

MA Redcape Hotel Fund

Continuous Disclosure notice

17 December 2024

Strategy progress update

The Manager has made significant progress delivering on the MA Redcape Hotel Fund's (the "Fund") strategy to renew and diversify the portfolio and achieve increased earnings while providing the opportunity, through its capital expenditure programme, to generate additional capital value.

As a result, the Manager re-affirms its two-year total return target of ~15%¹ p.a. and increases its distribution guidance to 2.5 cents per unit for the March 2025 quarter.

Asset recycling for yield growth

The Fund has acquired three venues² in South-East Queensland for a total value of approximately \$66m. The Manager is in advanced stages of due diligence on further venues which are expected to complete in the near term, taking the total capital reinvested to ~\$120m.

The acquisitions are expected to provide a blended initial yield of approximately 11.5% p.a. with additional growth upside as the Manager executes its operational strategies to optimise venue earnings and capital expenditure opportunities identified within each venue. This yield is significantly higher than the yields derived from the sale of both the Eastwood and Australian Hotel Brewery which were in the 7.0-7.5% p.a. range.

Trading performance

Trading performance across the portfolio continues to be strong, with year to date like-for-like venue earnings up ~11% on the prior corresponding period.³

Recent trading results and execution of the acquisition strategy provides the Manager with the necessary confidence to increase the March 2025 quarter distribution target to 2.50 cents per unit (an increase of 11%), representing 10.0 cents per unit on an annualised basis.

¹ After fees but before taxes. All investments carry risk, and this is a target only and may not be achieved. Refer to Section 7 of the Fund's Product Disclosure Statement for specific detail on the risks associated with an investment in the Fund including (but not limited to) regulatory risk, interest rate risk, demographics and changes in consumer preferences and tastes risk and others. Components of the Total Return of 14.8% are 6.5% p.a. of distribution return and 8.3% p.a. of growth return. 1 October 2024 to 1 October 2026.

² The venues are the freehold interest in the Commercial Hotel Redbank, Lucky Tree Tavern Durack and The Willow Hotel Morooka.

³ Unaudited management financial accounts for the year to date at the end of November 2024.

Growth capital expenditure

Continued investment in growth capital expenditure is a significant contributor to delivering on the Fund's targeted growth strategy.

The Manager continues to make progress on the Fund's capital expenditure strategy, with the 2025 programme planning on target. Venues where construction works are in progress or have been completed across the year, with expenditure totalling approximately \$16m, are performing well and are on track to meet the target return of 20%⁴ or greater of capital invested.

Debt extension

The security, availability and cost of the Fund's finance facilities is also critical to the performance of the Fund.

Working with the Fund's major financiers the Manager has successfully completed an extension of the Fund's debt tranches that were due to expire in December 2025 (approximately \$415 million of facilities), reducing future potential refinancing risk and providing long term financial certainty. In undertaking the refinance, the Manager received strong support from all of Australia's major banks.

The refinanced debt facilities have been secured with extended terms of four and five-year tranches, resulting in an average term across the portfolio of four years. The Fund has no further debt expiries until August 2027.

The trading performance and rebalance of the portfolio have positioned the Fund for continued growth in earnings and an expectation of further capital appreciation.

More information

Please refer to the Product Disclosure Statement of the Fund for information relevant to the matters in this notice. The Product Disclosure Statement of the Fund is available at <https://mafinancial.com/invest/real-estateoperational-and-core/ma-redcape-hotel-fund/product-disclosure-statement.pdf> or you can request a copy by contacting us.

If you have any questions regarding your investment, please speak to your financial adviser or contact Client Services via clientservices@mafinancial.com or +61 2 8288 5594.

This notice is issued by MA Redcape Hotel Fund RE Ltd (ACN 610 990 004) (AFSL 505932), the issuer and responsible entity of the MA Redcape Hotel Fund (which comprises the MA Redcape Hotel Trust I, ARSN 629 354 614 and the MA Redcape Hotel Trust II, ARSN 629 354 696) (Fund). Redcape Hospitality Pty Ltd (ACN 619 297 228) is the appointed Manager of the Fund. This is provided for informational purposes only.

⁴ Return on capital cost after fees.