



FOR IMMEDIATE RELEASE: 16 December 2019

Operating Performance, Acquisition and Divestment Update

Redcape Hotel Group Management Ltd, as responsible entity of Redcape Hotel Group (ASX: RDC) (“Redcape” or the “Group”) is pleased to provide the following update:

- Business performing strongly
- Divestment of the Royal Hotel, Granville for \$51.0m, representing a 6.25% premium to book value
- Acquisition of the Kings Head Tavern, South Hurstville for \$27.0m
- Gearing ratio reduced to 35.6%

Business Performance

Operating performance year to date in FY20 has been strong.

As a result of the strong performance of the underlying business Redcape is pleased to reaffirm its Distributable Earnings guidance for FY20 despite the net impact of recent transactions and the lowering of gearing to close to the bottom end of Management’s target range of 35-45%. On a proforma basis, the completed transactions will reduce Redcape’s gearing by 2.4% to 35.6%¹. This provides Redcape with funding capacity of approximately \$60-70m for pursuing additional acquisition or refurbishment opportunities that are accretive to Distributable Earnings.

Given the expected reduction in gearing Redcape has determined to suspend its Distribution Reinvestment Plan with immediate effect.

Dan Brady said: “Reaffirming our FY20 guidance, which takes into account recent acquisitions and divestments and the consequential reduction in gearing, demonstrates that operational performance has been strong and we believe general market conditions remain favourable.

We are pleased with our progress in actively optimising the opportunities within our portfolio in the first half of FY20 and anticipate further activity will occur in the second half.”

Hotel Acquisitions and Divestments

Redcape has exchanged contracts to divest the Royal Hotel, Granville in Sydney for \$51.0m excluding transaction costs. The sale price represents a 6.25% premium to book value and further demonstrates the underlying value of Redcape’s portfolio of well-located Freehold Going Concern assets.

¹ Gearing at 38% as 30 June 19 versus proforma gearing post completed transactions of 35.6% which equates to a 2.4% reduction

Redcape
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About Redcape Hotel Group (Redcape)

Redcape is one of Australia’s leading pub and hotel operators. The Redcape portfolio comprises 33 quality hotels (31 freehold and 2 leasehold) 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”). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape.



Redcape also announces that it has exchanged contracts to acquire the Kings Head Tavern, South Hurstville for a total purchase price of \$27.0m excluding acquisition costs. The Kings Head Tavern is a quality Freehold Going Concern asset. Management believe that it will benefit from significant capital investment and operational improvements realised through the capability of the Manager.

The vendor of the Kings Head Tavern was also the purchaser of the Royal Hotel Granville.

Redcape CEO Dan Brady said: “These transactions are consistent with Redcape’s strategy of portfolio optimisation and demonstrates our continued focus on acquiring venues where we can increase value by enhancing their operations and applying our refurbishment capability. The net sale proceeds will reduce borrowings, strengthen our balance sheet and provide the Group with significant debt capacity to pursue other growth opportunities.”

The completion of both transactions remain conditional to customary condition precedents including a financing condition with settlement anticipated to occur before March 2020. They follow recent transactions, including:

- divestment of St George Hotel, Belmore for \$47.1m representing a 2.7% premium to book value (settlement on 16 December 2019); and
- acquisition of Eden Brewhouse, Redbank Plains QLD for \$11.5m (settled on 2 December 2019)

-ENDS-

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