

DELTINE HIGH YIELD MOTEL FUND



High Yield, Low Risk
Investment Solutions

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Overview

The Deltine High Yield Motel Fund



- The fund will invest in a diverse portfolio of 50+ quality, high yielding **regional and suburban motels**.
- The **highly fragmented motel sector is ripe for consolidation** with many sub-par independent properties lacking scale, resources and expertise.
- **Consolidation strategy is simple and proven** - pubs, childcare, retirement villages, caravan parks and marinas have all been extensively exploited. Motels remain relatively untouched.
- **Significant investment upside is available** with economies of scale, innovation upgrades, operational improvements and portfolio diversification valuation arbitrage.

Investment Highlights

TARGET FUND SIZE	Over 50 properties and greater than \$500 million asset value
TARGET RETURN	>20% per annum target total return over the 5 year Fund term* Target 9% - 11% p.a. income distributions paid quarterly *
TERM	5 years. Annual term reviews after year 5
DEBT LIMIT	Target LVR of 45%
DIVERSIFICATION	Diversified across geography, local economies and accommodation types
DIFFERENTIATION	Untapped commercial property class which contains 'low-hanging' upside
TEAM 	Execution oriented high-performance team with proven track record of success

Why Motels?

Under-the-Radar Commercial Property

The Motel property sub-sector flies under the radar of typical institutional investment due to their smaller size and diverse locations.

- **Quality** buildings in great central locations
- **Track record** of profitable operations and cash generation
- Asset available at **purchase yields > 10% ***
- Various return **upsides** available
- **Essential service provider** for regions with diverse clientele
- Geographic, room type and local economy **diversification** available



Investment Strategy

Acquire

Acquisition Strategy:

- Acquire 50+ quality motels each with adequate scale & great management
- Target value \$6m - \$20m
- Target towns with economic diversity
- In towns with location benefits, e.g. airport, infrastructure, hospital, or transport corridor

Operate

Revenue Optimisation:

- Dynamic & premium pricing
- Optimise online channels
- Adjacent revenue streams
- Advertising & campaigns

Expense Optimisation:

- Reduce commissions
- Wage efficiency through process optimisation
- procurement economies of scale

Exit Uplift

Multiple exit options:

- Sum of the parts may be more valuable - sell Property Trust separate to Operations Company.
- Margin compression from scale and diversification drives higher valuation.
- Centralised management, procurement economies, unified systems and single brand drives portfolio value



PRIORITY #1

ENSURING LOW RISK

C a p i t a l P r e s e r v a t i o n





= Core Strategy of Low Risk

- **Property backing** - 100% equity owned commercial property
- **Low LVR** – target 45%
- **Diversification** across geography, economies and property type
- **Resilient operations** with strong operating track record
- **Independent Trustee** Oversight and AFSL
- **Excluding high risk properties** – No new build developments, no single asset exposure, no turnarounds, no pubs or gaming
- **Contingency planning** in cash management process



Advice & Oversight

Professional Advisors & Latest Technology

 <p>Bentleys™ THINKING AHEAD</p>	<p>Independent Trustee & AFSL Trustee oversight provided by professional trustee, Bentleys who also provide AFSL compliance</p>	 <p>RAWLINGS BOLTON</p>	<p>Fund Accounting & Admin Rigorous accounting & admin ensures strong regulatory, ASIC and ATO reporting compliance.</p>
 <p>CORRS CHAMBERS WESTGARTH</p>	<p>Top Tier Legal Advisor to develop efficient fund structure, legal compliance and guidance on best practice.</p>	 <p>registry direct</p>	<p>Unitholder Registry Management Innovative, digital and secure application process and unit registry to deliver seamless service for investors.</p>

PRIORITY #2
RETURN OPTIMISATION

> 20% PER ANNUM IRR

>20% p.a. Execution Plan

Returns Over 5 Year Term

TIMING	SOURCE OF RETURNS	ACCRETIVE RETURNS
Day 1	Acquire Motels yielding 9% to 11% per annum income	average 10%
First 3 months	Capture simple operational upside via 100-day action plan	2% to 4%
Holding Years 1-5	Yearly room rate increases (inflation protection), economies of scale, select value accretive capital projects	2% to 4%
Upon Exit	Valuation increase from diversification arbitrage on exit	6% to 10%
Total Projected Per Annum IRR		20% - 28%*



Case Study - Base Case

- Based on a current real-world opportunity (anonymised), the following 5-year forecast demonstrates how a yearly IRR of >20% is achievable. This case includes operational optimisation (efficiencies delivered in the first year and then reoccur thereafter) and uplift at exit.
- In this case it will deliver a 26.4% IRR with the yearly income yield increasing over the term as room rates are increased every year for inflation and operational improvements are delivered.

YEAR	AQUISITION	1	2	3	4	5
Property Purchase @ 11.5% yield + acq costs	7,518,650					
Equity	4,368,650					
Debt	3,150,000	LVR = 45%				
	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29
Base Case - Include operational improvements, exit at better portfolio yield (exit uplift included)						
Exit at diversified portfolio yield of 8.0%					8.0%	11,817,611
Capital Cashflows (initial investment & exit)	(4,368,650)					8,431,258
Base Income Cashflows (yearly distributions)		539,668	562,301	590,612	614,623	639,355
Extra Income from Ops improvements		90,008	92,708	95,489	98,354	101,304
Total Equity Cashflows	(4,368,650)	629,676	655,009	686,101	712,977	9,171,917
Yearly Income Yield	10.7%	14.4%	15.0%	15.7%	16.3%	17.0%
5 Year IRR (Per Annum)	26.4%					

Case Study - Conservative Case

- Alternative conservative scenario.
- Even with the operational improvements removed, the investment still yields a 21.7% IRR.

YEAR	AQUISITION	1	2	3	4	5
Property Purchase @ 11.5% yield + acq costs	7,518,650					
Equity	4,368,650					
Debt	3,150,000	LVR = 45%				
	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29
Base Case - Include operational improvements, exit at better portfolio yield (exit uplift included)						
Exit at diversified portfolio yield of 8.0%					8.0%	10,551,307
Capital Cashflows (initial investment & exit)	(4,368,650)					7,190,280
Base Income Cashflows (yearly distributions)		539,668	562,301	590,612	614,623	639,355
Extra Income from Ops improvements						
Total Equity Cashflows	(4,368,650)	539,668	562,301	590,612	614,623	7,829,635
Yearly Income Yield	10.7%	12.4%	12.9%	13.5%	14.1%	14.6%
5 Year IRR (Per Annum)	21.7%					



PRIORITY #3

DELIVERING SOLUTIONS
& SCALE

Problem

For Investors

- Investing directly in a **single property** doesn't deliver diversification benefits.
- Institutional level diligence & management is **time-consuming and costly**.
- Great investments are often **exclusive** to private networks.
- High returns usually comes with **high risk** like development risk, high leverage, single project or turnaround risk.

For Travelers

- Cumbersome check-in process.
- On-site managers lack broad capabilities, training and professional support.
- Poor service, cleaning and maintenance.
- Lack of quality amenities and features.
- Outdated reservation and booking systems.
- Seldom receive discounts for booking directly.



Solution

For Investors

- Expert managers **deliver equity upside** for investors whilst structuring to **minimise risk**.
- Leverage experienced professionals and advisors to conduct **thorough diligence** and optimise operations.
- Quality **assets and locations** continue to be uncovered to maintain high yields.
- The Fund is **accessible** with wide distribution.

For Travelers

- Leverage technology for a more efficient booking and check-in process.
- Provide expert support, guidance, training and process for on-site managers.
- Upgrades to important amenities and include feature upgrades & services.
- Set consistent cleanliness & maintenance standards and process.
- Establish a trusted Australia-wide chain.



Competitor Comparison

When comparing **other unlisted property funds** consider these factors when deciding on the best risk / return mix for your portfolio.

	Deltine Motel Fund	Common Features of Other Property & Credit Funds
High yield - regular income distributions	✓	Low income distributions or short-term fund
High total returns & equity upside	✓	No equity upside, low or limited returns
Multi-asset diversification	✓	Single asset or single project risk
Low debt levels - LVR	✓	High debt levels or complex capital structures
No development or turnaround risk	✓	Development risk or turnaround complexity
Independent trustee oversight & AFSL	✓	Related trustee and/or no AFSL rigour



SUPPORTIVE MARKET
FUNDAMENTALS

Industry Overview

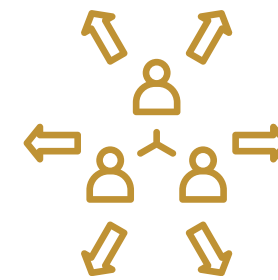
Positive Outlook ++



2,414 motels in Australia turning over a combined \$2.8 billion of revenue and generating an annual EBIT of \$256 million*



2.5% p.a. market growth forecast over 2024 - 2030 period.



Highly fragmented industry with no individual operator holding a significant market share.



Strong outlook from constrained new supply, strong local demand and growing international tourism arrivals.

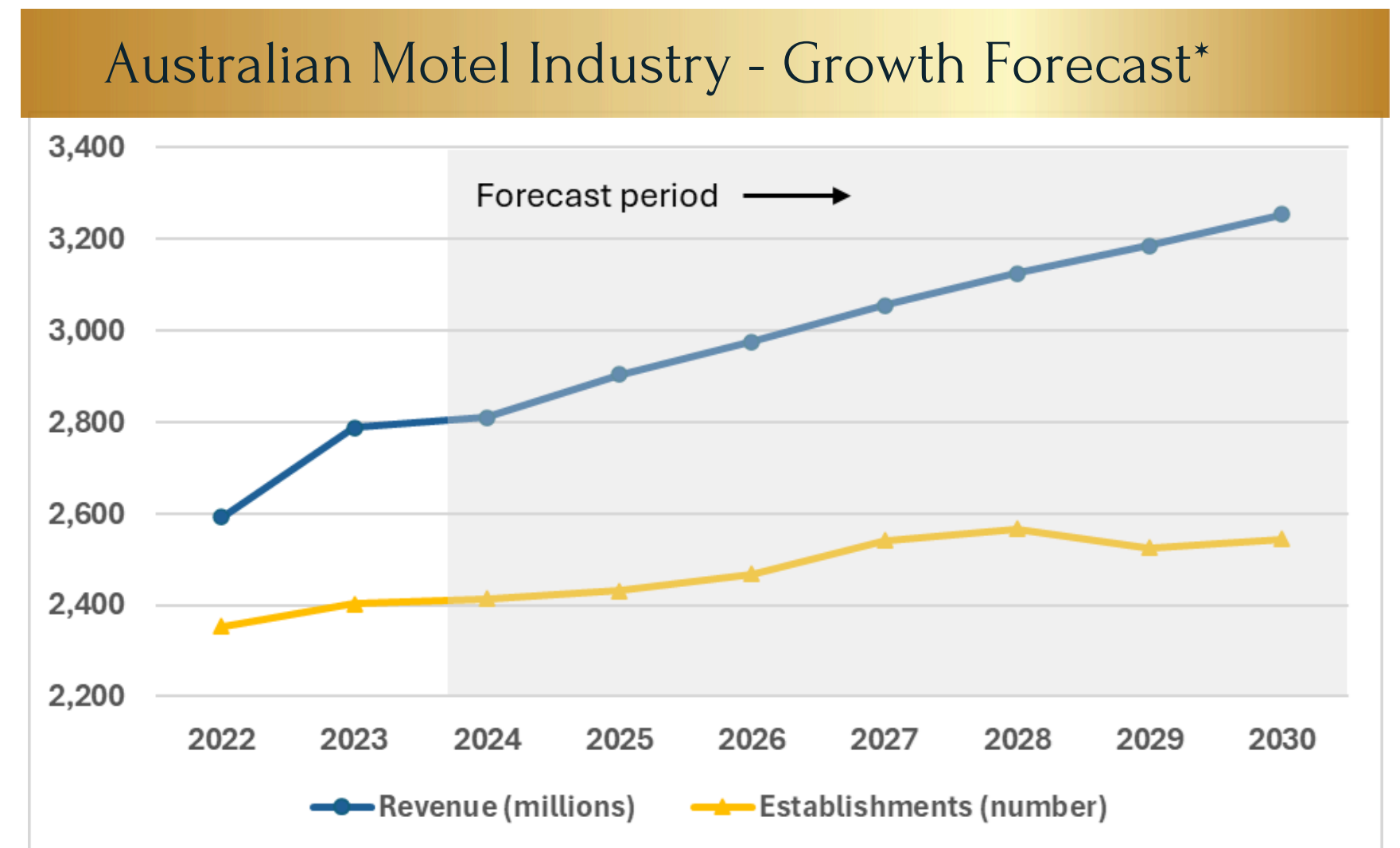
Occupancy Growth

= More to Come

2.5% p.a. revenue growth over the 2024 - 2030 forecast period

Revenue growth driven by increasing occupancy due to:

- **Shortage of new supply** due to high construction costs.
- **Strong local demand** including Aussies preferencing local holiday options.
- **International arrivals** continue to grow back to pre-covid levels.



Room Rate Growth

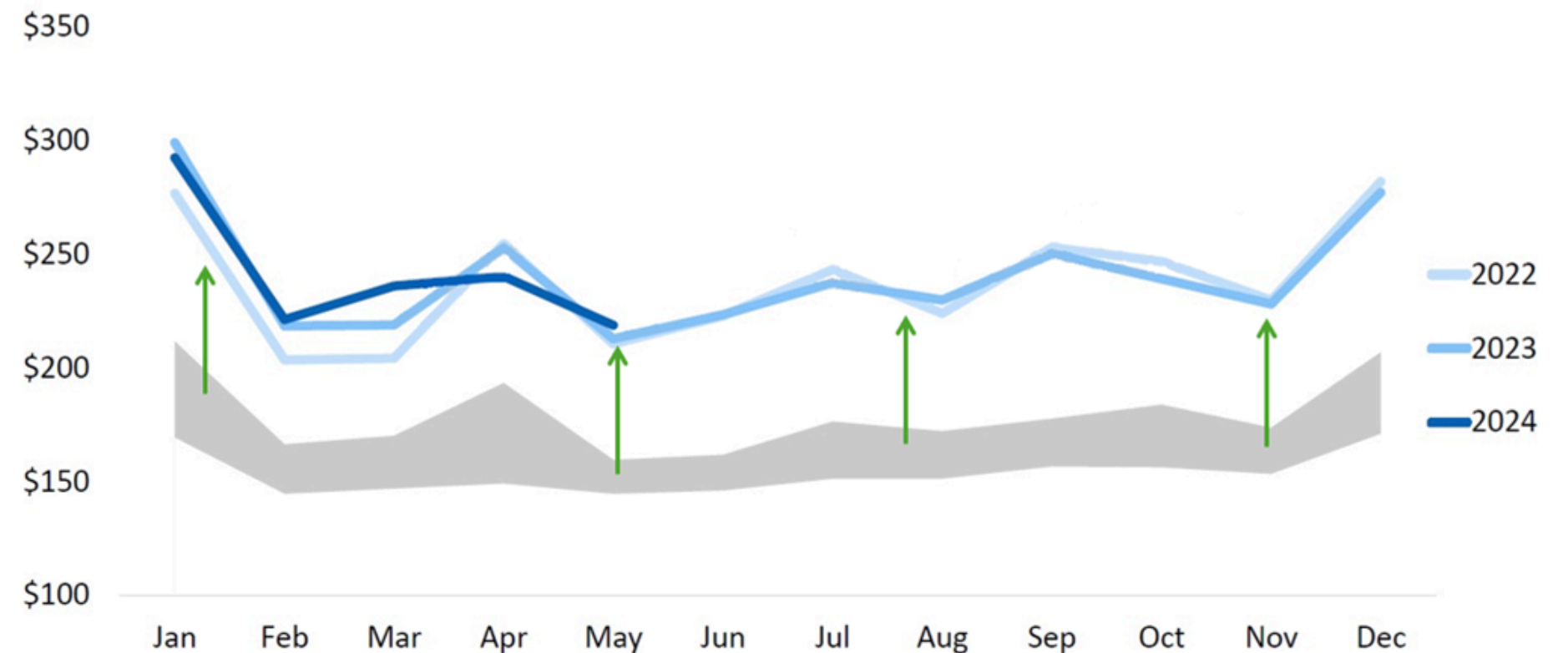
= Here to Stay

The regional motel sector has recovered spectacularly post-covid and has proven its ability to withstand external market volatility and competition.

- **Step change increase** in average daily rates (ADR) since Covid (refer graph).
- **Room rate increases** provide very responsive inflation protection (as can be adjusted daily) and capital growth.
- **Higher interest rates** delivering attractive yields with valuations lower due to higher cost of capital.

Regional rates in an entirely new league and staying there

Regional Australia ADR, 2012 – 2019 Band and 2022 - 2024 by month





TEAM MOTTO:
DETERMINATION, FOCUS
& EXECUTION

Management Team



DAVID TOOMEY, CFA, CA
Chief Executive Officer

- Investment Management and corporate finance experience in Europe, New York & Aust.
- Pension fund experience providing investor fiduciary, portfolio creation and performance reporting.
- Extensive global executive level operational experience in sales and strategy.
- Began his career as an accountant auditing Motels and related operations.



CRAIG DAVIDSON, GAICD
Chief Operating Officer

- Over 35 years of experience working in and on the Australian Tourism industry.
- Extensive Hotel and Resort management experience including Hamilton Island, SPHC and Journey Beyond.
- Worked at various Tourism Agencies at national, state and regional levels.
- Related acquisition and diligence experience.



JAY KOCH
Chief Financial Officer

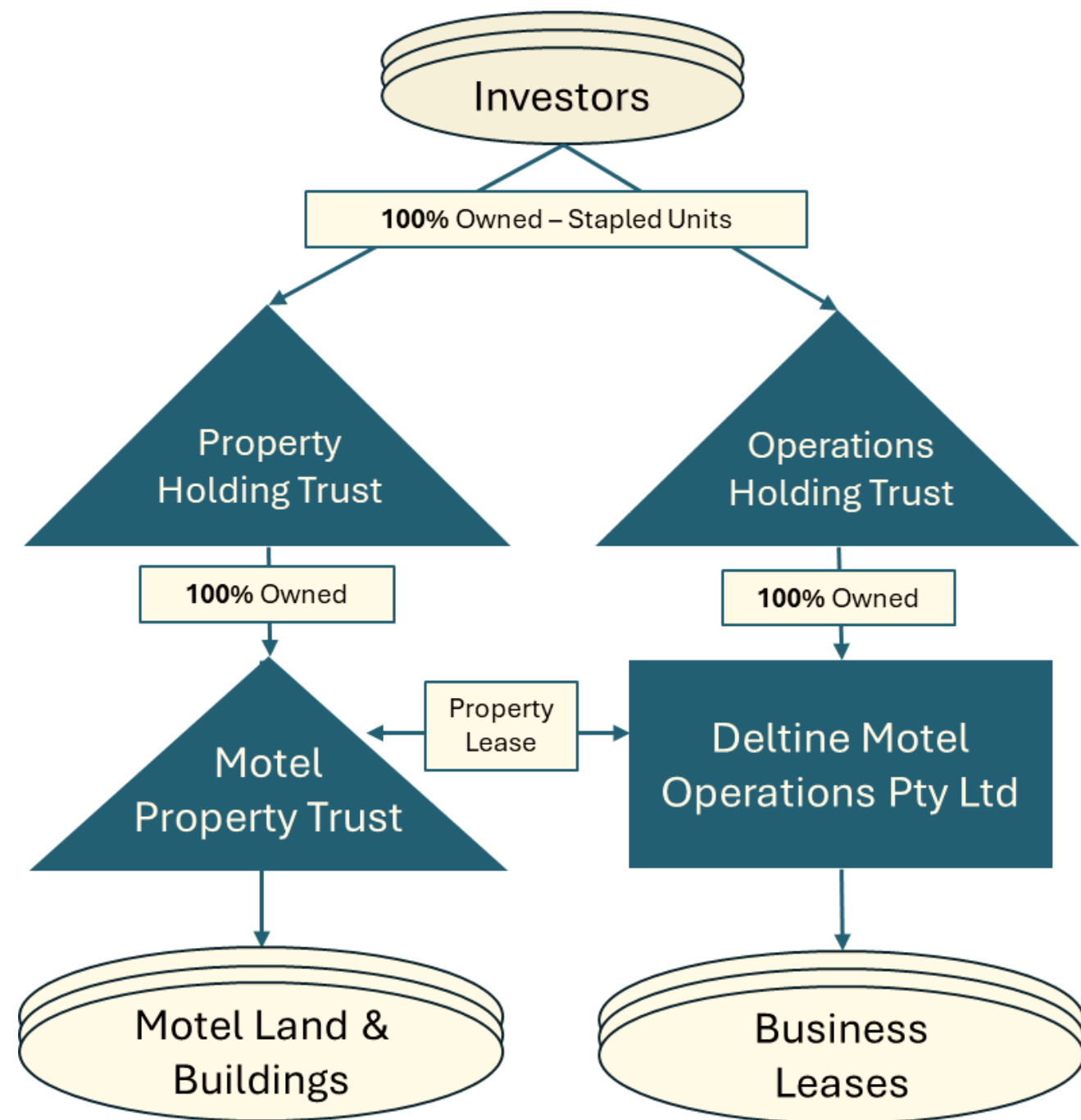
- Over 30 years accounting experience across Europe and Australia in professional services, corporate, banking and real estate.
- Investment Accounting Experience in Europe with ABN Amro Asset Mgt.
- Passionate about driving transformative change by steering projects to success.
- Real Estate development project management.



CATHERINE SMIBERT
Group Marketing Manager

- Over 30 years of experience in media and comms strategy around the world.
- Specialist in design, web development, PR/ marketing, production and strategic campaign management.
- Passionate about driving sales and increasing conversions by enhancing online user experience and social media campaigns.

Transparent & Effective

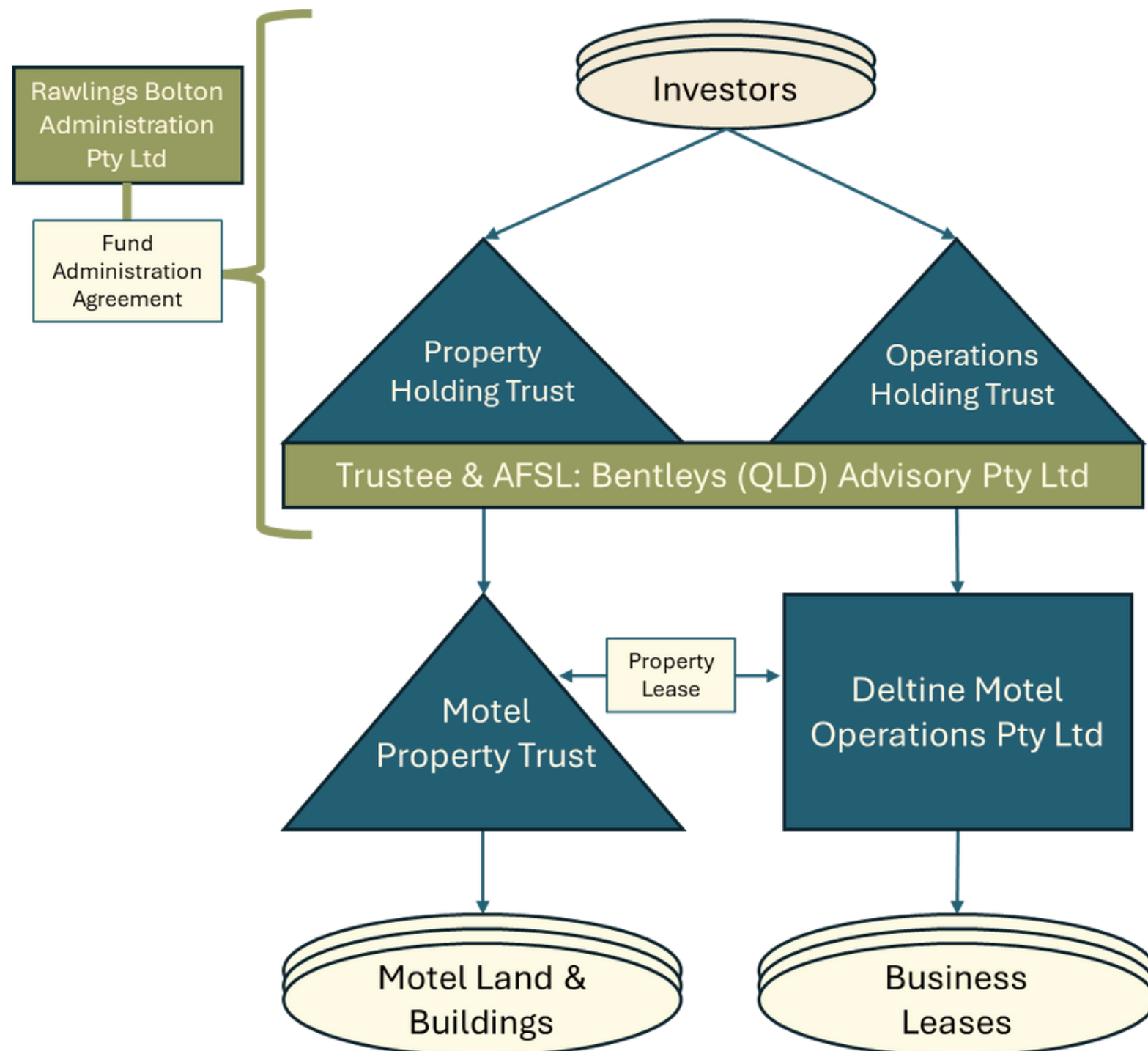


Investors Own 100% Equity in all Assets

- 100% equity ownership of all Motel assets – land, buildings and businesses.
- 100% tax pass through for income from Property Trust, including CGT discount.
- Separate property and operational entities reduce stamp duty paid on acquisition as well as allowing flexibility and optimisation on exit – e.g. exit property separate to operations to optimise exit valuation.
- Holding trusts provide the ability to separate investor administration from operations.

Independent Oversight

+ Governance & Compliance



- **Independent Trustee** provides professional oversight of capital flows, risk management and compliance.
- **AFS license** ensures minimum standards of expertise, professionalism, and ethical behaviour are met.
- **Professional unit registry service** meticulously manages investor registry and corporate actions.

Other Key Terms



Key Features	Description
Minimum Investment	\$100,000 unless otherwise agreed. Sophisticated investors only.
Management Fees	Fees and expenses benchmarked against other property funds. Management Fee 1.0% of Assets under Management. Incentive fee is 20% of returns if an 8% hurdle is achieved.
Liquidity	The units are illiquid during the term. While Deltine aims to facilitate a secondary market, an investment in the Fund must be considered illiquid.
Risks	There are risks associated with investing in the Units, for example, there are market, regulatory, interest rate, financing and personnel risks. Please refer to the IM for further detail. Neither the payment of interest nor the return of capital is guaranteed by any person or entity.



DELTINE
CAPITAL

Contact:

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Appendix A - Case Study Assumptions

Key assumptions for the Case Study:

- Acquisition yield of 11.5%.
- Acquisition due diligence costs of \$97k to cover financial, legal, operational, property diligence costs and fees.
- Stamp duty on acquisition of \$280k.
- Both room rates and expenses are increased each year with an inflation adjustment of 3.0%
- Operational improvement assume the implementation of the following from the first year:
 - dynamic pricing (\$20k net profit p.a.)
 - upselling of food and beverages (\$20k net profit p.a.)
 - increased advertising spend of \$10k p.a.
 - reduction of booking commissions, merchant fees, supplies, food & beverage wastage and small labour efficiencies totalling \$47k p.a.
- Debt financing at an LVR of 45% of the property purchase price before expenses and stamp duty at a cost of 6.5% p.a.