



Mantra Group

H1FY2016 Results Presentation

19 February 2016

MANTRA
GROUP

PEPPERS

mantra- BreakFree[®]

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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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Highlights

Peppers Soul, Surfers Paradise

HIGHLIGHTS

Market
demand
increasing

DOMESTIC & INTERNATIONAL



1

Market supply
growth in line
with expectations



2

Portfolio growth
exceeding
expectations

9 PROPERTIES 1H



3

Asia platform
strengthened



4

New properties
performing well



5

Refurbishments



6

Stakeholder
satisfaction



7

Peppers CBD
strategy success



8

HIGHLIGHTS – STATUTORY

TOTAL REVENUE

\$307.4M

 **21.7%**

EBITDAI

\$48.4M

 **14.7%**

NPAT

\$24.3M

 **11.5%**

NPATA

\$25.6M

 **10.7%**

EPS

9.0 CPS

 **3.4%**

INTERIM DIVIDEND

5¢

PER SHARE

HIGHLIGHTS – UNDERLYING*

EBITDAI

\$53.2M

 **26.1%**

11%

ORGANIC EBITDAI GROWTH

NPAT

\$27.6M

 **26.6%**

NPATA

\$28.9M

 **25.3%**

EPS

10.3 CPS

 **18.6%**

9

PROPERTIES ADDED

* Underlying Results are the statutory results excluding transaction costs of \$4.8m incurred in respect of the acquisitions completed in the period



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Mantra Group's business

Mantra Sakala, Nusa Dua

MANTRA GROUP LOCATIONS

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



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Financial Performance

Peppers Docklands, Melbourne

PERIOD ON PERIOD RESULTS OVERVIEW

	H1FY2016 (\$m)	H1FY2015 (\$m)	Change (\$m)	Change (%)
Total revenue	307.4	252.6	54.8	21.7
Statutory results				
EBITDAI ¹	48.4	42.2	6.2	14.7
NPAT	24.3	21.8	2.5	11.5
NPATA	25.6	23.1	2.5	10.7
Underlying Results²				
EBITDAI ¹	53.2	42.2	11.0	26.1
NPAT	27.6	21.8	5.8	26.6
NPATA	28.9	23.1	5.8	25.3
Other key statistics				
Rooms available ('000)	2,093	1,766	327	18.5
Occupancy (%)	79.9	78.1	1.80	2.3
Average room rate (\$)	171.14	165.17	5.97	3.6
RevPAR (\$)	136.82	129.04	7.78	6.0

COMMENTS
<ul style="list-style-type: none"> • Business has performed strongly in H1FY2016 • The commentary refers to Underlying Results². • Revenue, EBITDAI, NPAT and NPATA all performed ahead of the pcg <ul style="list-style-type: none"> • Total revenue increased by 21.7% to \$307.4m from \$252.6m • EBITDAI increased by \$11.0m or 26.1% to \$53.2m from \$42.2m • EBITDAI margin increased from 16.7% to 17.3% for the period primarily driven by increased rate and occupancy in Resorts segment • Strong revenue growth driven by <ul style="list-style-type: none"> • Nine property acquisitions completed in the period (increase of \$32.2m) • Organic³ growth (increase of \$22.6m) • Strong Chinese inbound trends continue

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

² Underlying Results are the statutory results excluding transaction costs of \$4.8m incurred in respect of the acquisitions completed in the period

³ Organic excludes properties added in H1FY2016

REVENUE AND UNDERLYING EBITDAI BY SEGMENT

Operating Revenue	H1FY2016 (\$m)	H1FY2015 (\$m)	Change (\$m)	Change (%)
CBD	157.4	136.3	21.0	15.4
Resorts	125.3	95.1	30.2	31.8
Central Revenue and Distribution	23.1	20.1	3.0	14.9
Corporate	1.5	1.0	0.5	50.0
Total	307.3	252.5	54.9	21.7

Underlying EBITDAI ^{1,2}	H1FY2016 (\$m)	H1FY2015 (\$m)	Change (\$m)	Change (%)
CBD	27.7	25.1	2.6	10.4
Resorts	21.7	15.0	6.7	44.7
Central Revenue and Distribution	16.8	15.8	1.0	6.3
Corporate	(13.0)	(13.7)	0.7	5.1
Total	53.2	42.2	11.0	26.1



COMMENTS

- Strong CBD revenue growth of \$21.0m or 15.4% to \$157.4m
 - New CBD properties contributed \$6.8m in revenue. New CBD properties contribution to H1FY2016 EBITDAI was marginal due to start-up costs and timing of acquisitions
 - Organic increase in CBD revenue was \$14.2m
- Very strong Resorts revenue growth of 31.8% to \$125.3m compared to pcp
 - New Resorts properties contributed \$25.4m in revenue and \$4.7m in EBITDAI
 - Organic increase in Resorts revenue and EBITDAI was \$4.8m and \$2.0m respectively
- CR&D segment results were driven by an increase in revenue from higher booking volumes through central facilitated channels and increased management fees from new properties under management
- Tight cost control in the Corporate segment resulted in savings of \$0.7m compared to the pcp

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

² Underlying Results are the statutory results before transaction costs of \$4.8m incurred in respect of the acquisitions completed in the period

CBD SEGMENT - HIGHLIGHTS

Strong occupancy maintained in CBD segment and total rooms available increased 14.3% on pcp

- Total rooms available increased by 14.3%. Increase primarily came from new properties.
 - New properties include BreakFree on Collins, Peppers Waymouth Hotel and Mantra on Mary
- Occupancy increased by 0.4% following strong conference business and special events in Sydney, Melbourne and Canberra, offset by lower occupancy in regions where infrastructure and resource projects are the key driver (Brisbane, Perth and Darwin)
- RevPAR decreased by 0.6%. This was principally as a result of the reduction in demand in Brisbane, Perth and Darwin which resulted in reduced average room rates. Excluding these regions, occupancy and average room rate increased by 2.0% and 2.9% respectively.

	H1FY2016 Actual	H1FY2015 Actual	Change	Change (%)
Total rooms available ('000)	917	802	115	14.3
Paid rooms sold ('000)	787	686	101	14.7
Occupancy (%)	85.9	85.6	0.3	0.4
Average room rate (\$)	176.22	177.83	(1.61)	(0.9)
RevPAR (\$)	151.31	152.15	(0.84)	(0.6)

RESORT SEGMENT - HIGHLIGHTS

Excellent growth in Resorts segment across all key metrics

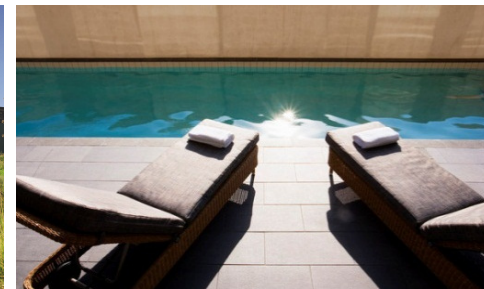
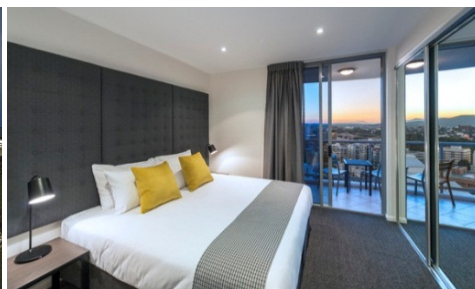
- Total rooms available increased by 22.0%. Increase primarily came from new properties.
 - New properties include Mantra on View, Mantra Twin Towns, Peppers Noosa, Peppers Soul (transitioned from Management Agreement to Management Letting Right in July 2015) and Mantra Towers of Chevron
- Occupancy increased by 4.7% as a result of increased demand for Australian holidays from domestic and international travellers
- Average room rate increased by 9.2% as a result of the increased demand, particularly in Queensland destinations

	H1FY2016 Actual	H1FY2015 Actual	Change	Change (%)
Total rooms available ('000)	1,176	964	212	22.0%
Paid rooms sold ('000)	886	693	193	27.8%
Occupancy (%)	75.3	71.9	3.4%	4.7%
Average room rate (\$)	166.63	152.64	13.99	9.2%
RevPAR (\$)	125.53	109.81	15.72	14.3%

CR&D SEGMENT

Growth also experienced in CR&D segment

- CR&D EBITDAI of \$16.8m exceeded the previous corresponding period by \$1.0m or 6.3%
- Management fees grew from new properties under management (Mantra Boathouse Apartments). Also, full period contributions from the two Bell City properties and BreakFree on Cashel contributed to the improved result, offset by the loss of management fees in respect of Soul (now an MLR property).
- Other growth resulted from the continued consumer trend to book through central facilitated channels



H1FY2016 NEW PROPERTIES

Nine new properties added in H1FY2016 and performing in line with expectations

BreakFree on Collins, Melbourne



Mantra on View, Surfers Paradise



Mantra Twin Towns, Gold Coast



Peppers Noosa, Noosa



Mantra Boathouse, Airlie Beach



Peppers Waymouth Hotel, Adelaide



H1FY2016 NEW PROPERTIES

Nine new properties added in H1FY2016 and performing in line with expectations

Mantra on Chevron, Surfers Paradise



Mantra on Mary, Brisbane



*Peppers Soul, Surfers Paradise



* Peppers Soul, Surfers Paradise successfully transitioned from MA to MLR during the period

STATUTORY PROFIT AND LOSS FOR THE PERIOD

	H1FY2016 (\$m)	H1FY2015 (\$m)	Change (\$m)
Operating revenue	307.3	252.5	54.9
Other income	0.1	0.2	(0.1)
Total operating expenses	(259.0)	(210.5)	(48.6)
EBITDAI¹	48.4	42.2	6.2
Depreciation, amortisation (excluding amortisation of lease rights) and impairment	(9.1)	(7.0)	(2.1)
EBITA	39.3	35.2	4.1
Amortisation of lease rights	(1.9)	(1.9)	0
EBIT	37.4	33.3	4.1
Net finance costs	(2.5)	(2.2)	(0.3)
Profit before tax	34.9	31.1	3.8
Tax expense	(10.6)	(9.3)	(1.3)
NPAT	24.3	21.8	2.5
NPATA	25.6	23.1	2.5
EPS	9.0	8.7	0.3



COMMENTS

- Business has performed strongly in H1FY2016
- Revenue, EBITDAI, NPAT and NPATA all performed ahead of the pcg
 - Operating revenue increased by \$54.9m
 - EBITDAI increased by \$6.2m
- Strong revenue growth driven by
 - Nine property acquisitions completed in the period (increase of \$32.2m)
 - Organic² growth (increase of \$22.6m)
- Strong Chinese inbound trends continue

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

² Organic excludes properties added in H1FY2016

STATUTORY CASH FLOW

	H1FY2016 Actual (\$m)	H1FY2015 Actual (\$m)	Change (\$m)
Cash flows from operating activities			
Receipts from customers	329.7	268.8	60.9
Payments to suppliers	(290.4)	(242.5)	(47.9)
	39.3	26.2	13.1
Net interest and tax payments	(15.2)	(5.6)	(9.6)
Net cash inflow from operating activities	24.1	20.6	3.5
Net cash (outflow) from investing activities	(110.0)	(21.1)	(88.9)
Net cash inflow from financing activities	42.8	5.0	37.8
Net (decrease)/ increase in cash and cash equivalents	(43.1)	4.5	(47.6)

COMMENTS

- Cash flow from operating activities of the Group for H1FY2016 continued to be strong
- Operating cash inflows increased by \$3.5m to \$24.1m in H1FY2016 primarily as a result of strong trading results, offset by increased tax payments
- Net cash outflow from investing activities totalled \$110.0m following the acquisition of nine properties in H1FY2016 (pcp: five). This included the Outtrigger and Soul properties settled on 1 July 2015 (\$51.0m in the period) and \$47.7m on other H1FY2016 property acquisitions.
- Net cash inflow from financing activities has increased by \$37.8m to \$42.8m. Additional debt has been used in the acquisition of properties during the period.

BALANCE SHEET AND CREDIT METRICS

Statutory balance sheet	31 Dec 15 Actual (\$m)
Cash and cash equivalents	42.0
Other current assets	75.0
Current assets	117.0
PPE	120.5
Intangible assets	474.8
Other non-current assets	1.0
Total non-current assets	596.3
Total assets	713.3
Trade and other payables	45.3
Other liabilities	60.9
Total current liabilities	106.2
Borrowings	160.4
Other non-current liabilities	96.5
Total non-current liabilities	256.9
Total liabilities	363.1
Net assets	350.2

COMMENTS

- Very strong balance sheet and cash position
- Intangible assets have increased by \$110.6m (30.4%) since 30 June 2015 following the acquisition of nine properties
- Syndicated Facility Agreement extended by \$40m in the period. The Group is 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
- The Group expects to review some of its debt facilities pre 30 June 2016

Credit metrics	
Borrowings (\$m)	160.4
Cash and cash equivalents (\$m)	42.0
Net total indebtedness (\$m)	118.4
Net debt /LTM Underlying EBITDAI	1.4x
FY2016 LTM Underlying EBITDAI/LTM Net finance cost	20.3x



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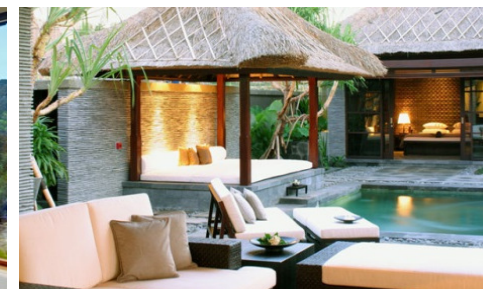
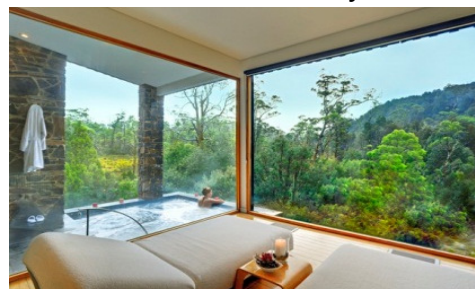
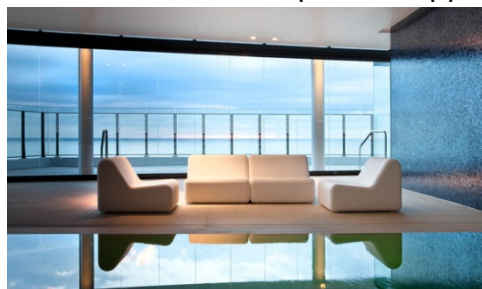
Growth and outlook

Peppers Airlie Beach, Whitsundays

FY16 OUTLOOK

Mantra Group updates its FY2016 guidance

- Guidance provided in August 2015 was EBITDAI, NPAT and NPATA of between \$84m - \$87m, \$40m - \$42m and \$42.5m - \$45m respectively
- Guidance for FY2016 excluded the impact of any additional conditional or uncontracted properties as at 30 June 2015 and any transaction costs associated with FY2016 acquisitions, including transaction costs associated with Outrigger and Soul, which completed on 1 July 2015
- Inclusive of new properties to 18 February 2016, updated guidance for FY2016 is EBITDAI, NPAT and NPATA of between \$88.5m - 90.5m, \$41.5m - \$43m and \$44.2m and \$45.7m respectively
- Guidance excludes the impact of any additional conditional or uncontracted properties as at 18 February 2016 and any transaction costs associated with FY2016 acquisitions
- Mantra Group will continue to assess suitable acquisition opportunities both domestically and abroad



PROPERTIES SCHEDULED TO ENTER PORTFOLIO



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

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



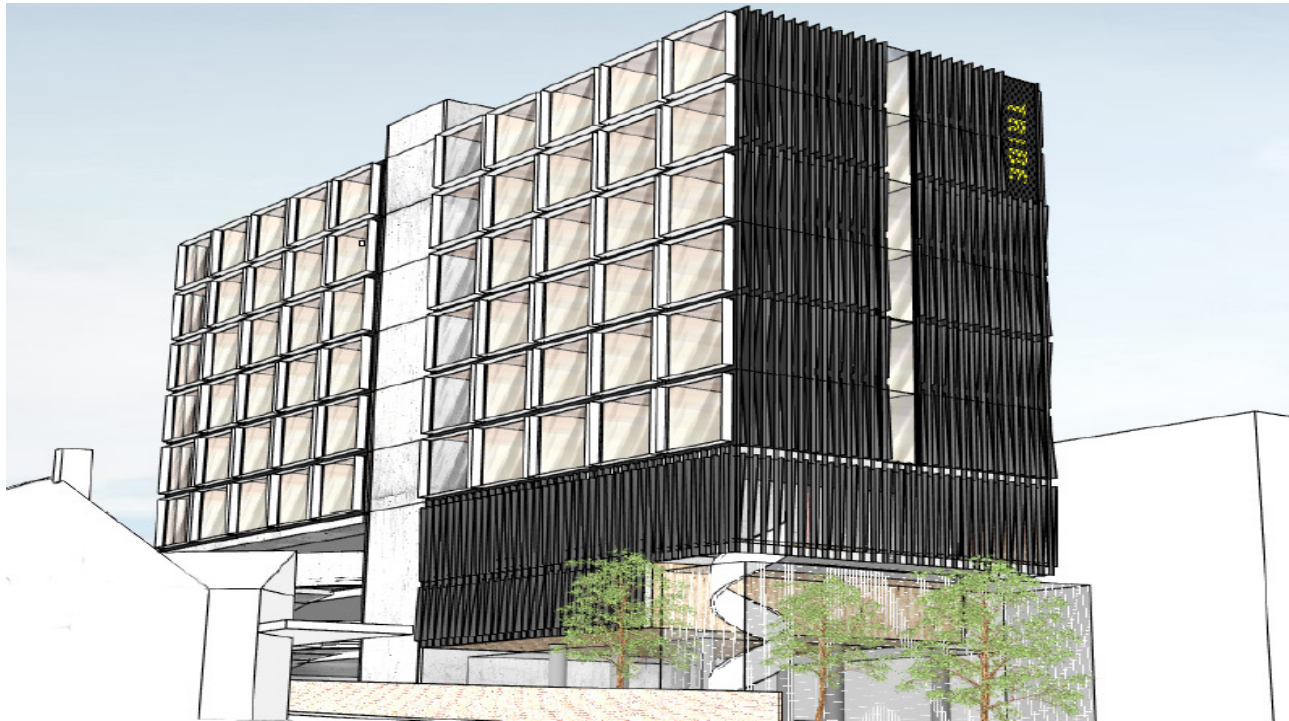
Property: Mantra Hideaway Villas
Location: Pecatu, Bali
Model: MA
Rooms: 30
Opening: H1FY2017

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



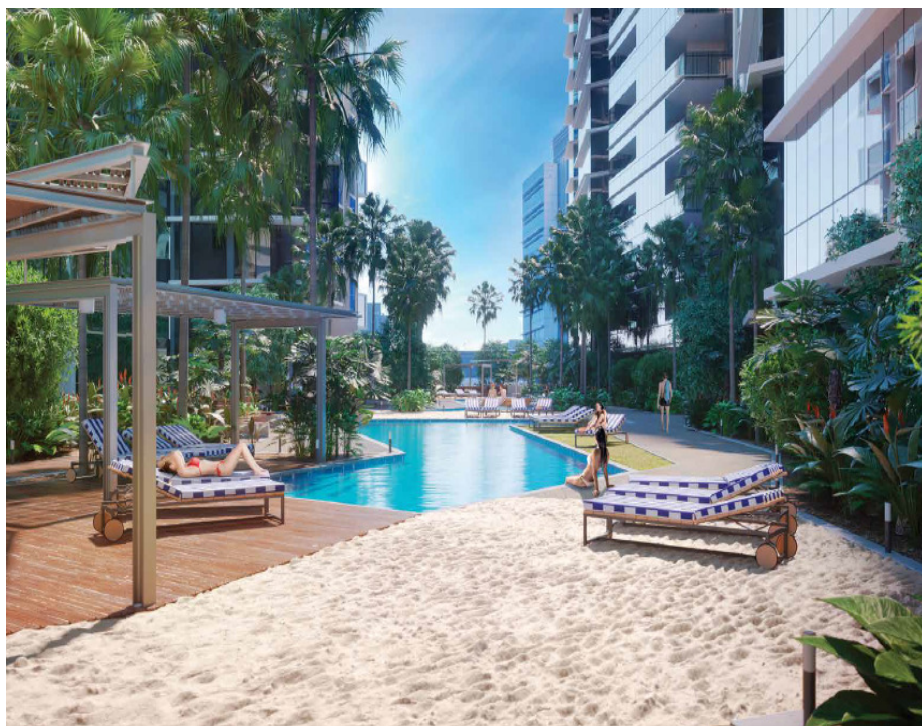
Property: Peppers King Square
Location: Perth, WA
Model: HMR
Rooms: 120
Opening: H1FY2017

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



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

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Metro Properties
Location: Brisbane, QLD
Model: MLR
Rooms: 1,520 rooms | portfolio of permanent rental residential properties
Opening: H1FY2017 & H2FY2018 (staged)

Subject to customary settlement conditions

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Mantra Sydney Airport
Location: Sydney, NSW
Model: HMR
Rooms: 136
Opening: Estimated for H2FY2017

PROPERTIES SCHEDULED TO ENTER PORTFOLIO



Property: Mantra Macarthur Hotel
Location: Canberra, ACT
Model: Lease
Rooms: 176
Opening: H2FY2017



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Appendix: Additional information

Peppers Noosa, Noosa

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 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 (H1FY2015)
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 \$4.8m incurred in respect of the acquisitions completed in the H1FY2016 period



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mantra BreakFree

Peppers Broadbeach, Gold Coast