

WHY PUBS HAVE A UNIQUE INVESTMENT PROFILE



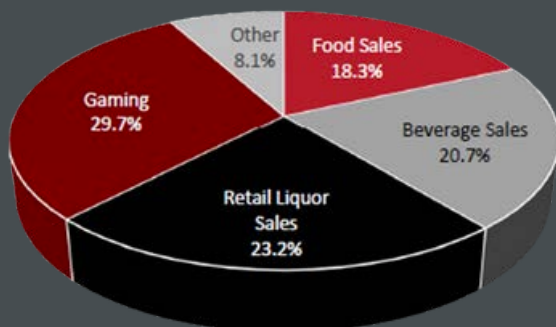
The operating business of a pub is often lumped with other businesses as a relatively risky investment class but in reality, the pub sector occupies a unique position within the Australian business community.

SO WHY ARE PUBS UNIQUE?

DIVERSE INCOME STREAMS

Most successful pubs have **multiple income streams** - food and beverage, functions, entertainment, retail liquor sales, short term accommodation, wagering and gaming. The combination of these offerings often ‘feed’ off each other - the customer that drops in for a schnitty and a schooner takes out a Keno Kwikipik while waiting for their meal to arrive, then grabs a six pack from the bottle-o on the way out.

GROSS PROFIT BY CATEGORY SINCE ACQUISITION



THE GROSS PROFIT PROFILE FOR THE INITIAL PORTFOLIO OF THE VENU HOSPITALITY FUND SHOWS A DIVERSE INCOME PROFILE EVENLY SPREAD ACROSS FOOD & BEVERAGE, RETAIL LIQUOR SALES AND GAMING.

Whilst there are inherently different risks attached to freehold going concern assets compared with leased type investments, the latter are wholly dependent on rental streams from tenants. The relatively unique diversity of income streams generated by pubs means that managers can adapt to market conditions more rapidly and are not wholly dependent on the performance of other businesses to derive returns.

REGULATORY ENVIRONMENT

The **regulatory approval process** (inclusive of community impact statements, local council by-laws, liquor and gaming approvals & regulations) represents a significant barrier to entry for new competition into the pub sector in Queensland. Securing the necessary approvals to operate a licensed venue can take 12-18 months – sometimes longer, not to mention the high costs to secure gaming licences (if approved), but also the ongoing regulatory requirements for the sale of liquor and the provision of gaming and wagering services.



LIQUOR REGULATIONS

A Commercial Hotel Licensee may sell liquor for consumption either on or off the licensed premises. To be eligible licensees must:

- be a fit and proper or suitable person.
- have the capacity to seat more than 60 patrons at any one time.
- provide toilet facilities for male and female patrons on the licensed premises.

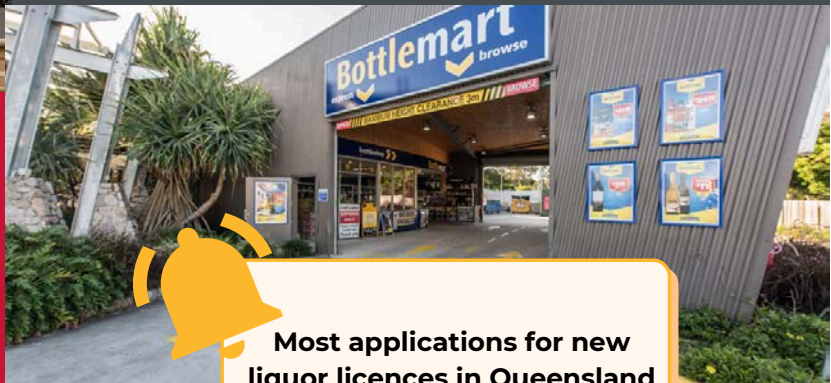
The hotel must also have a commercial kitchen and at least two of the following facilities:

- A dining facility
- Self-contained accommodation for at least three rooms for paying guests.
- A function room available for hire by the public.

A Commercial Hotel Licence is a pre-requisite for a licensee to operate up to 3 detached bottle shops no more than 10km by road from the main hotel.

Approved managers must be present onsite, or be reasonably available and hold a current responsible management of licensed venues (RMLV) certificate.

Staff selling or supplying liquor must maintain a current responsible service of alcohol (RSA) certificate.



Most applications for new liquor licences in Queensland must be advertised to comply with the Liquor Act 1992.

GAMING REGULATIONS

A Commercial Hotel Licence is a prerequisite for a hotel gaming licence, whereby:

- Gaming machine licensees must adopt and report on anti-money laundering and counter-terrorism financing (AML/CTF) measures to AUSTRAC.
- Employees are required to be licensed and must complete a responsible service of gambling (RSG) course through a registered training organisation.
- If an application for a gaming machine licence (GML) is deemed to have a significant community impact, it must be publicly advertised.
- Licences are attached to the property and cannot be transferred.

Since 2001 the total number of gaming machines that can operate in Queensland hotels has been capped at 20,000.



1 Gaming Machines to 80 people - QLD Pop. 2001



1 Gaming Machine to 140 people - QLD Pop. F'cast 2032

1 icon equals 10 people

The acquisition of a gaming machine licence can only be made via an authorised sale by the Queensland Public Trustee. Sales are conducted by competitive tender in 3 regions (South East Queensland, Coastal and Western). At the most recent tender in June 2024, 72 gaming licences in SEQ were sold for an average price of \$485,302 and 32 Coastal licences were sold for an average price of \$203,662.

Cost to replace GMLs at Beachmere Hotel **\$14.5m**

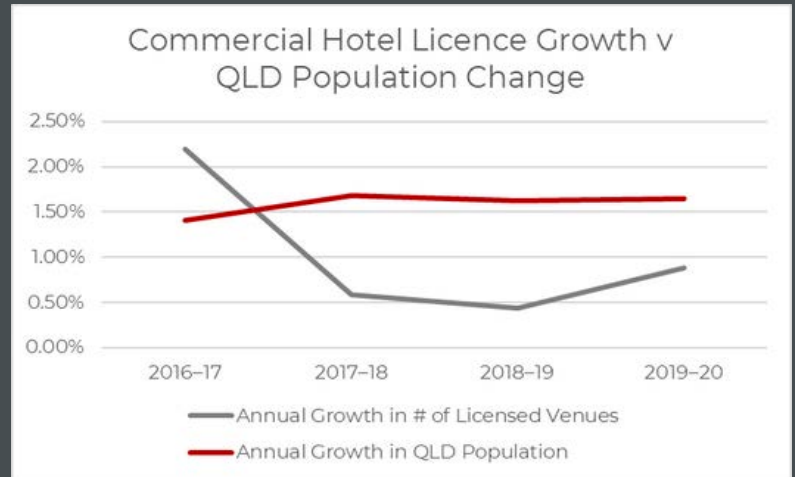
Cost to replace GMLs at Pine Beach Hotel **\$2.4m**

THE AVERAGE PRICE FOR GAMING MACHINE LICENCES IN BOTH REGIONS HAS DOUBLED OVER THE LAST 4 YEARS
-BUSINESS QUEENSLAND

COMPETITION AND MARKET FRAGMENTATION

New competition entering the market is also stifled by the historical number of new commercial hotel licences granted relative to the growth in Queensland's population.

- In the financial year 2015-2016 there were 1,322 licensed Commercial Hotels in Queensland.
- By 2019-2020 the number had increased to 1,377, an increase of 4.2% (Department of Justice and Attorney General, 2024).
- In June 2015 the estimated resident population of Queensland was 4.78 million people (Australian Bureau of Statistics, 2024). In June 2020 the Queensland population had grown to 5.17 million people, an increase of 8.2%.



A 2018 Australian Hotels Association member survey found that 65% of hotel businesses were family owned, with 21% of venues being part of a hotel group (PricewaterhouseCoopers, 2018). Conversely, for markets such as the Brisbane CBD, over 50% of the supply of available office space is controlled by Institutional groups or REITs. The relatively low level of concentration in the pub sector by institutional investors suggests there will be further aggregation going forward – unlocking further benefits such as economies of scale for professionally managed operators and their investors.



Over the five-year period to 2020, each pub in Queensland had on average added 139 potential patrons before accounting for areas of higher growth and the subsequent Queensland population boom post pandemic

CULTURAL SIGNIFICANCE

Pubs have been a part of the Australian economy for well over 200 years, with many of the traditional pub-style hotels built in the mid-late 19th and early 20th centuries still operating today. Indeed, it is very rare today for a pub to permanently close its doors, unless it is located in a catchment experiencing population decline. In contrast to an office, industrial or retail property leased to tenants, there is no vacancy factor to consider, there are no incentives payable to tenants or commissions payable to agents.

In Australian politics, the pub test is a standard for judging policies, proposals and decisions. Something which "passes the pub test" is something the ordinary patron in an Australian pub would understand and accept to be fair, were it to come up in conversation. Such is the central position pubs and their customers occupy in the Nation's psyche.



Venu Plus Management is the Business Manager of the Venu Hospitality Fund hotels.

Lead by Adrian and Nick Rosato, Venu Plus operate 10 iconic restaurants across South East Queensland inclusive of the Beach House Bar & Grill chain, Madame Wu and Chu the Phat, in addition to the Beachmere and Pine Beach Hotels.

Nick and Adrian have over 50 years combined experience in the hospitality industry.

Providing operational, marketing, accounting and HR services, Venu Plus has over 500 employees and has served over 1 million satisfied customers.

Venu Plus directly employ all staff working within Venu's hotels.

Adrian and Nick are substantial investors in the Venu Hospitality Fund.



CONCLUSIONS

The pub landscape in Australia has evolved rapidly out of Covid-19 inclusive of “order at table” digital menus and other technological advances and continues to evolve during the recent period of inflation and increased interest rate environment. The desire to socialise and enjoy hospitality venues has not waned over this period, particularly in Queensland.

Whilst we acknowledge that these factors also carry operational and reputation risks, a highly professional and experienced management teams such as Venu Plus can help alleviate these issues, particularly when a large proportion of the market continues to be family or privately run. There is a point of advantage when compared to other assets classes that rely solely on rents from businesses to drive returns, and where investment managers can ‘clip the ticket’ along the way without driving on-premises performance and acquiring further assets to only increase further fees – something that **we believe doesn’t pass the ‘pub test’.**

We believe pubs offer a unique investment proposition to investors given the diversity of income streams that can be generated, regulation and high barriers to entry compared with other asset classes, the lack of new competition entering the market relative to population growth, and the ongoing association with the local pub being part of the Australian identity.

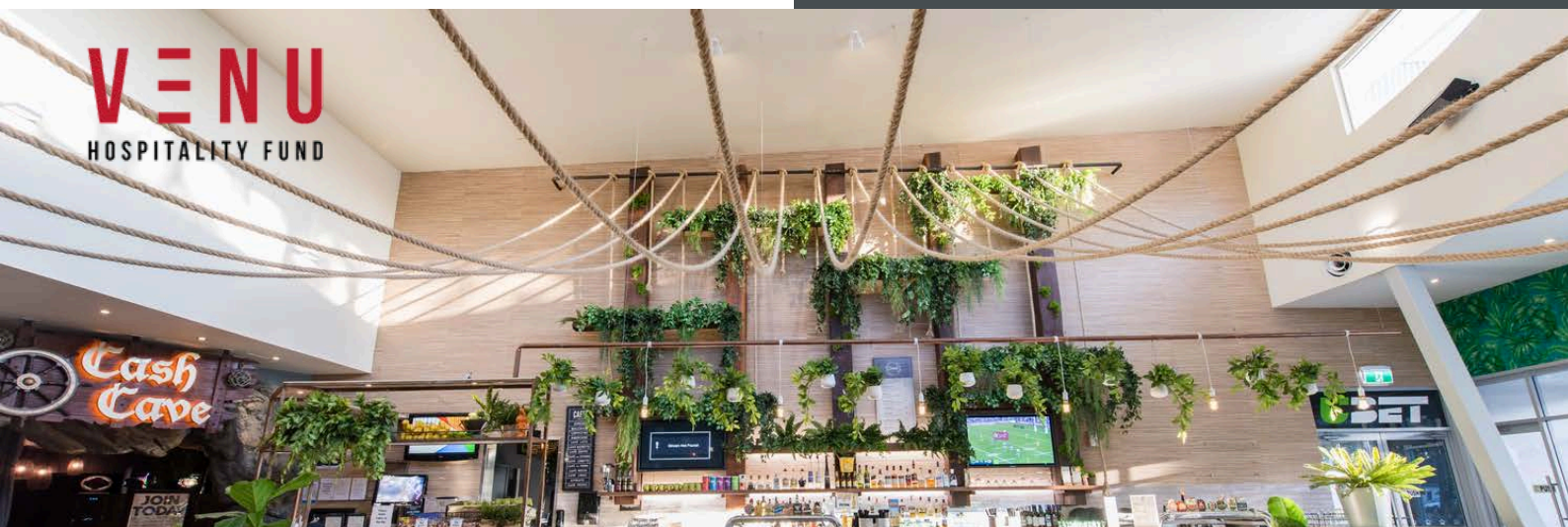
TO FIND OUT MORE ABOUT THE VENU HOSPITALITY FUND

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