



Authorised for release by sub-Committee of the Board of Directors
Redcape Hotel Group Management Ltd

18 August 2021

FOR IMMEDIATE RELEASE
ASX ANNOUNCEMENT

Redcape Hotel Group Full Year 2021 Results and Delisting Proposal

Redcape Hotel Group Management Ltd as the responsible entity of the Redcape Hotel Group (ASX:RDC) (“Redcape” or the “Group”) today announced its financial results for the full-year ended 30 June 2021.

FY21 Highlights

- Statutory net profit after tax (NPAT) up 153.6% to \$28.5m
- Like-for-like (LFL) revenue¹ up 8.4% from July 2020 to end of February 2021 (not cycling FY20 COVID impact)
- Operating EDITDA² up 29.6% to \$74.1m
- Underlying Earnings³ up 51.7% to \$56.4m
- Statutory Gearing⁴ at 38.2%; Directors Gearing⁵ at 35.9%
- Statutory NAV per security of \$1.17 as at 30 June 2021
- Directors NAV⁶ per security of \$1.31 as at 30 June 2021, up from \$1.22 at 31 December 2020
- Distribution of 8.16 cents per security, representing a yield⁷ of 8.7%
- Delisting Proposal to allow Redcape Securityholders to more closely align the realisable value of their securities with the fundamental value of the business

Operating Performance

Redcape reported strong Underlying Earnings for the year of 10.21 cents per share, up 16.0% on the Group’s pre-COVID FY19 result demonstrating the resilience of its business in difficult trading conditions. This was driven by strong like-for-like revenue growth from the Group’s portfolio of community pubs, up 8.4% on the prior year excluding the COVID-impacted months of March to June in each corresponding period.

¹ Defined as venues that were owned or leased for the full year FY20 and FY21 and thus excludes any part year acquisitions and divestments.

² Defined as EBITDA excluding unrealised, non-recurring and non-operational items such as venue acquisition costs, gains/losses on asset revaluation, gains/losses on sale and disposal of venue/assets and performance fees.

³ Defined as Operating EBITDA less cash rent, cash interest and maintenance capital expenditure (plus other unrealised or non-recurring items specifically excluded from operating EBITDA)

⁴ Total borrowings less cash & cash equivalents as a percentage of total assets less cash & cash equivalents

⁵ Total borrowings less cash & cash equivalents as a percentage of adjusted total assets less cash & cash equivalents; total assets adjusted by substituting Investment property, Land, PPE & Intangibles with Directors valuations

⁶ Statutory Net Asset Value, deducting Investment property, Land, PPE & Intangibles and replacing it with the most recent valuation of that asset

⁷ Annualised distribution yield based on a \$0.94 share price as at 17 August 2021

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About Redcape Hotel Group (Redcape)

Redcape is one of Australia’s leading pub and hotel operators. The Redcape portfolio comprises 36 quality hotels (34 Freehold Going Concerns and 2 Leasehold Going Concerns) strategically located across New South Wales and Queensland and has a clear focus on delivering excellent and responsible service, maintaining high quality facilities, advancing the training and development of its people and contributing positively to the communities in which it operates. www.redcape.com.au

Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932) is the responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) (together “Redcape” or “Redcape Hotel Group”). MA Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.

Through a strategic focus on creating bespoke community experiences and stronger engagement with its staff and customers, Redcape was able to grow market share while ensuring it stayed connected with its customers during periods of shut down. Central to this has been its Public Communities program which has now been implemented across 34 of the Group's 36 pubs.

The implementation of lessons learned from the FY20 lockdown were instrumental in delivering the strong result. Management focused on customer engagement and staff satisfaction metrics as important lead indicators of performance, invested in a leading-edge digital customer platform to automate and enhance the customer journey, and leveraged data analytics to optimise the performance of every asset. At the same time, it executed four strategic acquisitions to drive further growth.

Operating EBITDA was up 29.6% to \$74.1m reflecting the strong return to trading and disciplined cost management. Statutory NPAT of \$28.5m was up 153.6% on \$11.2m for FY20, which was impacted by COVID. The Group further strengthened its balance sheet through an expanded debt facility on longer tenure, providing greater flexibility to pursue its growth strategy and optimise acquisition opportunities.

Property Portfolio

The Group announced four hotel acquisitions during the period reflecting its ongoing commitment to active portfolio management and growing in key locations. It successfully onboarded these venues to its operating platform through 2HFY21 and realigned several management roles in support of its strategy.

Directors NAV per security increased to \$1.31 per security as at 30 June 2021, from \$1.22 cents per security at 31 December 2020. This reflects an independent valuation of all 36 of the Group's assets.

Delisting Proposal

Since Redcape's listing in November 2018, despite consistent growth in earnings and distributions its securities have continued to trade at a discount to Directors NAV. Following a review of its strategic options, the Board of Redcape's Responsible Entity (**The Board**), as recommended by the Independent Board Committee (**IBC**), is putting forward a proposal to delist Redcape (**Proposal**) to more closely align the realisable value of Redcape Securities with the fundamental value of the business.

The Proposal, if implemented, would provide optionality for securityholders to either remain invested in Redcape as an open-ended unlisted fund or realise their investment through an off-market buy-back at \$1.15 per security (**Buy-Back Price**). The Buy-Back would occur prior to delisting and have a maximum size of \$247.3 million. This is sufficiently sized to allow liquidity with respect to at least 60% of Redcape securities, excluding those owned by MA Financial Group and its affiliates that have indicated they will not participate in the Buy-Back.

The Buy-Back Price is at a 22.3% premium to the last closing price at 17 August 2021⁸ and a 13.9% premium to the 3-month VWAP⁹. Securityholders in the unlisted fund will benefit from future growth in earnings and quarterly distributions, with quarterly liquidity opportunities at a reducing discount to

⁸ Based on closing security price of \$0.94 on 17 August 2021

⁹ 3-month VWAP of \$1.01 to 17 August 2021



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Directors NAV proposed to be 2.5% effective from 31 December 2022 onwards. Securityholders would also have an opportunity to increase their investment through a rights issue to be conducted as part of the funding for the Buy-Back.

Under the Proposal, Redcape's current management structure would be retained following delisting, with the fund continuing to be managed by MA Hotel Management Pty Ltd (**MAHM** or the **Manager**) and governed by the Board. As an unlisted fund, Redcape expects to achieve a more efficient capital structure and cost of capital to continue to grow earnings and Directors NAV over time without a material listed market discount and security price uncertainty. Redcape would be an unlisted disclosing entity under the Corporations Act, which would mean it is subject to the unlisted continuous disclosure regime and would make the required disclosures on its website.

The Board, as recommended by the Independent Board Committee (IBC) and the Manager continue to believe in the fundamentals underpinning the portfolio. The Board believes the Proposal is in the best interests of Redcape Securityholders in the absence of a superior proposal and recommends that Redcape Securityholders vote in favour of the Proposal.

Independent Non-Executive Chairman of Redcape, Nick Collishaw, said, "The Board Committee, as recommended by the IBC has conducted a rigorous review of the Proposal over many months including consideration of alternatives and with the support of leading financial and legal advisers. We believe this Proposal is the most attractive path to maximizing value for Redcape Securityholders."

Goldman Sachs Australia Pty Ltd acted as exclusive financial adviser, Arnold Bloch Leibler as legal adviser to the Independent Board Committee and Grant Thornton Corporate Finance Pty Limited provided the Independent Expert's Report (IER).

The Proposal is subject to a number of conditions including Redcape Securityholders passing a special resolution to approve the Proposal and various related resolutions, and regulatory approvals. A meeting of Redcape Securityholders will be held on Friday 10 September 2021 at 11:00am Sydney time to approve the Proposal. MA Financial Group Limited and its associates will be excluded from voting on the resolutions.

ASX's approval is required for the Proposal to proceed. ASX is not required to grant a request for delisting and may require conditions to be satisfied before it will act on such a request. Redcape has requested in-principle advice from ASX that it will agree to a delisting request, conditional on the passing of the special resolution referred to above, Redcape remaining listed for at least a month from passing the special resolution and securityholders being given the alternative arrangements described above and in the Notice of Meeting and Explanatory Statement. If the in-principle advice is granted, Redcape would then formally request delisting from ASX subject to those conditions. Redcape will update securityholders following the outcome of its application for in-principle advice.

Further details of the Proposal refer to the Notice of Meeting and Explanatory Statement as separately provided to the ASX, and which are also available on the Redcape Investor Centre at <https://www.redcape.com.au/investor-centre/>

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Outlook

The business remains focused on the engagement, wellbeing and development of staff and connection with its customers. Lessons learned from COVID-related lockdowns in FY20 have positioned the business well for an optimal return to trading when operating restrictions ease.

Given the near-term uncertainty related to ongoing closures, Redcape is not providing guidance for FY22. The Group expects a weekly Underlying Earnings loss of c.\$0.8m and weekly Operating Cash outflow of c.\$1.0m-\$1.2m whilst in lockdown.¹⁰ Weekly Underlying Earnings is expected to be c.\$0.9m-\$1.1m when trading resumes.¹¹

Owning the vast majority of its assets, Redcape has the financial and operational flexibility to withstand an extended lockdown and provide the appropriate levels of support to staff. It had approximately \$100 million in cash and available debt as at 30 June 2021 while retaining strong support from its financing partners.

Through further investment in its platform capability, connection with its customers has never been stronger while tailored marketing programs will help facilitate a rapid return of customers to its community pubs as soon as restrictions are lifted.

Redcape CEO Dan Brady said, “Redcape performed exceptionally well through FY21 driven by our focus on community, investing in our leading-edge digital platform to enhance customer engagement and our ongoing commitment to staff. We believe this positions us well for the long-term once we return to more normal operating conditions.

“We thrived during FY21 because of our agility, the variety of strategic levers we had available and our disciplined approach to returning to strategy. We made some bold decisions and with valuable learnings from the lockdowns in FY20 have responded through a series of initiatives. Along with the flexibility that comes with owning our assets, these will ensure we can not only withstand this new lockdown but use it to re-emerge more quickly on the other side.

“We have high-quality community hotels and are on the right strategic path to grow market share and return to quarterly distributions as quickly as possible. We believe an open-ended unlisted fund is the right environment for Redcape, allowing for continued growth through acquisitions at a valuation closer to parity with our assets, while providing securityholders with an attractive yield. We are supportive of and see the Proposal as a win-win option for our securityholders and remain committed to delivering long-term value.”

Management will present FY21 Results via a live audio webcast at 9.30am this morning. The live audio webcast will be hosted at: <https://webcast.openbriefing.com/7759>

-ENDS-

¹⁰ Based on forecast closure of NSW venues (except Off premise) until the end of October 2021 and resumption of trade for 4 South East Queensland venues (except Off premise) from the end of August 2021 (noting that they resumed trading on 9 August 2021 with restrictions)

¹¹ Weekly Underlying Earnings for 2H FY21 were \$0.9m and for FY21 were \$1.1m

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