

Mantra Group Update

June 2015

MANTRA
GROUP

PEPPERS

mantra- BreakFree

Important notice and disclaimer

Important notice and disclaimer

This document is a presentation of general background information about the activities of Mantra Group Limited (Mantra Group) current at the date of the presentation, 24-25 June 2015. The information contained in this presentation is of general background and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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Forward looking statements

This document contains certain forward looking statements and comments about future events, including Mantra's expectations about the performance of its businesses.

Forward looking statements can generally be identified by the use of forward looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings or financial position or performance are also forward looking statements.






Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause Mantra's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of Mantra. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward looking statements, forecast financial information or other forecast. Nothing contained in this presentation nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of Mantra.

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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Mantra Group's business

Peppers Cradle Mountain Lodge, Cradle Mountain

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 / 2,246 rooms

RETREATS • RESORTS • HOTELS



65 properties / 8,610 rooms

hotels resorts apartments



25 properties / 2,235 rooms

HOTELS • RESORTS • APARTMENTS

Notes:

1. Properties and rooms data includes existing properties and rooms as at 1 June 2015
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

RETREATS • RESORTS • HOTELS

Truly
romantic
retreats

Relaxing
resort
getaways

Memorable
family
moments

We're all
about
you

- 29 properties
- 2,246 rooms
- 4–5 star¹
- Premium range of escapes located in destinations selected for their qualities
- Combines personal and friendly service with quality food and wine
- In market for 30 years



Notes:

1. Self rated based on approximate market positioning of the brand

Room for everyone

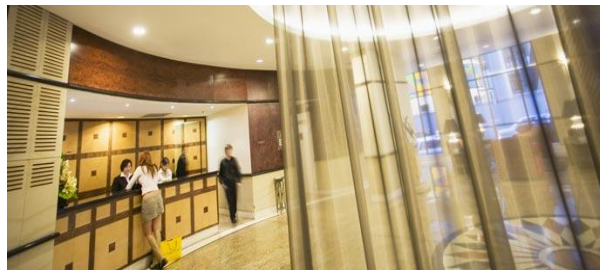
It's home to the great
Australian holiday.

Room for
leisure

Room for
business

City Mantra

- 65 properties
- 8,610 rooms
- 4–4.5 star¹
- Created in-house
- Spacious rooms, fresh decor, quality service and well located
- Dual CBD and leisure focus



Notes:

1. Self rated based on approximate market positioning of the brand

Give me a break.

- 25 properties
- 2,235 rooms
- 3–4 star¹
- Holiday locations, city positions and holiday attractions
- Quality but affordable resort provider
- In market for over 15 years



Notes:

1. Self rated based on approximate market positioning of the brand

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



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Industry

Mantra Circle on Cavill, Gold Coast

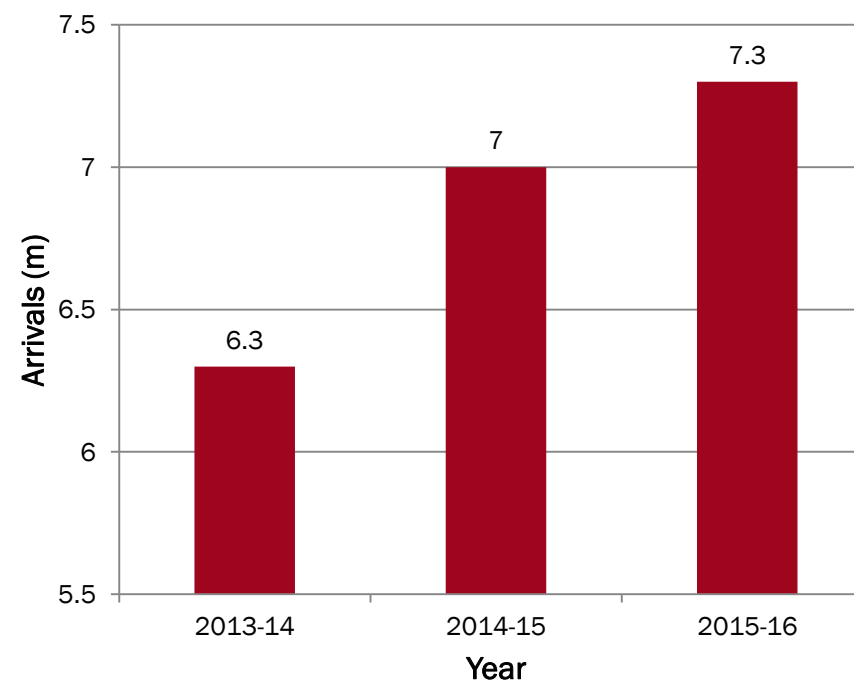
Demand

The demand forecasts for our industry are favourable

1 Domestic visitor nights are forecast to increase 0.9% to 293 million in 2015-16



2 Inbound visitor arrivals are forecast to increase 5% to 7.3m in 2015-16

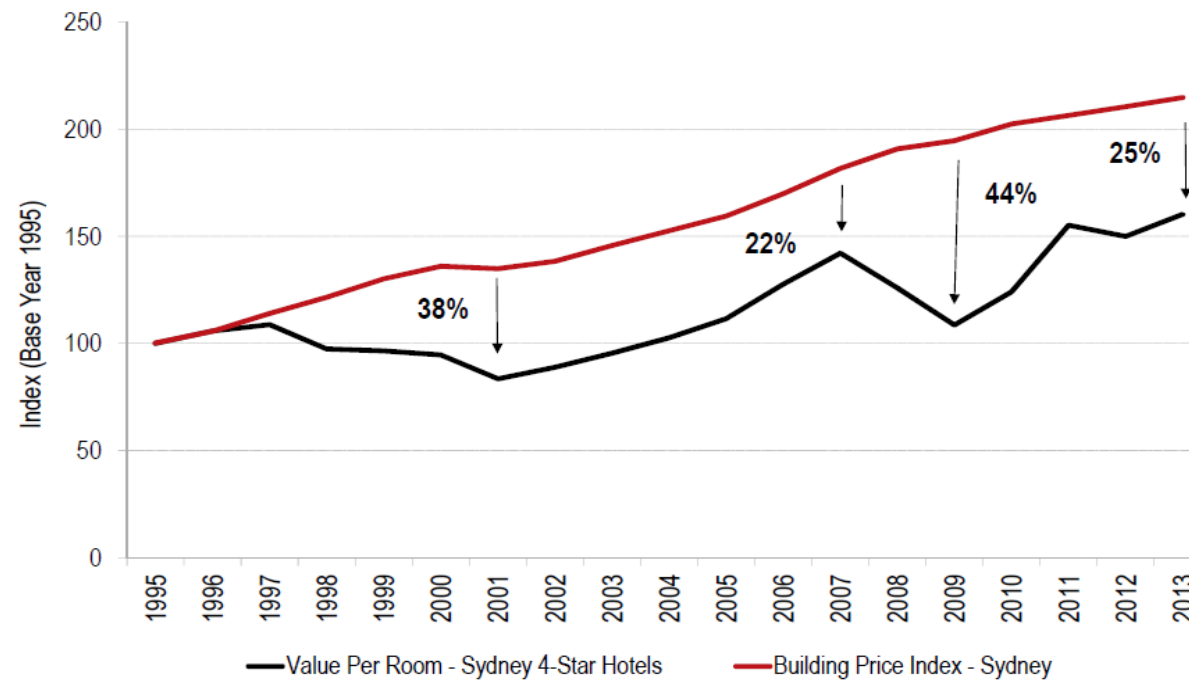


Supply

Hotel development remains challenging

- The supply forecasts are increasing but remain broadly within industry trend growth of 1.5 – 3% p.a. increase
- The supply / demand equation is reasonably flat

Construction costs continue to outpace hotel values





Proforma Results overview H1 FY2015

	H1FY2015 Actual (\$m)	H1FY2014 Proforma ² (\$m)
Total revenue	252.7	230.0
Total operating expenses	(210.5)	(193.0)
EBITDAI¹	42.2	37.0
Depreciation	(4.1)	(4.3)
Amortisation (excluding amortisation of lease rights)	(2.9)	(2.7)
EBITA	35.2	30.0
Amortisation of lease rights	(1.9)	(1.9)
EBIT	33.3	28.0
Net finance costs	(2.2)	(2.3)
Profit before tax	31.1	25.7
Tax expense	(9.3)	(7.7)
NPAT	21.8	18.0
NPATA	23.1	19.4

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

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

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

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)%
Total	252.7	230.0	22.7	9.9%

EBITDAI ^{1.}	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%
Total	42.2	37.0	5.2	14.1%

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

Balance sheet and credit metrics

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

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
Net total indebtedness	80.3
Net debt /LTM EBITDA	1.2x
LTM EBITDA/LTM Net finance cost	15.7x

FY2015 Outlook

Mantra expects to exceed Prospectus forecasts for FY 15:

Key earnings metrics expected to be in the following ranges

- EBITDA: \$71m- \$73m
- NPAT: \$35m- \$36.5m
- Mantra Group has a strong pipeline supported by a very strong balance sheet

NB: Above results exclude any expensing of transactions costs associated with recent acquisitions



Mantra South Bank, Brisbane



Mantra Sierra Grand, Broadbeach



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Growth

New properties

Mantra Group has added ten new properties YTD

- Peppers Gallery Hotel, Canberra, ACT
- Mantra Terrace Hotel, Brisbane, QLD
- Mantra on Edward, Brisbane, QLD
- Mantra Midtown, Brisbane, QLD
- BreakFree on Clarence, Sydney, NSW
- Bell City, Melbourne, VIC (Mantra and BreakFree)
- BreakFree on Cashel, Christchurch, NZ
- Mantra Hotel Charles, Launceston, TAS
- Mantra Hotel Collins, Hobart, TAS
- Mantra Sakala, Nusa Dua, Bali



Peppers Clearwater, NZ



Peppers Moonah Links, VIC

New properties



Peppers Gallery Hotel, Canberra, ACT
80 rooms
July 2014

New properties



Mantra Terrace Hotel, Brisbane, QLD
84 rooms
July 2014



New properties



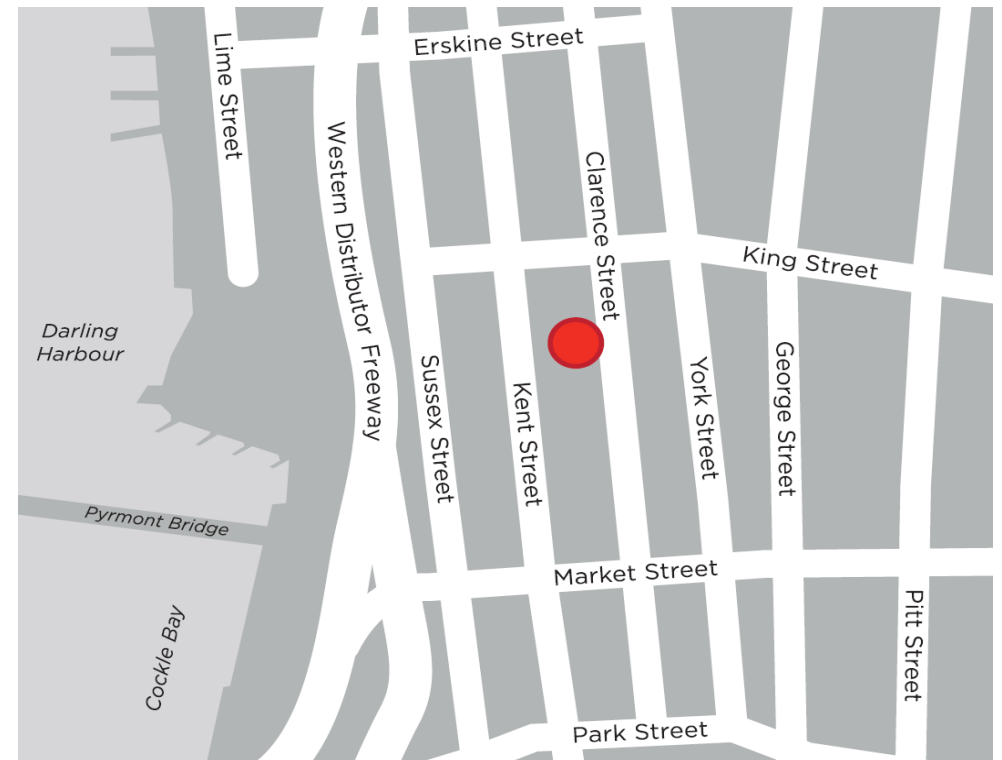
Mantra on Edward, Brisbane, QLD
114 rooms
October 2014

New properties



Mantra Midtown, Brisbane, QLD
103 rooms
October 2014

New properties

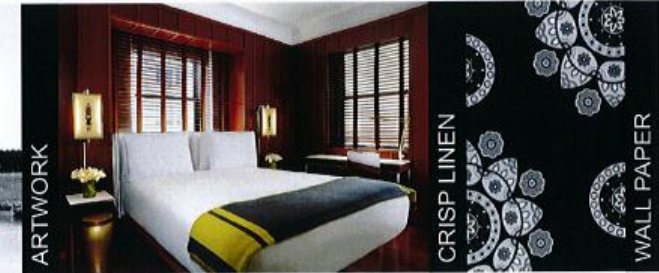
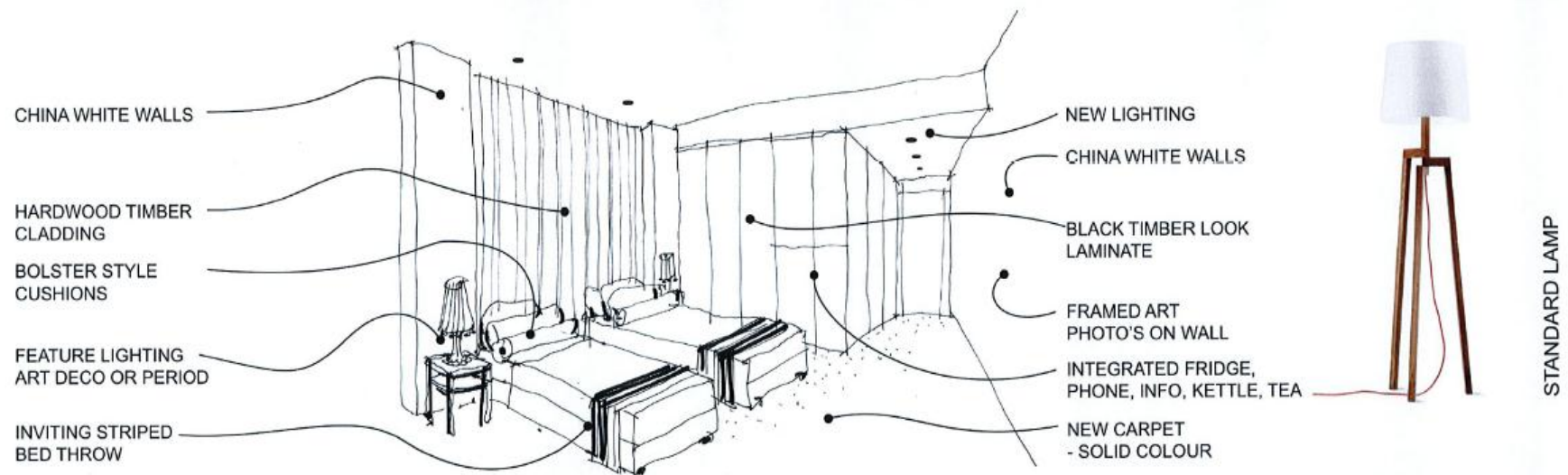


BreakFree on Clarence, Sydney, NSW
50 rooms
October 2014

Re-development potential to Peppers

New properties

BreakFree Clarence to Peppers | Design Pack – Typical Room



New properties



Mantra Bell City, Melbourne, VIC
383 rooms
January 2015



BreakFree Bell City, Melbourne, VIC
461 rooms
January 2015

New properties



BreakFree on Cashel, Christchurch, NZ
250 rooms
April 2015

New properties



Mantra Hotel Charles, Launceston, TAS
98 rooms
April 2015



New properties



Mantra Hotel Collins, Hobart, TAS
80 rooms
April 2015

New properties



Mantra Sakala, Nusa Dua, Bali
261 rooms
April 2015

Properties scheduled to enter portfolio



BreakFree Darling Towers, Melbourne, VIC
95 rooms
June 2015

Properties scheduled to enter portfolio



Soul, Surfers Paradise, QLD
288 rooms
July 2015



Properties scheduled to enter portfolio



Outrigger Surfers Paradise, QLD
411 rooms
July 2015



Properties scheduled to enter portfolio



Outrigger Twin Towns, Coolangatta, QLD
464 rooms
July 2015



Properties scheduled to enter portfolio



Outrigger Little Hastings Street, Noosa, QLD
198 rooms
July 2015



Properties scheduled to enter portfolio



Boathouse by Outrigger, Airlie Beach, QLD
56 rooms
July 2015

Properties scheduled to enter portfolio



Peppers Suarga, Padang Padang, Bali
48 rooms
July 2015

Properties scheduled to enter portfolio



Peppers Adelaide Hotel, Adelaide, SA
202 rooms
September 2015



Properties scheduled to enter portfolio



Mantra Hideaway Villas, Pecatu, Bali
30 rooms
December 2015

Properties scheduled to enter portfolio



Hotel Richmond by Mantra, Brisbane, QLD
110 rooms
January 2016

Properties scheduled to enter portfolio



Peppers Docklands , Melbourne, VIC
87 rooms
April 2016

Properties scheduled to enter portfolio



Peppers King Square, Perth, WA
120 rooms
June 2016



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Additional information

Mantra on Russell, Melbourne

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



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mantra BreakFree

Peppers Broadbeach, Gold Coast