



Redcape Hotel Group Half-Year 2020 Results

Authorised for release by Nicholas Collishaw
Chair, Board of Directors
Redcape Hotel Group Management Ltd

19 February 2020

Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group (ASX:RDC) (“Redcape” or “Group”), today announced its results for the half-year ended 31 December 2019. The Group reported a 10.9% increase in distributable earnings per security to 4.78 cents which was driven by a strong operating performance and effective management of its hotel portfolio.

1H20 Highlights

- FY20 guidance raised with distributable earnings expected to be 9.2¹ cents per security (‘cps’) or greater and distribution maintained at 8.75 cps
- Underlying NPAT of \$21.4m and Statutory NPAT of \$17.4m²
- Distributable earnings per security of 4.78 cents, up 10.9%³ on the previous corresponding period (“pcp”)
- Distribution of 4.41 cents per security (“cps”) representing an annualised yield of 7.81%⁴
- Distributable earnings⁵ of \$26.4m, up 20.8%¹ on pcp
- Like-for-like revenue⁶ up 6.2% on pcp with total revenue up 12.7% to \$160.6m
- Operating EBITDA⁷ up 19.8% on pcp to \$38.7m, EBITDA margin of 24.1% (1H19:22.7%)
- Gearing⁸ of 35.9% at bottom end of 35-45% target range
- Active portfolio with one acquisition and one divestment in the first half with a further acquisition and divestment yet to settle in the second half
- Portfolio value of \$1.06b⁹

¹ Subject to no change in economic conditions and/or further acquisitions or divestments.

² Refer to P13 of the 1H20 Management presentation for reconciliation of the difference between Statutory and Underlying NPAT.

³ The difference in absolute distributable earnings growth and distributable earnings per security growth is due to the increase in the number of weighted average securities on issue from 1H19 to 1H20.

⁴ Yield based on security price as at 18 February 2020.

⁵ Distributable earnings defined as pro forma NPAT adjusted for non-cash items such as fair value adjustments, depreciation and amortisation and other unrealised and non-recurring items less maintenance capex. Distributable Earnings are not prepared in accordance with IFRS and are not audited.

⁶ Like for Like (“LFL”) revenue growth is based on venues that traded for the full year F19 and 1H20 and thus excludes any part year acquisitions and divestments.

⁷ AASB16 increases FY19 EBITDA by \$0.9m. FY20 EBITDA is 17.1% higher on pcp on a comparable basis.

⁸ Gearing defined as total borrowings less cash as a percentage of total assets less cash – target range 35-45%.

⁹ Includes asset held for sale (Royal Hotel Granville)

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About Redcape Hotel Group (Redcape)

Redcape is one of Australia’s leading pub and hotel operators. The Redcape portfolio comprises 32 quality hotels (30 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”). Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228) is the appointed investment manager and hotel operator of Redcape. Redcape Hotel Group Management Ltd, Level 1 287 Military Road Cremorne, NSW 2090. www.redcape.com.au



Redcape CEO, Dan Brady, said: “We are pleased to report a strong first half operating performance. This reflects our focus on top line growth by investing in our people and facilities, while maintaining good cost discipline.”

“We delivered a 10.9% increase in distributable earnings per security and distribution of 4.41 cps, representing an annualised yield of 7.81%. This highlights the strength of our hotel portfolio, sustainable operating model and targeted investment strategy.”

“During the period we continued our strategic focus on growing and optimising our asset base. We added one new venue with good growth potential and divested another at a premium to book value. We also announced that in 2H20 we would divest Royal Hotel Granville, also at a premium to book value, and acquire The Kings Head Tavern. In addition, we invested \$6.8 million in growth capex as part of our ongoing refurbishment program.”

“With strong cash flow and a capital structure to support growth, we have the funding flexibility to continue to optimise our existing assets and expand our venue footprint, with a view to maximising returns for our security holders.”

Operating Performance

Total revenue growth was 12.7% largely driven by the continued improvement in our gaming margin. On-premise revenue grew 24.8% highlighting an ongoing shift in revenue mix, driven by our refurbishment program and portfolio composition.

Like-for-like (“LFL”) revenue growth was 6.2%, with increases recorded across all channels. This reflects Redcape’s focus on creating community-centric hubs and improved customer experiences through its management platform capability.

LFL cost growth was below CPI due to cost-out initiatives implemented largely in the second half of FY19, delivering positive operating leverage. Operating EBITDA grew by 19.8% to \$38.7m, and margins increased to 24.1% from 22.7% in the pcp.

Property Portfolio

Acquisitions made in FY19 are now fully integrated and trading well. The Group is now focussed on completing the settlement of The Kings Head Tavern¹⁰, South Hurstville; a high-quality freehold going concern which management believe will benefit from significant capital investment and operational improvements that can be delivered by the Group’s manager.

As at 31 December 2019, Redcape’s portfolio included 32 high quality community venues of which 30 are freehold going concerns and 2 leasehold going concerns, providing ongoing refurbishment and asset optimisation opportunities.

¹⁰ Target settlement date 24 February 2020.

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During the half-year period, refurbishment projects were completed at the Australian Hotel & Brewery, Central Hotel, Crescent, Shamrock Hotel, Unanderra Hotel and Vauxhall Hotel. A further major refurbishment project at the Mt Annan Hotel is progressing well and is slated to complete in early FY21.

Outlook

Commenting on the Group's outlook, Mr Brady said: "Pleasingly, our strong operating performance has continued into the second half. Our focus remains on maximising the value of our existing assets and acquiring venues where we can achieve significant returns through our operational expertise, refurbishment pipeline and insights-driven management platform."

FY20 guidance provided in August 2019 has been increased despite a material reduction in gearing as a result of the portfolio changes completed and announced during the half year. Redcape expects to deliver distributable earnings of 9.2cps or greater with distributions maintained at 8.75cps and its payout ratio less than 100% of distributable earnings.

Management will present 1H20 Results via a live audio webcast at 9:30am this morning. The live audio webcast will be hosted at: <https://webcast.openbriefing.com/5785/>

- Ends -

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