

Redcape Hotel Group (unlisted Fund)

December 2023
Investor Update

MA Financial
Group

We invest. We lend. We advise.

Important information



The Fund is temporarily closed to new applications and redemptions. Please refer to the continuous disclosure notices section of the Fund website, including specific notices dated 30 June 2023 and 22 December 2023 and please contact us for further information

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Investment performance



Redcape has delivered a total return of 13% per annum since inception

Investment performance (as at 31 December 2023)¹

	6 months (%)	1 year (%)	3 years (% p.a.)	Since inception (% p.a.) ²
Distribution Return	2.1%	4.6%	5.9%	6.6%
Growth Return	-11.5%	-15.3%	7.0%	6.4%
Total Return	-9.45	-10.7%	12.9%	13.0%

Returns reflect the value of a continuing investor's investment assuming the reinvestment of all distributions and are calculated in accordance with investment performance reporting guidelines of the Financial Services Council (FSC) of which MA Financial Group is a member.

Performance commentary

- Returns are the total return to unitholders assuming reinvestment and after fees
- The Fund NAV is supported by independent valuations³ referencing contemporary transactional evidence
- Target distribution⁴ of 2.0 cents per unit for March and June 2024 quarters reflecting the Manager's target earnings for the year ending 30 June 2024.

1. As of 31 December 2023. 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 of the Fund is 10 July 2017.

3. Independent valuations are undertaken in accordance with the Fund's Valuation Policy

4. Distribution guidance is subject to change based on a variety of risks including economic, regulatory and other risk factors.

Note: Investment performance based on MA Financial analysis.

Fund overview



Access a \$1.3+ billion¹ diversified portfolio of high-quality Australian hotels managed by one of Australia's leading hospitality operators

Investment highlights



Limited supply of hotel licenses

Limits on the number of new liquor licenses and electronic gaming machine (EGM) licenses in each State provides a competitive advantage to incumbent operators and imposes barriers to entry on new participants within established markets



Rapid population growth

Venue operators to benefit from Australia's growing population which is forecast to grow at a CAGR of 1.4% over the next 10 years²



Culture-driven consumer demand

Social occasions held at pub / hotel venues is deeply embedded in the Australian culture and continues to drive consumer demand. Despite the current cost of living pressures, venue visitation has not been impacted as reflected in Redcape's proprietary Publinc data



Access to efficient financing

Security value of underlying real estate asset facilitates access to cost effective traditional bank debt financing



Attractive risk-adjusted returns

Potential for double-digit unlevered returns, assuming costs are managed and earnings grow in line with inflation



Continued demand for hospitality assets³

Proven asset liquidity with over \$1bn worth of pubs transacted in NSW in 2023³. MAHM assets are well-located in established growth areas that underpin demand

1. As of 31 Dec 2023

2. [https://www.abs.gov.au/statistics/people/population/population-projections-australia/latest-release#:~:text=Australia's%20population%20in%202022%20\(26,between%2043.8%20and%2047.6%20years.](https://www.abs.gov.au/statistics/people/population/population-projections-australia/latest-release#:~:text=Australia's%20population%20in%202022%20(26,between%2043.8%20and%2047.6%20years.)

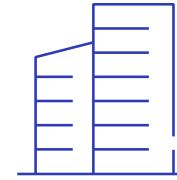
3. <https://www.afr.com/property/commercial/what-happened-to-the-170m-record-sale-of-sydney-s-the-oaks-hotel-20231221-p5et5i>

MA Hotel Management overview



A highly sophisticated and deeply resourced investment-grade platform with class-leading governance and investment oversight

- One of Australia's leading hotel managers and operators. MAHM has a track record of growth via strategies focused on acquisitions and capex-led organic growth
- Successful track record of investing in venues and repositioning as community-centric social hubs
- Its core fund is Redcape (comprising 31 pub assets¹) and it separately manages four single-asset funds
- MA Financial maintains significant co-investments² in the Funds ensuring alignment with investors
- Highly experienced management and operational team complimented by strong governance processes and a majority independent board
- MAHM aims to positively impact local communities in all its venues and deliver the best possible hospitality experience for customers.



36

Community hotels¹



1,200+

Staff⁵



\$448m

Annual revenue⁶



29

Located in NSW³



6

Located in QLD⁴



1

Located in VIC

1. As of 31 December 2023, the total MAHM portfolio includes: Redcape: 31 venues, MA Hotel Brunswick Fund: 1 venue, MA Taylor Square Fund: 2 venues, MA Beach Hotel Fund: 1 venue, MA Hotel Bendigo Fund: 1 venue.

2. Investments are held via a wholly owned subsidiary of MA Financial Group Limited (ACN 142 008 428) and is an affiliate of the Manager

3. 28 freehold going concerns and one leasehold going concern.

4. Five freehold going concerns and one leasehold going concern.

5. Management estimate as of Dec 2023.

6. LTM Revenue at 31 December 2023 and includes all funds managed by MAHM.

Investment strategy and target returns

Objective to provide access to a diversified portfolio of high-quality hotels that deliver long term sustainable growth

- Sector specific, value add investment objective
- Invest in high quality community hotels
- Preference for freehold going concern (property and business) ownership
- Acquire assets offering clear value-add opportunities
- Consistent and scalable operating platform
- Build geographic and earnings diversification
- Leverage MA Hotel Management capabilities, including data insight to optimise opportunities within each venue
- Actively manage the portfolio to improve venue quality and performance

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Performance overview

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Key strategic initiatives and pathway to growth



Management has implemented a strategic response to the economic and consumer spending challenges

Management has made significant progress in the execution of its strategy to adapt the business to the current environment with the objective of delivering its target stakeholder outcomes

1	Asset sales	2	Operating performance	3	Fee card concessions	4	Debt	5	Growth initiatives	Target Stakeholder outcomes
	<ul style="list-style-type: none"> \$157.5m contracted sales ✓ Target \$200m sales over 23 & 24 Further selected strategic or opportunistic sales to be considered Reduce gaming exposure overtime 		<ul style="list-style-type: none"> Revenue growth initiatives ✓ Venue level cost reductions ✓ Gaming cashless trial participation 		<ul style="list-style-type: none"> Disciplined MAHM cost management Fee concession of 1cpu until underlying earnings are 10cpu¹ ✓ 		<ul style="list-style-type: none"> Extend and amort 24 debt tranche - \$250m ✓ Extend hedging ✓ Diversify financing options Establish defensive finance metrics ✓ Establish headroom for growth opportunities ✓ 		<ul style="list-style-type: none"> Growth capex reinstated: ~\$20m pa targeting 15% ROC ✓ Opportunistic acquisitions targeting accretive yield Long-term portfolio enhancement strategy and site optimisation 	<ul style="list-style-type: none"> Grow earnings and distribution profile Achieve sustainable investor liquidity Address any remaining cap rate expansion Position for net equity inflows

1. For further information relating to the fee concession, please refer to the Fund's 22 December 2023 Continuous Disclosure notice: <https://mafinancial.com/invest/real-estate-and-hospitality/redcape-hotel-group/strategic-review-liquidity-facility-and-asset-sales-update>

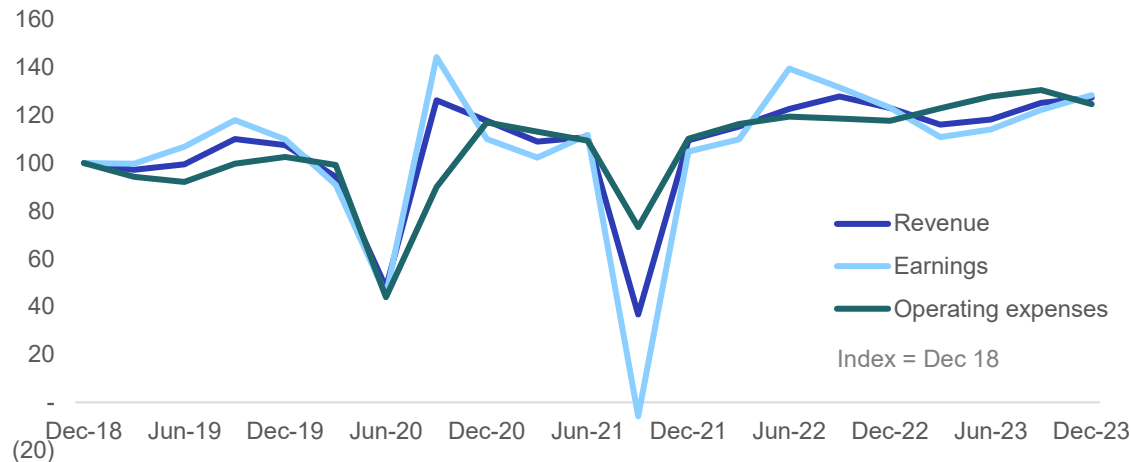
Redcape financial performance



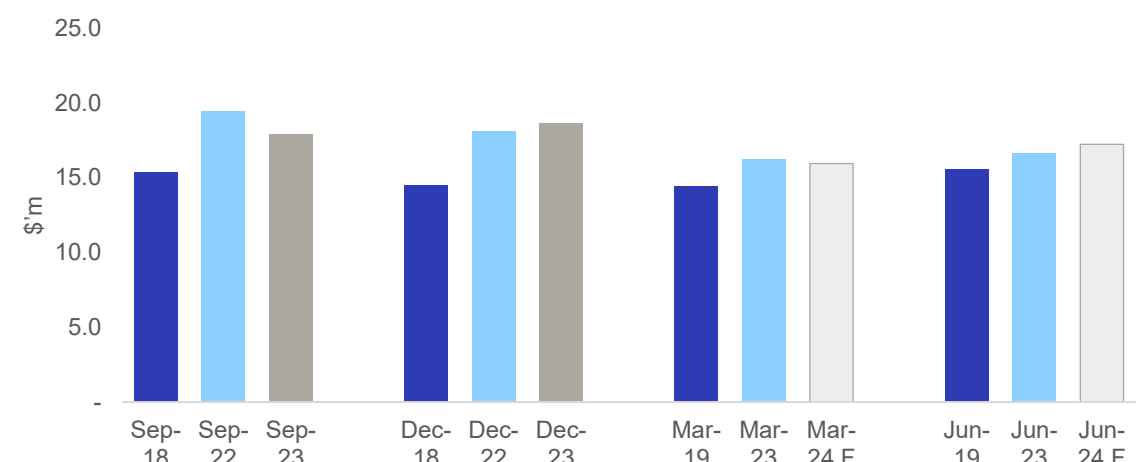
MAHM has delivered solid trading performance despite economic and consumer spending headwinds

- Like-for-like¹, Redcape has delivered growth in venue earnings despite the challenges in the wider economy
 - underlying earnings 2.46 cents per unit (cpu) for December 2023 quarter (+3.0% year-on-year)
 - Average annual growth² of ~5.0% (revenue and venue earnings³) over the 5 years to Dec 2023
- Operating expenses increased at a rate of 4.5% over the same period but efforts to reduce costs are yielding results
- Limited working capital over the last 12 months has limited reinvestment in growth initiatives which has impeded performance
- Earnings growth is a key management objective - targeting 10 cents per unit⁴ (cpu) in earnings for calendar 2024 which is supported by the current earnings trajectory

Like-for-like performance Last 5 years (CPI adjusted)



Like-for-like venue earnings³ - FY19⁵ | FY23A | FY24F



1. Like-for-like performance includes all venues that were operating during the entire period and excludes any venues that were acquired or divested.

2. Revenue and earnings growth has been adjusted for CPI

3. Venue earnings before interest, tax depreciation, amortisation and management fees

4. Forecast numbers are provided as guidance only and are subject to change based on a variety of factors including economic, regulatory and other risk factors.

5. Performance in the 2019 financial year was not affected by COVID19 trading restrictions or impacted by government fiscal stimulus and has been used to illustrate comparative performance in normalised trading environments

Earnings growth levers



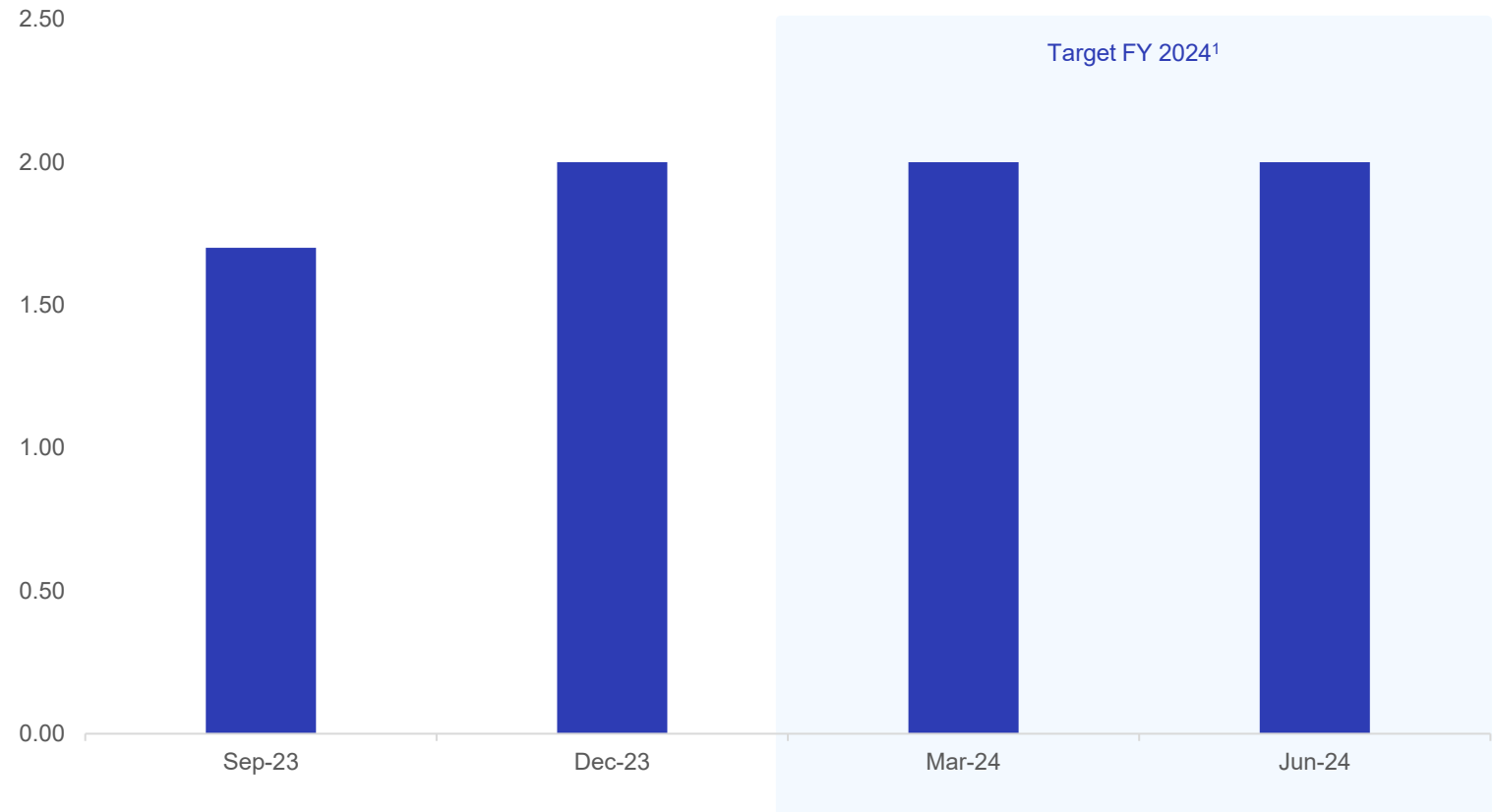
Sustainable long-term earnings growth is Management's key objective

Organic earnings	<ul style="list-style-type: none">• Revenue growth through marketing activities, customer experience enhancements and promotional offers• Gross margin improvements through procurement savings• Operating cost optimisation programs
Growth capex	<ul style="list-style-type: none">• To assist its growth objectives MAHM has prioritised a pipeline of projects that it expects to achieve a minimum of 15% return on capital invested• Management is targeting \$20m of investment in calendar 2024 in projects that meet the Fund's return threshold• MAHM is planning additional larger-scale projects to complement the current pipeline once requisite approvals are in place
Acquisitions (freehold or leasehold)	<ul style="list-style-type: none">• Potential for the Fund to recycle capital to fund opportunistic acquisitions (i.e. to divest assets and find more attractive opportunities)• Opportunities exist in NSW and south-east Queensland to acquire freehold and leasehold pubs that offer investment yields above the Fund's return threshold
Food and beverage	<ul style="list-style-type: none">• MAHM is targeting growth in its food and beverage (F&B) revenue across the portfolio• In addition to improving the appeal of venues to customers, F&B provide organic growth and further diversifies operating revenue

Targeting regular quarterly income

MAHM is focused on delivering sustainable earnings growth to drive investment value

- Fund is on track to deliver consistent distributions over FY2024 and is targeting growth for FY2025¹
- Asset sales provide working capital for reinvestment in growth opportunities by reinvesting in venues and potentially opportunistic acquisitions
- Procurement and supply chain stabilising and ongoing cost management will assist earnings targets
- September and December quarter distributions of 1.70 and 2.0 cents per unit respectively
 - target 2.0 cent distribution¹ per quarter for the balance of 2024 reflecting an annualised distribution yield of 5.4%²
- Compound distribution growth of ~6.5%³ since inception
- Distribution target of ~80% - 90% of underlying earnings⁴.



1. Distribution target is for guidance only and remains subject to change based on a variety of risks including economic, regulatory and other risk factors.

2. Annualised 2.0 cents per unit (8 cents) / \$1.5047 unit price as at 1 February 2024. This is guidance only and is subject to change based on a variety of factors including economic, regulatory and other risk factors.

3. Inception date of the Fund is 10 July 2017.

4. This is a target only and is subject to change at the discretion of the Responsible Entity

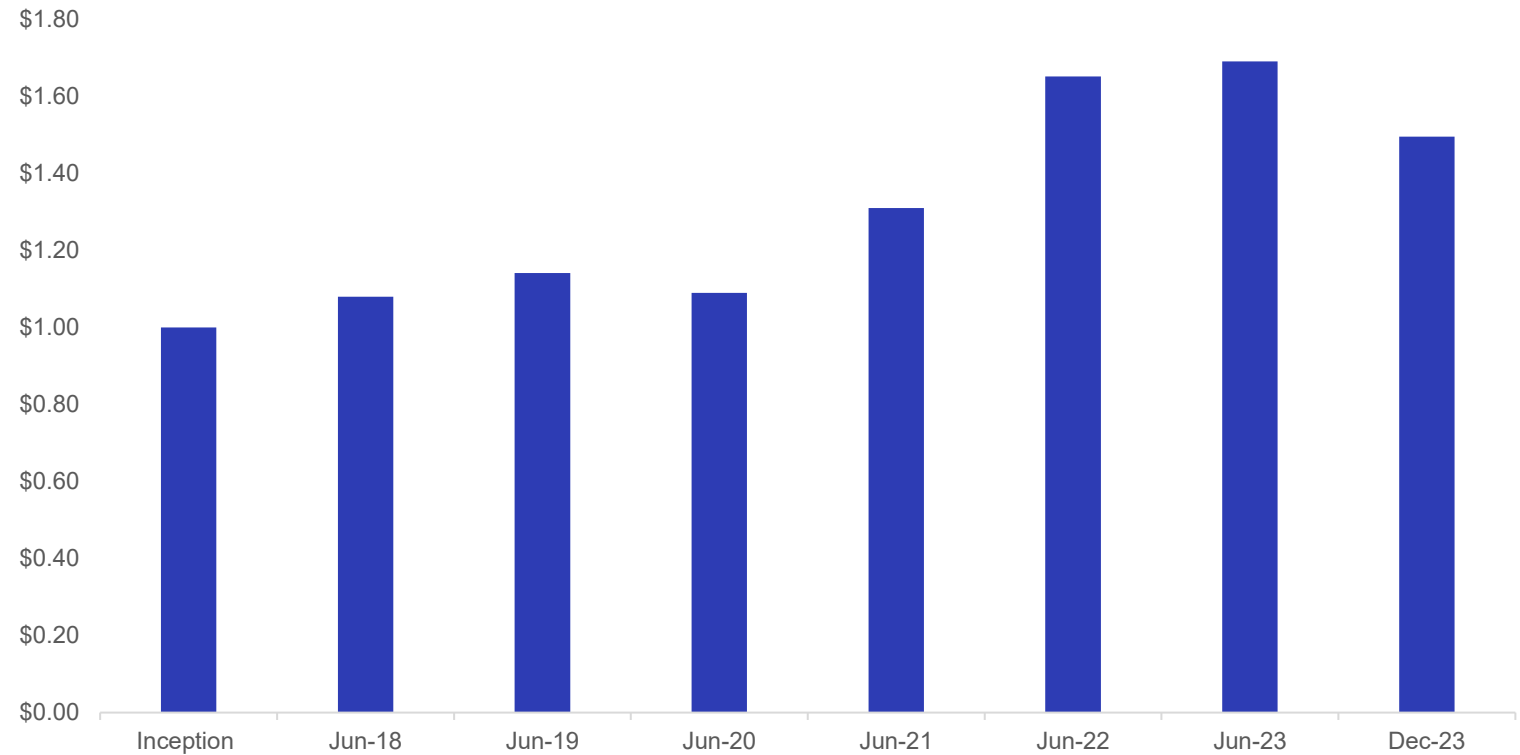
Net Asset Value



Redcape is underpinned by a \$1.3 billion portfolio of 31¹ quality assets that cannot be replicated

- Revaluation of portfolio complete. Average portfolio capitalisation rate of 7.5% as of 31 December 2023 reflects market conditions and contemporary sales evidence
- Cap rates expected to stabilise on back of peak cash rate. The Manager expects earnings growth to offset any residual cap rate expansion
- NAV has grown at an average compound rate of 6.4% annually since inception².
- Asset sales demonstrate ongoing demand for assets and stabilise the Fund's balance sheet
- Value remains underpinned by active management and sector fundamentals:
 - appeal of the sector to well-capitalised investors
 - operational improvements are driven by analytics and constant review of key operating metrics
 - active management of assets and strategic investment strategy to improve asset quality/performance
- MAHM is targeting annualised Fund earnings³ of 10 cents per unit for calendar 2024 which is expected to deliver the target per unit distribution and further growth in Fund NAV⁴.

NAV/Unit Price Movement Jul 17 – Dec 23²



1. As of 31 December 2023

2. Inception of the Fund is 10 July 2017. Returns reflect the value of a continuing investor's investment assuming the reinvestment of all distributions and are calculated per the Financial Services Council (FSC) guidelines (MA Financial Group is a member of the FSC). Past performance is not a reliable indicator of future performance.

3. Venue operating earnings are pre-fee and before interest, tax, depreciation, and amortization.

4. These are targets only and may not be achieved. Distribution and NAV targets are provided as guidance only and remain subject to no material change occurring to the prevailing economic or operating conditions. Refer to the Fund's Product Disclosure Statement and Target Market Determination

Capital management

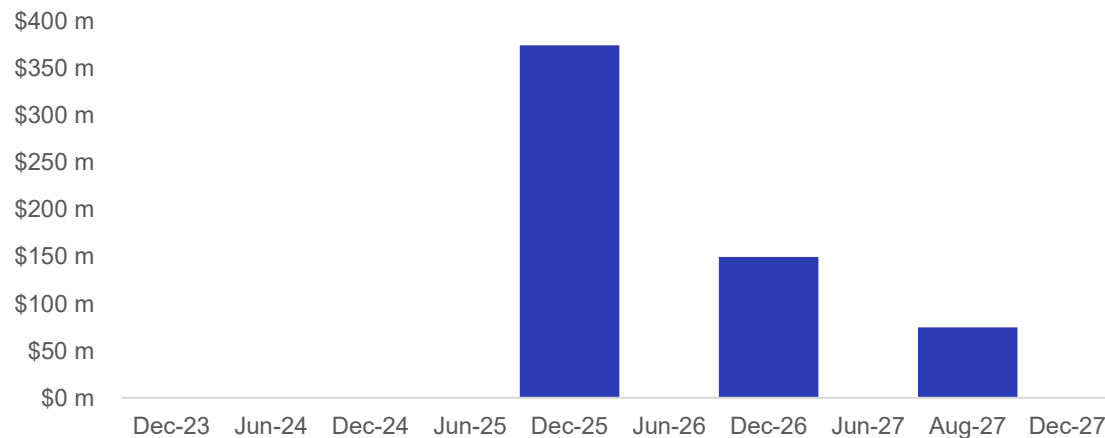


\$150+ million assets divested to strengthen balance sheet and provide working capital for growth

Summary as of 31 December 2023

- No further debt expiry until December 2025
- Asset sales reduce debt and provide working capital:
 - \$100m permanent reduction in Fund borrowings
 - ~\$20 million for investment in growth opportunities targeting 15%+ ROC
 - Liquidity for investors seeking to redeem their investment¹

Debt Maturity Profile



1. Subject to the terms of the Liquidity Facility as set out in the Fund's Product Disclosure Statement

2. Interest cover covenant is 2.0x.

3. Core debt hedging requirement of 50%. Note: Debt Maturity Profile excludes \$4m ancillary facility which expires in December 2025.

4. Refer to the Fund's RG46 disclosure document available on the Fund's website for further detail in respect of the Fund's gearing. The Fund's RG46 document addresses the six benchmarks and eight disclosure principles that can help retail investors understand the risks, assess the rewards being offered and decide whether these investments are suitable for them.

Key metrics as at 31 December 2023

Net debt	\$603 million
Lender	Major Australian banks
Weighted average interest rate	1.71% + BBSY
Weighted average maturity	2.4 years
Hedging	~90% of facility limit
Interest cover ratio ²	2.12x
Directors' gearing ^{3,4}	43.9%
Target gearing ⁴	40–50%

NSW gaming reforms overview



MAHM believes a progressive evidenced-based transition will lead to a more sustainable industry for all stakeholders and the community

Proposed reform	Status
Restrict external signage promoting gaming	
<ul style="list-style-type: none">Reduced cash load-up limits to \$500 for all new poker machines	complete
<ul style="list-style-type: none">Restrict external signage promoting gaming	complete
<ul style="list-style-type: none">A 12-month trial of cashless gaming<ul style="list-style-type: none">Panel of 16 experts appointed to develop and oversee trials. Includes representatives from government, responsible gaming advocates and industryRedcape will participate	progressing
<ul style="list-style-type: none">Introduction of third-party exclusion	progressing
<ul style="list-style-type: none">Introduce facial recognition technology to assist self-exclusion	progressing
<ul style="list-style-type: none">Reduce gaming machine numbers as licences are transferred between venues	progressing

MAHM assessment of reforms

- MAHM supports reforms that are proven to be effective at addressing issues
- Sector has been progressing towards cashless technology
 - Significant infrastructure development required before cashless gaming technologies can be universally adopted
- MAHM has trialled facial recognition software in venues previously and supports its introduction
- Publinc Help program already in place:
 - Player Activity Statements to customers detailing their gambling activity
 - Voluntary pre-commitment (time and monetary limits) in Redcape venues
 - Multi-Venue Self Exclusion scheme with access to counselling and support services.

Outlook

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03

Fund outlook

A range of macro factors are likely to influence performance over the next 12 months

Expectations over the next 12 months

- Early indications of stability emerging in the broader economy: the rate of inflation appears to be decreasing and the monetary tightening cycle is expected to be wound back over the next 12 months.
- Potential rate reductions could ease cost-of-living pressure on households and stabilise cap rates across real estate investment platforms
- Combined with resilient economic indicators and a robust labour market, MAHM expects improved operating conditions for its hotels.

Redcape well positioned for growth

- The Fund's balance sheet has been improved by a successful asset sale programme and the extension of a material debt facility for approximately three years. This provides liquidity for redemptions and working capital to invest in strategic growth opportunities.
- MAHM's management of supply chain and operating expenses combined with fee card concessions is delivering tangible earnings benefits. This is complemented by strategic initiatives and capital investment pipeline to provide a path to earnings and value growth
- MAHM's expertise and depth of experience will be key to achieving these outcomes

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Risks



Risk rating: High risk classification

All investments are subject to risk, which means the value of your investment may rise or fall. Before making an investment decision, it is important to understand the risks that can affect the value of your investment.

There is an extensive regulatory regime that affects many aspects of the operation of the Fund's assets including: licensing requirements, regulations of electronic gaming machines, anti-money laundering laws, and workplace health and safety regulations.

A failure by the Responsible Entity to comply with any of the regulatory regimes and associated licenses which apply to its operations may significantly and adversely affect its reputation and financial performance and any Unitholder's investment in the Fund. Other general risks of an investment in the Fund include but are not limited to: the inability of the Fund to meet redemption requests, the risk that the Fund does not achieve its investment objective, and the risk that Unitholders may lose some or all of their capital invested in the Fund.

More information on the risks of investing in the Fund is contained in the Product Disclosure Statement (PDS), which should be considered before deciding to invest in the Fund. You should read the whole of the PDS in order to fully appreciate the risks of an investment in the Fund before any decision is made. You are also strongly advised to consider your personal investment objectives and financial circumstances.

The Target Market Determination for Units in the Fund is available free of charge on the Fund webpage¹: mafinancial.com/asset-management/retail-funds/redcapehotel-group/.

Before making an investment decision, always read and understand the PDS which is available on the Fund webpage¹: mafinancial.com/asset-management/retail-funds/redcape-hotel-group/ along with all other relevant or updated information regarding the Fund.

1. The Fund is temporarily closed to new applications and redemptions and therefore the PDS and TMD are not currently available. Please refer to the continuous disclosure notices section of the Fund website, including specific notices dated 30 June 2023 and 22 December 2023 and please contact us for further information

The logo for MA Financial Group, featuring the letters 'MA' in a large, bold, white sans-serif font, followed by the words 'Financial Group' in a smaller, white sans-serif font stacked vertically.

MA Financial
Group

Two white curved lines that sweep from the bottom right towards the top right of the page, creating a sense of movement and flow.

We invest. We lend. We advise.