

1H21 Results Presentation

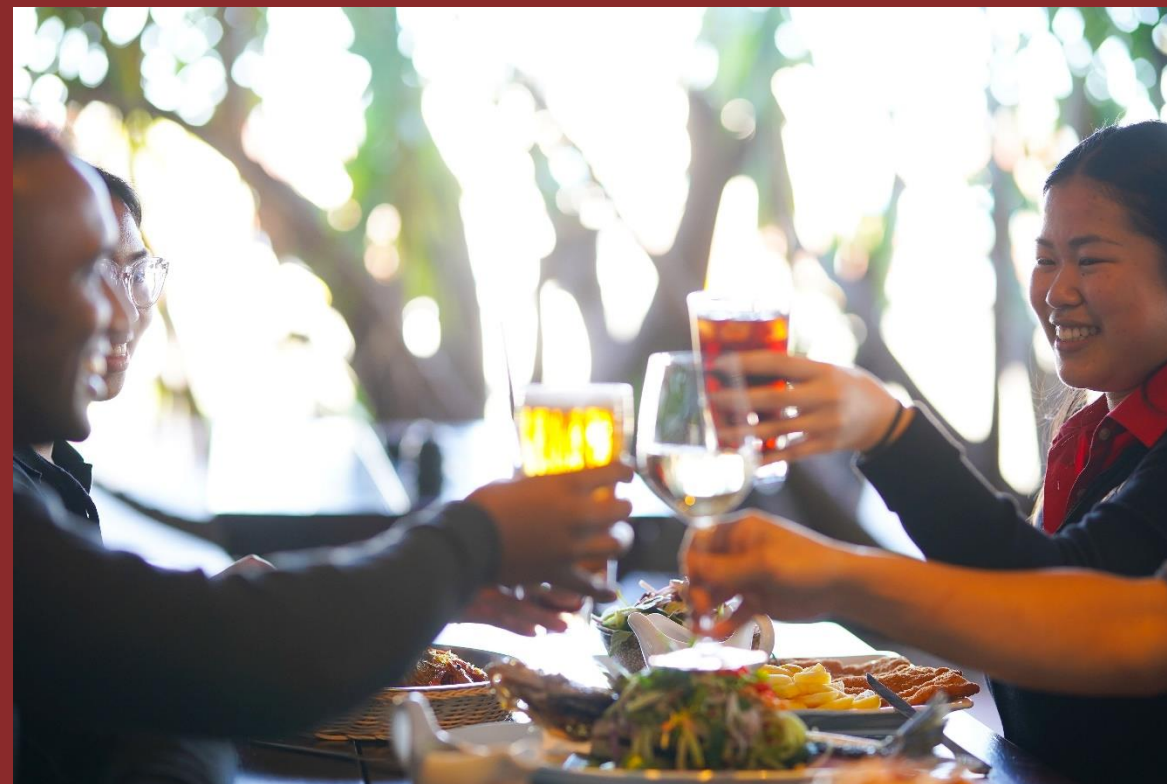
17 February 2021

Redcape
HOTEL GROUP

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*Our vision is to enrich
communities through
our hospitality*

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1H21 Highlights

Dan Brady, CEO



Customers

+47 Customer NPS¹

Target +50 (-100 to +100)

¹ Net Promotor Score - 1 July - 31 December 2020 mean

Vision: To enrich communities through our hospitality.



Collaborate

We're open to sharing our concerns, knowledge, experience & success. We value our promises.

Securityholders

+24.6%

Distributable Earnings (DE) growth vs pc²

1H21 \$32.9m DE vs. 1H20 \$26.4m



Care

We seek to understand others. We recognise and praise great behaviour.



Courage

We are curious and think innovatively.

VALUES

People

4.2 Staff Satisfaction¹

Target 4.5/5.0

¹ 1 July - 31 December 2020 mean

We create and nurture an environment of trust so that our people have clarity of purpose and feel enriched, empowered, energised and valued.

Financial Highlights

Financial Performance

+45.9%

Statutory NPAT growth vs. pcip
1H21 \$25.4m vs. 1H20 \$17.4m

+24.6%

Distributable Earnings (DE)¹ growth vs. pcip
1H21 DE of \$32.9m vs. 1H20 DE of \$26.4m

Operational Performance

+9.7%

LFL Revenue¹ growth
Total Revenue up 7.1 % despite divestment of 2 large venues

\$40.9m

1H21 Operating EBITDA¹ vs.
1H20 Operating EBITDA of \$38.7m

Capital Management

32.8%

Gearing² below of 35%-45% target range
Interest Cover Ratio¹ of 5.73x at 31 December 2020

\$1.22

Directors NAV ³ per stapled security at 31 December 2020
Statutory NAV ⁴ of \$1.13 per stapled security at 31 December 2020

1. Defined in the glossary on P20
2. Defined in the glossary on P20. Proforma gearing of 40.1% post settlement of Gladstone, Shafston, Aspley and O'Donoghues hotel acquisitions
3. Directors NAV at 31 December 2020 reflects appraised standalone venue valuations determined by the directors and includes 12 independent valuations
4. Statutory NAV at 31 December 2020 reflects fair value of land only (all other key elements reported at cost less depreciation where applicable)

Performance Highlights

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Full resumption of business strategy

- **Distributable Earnings¹ up 24.6% demonstrating the resilience of the business²**
 - Strong LFL revenue growth of 9.7%
 - Change in portfolio mix reflecting divestments and acquisitions
 - Heightened COVID-related operating costs estimated to be \$3.1m in 1H21
 - Growth in market share reflects community and customer centric focus in suburban and regional locations
- **Reinstated distributions demonstrating a return to strength and confidence in outlook**
 - Distribution of 3.66 cents per stapled security, representing an annualised yield of 7.9%³
- **Lift in valuations \$63.5m⁴ for 12 venues independently valued in December 2020**
 - Reflective of an equal spread between earnings growth and cap rate compression
 - Resulting in Performance Fee⁵ of \$5.8m
- **Debt facility expanded to \$600m (\$70m - \$80m headroom post acquisitions)**
 - Weighted average maturity of the Group's debt facilities now 4.1 years
- **Record customer advocacy and staff satisfaction metrics**
- **Renewed focus on strategy execution to grow earnings and asset values**
 - Acquisition⁶ of:
 - Gladstone Hotel, Dulwich Hill, Sydney (NSW) for \$38m (FGC) settled on 1 February 2021
 - O'Donoghues Hotel, Emu Plains, Sydney (NSW) for \$30.5m (FGC) settled on 15 February 2021
 - Shafston and Aspley Hotels, Brisbane (QLD) for \$27.5m (FGC) expected to settle in June 2021



1. Distributable Earnings (DE) are defined in the glossary on P20. DE is not prepared in accordance with IFRS and is not audited
 2. Including JobKeeper of \$4m (1Q21 only) noting that the group was ineligible for the subsidy from 2Q21. Total JobKeeper subsidy received was \$4.5m.
 3. Annualised distribution yield based on \$0.925 share price as at 16 February 2021
 4. Excludes growth capex of \$8.2m
 5. Defined in the glossary on P20
 6. Acquisition purchase prices quoted excludes transaction costs

1H21 Financial Performance

Tim Fawaz, CFO

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Income Statement

- **Statutory NPAT of \$25.4m up 45.9% vs. pc**
- **Revenue of \$172.0m up 7.1% vs. pc**
 - LFL revenue growth of 9.7%
 - Offset by net impact of St George Hotel (Belmore, NSW) and Royal Hotel (Granville, NSW) divestments vs. acquisition of high growth venues of Kings Head Tavern (South Hurstville, NSW) and Eden Brewhouse (Brisbane, QLD) in FY20
- **Revenue mix reflects current market conditions with gains in gaming and off-premise (retail) revenue offsetting weaker on-premise revenue**
- **Total costs up 0.5% reflecting ongoing cost discipline and benefit of JobKeeper ¹ offset by additional costs related to COVID-19 (up \$3.1m in 1H21)**
- **LFL Operating EBITDA above pc**
- **Total Operating EBITDA margin in line with expectations reflecting impact of asset divestment and acquisition program (~\$2m impact on earnings)**

1. \$4.0m reflected in Operating EBITDA for 1Q21, noting that the group was ineligible for the payment from 2Q21; total amount received from the ATO was \$4.5m.

2. Excludes Performance Fee

3. Split equally between 1Q21 and 2Q21

\$m	1H21	1H20	% Change
Gaming revenue	111.0	102.7	8.1%
On-premise revenue	30.1	33.0	(8.7%)
Off-premise revenue	30.4	24.3	25.1%
Other revenue	0.5	0.6	(11.7%)
Total revenue	172.0	160.6	7.1%
Gross profit	88.2	85.7	2.9%
Gross profit %	51.3%	53.4%	-212 bps
Employment costs	(21.3)	(21.5)	0.9%
Other operating costs	(17.4)	(16.9)	(2.5%)
Management fees	(8.6)	(8.6)	-
Operating EBITDA ²	40.9	38.7	5.7%
Operating EBITDA %	23.8%	24.1%	-31 bps
Performance Fee	(5.8)	-	-
Venue acquisition costs	-	(0.9)	100.0%
Gain on asset revaluation	5.2	-	-
EBITDA	40.3	37.8	6.6%
Distributable earnings (\$m) ²	32.9	26.4	24.6%
Distributable earnings (cps) ²	5.96	4.78	24.5%
Distribution (cps) ³	3.66	4.41	(17.0%)
Statutory NPAT	25.4	17.4	45.9%
LFL revenue growth	9.7%	6.2%	

Distributable Earnings

- **Distributable Earnings of \$32.9m, up 24.6% on pcp**
 - Strong operating performance
 - Cash interest expense was 39.6% lower reflecting a decline in the cash rate and improved pricing secured in the debt facility established on 2 September 2019 ¹
 - Maintenance capital of \$2.2m with future ongoing spend of \$6m - \$7m p.a. expected²
- **Payout ratio of 61.4% reflecting focus on prudent capital management in uncertain times**
- **Normalised operating cash flow³ of \$38.4m is higher than Distributions reflecting ongoing focus on sustainable payments and delivery of earnings growth**
- **1H21 Distributions of 3.66 cents per stapled security**
- **Quarterly Distributions for 2H21 expected to remain consistent with 1H21 Distributions⁴**
- **Operating EBITDA of \$40.9m up 5.7% versus pcp despite divestment of St George Hotel, Belmore and Royal Hotel Granville**

\$m	1H21	1H20	\$ Change
Operating EBITDA	40.9	38.7	2.2
Cash rent adjustment	(1.2)	(0.9)	(0.3)
Cash interest expense ¹	(4.6)	(7.6)	3.0
Maintenance capital expenditure	(2.2)	(3.9)	1.6
Distributable earnings	32.9	26.4	6.5
Distributable earnings per stapled security (Cents)	5.96	4.78	1.17
Distribution to stapled security holders	20.2	24.3	(4.1)
Distribution per stapled security (Cents)	3.66	4.41	(0.75)
Payout ratio	61.4%	92.2%	(30.8%)
Normalised operating cash flow ³	38.4	24.8	13.5

Figures may not add correctly due to rounding

1. Cash interest expense reflects net finance costs less amortisation of capitalised borrowing costs
2. Reduced 1H21 spend due to COVID. Future spend expected to track within \$6 reflective of spend normalisation and impact of additional 4 acquisitions
3. Normalised operating cash flow for 1H21 was \$38.4m (\$52.3m plus \$1.5m refinance costs less \$15.4m payable deferrals) versus \$24.8m in 1H20 (\$16.2m plus \$8.6m in refinance costs)
4. Subject to no material change in economic conditions

Balance Sheet

- Gearing reduced to 32.8%¹ reflecting \$21.8m² increase in statutory land revaluation
- Net debt declined to \$359.7m
- All in interest costs of 2.3%³
- Expanded debt facility to \$600m⁴ coupled with increased tenor to 4.1 years will fuel further earning-accretive acquisitions
- Cash and Cash Equivalents of \$55.3m with \$185m of undrawn facilities⁵
- Net Assets of \$624.0m (up \$21.7m since June 2020)
- Interest cover ratio of 5.73x
- \$71.9m uplift in Directors NAV⁶ to \$1.22 at 31 Dec 2020 (per stapled security)
- 12 independent valuations commissioned in December 2020 reflected within Directors and Statutory NAV (land only)
- Statutory NAV per stapled security of \$1.13 vs. \$1.09 in June 2020⁷

1. Proforma gearing of 40.1% post settlement of Gladstone, Shafston, Aspley and O'Donoghues acquisitions
2. Land is fair valued each half. All other property assets are recorded at cost less depreciation (where applicable).
3. Inclusive of Establishment and Debt Arranger amortisation
4. Excludes \$4m ancillary facility
5. Undrawn facility of \$70-80m post settlement of acquisitions
6. Directors NAV reflects standalone value of each venue and includes impact of independent valuations
7. Includes \$21.8m increment to the fair value of land
8. Excludes capitalised borrowing costs

\$m	31-Dec-2020	30-Jun-2020	\$ Change	31-Dec-2019	\$ Change
Cash	55.3	101.4	(46.2)	29.6	25.6
Property assets	1,033.5	1,012.5	21.0	1,007.6	25.9
Right of use assets	41.9	42.2	(0.3)	42.9	(0.9)
Other assets	22.9	16.9	6.0	76.2	(53.3)
Total assets	1,153.6	1,173.1	(19.5)	1,156.3	(2.7)
Borrowings ⁸	(415.0)	(490.0)	75.0	(433.7)	18.7
Lease liability	(45.2)	(44.9)	(0.3)	(45.1)	(0.1)
Other liabilities	(69.3)	(35.8)	(33.5)	(41.5)	(27.8)
Total liabilities	(529.5)	(570.7)	41.2	(520.3)	(9.2)
Net asset value (NAV)	624.0	602.4	21.7	635.9	(11.9)
Stapled securities on issue	552.2	552.2	-	552.2	-
NAV per security - Statutory (\$)	1.13	1.09	0.04	1.15	(0.02)
NAV per security - Directors (\$)	1.22	1.09	0.13	1.16	0.05
Gearing ratio	32.8%	36.3%	(3.5%)	35.9%	(3.1%)
Interest cover ratio	5.73x	4.52x	+1.21x	4.65x	+1.08x

Figures may not add correctly due to rounding

Strategy and Outlook

Dan Brady, CEO

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Strategic Growth Drivers

Platform for delivering sustainable distributions

Operations

- Invest in our people
- Enhance platform capability
 - Drive lead indicator performance
 - Improve efficiencies

Customers

- Digital technology platform supports customer management program
 - Focus on retention and acquiring new customers
 - Build long term customer advocacy
 - Enables customers through seamless digital platforms and payment solutions

Property

- Total asset returns¹ of more than 20% inclusive of the COVID-19 period² through the investment cycle with earnings growth outweighing cap rate compression
- Capital expenditure focused on targeted return profile
- Active portfolio management with a focus on bringing projects to approval stage

Capital

- Gearing target range of 35% – 45%
- Weighted average debt tenor of 4.1 years³ with maturities ranging from September 2022 to December 2025
- Aiming to retain earnings for accretive deployment
- Pay-out ratio 70%-80% reflects bias towards capital allocation focused on total return of refurbishment and acquisition

Leadership

- Driving enhancing hospitality employment opportunities
- Empower venues to enrich their local communities

1. Total return includes all cashflows associated with acquiring, maintaining and divesting portfolio assets over the holding period from July 2013.
 2. COVID-19 inclusive period is from July 2013 until December 2020.
 3. As at 31 December 2020

Outlook

Focused on earnings growth and execution of strategy

- Business trading positively demonstrating resilience of business model, available strategic levers and strong operating platform
- Distributable earnings of 9.70 cps for the full year resulting in a full year payout ratio of 75%¹
- Quarterly Distributions of 1.83 per quarter in 2H21 consistent with 1H21¹
- Focused on onboarding recently announced acquisitions and growing market share
- Balance sheet positioned for growth opportunities
- Full return to active asset optimisation program
- Well positioned to take advantage of new acquisitions and business opportunities

1. Subject to no material change in economic conditions



Appendices

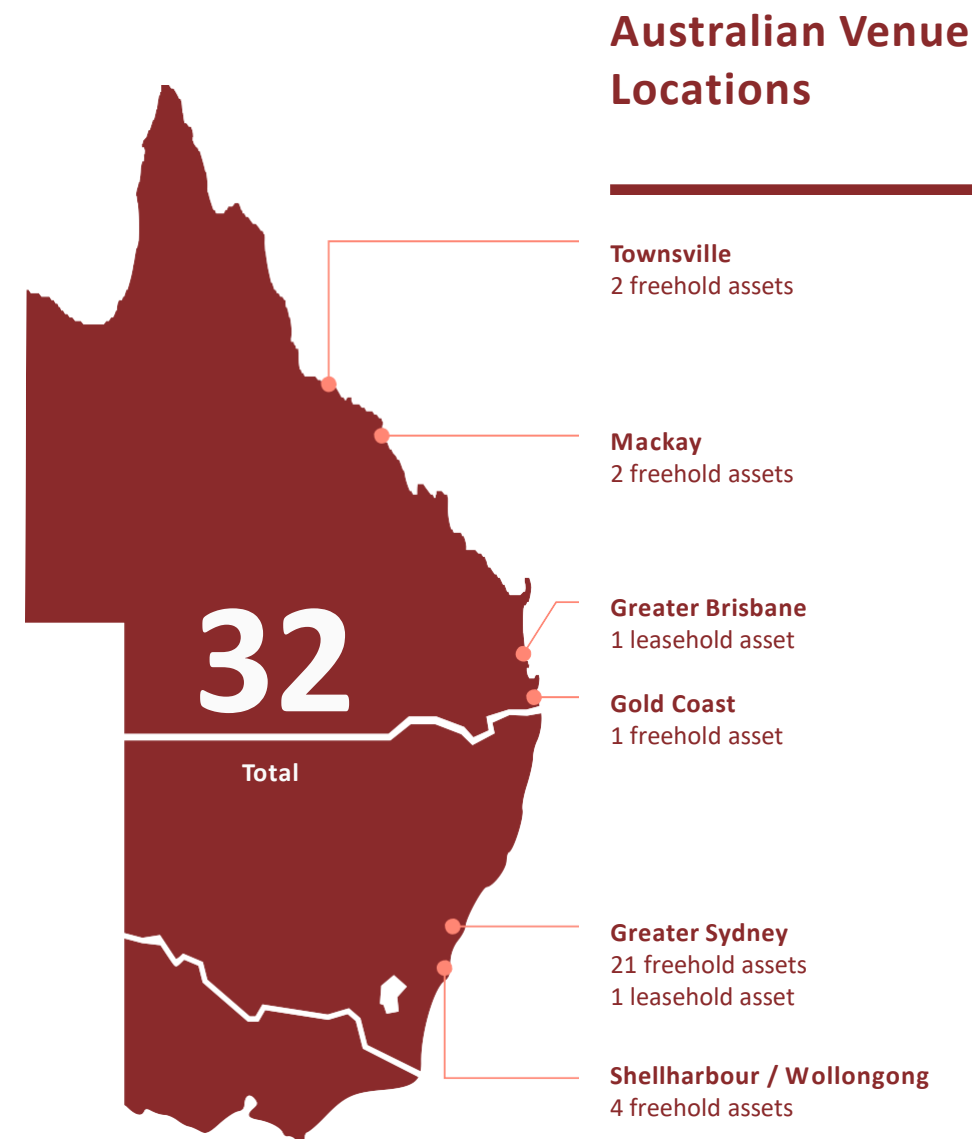
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About Redcape

A leading hospitality group with scalable systems and capable people, led by an experienced and proven management team driving growth through active management of a high quality real estate backed portfolio.



1. Portfolio consists of 30 Freehold Going Concerns and 2 Leasehold Going Concerns (excludes acquisitions not settled in this period).
2. Freehold Going Concerns



Platform Competitive Advantages

The Management Platform supports scalable growth



Contributing to our Communities and Social Impact

Our contribution to our people



Eventus Program

9 month development program for business leaders. 17 leaders completed in FY20 covering all business areas from managing teams to finance, marketing and more.

Staff Satisfaction

4.2/5.0¹

Target 4.5/5.0

Leadership Program

The Next Leaders Program designed to develop leadership skills as part of internal succession planning for key roles.

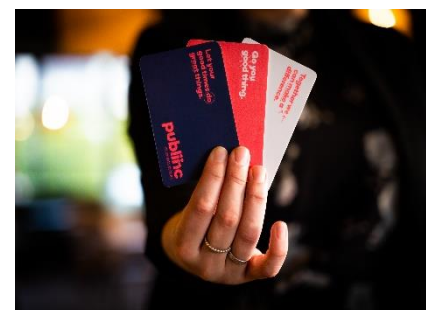
★ Women in Gaming & Hospitality Partnership

Partnership established to advance women into leadership positions across the business and sector.

Our contribution to community

Publinc Communities

Redcape's Community Program, **Publinc**, launched in NSW. Customers earn points and pledge their community points to make a difference locally.



\$187,000

Pledged to 60 local community groups²



\$24,968 pledged to Kids with Cancer Foundation, a national non-profit foundation that provides financial assistance to families of pre-teen children experiencing difficulties due to their child being treated for cancer.



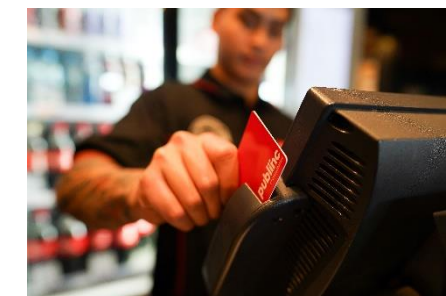
\$75m³

Contributed in taxes annually

Harm minimisation leadership

Responsible Gaming –

Redcape designed platform created to increased awareness and communication of available tools for customers to responsibly monitor and manage gambling activity.



Promotes responsible gambling tools including Voluntary Pre-Commitment and Player Activity Statements.

Simplifies access to counselling, support and exclusion programs.



1. 1 July – 31 December 2020 (mean)
2. Based on 1H21 pledges
3. Based on CY2020

Earnings Reconciliation

- From 2H21 the Group will phase out the term “Distributable earnings” and replace with “Underlying earnings”. The calculations of Underlying earnings will remain consistent with Distributable earnings.
- As a Non-IFRS metric, Underlying earnings will be bridged each half to statutory NPAT consistent with the approach taken to Distributable earnings.

\$m	1H21	1H20	\$ Change
Statutory NPAT	25.4	17.4	8.0
Performance Fee	5.8	-	5.8
Venue acquisition costs	-	0.9	(0.9)
Gain on asset revaluation	(5.2)	-	(5.2)
Depreciation	7.1	6.6	0.6
Swaps & borrowing costs written-off	-	4.0	(4.0)
Maintenance capital expenditure	(2.2)	(3.9)	1.6
Other non-cash / non-recurring items	1.3	0.9	0.3
Tax / expense	0.8	0.5	0.3
Distributable earnings	32.9	26.4	6.5
Distributable earnings per stapled security (cents)	5.96	4.78	1.17

Figures may not add correctly due to rounding

Venues¹

Andergrove Tavern

64 Andergrove Road, Mackay, QLD, 4740

Australian Hotel and Brewery

350 Annangrove Road, Rouse Hill, NSW, 2155

Cabramatta Hotel

170 Cabramatta Road, Cabramatta West, NSW, 2166

Campbelltown Hotel

32 Blaxland Road, Campbelltown, NSW, 2560

Cedars Tavern

139-173 Popondetta Road, Emerton, NSW, 2770

Central Hotel Shellharbour

3 Memorial Drive, Shellharbour, NSW, 2529

Crescent Hotel

81 The Crescent, Fairfield, NSW, 2165

Eastern Creek Tavern

64 Huntingwood Drive, Huntingwood, NSW, 2766

Eastwood Hotel

89-115 Rowe Street, Eastwood, NSW, 2122

Eden Brewhouse

381 Redbank Plains Rd, Redbank Plains, QLD, 4301

El Cortez Hotel

337 Canley Vale Road, Canley Heights, NSW, 2166

Figtree Hotel

47 Princes Highway, Figtree, NSW, 2525

Gladstone Hotel

572 Marrickville Road, Dulwich Hill, NSW, 2203

Hermit Park Hotel

100 Charters Towers Road, Hermit Park, Townsville, QLD, 4812

Keighery Hotel

47-51 Rawson Street, Auburn, NSW, 2144

Kings Head Tavern

801a King Georges Road, South Hurstville, NSW, 2221

Lakeview Hotel Motel

4 Government Road, Oak Flats, NSW, 2529

Landmark Hotel

20 West Parade, Eastwood, NSW, 2122

Leumeah Hotel

80 O’Sullivan Road, Leumeah, NSW, 2560

Minskys Hotel

287 Military Road, Cremorne, NSW, 2090

Mt Annan Hotel

12 Main Street, Mt Annan, NSW, 2567

O’Donoghues Hotel

99 Great Western Highway, Emu Plains, NSW, 2750

Prospect Hotel Motel

3 Great Western Highway, Prospect, NSW, 2148

Red Lantern Hotel

280 South Terrace, Bankstown, NSW, 2200

Revesby Pacific Hotel

178 The River Road, Revesby, NSW, 2212

Shamrock Hotel Motel

163 - 175 Nebo Road, Mackay West, QLD, 4740

St Mary’s Hotel

33 Queen Street, St Mary’s, NSW, 2760

The Crown Hotel Revesby

4 The River Road, Revesby, NSW, 2212

The Sun Hotel

6 Ross River Road, Mundingburra, QLD, Townsville, 4812

The Wattle Hotel

1 Brygon Creek Drive, Upper Coomera, Gold Coast, QLD, 4209

Unanderra Hotel

27 Central Rd, Unanderra, NSW, 2526

Vauxhall Inn

284/286 Parramatta Rd, Granville, NSW, 2142

Wattle Grove Hotel

Cnr Australis Avenue & Village Way, Wattle Grove, NSW, 2173

Willoughby Hotel

315 Penshurst Street, Willoughby, NSW, 2068

1. Portfolio inclusive of acquisitions announced but not settled in this period.

Glossary

cps

Cents per stapled security

Customer NPS

Net promotor score (NPS) is used as a tool to measure customer experience and advocacy with a rating scale between -100 and +100

Distributable Earnings

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

FGC

Freehold Going Concern

Gearing

Total borrowings less cash as a percentage of total assets less cash

Growth Capex

Major refurbishments and tactical capital expenditure on existing and acquired venues

Interest Cover Ratio (ICR)

Operating EBITDA / Net Finance costs less amortisation of borrowing costs (on a 12-month rolling basis)

Like for Like (LFL) Revenue growth

Based on venues that traded for the full year FY19 and FY20 and thus excludes any part year acquisitions and divestments

LGC

Leasehold Going Concern

Maintenance Capex

Capital expenditure required to maintain the assets in their existing condition

NAV

Net Asset Value

Operating EBITDA

EBITDA excluding unrealized, 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

Performance Fee

Equates to $20\% \times [(Outperformance / SNA - Hurdle\ rate) \times ENA]$ where SNA equals start management net asset, ENA equals end management net asset, Hurdle equals 10% pa (or 5% each half) and Outperformance equals $ENA - SNA$ plus any distributions made in the period¹

Staff Satisfaction

Internal tool to measure and manage current and future performance with a rating of 0 to 5

Redcape Half Year Presentation Disclaimer

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The Group utilises non-IFRS financial metrics in its assessment and presentation of Group performance. In particular, the Group references Operating Earnings Before Interest, Tax, Depreciation and Amortisation (Operating EBITDA) and Distributable Earnings (DE) per Stapled Security.

The directors believe these non-IFRS metrics are useful to users as they:

- Reveal the underlying and operating performance of the group which enhances the reader's understanding of past performance;
- Provide insight into Management's decision making as Management uses these measures to run the business, allocate resources and make financial, strategic, and operating decisions; and
- Forms the basis of the Group's annual budgeting and internal forecasting processes

Operating EBITDA and DE are not prepared in accordance with International Financial Reporting Standards and are not audited. A reconciliation of non-IFRS financial metrics to statutory results is provided in the "Review of Operations" within the financial statements.

Differences in reported metrics can have both a positive and negative impact on the financial information presented.

All dollar values are in Australian dollars (\$) or A\$) unless stated otherwise.

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