

FINANCIAL REVIEW

SE Market Wrap - Street Talk

HD **Mantra kicks off \$500m IPO roadshow**

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Mantra Group, a hotels operator backed by private **equity firm** CVC Capital Partners and investment bank UBS, is set to embark on a roadshow in Asia and Australia next week before a \$500 **million** initial public offering.

The potential IPO heralds the first listing of a major hotel owner on the Australian Securities Exchange.

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As foreshadowed by this column, Mantra Group chief executive Bob East will meet with prospective investors in **Hong Kong** on Tuesday and in Sydney and Melbourne later this week.

According to the marketing material prepared for the roadshow – seen by Street Talk – East will tell investors that Mantra is the second-largest accommodation operator in Australia, with its three brands Mantra, Peppers and BreakFree selling more than 2.5 **million** room nights each year.

The group's exposure to both the corporate and leisure tourism markets and its capital-light business model are the key aspects of the pitch.

Mantra typically has long-term management right agreements over each of its units and it is the owner's obligation to fund refurbishments, not Mantra's.

The group will be quick to point out that serviced apartment revenue has been growing faster than hotels and motels. As with most early-IPO roadshows, investors are likely to be given the run-down on industry dynamics – Australian room revenue has grown an average 5.5 per cent each year for the past 10 financial years – with Mantra's more meaty financial information held back for a later round.

The group racked up annual revenue of close to \$450 **million** in its latest accounts while earnings neared \$75 **million**.

Lead managers Macquarie Capital and UBS will have to forge a new market for this IPO. Mantra has no obvious listed peers in Australia or globally, and fund managers are aware of previous attempts to sell the business, which has a chequered history under CVC Capital Partners' ownership.

CVC is keen to sell its entire **stake** in the group. It is pulling out of Australia after a torrid decade and hopes to list Mantra within the next two months.

CO slrhp : Mantra Group Pty Ltd | cvccap : CVC Capital Partners Limited

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