



Authorised for release by the Chair of the Board of Directors
Redcape Hotel Group Management Ltd

10 September 2021

FOR IMMEDIATE RELEASE
ASX ANNOUNCEMENT

Chairman's Address to Redcape Hotel Group Securityholder General Meeting

This meeting has been called by the Independent Board Committee ("IBC") to consider the proposed delisting of Redcape and an associated liquidity offer.

The liquidity offer will only proceed if the delisting proposal is implemented and will comprise a buy-back and a rights issue intended to provide securityholders with the option to either:

1. continue their investment by retaining their holding and/or acquiring additional securities under the rights issue; or
2. exit their investment by selling on-market or through the buy-back.

The buy-back and rights issue are being undertaken at the same fixed price of \$1.15 per security. The rights issue is designed to partially fund the buy-back and will be fully underwritten by MA Financial Group.

Rationale for the Proposal

Since listing in November 2018, Redcape has remained highly illiquid and consistently traded at a discount to net asset value which has been a source of frustration for all securityholders. The size of this discount has increased significantly over the past 18 months reflecting COVID-19 related uncertainty and other market related factors which do not relate to the performance of the underlying assets of Redcape.

The operational management and performance of Redcape's assets has remained strong throughout. In FY21, Redcape reported Underlying Earnings for the year of 10.21 cents per security which represents a 16.0% increase on FY19, being the last full year of trade not interrupted by COVID. The result was driven by strong like-for-like revenue growth from the Group's portfolio, up 8.4% on the prior year excluding the COVID-impacted months.

Underlying net asset value described as "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 reflecting the independent valuation of all 36 of the Group's assets.

The IBC and MA Hotel Management, as manager of Redcape, continue to believe in the fundamentals underpinning the portfolio and attractiveness of the hospitality asset class and remain committed and aligned

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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.

with securityholders to deliver long term value. As such, the IBC and manager have continued to explore ways to close the gap between the underlying valuation of Redcape's assets and security price at which Redcape securityholders can sell their securities if they wish to do so.

The delisting proposal is designed to deliver this to securityholders by reinstating Redcape as an unlisted fund that offers quarterly liquidity rights. The structure of the unlisted fund will remain largely identical to Redcape's current structure. The existing majority independent Redcape board will continue to oversee the strategy and performance of Redcape on behalf of all Redcape securityholders with the manager executing the strategy and operating the assets.

The strategy will remain unchanged with Redcape continuing to seek to provide investors with sustainable and growing distributions by investing in a diversified portfolio of high-quality pubs and hotels with refurbishment, asset recycling and alternative use opportunities from its real estate land bank.

As an unlisted fund, the Responsible Entity intends to offer Redcape securityholders quarterly liquidity via an unlisted liquidity facility. Subject to the caps and limitations outlined in the explanatory statement, this liquidity will be provided at a 2.5% discount to underlying net asset value from the quarter ending 31 December 2022. Subject to the same caps and limitations, securityholders in unlisted Redcape who wish to exit post the delisting but earlier than 31 December 2022 would be able to do so as follows:

- from and for the quarter ending 30 June 2022, at a 7.5% discount to Directors NAV per security; and
- for the quarter ending 30 September 2022, at a 5.0% discount to Directors NAV per security.

The Responsible Entity may also from time to time reduce the exit discount applied in its discretion.

MA Financial Group and many of its senior executives will retain a material investment directly in Redcape, in addition to applying its hotel operating platform to the management of Redcape's hotels.

If approved by Redcape securityholders, the delisting is proposed to occur on 2 November this year, and the Buy-Back and Rights Issue would occur from 20 September to 21 October this year.

Impact if the Proposal does not proceed

If the Proposal is not implemented, Redcape will continue to trade on the ASX, and the Buy-Back and Rights Issue will not proceed.

Given that the liquidity offer price is at a significant premium to the last close price prior to the announcement of the proposal, the price of Redcape may fall if the transaction does not proceed and may continue to trade below Directors NAV.

In addition, Redcape estimates it will have incurred approximately \$1.5 million in costs in connection with the proposal.

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Recommendation

As part of its consideration of the proposal, the IBC retained Goldman Sachs as exclusive financial adviser and Arnold Bloch Liebler as legal adviser. The IBC also appointed Grant Thornton to conduct an independent expert report on the fairness of the transaction. As the independent expert, Grant Thornton concluded that non-associated securityholders should vote in favour of the proposal as it provides them with a number of key benefits.

Having regard to the independent expert opinion and the advantages and disadvantages of the proposal which are outlined in detail in the explanatory statement, the IBC believes that the proposal is in the best interests of Redcape securityholders in the absence of a superior proposal. The IBC recommends that Redcape securityholders vote in favour of each of the resolutions to be considered at this meeting, and advises that each of the members of the IBC intend to vote any Redcape securities they hold in favour of each of the resolutions. In addition, no member of the IBC intends to participate in the buy-back and they all intend to retain their Redcape securities post delisting.

-ENDS-

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