

21 February 2018

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SeaLink acquires major iconic tourism attraction: Kingfisher Bay Resort Group on Fraser Island Establishment of new SeaLink business hub in Brisbane

Summary

- Acquisition by SeaLink Travel Group Limited (SeaLink) of Kingfisher Bay Resort Group for \$43.0m
- Kingfisher Bay Resort Group calendar year 2017 EBITDA of \$7.9m, and EBIT of \$5.8m, respectively
- EBITDA and EBIT acquisition multiples (based on unaudited CY17 financial results) of 5.4x and 7.4x, respectively
- Cosmos Australia Pty Ltd, an entity owned by publicly listed Cosmos Initia Co Ltd of Japan disposing of their interest in the businesses to focus on residential development and other investment opportunities in Australia. Cosmos Australia, together with their partner since 1991 Tourism Leisure Corporation, jointly developed or acquired, and operated the resorts and businesses
- Transaction consideration is in cash, funded through bank interest only debt
- Expected to be materially earnings per share accretive in the first full financial year
- SeaLink establishing new business hub in Queensland

Announcement

SeaLink Travel Group (ASX:SLK) (SeaLink) today announced that it has entered into a landmark agreement to acquire the assets and operations of Kingfisher Bay Resort Group ("KBRG"), centred on the World Heritage-listed Fraser Island, 300 kilometres north of Brisbane in Queensland. The acquisition includes the two island resorts Kingfisher Bay Resort and Eurong Beach Resort, as well as Fraser Explorer Tours and the Fraser Island Ferry business operating from Hervey Bay to the Western side of Fraser Island. The purchase is subject to satisfaction of customary conditions precedent.

SeaLink Managing Director, Mr Jeff Ellison said, "Fraser Island is one of the most iconic destinations in Australia and is famous throughout the world for its World Heritage listed wonders. Located 15km off Queensland's coast, Fraser Island stretches 123 kms in length, and is the world's largest sand island.

"Kingfisher Bay Resort Group is by far the major hospitality, touring and transport operation on Fraser Island, and we are delighted to be taking ownership of this leading tourism business to drive future protection, promotion and growth of the Island."

Kingfisher Bay Resort Group accounts for 90 per cent of accommodation options and the majority of touring experiences on Fraser Island. The purchase price of \$43 million (plus working capital adjustments) includes land and buildings, plant and equipment, three vehicular ferries, a 30-vehicle touring coach fleet, all contracts, licences, intellectual property and goodwill.

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SeaLink Chair, Mr Andrew McEvoy said "This exciting new acquisition aligns with our strategy and enhances our position as a major provider of connections to iconic Australian destinations. We are excited about working with the fantastic management and operational team at Kingfisher Bay Resort Group to build on their strong and growing position in the Australian tourism market."

As a further boost for Queensland tourism, following completion of the transaction, SeaLink will open a new business hub in Brisbane to manage and grow its successful Queensland operations, with the strong backing of the Queensland Government.

The Queensland Government has welcomed the transaction and the establishment of SeaLink's business hub in Brisbane. Tourism Industry Development Minister Kate Jones said Queensland was already the major source of revenue for SeaLink - employing more than 300 people.

"This acquisition and the decision to establish a business hub in Brisbane is a vote of confidence in Queensland," she said.

"The Palaszczuk Government has built up this industry to be a pillar of Queensland's economy.

"The fact that SeaLink is actively looking for opportunities to expand operations in our great state is a sign that we're well and truly heading in the right direction."

SeaLink already has significant operations in Queensland, servicing Magnetic Island and Palm Island from Townsville, the LNG Plants on Curtis Island from Gladstone, North Stradbroke Island and the islands of Moreton Bay, and will add its new Brisbane office as a hub to complement its Adelaide headquarters.

Cosmos Australia Pty Limited ("Cosmos"), a controlled entity of Cosmos Initia Co Ltd of Japan, partnered with Tourism Leisure Corporation to develop the Kingfisher Bay Resort which opened in 1992 and expanded their operations on Fraser Island by acquiring Eurong Beach Resort, Fraser Explorer Tours and Fraser Island Barges in 2002. The partners are selling the Kingfisher Bay Resort Group operations to focus on other opportunities.

Kingfisher Bay Resort Group Managing Director, Mr Gary Smith said, 'It is great to see the iconic Fraser Island businesses being acquired by a progressive Australian company. It is great for the future of the business, for our people and the Queensland Tourism industry.'

This acquisition follows SeaLink's most recent acquisitions of Transit Systems ferry operations in Queensland and Captain Cook Cruises in Perth.

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About Kingfisher Bay Resort Group

Kingfisher Bay Resort Group's highly integrated operations comprise four distinct, profitable and well-established tourism and transport operations – Kingfisher Bay Resort, Eurong Beach Resort, Fraser Explorer Tours and Fraser Island Ferries. It accounts for 90 per cent of accommodation options on Fraser Island.

Kingfisher Bay Resort is a four star 152-room hotel resort located on freehold land, with management and caretaking rights to a further 109 self-contained villas/houses and lease of a 174 bed Wilderness Lodge (leased from private investors) for the educational and backpacker market. The resort's facilities include six food and beverage outlets, four swimming pools, two tennis courts, a shopping village, conference facilities, a helipad, air strip and staff accommodation, with vacant land for 500 allowable residential development lots, pursuant to existing approval with approximately 300 of those development lot entitlements remaining for future development.

Located on the Western Coast of Fraser Island overlooking Great Sandy Strait, the resort has built a solid reputation in Australia and around the world for its eco-tourism focus.

Eurong Beach Resort is a 3.5 star resort with 108 rooms including two bedroom apartments, studio units and group rooms (4 to 6 share). It is set on 3.4 hectares of beachfront land along the eastern shore of Fraser Island, overlooking the Pacific Ocean. The resort features a 200-seat restaurant, beach bar, grocery and convenience store, bakery, fuel outlets and recreational facilities. The resort is located on a perpetual lease, and the direct beach front area of resort land consists of approximately 1.4 hectares of freehold land.

Like Kingfisher Bay Resort, it has enjoyed a consistent increase in occupancy rates in recent years.

Fraser Explorer Tours operates the Group's tour operations including one-day tours and two-day tours. Fraser Explorer Tours has maintained a strong market position over the years, consistently servicing a substantial portion of the approved commercial tour operating market on Fraser Island.

Its fleet consists of 25 four-wheel-drive coaches that operate on the Island and a fleet of five courtesy buses operate on the mainland to facilitate transfers.

Fraser Island Ferries operates three vehicular ferries that transport vehicles and passengers from River Heads on the mainland to either Wanggoolba Creek or Kingfisher Bay Resort on Fraser Island and return. The ferries mainly cater for resort guests, visitors who are on commercial tours or independent travellers visiting Fraser Island in four-wheel drives.

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Impact of the Transaction on SeaLink Travel Group

Based on a pro forma unaudited historical basis for the twelve months ending 31 December 2017, the combined KBRG group would contribute an EBITDA of \$7.9m, and an EBIT of \$5.8m (a 16.5% increase on SeaLink's standalone EBIT of \$34.5 million for 2017). Underlying earnings per share (EPS) would have increased by 2.5 cents per share or 11.3% to 24.3 cents on a pro forma unaudited historical basis.

The transaction is expected to be materially earnings per share accretive in the first full financial year.

Acquisition Rationale

SeaLink's Board believes that this acquisition is strategically and financially compelling.

Strategic Rationale

- Builds on our portfolio of operations that are located in prime tourism locations.
- Strong alignment with our existing tourism hospitality and marine transport competencies.
- Enhances our position as a major player in connecting Australasian tourism icons to the world.
- The operations have strong barriers to entry and dominant market position in its operations on Fraser Island, with the two resorts accounting for over 90% of commercial accommodation options on Fraser Island and a substantial portion of available developable freehold land.
- Strong opportunity to grow solid occupancy rates and sales through our existing customer base, distribution channels and enhanced integrated sales structure.
- Opportunity to extract further cost synergy benefits in areas such as fuel and food and beverage.
- Highly competent hotel and resort management and staff will remain in place and adds to our existing expertise as a current provider of 40,000 bed nights and 400,000 meals delivered to clients each year.

Financial Rationale

SeaLink expects the acquisition to be earnings and EPS accretive in FY19 and deliver further value to shareholders through:

- Revenue opportunities through coordinated marketing of Fraser Island to our customer base as another iconic location to holiday,
- Cost synergies and leveraging group purchasing power,
- Potential operational improvements to the ferry operations,
- Capex improvements to enhance customer experience and build upon resort infrastructure and facilities, and
- Maintaining a prudent financial structure well within banking covenants, with the intention to continue paying dividends in line with SeaLink's policy

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Transaction Funding

ANZ has provided a Term Sheet demonstrating their support with the provision of a debt funding facility to assist with the purchase. Total interest-bearing debt after the acquisition will be circa \$110 million.

Management Composition

SeaLink's management team will be augmented by the addition of existing members of Kingfisher Bay Resort Group, including David Hay, Group General Manager.

SeaLink Managing Director, Mr Jeff Ellison, said, "David and his team have been instrumental in building the presence and popularity of Fraser Island as a major Australian holiday destination. We are very excited about the prospect of applying our strengths and expertise to building on their vision and success."

Timetable

The transaction is scheduled, subject to customary conditions precedent and approvals, to complete by early April 2018.

Additional Information

An investor presentation, which explains the transaction, is being lodged today with the Australian Securities Exchange (ASX).

For more information please call:

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About SeaLink Travel Group

SeaLink Travel Group is one of Australia's most dynamic tourism and transport companies bringing the nation's best tourism experiences to the world. With more than 1,200 staff across the country servicing eight million customers annually with a vessel fleet of 75 and coach fleet of 30, the Adelaide-based company has undergone a remarkable period of growth, emerging as a significant player on the national tourism and transport scene.

SeaLink's operations extend across New South Wales, Queensland, Northern Territory, Western Australia and South Australia, which includes:

- Ferry and barging services in south-east Queensland and Gladstone in Queensland
- Cruises, ferry and charter services on Sydney Harbour, Swan River in WA and on the Murray River in SA
- Passenger ferry service in Townsville, Queensland, Darwin, Northern Territory and Perth Western Australia
- Lunch and dinner cruises in Perth, Western Australia and Sydney Harbour
- Passenger, vehicle and freight ferry service between Kangaroo Island and the South Australian mainland
- Day tours, extended touring and charter operations on Kangaroo Island and on the South Australia mainland
- Tour wholesaler to the travel trade
- Exclusive 4WD foreign language tour adventure based tours
- Retail travel agencies in Adelaide and Townsville
- Adventure, accommodation and restaurant at Vivonne Bay, Kangaroo Island

SeaLink listed on the Australian Securities Exchange in October 2013 (ASX:SLK).