

Mantra Group

FY2015 Results Presentation

27 August 2015

MANTRA
GROUP

PEPPERS

mantra BreakFree

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Important notice and disclaimer

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Non-IFRS 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. 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. All non-IFRS financial information is reconciled to IFRS financial information.

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MANTRA
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Highlights

Soul Surfers Paradise, Gold Coast

HIGHLIGHTS

Favourable
trading
conditions



1

Improved
market profile
& positioning



2

Strategic
portfolio
growth



3

Refurbishments



4

Distribution
system
enhancements



5

Asia
platform



6

Food &
Beverage



7

Team
satisfaction



8

Guest
satisfaction



9

Owner
satisfaction



10

HIGHLIGHTS

TOTAL REVENUE

\$498.8M

 **9.7%**

EBITDAI

\$73.1M

 **19.2%**

MARGIN

14.7%

 **9%**

11

PROPERTIES ADDED

DIVIDEND

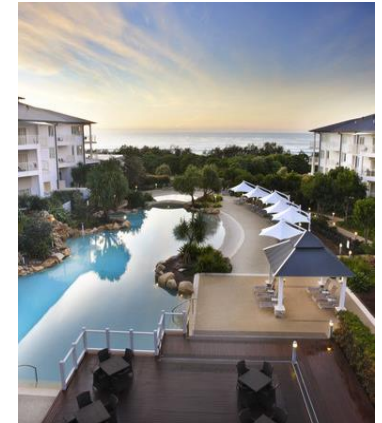
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PER SHARE

HIGHLIGHTS

FY2015 results exceeded 2015 full year Prospectus forecast and are at the top end of May 2015 market guidance statement

- Total revenue of \$498.8m, up 9.7% on FY2014.
- NPAT was \$36.2m, up \$36.5m on FY2014. NPATA was \$38.9m, up \$36.5m on FY2014.
- EBITDAI of \$73.1m, up 19.2% on FY2014. EBITDAI margin also up from 13.5% to 14.7% for FY2015.
- Total revenue, NPAT, NPATA and EBITDAI were all ahead of 2015 prospectus forecasts of \$490.9m, \$32.6m, \$35.3m and \$69.5m respectively.
- Basic EPS of 14.2 cents per share, compared to basic EPS of (0.3) cents per share for FY2014. NPATA basic EPS of 15.3 cents per share, compared to NPATA basic EPS of 1.9 cents per share for FY2014.
- Final dividend of 5 cents per share fully franked to be paid on 6 October 2015, bringing total dividend for the year to 10 cents per share. Record date for final dividend is 3 September 2015.
- Eleven properties added in FY15 and five further properties added in July 2015 including the four ex-Outrigger properties. Soul successfully transitioned to an MLR property on 1 July 2015.





MANTRA
GROUP

Mantra Group's business

Mantra Circle on Cavill, Gold Coast

OVERVIEW

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

- Second largest accommodation operator in Australia.
- 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.



RETREATS • RESORTS • HOTELS

29 properties



65 properties



25 properties



Notes:

1. Properties and rooms data includes existing properties and rooms as at 30 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

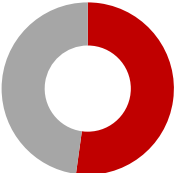

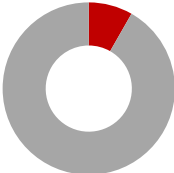
MANTRA GROUP LOCATIONS

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 (CRD)
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 	
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 FY2015 revenue ¹	 <p>\$272m 55%</p>	 <p>\$182m 37%</p>	 <p>\$42m 8%</p>

1. Corporate segment revenue amounted to \$2.7m of revenue for the period



MANTRA
GROUP

Financial Performance

YEAR ON YEAR RESULTS OVERVIEW

	FY2015 (\$m)	FY2014 (\$m)	Change (\$m)	Change (%)
Operating Revenue	498.6	454.7	43.9	9.7
Other income	0.2	-	0.2	n/c
Total operating expenses	(425.7)	(393.4)	32.3	8.2
EBITDAI¹	73.1	61.3	11.8	19.2
Impairment (net reversal)	-	1.1	(1.1)	(100)
Depreciation	(8.6)	(8.2)	0.4	4.9
Amortisation (excluding amortisation of lease rights)	(5.9)	(5.5)	0.4	7.3
EBITA	58.6	48.7	9.9	20.3
Amortisation of lease rights	(3.8)	(3.8)	-	-
EBIT	54.8	44.9	9.9	22.0
Net finance costs	(3.9)	(45.3)	(41.4)	(91.4)
Profit before tax	50.9	(0.4)	51.3	n/c
Tax (expense) / credit	(14.7)	0.1	14.8	n/c
NPAT	36.2	(0.3)	36.5	n/c
NPATA	38.9	2.4	36.5	n/c

COMMENTS

- Business has performed strongly in FY2015.
- Revenue, EBITDAI, NPAT and NPATA all performing ahead of the same period last year and ahead of prospectus forecast
 - Operating revenue increased by 9.7% to \$498.6m in FY2015 from \$454.7m in FY2014
 - EBITDAI increased by \$11.8m or 19.2% in FY2015 from \$61.3m in FY2014.
- EBITDAI margin increased from 13.5% to 14.7% for the year.
- Strong revenue growth driven principally by property acquisitions in the CBD segment as well as strong performance by CRD.
- Strong growth in EBITDAI driven principally from organic growth and margin expansion in the portfolio.
- Eleven new properties were added in FY2015. Like for like increase in revenue and EBITDAI was \$15.5m and \$8.2m respectively.

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

REVENUE AND EBITDAI BY SEGMENT

Operating Revenue	FY2015 (\$m)	FY2014 (\$m)	Change (\$m)	Change (%)
CBD	272.3	236.2	36.1	15.3
Resorts	181.8	177.3	4.5	2.5
Central Revenue and Distribution	41.8	36.9	4.9	13.3
Corporate	2.7	4.3	(1.6)	(37.2)
Total	498.6	454.7	43.9	9.7

EBITDAI 1.	FY2015 (\$m)	FY2014 (\$m)	Change (\$m)	Change (%)
CBD	47.3	42.9	4.4	10.3
Resorts	23.5	22.6	0.9	4.0
Central Revenue and Distribution	29.9	25.3	4.6	18.2
Corporate	(27.6)	(29.5)	1.9	6.4
Total	73.1	61.3	11.8	19.2

COMMENTS

- Strong CBD revenue growth of \$36.1m or 15.3% to \$272.3m compared to FY2014 revenue
- Like for like revenue growth of \$8.4m (3.6%), with new properties contributing \$27.7m to revenue in the period.
- Solid Resorts revenue growth of 2.5% to \$181.8m compared to FY2014 revenue.
- Resorts EBITDAI of \$23.5m is 4.0% or \$0.9m ahead of FY2014 EBITDAI.
- CRD 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.
- A saving in costs associated with last year's IPO benefited the results of the Corporate segment.

CBD SEGMENT - HIGHLIGHTS

CBD revenue increased by \$36.1m, from \$236.2m FY14 result to \$272.3m, an increase of 15.3%

- Total rooms available increased by 12.7%. Increase predominately came from new properties.
 - New properties include Peppers Gallery Hotel, Canberra, Mantra Midtown and Mantra on Edward in Brisbane and Mantra Collins and Mantra Charles, Tasmania.
- Occupancy increased by 0.4% as business sentiment improved and events such as the Cricket World Cup, Asian Champions League and city wide conferences increased demand in Melbourne, Adelaide, Darwin and Brisbane.
- Average room rate increased by 1.0%. Constrained demand in Darwin and city wide conferences in Melbourne and Brisbane were the key drivers.

	FY2015 Actual	FY2014 Actual	FY 2014-2015 Change	FY 2014-2015 Change (%)
Total rooms available ('000)	1,629	1,446	183	12.7
Paid rooms sold ('000)	1,376	1,216	160	13.2
Occupancy (%)	84.5	84.1	0.4	0.5
Average room rate (\$)	176.20	174.46	1.74	1.0
RevPAR (\$)	148.81	146.78	2.03	1.4

RESORT SEGMENT - HIGHLIGHTS

Resorts revenue increased by \$4.5m, from \$177.3m to \$181.8m, an increase of 2.5%

- Occupancy increased by 3.9% from 65.6% to 69.5% as a result of consistent leisure demand across all key regions during the year as a result of:
 - Increased capacity from low cost carriers into Queensland
 - Increased demand for Australian holidays from domestic travellers
 - Strong profitable group/events business
- RevPAR was higher by 5.9% as a result of strong demand in key leisure destinations despite no change to the average room rates compared to FY2014.

	FY2015 Actual	FY2014 Actual	FY 2014-2015 Change	FY 2014-2015 Change (%)
Total rooms available ('000)	1,906	1,922	(16)	(0.8)
Paid rooms sold ('000)	1,325	1,260	65	5.2
Occupancy (%)	69.5	65.6	3.9	5.9
Average room rate (\$)	151.62	151.69	(0.07)	-
RevPAR (\$)	105.37	99.48	5.89	5.9

CRD SEGMENT

CRD revenue increased by \$4.9m, from \$36.9m to \$41.8m, an increase of 13.3%

- CRD EBITDAI of \$29.9m exceeded last year by \$4.6m.
- Management fees grew from new properties under management. There were six managed properties added during the year; namely Mantra Terrace Hotel, Brisbane, BreakFree on Clarence, Sydney, Mantra and BreakFree Bell City, Melbourne, BreakFree on Cashel, Christchurch and Mantra Sakala, Bali.
- Other growth resulted from the continued consumer trend to book through centralised channels.



FY2015 NEW PROPERTIES

Eleven new properties added in FY2015

Mantra Midtown, Brisbane



Mantra Terrace, Brisbane



Peppers Gallery, Canberra



BreakFree on Clarence, Sydney



Mantra on Edward, Brisbane



BreakFree on Cashel, Christchurch



FY2015 NEW PROPERTIES

Eleven new properties added in FY2015

Mantra Bell City, Melbourne



BreakFree Bell City, Melbourne



Mantra Sakala, Nusa Dua



Mantra Charles Hotel, Launceston



Mantra Collins Hotel, Hobart



STATUTORY CASH FLOW

	FY2015 Actual (\$m)	FY2014 Actual (\$m)	Change (\$m)
Cash flows from operating activities			
Receipts from customers	541.3	495.8	45.5
Payments to suppliers	(469.7)	(426.4)	(43.3)
	71.6	69.4	2.2
Net interest and tax payments	(12.5)	(44.0)	31.5
Net cash inflow from operating activities	59.1	25.4	33.7
Net cash (outflow) from investing activities	(44.7)	(29.2)	(15.5)
Net cash inflow from financing activities	38.9	7.2	31.7
Net increase in cash and cash equivalents	53.3	3.4	49.9

COMMENTS

- Cashflow for the Group for FY15 continued to be strong.
- Operating cash inflows increased by \$33.7m to \$59.1m in FY15 as a result of both a reduction in interest payments under the new loan agreements entered into in June 2014 and strong trading results.
- Net cash outflow from investing activities has increased from \$29.2m to \$44.7m, an increase of \$15.5m. This has resulted from the acquisition of eleven properties in FY15 (FY14: eight).
- Net cash inflow from financing activities has increased by \$31.7m to \$38.9m. This increase was principally as a result of the issue of securities completed in March and April 2015. The funds have been used to purchase further properties.

BALANCE SHEET AND CREDIT METRICS

Statutory balance sheet	30 Jun-15 Actual (\$m)
Cash and cash equivalents	85.1
Other current assets	49.1
Current assets	134.2
PPE	100.3
Intangible assets	364.2
Other non-current assets	2.7
Total non-current assets	467.2
Total assets	601.4
Trade and other payables	44.3
Other	45.1
Total current liabilities	89.4
Borrowings	105.4
Other non-current liabilities	69.2
Total non-current liabilities	174.6
Total liabilities	264.0
Net assets	337.4

COMMENTS
<ul style="list-style-type: none"> • Very strong balance sheet and cash position. • Cash position high at 30 June in anticipation of the settlement of the acquisition of the Outrigger and Soul transactions on 1 July 2015. • Excluding the cash required to fund these transactions, the cash balance would have been approximately \$30.9m. • Well within debt covenants under banking facilities. • Strong balance sheet leaves the Group in a good position to take advantage of growth opportunities, which may include hotel acquisitions.

Credit metrics		Adjusted*
Borrowings (\$m)	105.4	105.4
Cash and cash equivalents (\$m)	85.1	30.9
Net total indebtedness (\$m)	20.3	74.5
Net debt /FY2015 LTM EBITDA	0.3x	1.0x
FY2015 LTM EBITDA/LTM Net finance cost	18.7x	18.7x

Cash balance adjusted for cash draw downs completed for post balance date acquisitions



MANTRA
GROUP

Growth and outlook

Peppers Cradle Mountain Lodge, Cradle Mountain

FY16 OUTLOOK

Mantra Group expects FY16 EBITDA, NPAT and NPATA to be between \$84m - \$87m, \$40m - \$42m and \$42.5m - \$45m respectively:

- Growth expected across the CBD, Resorts and CRD segments.
- Expectations for 2016 excludes:
 - Impact of any additional conditional or uncontracted properties as at reporting date
 - Any transaction costs associated with FY2016 acquisitions
 - Transaction costs associated with Outrigger and Soul, which completed on 1 July 2015.



NEW PROPERTIES FY16



Property: BreakFree on Collins
Location: Melbourne, VIC
Model: HMR
Rooms: 95
Opened: July 2015

NEW PROPERTIES FY16



Property: Mantra on View
Location: Surfers Paradise, QLD
Model: MLR
Rooms: 411
Opened: July 2015

NEW PROPERTIES FY16



Property: Mantra Twin Towns
Location: Coolangatta, QLD
Model: MLR
Rooms: 464
Opened: July 2015

NEW PROPERTIES FY16



Property: Peppers Noosa
Location: Noosa, QLD
Model: MLR
Rooms: 198
Opened: July 2015

NEW PROPERTIES FY16



Property: Peppers Airlie Beach
Location: Airlie Beach, QLD
Model: MA
Rooms: 56
Opened: July 2015

NEW PROPERTIES FY16



Property: Peppers Soul
Location: Surfers Paradise, QLD
Model: MLR
Rooms: 288
Opened: July 2015

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Peppers Suarga
Location: Padang Padang, Bali
Model: MA
Rooms: 48
Opening: H1FY2016

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Peppers Waymouth Hotel
Location: Adelaide, SA
Model: Lease
Rooms: 202
Opening: H1FY2016

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Mantra Hideaway Villas
Location: Pecatu, Bali
Model: MA
Rooms: 30
Opening: H1FY2016

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Chevron Renaissance
Location: Surfers Paradise, QLD
Model: MLR
Rooms: 711
Opening: H1FY2016

* This property is contracted but is yet to go unconditional

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Mantra on Mary
Location: Brisbane, QLD
Model: MLR
Rooms: 374
Opening: H1FY2016

* This property is contracted but is yet to go unconditional

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Hotel Richmond by Mantra
Location: Brisbane, QLD
Model: MA
Rooms: 110
Opening: H2FY2016

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



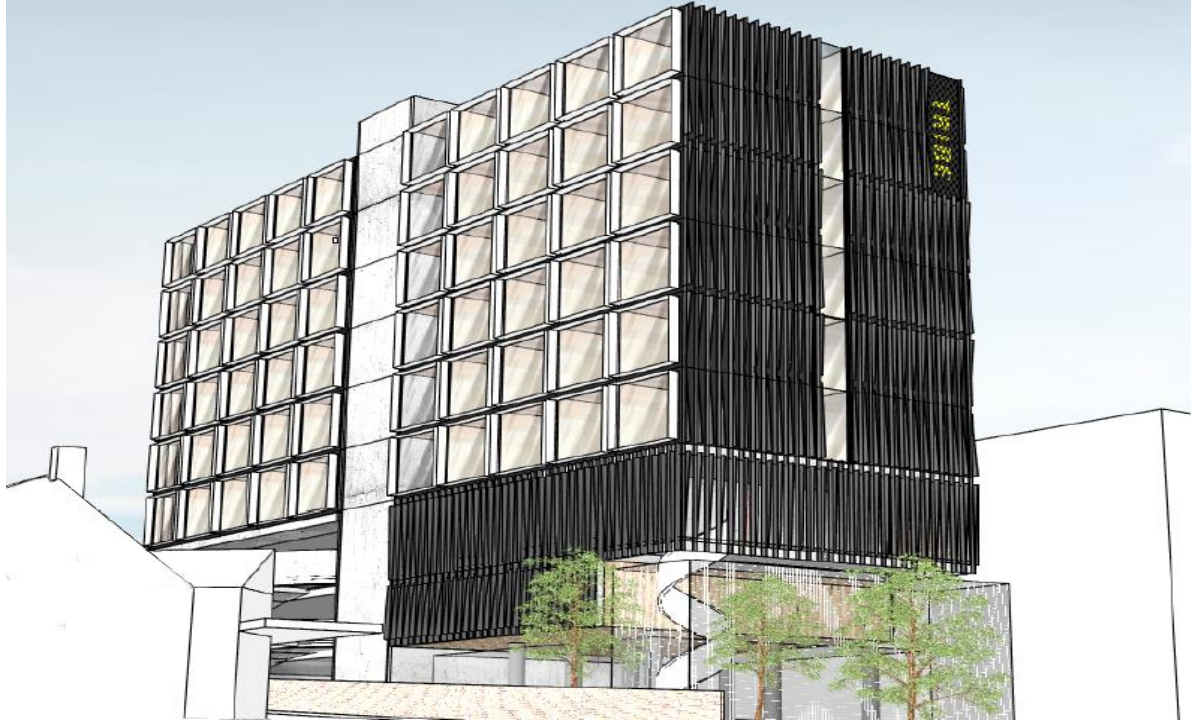
Property: Peppers Docklands
Location: Melbourne, VIC
Model: Lease
Rooms: 87
Opening: H2FY2016

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



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

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Tribe
Location: West Perth, WA
Model: HMR
Rooms: 120
Opening: H1FY2017



IMPORTANT NOTICE

Mantra Group's Financial Statements for the year ended 30 June 2015 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 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
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



MANTRA
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PEPPERS

mantra BreakFree

Peppers Broadbeach, Gold Coast