included in the prospectus forecast of \$8.0m for FY15 as a result of the excellent opportunities that were presented to the Group and concluded in the period.

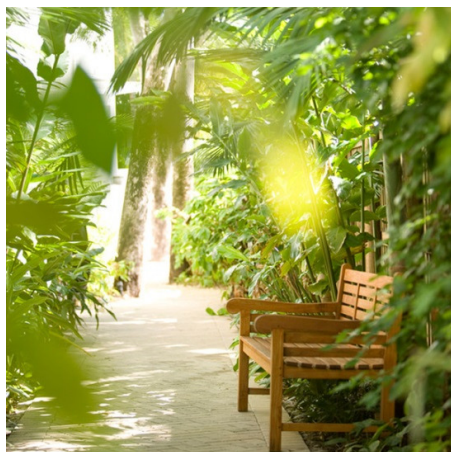
# Balance sheet and credit metrics

	31 Dec-14 Actual (\$m)
Cash and cash equivalents	35.0
Other current assets	54.4
<b>Current assets</b>	<b>89.4</b>
PPE	96.4
Intangible assets	357.9
Other non-current assets	1.5
<b>Total non-current assets</b>	<b>455.8</b>
<b>Total assets</b>	<b>545.2</b>
Trade and other payables	39.2
Other	41.5
<b>Total current liabilities</b>	<b>80.7</b>
Borrowings	115.3
Other non-current liabilities	70.0
<b>Total non-current liabilities</b>	<b>185.3</b>
<b>Total liabilities</b>	<b>266.0</b>
<b>Net assets</b>	<b>279.2</b>

## Comments

- Very strong balance sheet and cash position
- Well within debt covenants under banking facilities
- Strong balance sheet leaves the Group in a good position to take advantage of growth opportunities

Credit metrics	
Borrowings (\$m)	115.3
Cash and cash equivalents (\$m)	35.0
<b>Net total indebtedness</b>	<b>80.3</b>
Net debt /LTM EBITDA	1.2x
LTM EBITDA/LTM Net finance cost	15.7x



## Section 4

## Growth and outlook

# FY2015 Outlook

Mantra reaffirms its FY2015 Prospectus forecast:

- Revenue: \$490.9m
- EBITDA: \$69.5m
- EBIT: \$51.0m
- NPAT: \$32.6m
- NPATA: \$35.3m
- Mantra Group has a strong pipeline supported by a very strong balance sheet



*Mantra South Bank, Brisbane*



*Mantra Sierra Grand, Broadbeach*

# Properties scheduled to enter portfolio FY15 and beyond



Property: Mantra Bell City  
Location: Melbourne, VIC  
Model: MA  
Rooms: 383  
Opened: January, 2015



Property: Breakfree Bell City  
Location: Melbourne, VIC  
Model: MA  
Rooms: 461  
Opened: January, 2015

## Properties scheduled to enter portfolio FY15 and beyond (cont.)



Brand: Mantra Hotel Charles  
Location: Launceston, TAS  
Model: LEASE  
Rooms: 98  
Opening: H2FY2015



Brand: Mantra Hotel Collins  
Location: Hobart, TAS  
Model: LEASE  
Rooms: 80  
Opening: H2FY2015

## Properties scheduled to enter portfolio FY15 and beyond (cont.)



Brand: Breakfree on Cashel  
Location: Christchurch, NZ  
Model: HMR  
Rooms: 250  
Opening: H2FY2015



Brand: Hotel Richmond by Mantra  
Location: Brisbane, QLD  
Model: HMR  
Rooms: 110  
Opening: H1FY2016

# Properties scheduled to enter portfolio FY15 and beyond (cont.)



Brand: Mantra Hideaway Villas  
Location: Pecatu, Bali  
Model: HMR  
Rooms: 30  
Opening: H1FY2016



Brand: Peppers Docklands  
Location: Melbourne, VIC  
Model: LEASE  
Rooms: 87  
Opening: H2FY2016

# Properties scheduled to enter portfolio FY15 and beyond (cont.)



Brand: Peppers King Square  
Location: Perth, WA  
Model: HMR  
Rooms: 120  
Opening: H2FY2016



Brand: Mantra Townsville  
Location: Townsville, QLD  
Model: HMR  
Rooms: 181  
Opening: H2FY2016



Appendix

Additional information

# Important notice

Mantra's Financial Statements for the year ended 31 December 2014 are presented in accordance with Australian Accounting Standards.

Mantra has also chosen to include certain non-IFRS financial information. This information has been included to allow investors to relate the performance of the business to the pro forma financial information outlined in the prospectus and 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 and pro forma financial measures and other key terms used in this presentation is included in the Glossary below. Non-IFRS and pro forma measures have not been subject to audit or review.

Glossary	
Average room rate	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
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
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 Rights
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
Pro forma	Financial information adjusted to reflect certain events and assumptions that were in place following listing as if they had occurred or were in place as at 30 June 2014
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

