

Redcape Hotel Group

MA Hotel Management

Investor update

September quarter 2021



The Fund's portfolio of 36 hotels consists of 34 freehold and two leasehold hotels valued at approximately \$1.25 billion.



The Fund's hotels are located within the heart of communities and represent central meeting places for locals and visitors.

Important Information

This update has been prepared by MA Hotel Management Pty Ltd (ACN 619 297 228), the appointed Manager of the Fund and is subject to the disclaimer at the end of this document. MA Asset Management Ltd (ACN 142 008 535) (AFSL 427 515) is the trustee of the Fund (**Trustee**).



Investment summary

The Fund's objective is to provide investors with regular and growing cash distributions and capital growth over the investment term by investing in and actively managing a diversified portfolio of high-quality hotels and alternative use real estate opportunities with the potential for refurbishment or redevelopment to increase land utilisation.

The Fund has a preference for Freehold Going Concern venues, which improves Redcape's ability to readily invest in refurbishment opportunities as well as provides the potential to generate future value from the real estate on which the hotels are situated.



Performance highlights

- The Fund reported an Underlying Earnings loss of \$7.1m for the quarter, reflecting the impact of the forced closure of Redcape venues in New South Wales and South East Queensland due to COVID-19 restrictions.
- As at 30 September, Director's Gearing was at 38.3% which increased to 46.4% at 31 October as a result of the debt funded portion of the Buy-Back.
- As at 30 September, Directors' NAV was at \$1.30 per unit which increased to \$1.34 per unit at 31 October following the Buy-Back of 100.0 million units funded through the Fund's debt facilities.



Operational update

The operations of the Fund's assets were significantly disrupted by the government mandated closure of the venues in New South Wales and South East Queensland.

Following the mandated closure on 25 June 2021, venues in New South Wales remained closed throughout the entirety of the quarter while trade in the Fund's South East Queensland venues resumed from 8 August 2021.

INVESTMENT MANAGEMENT



Dan Brady
CEO, MA Hotel Management

The Fund's retail outlets ("off-premise") continued to trade throughout the quarter and recorded strong sales. Management used the period of closure to focus on and enhance the connection, wellbeing and development of staff and engagement with its customers, while ensuring preparedness for reopening which occurred on 11 October 2021.

The Fund took advantage of the mandated closure by continuing its capital works program, which should ensure the Fund's venues are well positioned to capitalise on the expected uplift in trade as restrictions continue to ease.



Performance update

During the quarter, management took quick and decisive action to secure liquidity for the Fund, reduce costs and have prudently worked through maximising access to payment deferrals, waivers, and Government support.

Off-premise traded strongly throughout the quarter and this has continued into October 2021. Strong trading levels were coupled with margin improvements which were driven by tactical buying decisions and enhancements to product mix.

While the Queensland portfolio traded for most of the quarter, trading conditions remained subdued as patronage limits, mask wearing requirements and seated drinking restrictions remained in place. The two most recently acquired venues in South East Queensland (Aspley Hotel and Shafston Hotel) have been settled and integrated, with capital works commenced to improve the aesthetics of the venues.



Underlying earnings

The Fund reported an Operating EBITDA loss of \$3.2m and an Underlying Earnings loss of \$7.1m for the quarter ended 30 September 2021.

No distributions were declared for the quarter.

Lender support has been maintained by the Fund to ensure the ability to trade through any ongoing business disruptions throughout 1HFY22.

The Fund's liquidity remains strong, with cash and cash equivalents of \$15.5m, undrawn debt of \$78.0m and net debt of \$506.5m at quarter end. Following quarter end, the Fund secured an additional \$100.0 million of debt commitments which were used to partly fund the Buy-Back of 100.0 million units as part of the delisting transaction.



Outlook

Redcape has returned to strong trading upon reopening in New South Wales on 11 October 2021 with positive Underlying Earnings expected to be reported in the December quarter.

Subject to trading conditions and no return to COVID mandated trading conditions, the Board will consider reinstating quarterly distributions from the quarter ending 31 December 2021.



Fund performance¹

	6 MONTHS (%)	1 YEAR (%)	3 YEARS (%)	SINCE INCEPTION (% P.A.) ²
Distribution	2.2%	5.8%	5.7%	6.4%
Capital	6.6%	19.6%	6.7%	6.9%
Total Return	8.8%	25.4%	12.4%	13.3%

1. Performance is shown for informational purposes only. Past performance is not a reliable indicator of future performance. Performance fees may impact total return performance.
2. Inception date is 10 July 2017.



Key operating metrics

(as at 30 September 2021)

Directors' hotel portfolio value	\$1,254.9 million
Directors' NAV	\$718.2 million
Directors' NAV per unit	\$1.30 ³
Number of assets	36
Underlying Earnings per unit	(1.29) cps
Distributions per unit	–
Directors' Gearing	38.3% ⁴
ICR Ratio (LTM)	4.55x

3. Director's NAV as at 31 October 2021 is \$1.34.
4. Director's Gearing as at 31 October 2021 is 46.4%.

RG 46 Statements

The latest RG46 Statement is available at the Fund's [Website](#).

MORE INFORMATION

For more information, please contact your financial advisor or our client services team.



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Important Information

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