MEDIA RELEASE

MANTRA GROUP ANNOUNCES RECORD REVENUE AND ROOMS SOLD AT HALF YEAR 2018 RESULTS

Mantra Group Limited (Mantra Group) **(ASX: MTR)** today announced its half year results for the period ending 31 December 2017[1] reporting record first half revenue of $366.2m, an increase of $10.1m or 2.8%, due to continued growth in domestic and international travel and record RevPAR (Revenue Per Available Room) of $145.07.

For the first time, the Group sold 1.97m rooms in the first half of the financial year, which is the highest ever for the period. The Group increased available rooms by 2.6% in the six month period by acquiring ten new properties, including seven from the acquisition of the Art Series Hotel Group.

New hotels acquired by Mantra Group in H1FY2018:

- Mantra Sydney Airport Hotel, Sydney
- Mantra Macarthur, Canberra
- FV by Peppers, Brisbane
- Art Series Hotel Group properties:
  - The Watson, Adelaide
  - The Olsen, Melbourne
  - The Blackman, Melbourne
  - The Cullen, Melbourne
  - The Larwill, Melbourne
  - The Chen, Melbourne
  - The Johnson, Brisbane

Underlying[2] earnings before interest, tax, depreciation, amortisation and impairment (EBITDAI) for the period was $56.6m, a decrease of 3.6% on the prior corresponding period (pcp).

Transaction costs associated with a business combination of $0.7m were incurred during the period in respect of the Art Series Hotel Group acquisition in November 2017. Mantra Group also incurred costs of $2.0m in respect of the proposed acquisition by AccorHotels. These costs included professional services fees and expenses linked to the long term incentive plan which was modified by the Scheme Implementation Agreement.

Underlying[2] net profit after tax (NPAT) for the period of $27.6m was $1.9m (6.3%) lower than the underlying NPAT in the pcp. After taking account of the transaction costs incurred in the business combination with the Art Series Hotel Group and the proposed acquisition by AccorHotels, statutory NPAT of $25.1m was $5.4m (17.7%) lower than the pcp, resulting in statutory basic earnings per share (EPS) of 8.5 cents per share.

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[1] This media release should be read in conjunction with Mantra Group's Half Year 2018 Results Presentation and Interim Report for the half year ended 31 December 2017.

[2] Underlying EBITDAI is EBITDAI excluding transaction costs associated with a business combination of $0.7m (H1FY2017: $1.7m) and costs of $2.0m associated with the proposed acquisition by AccorHotels (H1FY2017: $nil). Underlying NPAT also excludes a net reversal of impairment (H1FY2018: Nil (H1FY2017: $3.2m) and related tax impacts)

Mantra Group Chief Executive Officer Bob East said H1FY2018 delivered record results in revenue, rooms sold and RevPAR and a landmark acquisition in the Art Series Hotel Group. Some key areas of the business performed more strongly than others, with the overall Group result benefitting from the portfolio's diverse geographical spread.

"During H1FY2018, the Group delivered total revenue of $366.2m, representing a 2.8% increase on H1FY2017," said Mr East.

"This result was driven by a number of factors including the acquisition of ten new properties, continued growth in domestic and international travel, increased business travel to some CBD locations, an increase in the total number of rooms available across the Group's Resorts and CBD operating segments, as well as improved RevPAR.

"We are pleased with the performance of the properties that we transitioned into the portfolio; in particular the seven Art Series Hotels have transitioned smoothly and performed ahead of expectations in the short period they have been with the Group."

Sydney, Brisbane, and Adelaide in the CBD segment benefited from positive sentiment in corporate travel while Queensland and New Zealand in the Resorts segment continued to see strong growth in domestic and international travel. By contrast, Hawaii and Perth were impacted by increased supply growth in the market, while Melbourne has been impacted by a reduction in constrained demand also resulting from new supply.

The decrease in EBITDAI was driven by a number of factors including annual award payroll increases and other annual increases in fixed operating costs in line with CPI not offset by increased RevPAR.

While the Group's results are usually more heavily weighted to the first half of the year, the addition of the Commonwealth Games in Q4 of FY2018 is expected to drive results in H2FY2018.

"Mantra Group is in a good financial position with total assets of $905m, net assets of $485m and a strong cash flow," said Mr East.

Highlights of the results by segment are as follows:

- The Group's Resorts segment largely performed to expectations, delivering revenue of $165.6m, an increase of 1.6% or $2.6m on H1FY2017. By contrast, EBITDAI decreased by $1.8m to $26.3m. While key regions of Queensland and New Zealand both performed strongly as a result of the continued increase in domestic and international travellers, annual award payroll and other CPI cost increases and the combination of increased supply and reduced demand in Hawaii had a negative impact on the Resorts segment result.
- The CBD segment also delivered strong revenue growth, with revenue for H1FY2018 being $9.4m higher than H1FY2017 and totalling $172.2m. Underlying EBITDAI of $26.6m was 1.3% ahead of H1FY2017. While new properties delivered revenue growth, opening costs of $0.7m reduced the impact on EBITDAI.
- Central Revenue and Distribution delivered revenue of $26.6m and underlying EBITDAI of $18.5m representing decreases on the pcp of 6.0% and 1.8% respectively. The pcp was boosted by certain termination payments on management agreements which were not received in the current year.

If the Scheme of Arrangement ('Scheme') with AccorHotels is approved, under the terms of the Scheme, Mantra Group shareholders will be entitled to receive $3.96 cash per share. Mantra Group has the discretion to pay shareholders a special dividend of up to a maximum of 23.5 cents per share which will be deducted from the $3.96 headline value. In this context, Mantra Group will not be declaring a dividend in respect of the half year.

A number of new properties expected to open in H2FY2018 include Mantra City Road, Melbourne, the redevelopment of the Kings Wharf grain silos in Launceston, named Peppers Silo Hotel, Mantra Albury in NSW and Mantra at Southport Sharks on the Gold Coast with additional properties scheduled to enter the portfolio in FY2020 and beyond.

While the development team continue to seek out new opportunities, the Group's growth aspirations have been tempered somewhat in light of the proposed AccorHotels transaction.

Mr East said Mantra Group is focussed on driving its core business to deliver ongoing shareholder value.

"The second half of the financial year is off to a solid start; the Gold Coast 2018 Commonwealth Games will be the biggest event to happen in Australia this decade and the fact that 23 of Mantra Group's 136 hotels are located on the Coast means Mantra Group is well placed to drive results in H2FY2018," said Mr East.

"Based on the Group's earning capability, strong cash flow position and ongoing commitment to delivering shareholder value, Mantra Group will continue to deliver quality room inventory and facilities, optimise distribution channels and brand appeal and capitalise on the forecasted growth in the tourism sector driven by favourable exchange rates and increased international visitors, primarily out of Asia."

During H1FY2018, the proposed acquisition of the Group by AccorHotels was a key Board and management focus and will continue to be so into H2FY2018.

On current timelines, and assuming regulatory, shareholder and other approvals, the transaction is expected to complete in Q4FY2018.

About Mantra Group

Mantra Group is the leading Australian-based hotel and resort operator. Mantra Group's portfolio consists of 136 properties with more than 24,000 rooms in properties under management, across Australia, New Zealand, Indonesia and Hawaii. Operating four well-known and trusted brands – Peppers, Art Series, Mantra and BreakFree - Mantra Group operates the second largest network of accommodation properties in Australia (by room number). The Group is positioned to offer both leisure and business style accommodation ranging from full-service city hotels and self-contained apartments to luxury resorts and retreats. The Group successfully listed on the ASX in June 2014 and in its first year as a public company was elevated to the ASX 200.
www.mantragroup.com.au; www.mantrahotels.com; www.artserieshotels.com.au;
www.peppers.com.au; www.mantra.com.au ; www.breakfree.com.au

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