



The Ferry Road Tavern, Southport

Annual Results Briefing – 31 December 2017



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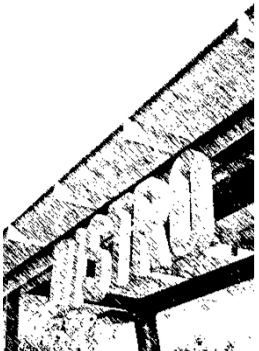
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Investment Proposition

- Owner of large scale hotel venues leased predominantly to Coles
- Premium food, beverage, accommodation and gaming hotel assets whose underlying value grows with gaming and accommodation
- Secure income underpinned by long term leases
- Distributions underpinned by contracted rental increases
- Investment property portfolio value growing as contracted rent increases are delivered
- Additional value associated with underutilised land, complementary development potential and strategic value of liquor and gaming licences
- Tenant's business is a contingent asset which reverts to the landlord at end of lease
- Low risk capital structure with balance sheet flexibility
- Active portfolio management to drive further securityholder value
- Attractive risk-return profile and bond-like security
- Experienced Board and Management



Strategic Agenda

1. Pursue pub asset acquisition or divestment opportunities that meet HPI's investment criteria
2. Work with our tenants to enhance the value of the portfolio through incremental development or better site utilisation
 - Reviewing full-site redevelopment opportunities
 - Exploring opportunities to develop underutilised land
3. Consider further investment in high quality accommodation hotels
4. Acquire land contiguous to existing hotels for complementary developments which add value to the hotels



Our Focus

1. Capital Management Discipline

- Maintaining Internal Rate of Return (“IRR”)
- Not drawn to “top of market” acquisitions
- Portfolio optimisation
- Management of capital
- Moderate gearing

2. Efficiency

- Optimise value in each property
- Continuing focus on Management Expense Ratio (“MER”)
- Maintain optimal financing structure and terms

3. Securityholder Returns

- Balance of Return on Equity (“ROE”), gearing and risk
- Strong focus on asset values and market conditions
- Grow distributions



Strategy Implementation Takes Effect

1. Diversified funding sources through a US Private Placement; increased the average debt tenor by 4.4 years to 8* years and moved from secured to unsecured borrowing.
 - HPI's weighted average debt tenor is now longer than its weighted average lease expiry.
2. Exchanged contracts to acquire the freehold for a complementary accommodation based asset operating under a lease with similar terms to HPI's existing hotels
 - located in Griffith, NSW in the growing, broad-based Riverina district
 - purchase price \$15.25 million and a cap rate of 7.51%, to be debt financed following the contemporaneous ~\$23 million increase in bank loans
 - long term lease to Quest franchisee, with remaining initial lease term of 13.8 years

* as at August 2017



Strategy Implementation Takes Effect

3. Acquired a 1,350m² parcel of development land adjacent to the Regatta Hotel in Toowong, Brisbane for \$3.8 million
 - Contiguous land, creating the opportunity for a future development complementary to the existing Regatta Hotel business

4. Executed an Agreement for Lease and sought planning approval for the estimated \$5 million development of a 1,300m² (approximately) building on vacant land adjacent to the Ferry Road Tavern in Southport, Gold Coast
 - Fixed-price development approach
 - 10+10 year lease to commence circa April 2019
 - Commencing rent approximately \$540,000 p.a and annual fixed rent escalations of 3%
 - Subject to receiving development approvals.



Financial Results Highlights

As at 31 December 2017

1. Revenue from investment properties ↑ 3.2% on the prior corresponding period to \$23.0 million (2016: \$22.3 million)
2. Adjusted Funds From Operations ↑ 1% to \$14.3 million (Dec 2016: \$14.2 million) and Interim Distribution from trading operations ↑ 1% to 9.8 cents (Dec 2016: 9.7 cents) per stapled security
3. Property portfolio value ↑ 0.7% to \$663.1 million following independent valuations of 22 properties at Dec 17, reflecting a constant weighted average cap rate of 6.5%
4. Statutory Profit \$17.5 million (Dec 2016: \$71.2 million), including fair value gain on property of \$4.2 million
 - Dec 2016 fair value gain was \$56 million following a whole-of-portfolio revaluation and 80 basis point cap-rate compression
5. Final Distribution guidance of 9.8 cents (June 2017: 9.9 cents) for a total full year distribution from trading operations of 19.6 cents (2017: 19.6 cents)



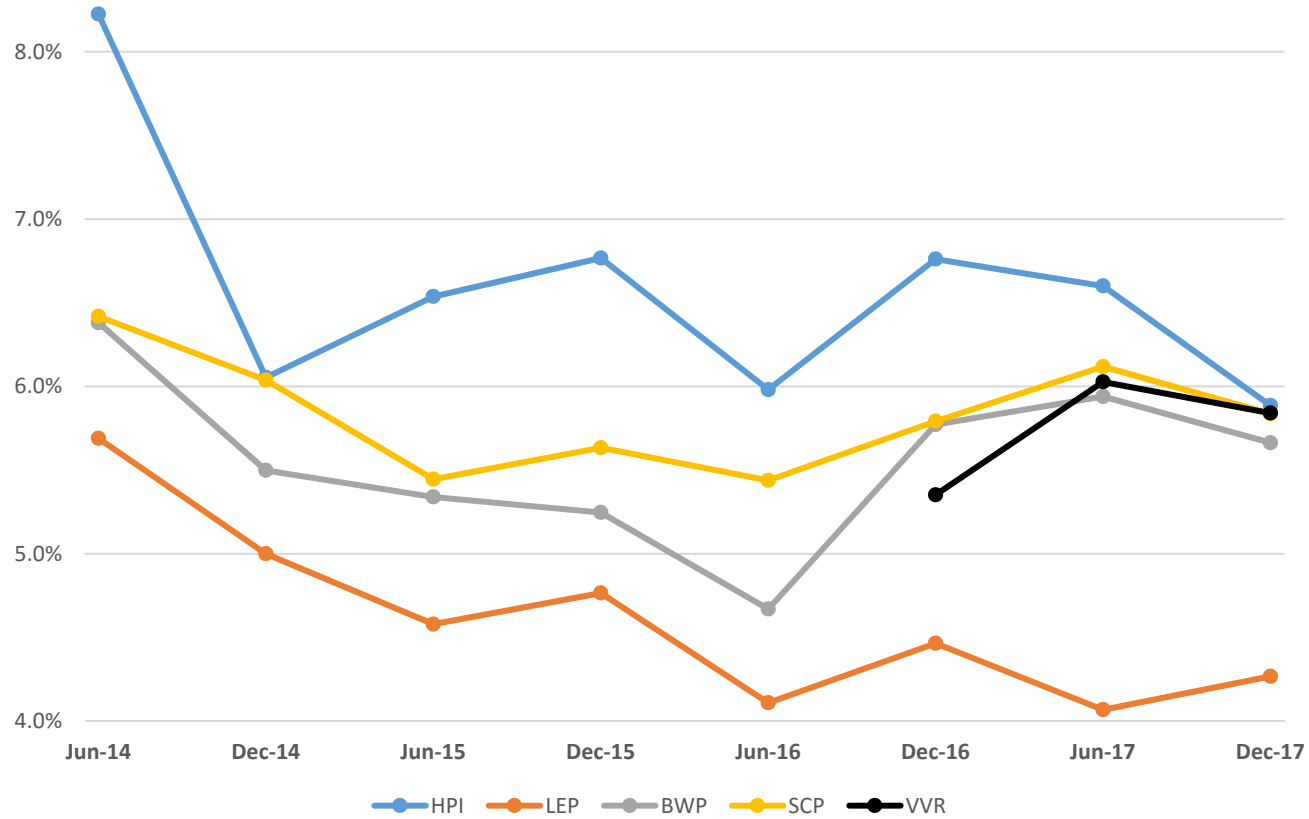
Key Metrics and Capital Management

As at 31 December 2017

<u>Key Metrics</u>	<u>31-Dec-17</u>	<u>30-Jun-17</u>
Investment Property (incl Asset held for sale)	\$663.1 m	\$658.7 m
Number Of Pubs	43	43
Weighted Average Cap Rate	6.5%	6.5%
Weighted Average Lease Expiry (years)	5.6	6.1
Average Length of Option Period (years)	24.3	24.3
Hotel occupancy	100%	100%
Net Assets per security	\$2.67	\$2.65
Debt Facilities Limit	\$285.0 m	\$285.0 m
Loans Drawn (ex \$4m Bank Guarantees)	\$257.7 m	\$256.0 m
Cash On Hand	\$1.1 m	\$1.1 m
Gearing ¹	38.6%	38.6%
	<u>31-Dec-17</u>	<u>30-Jun-17</u>
Weighted Average Debt Expiry	7.6 years	3.6 years
Weighted Average Debt Cost	4.44%	3.72%
Security	Unsecured	Secured
% hedged or at fixed rates (Drawn debt)	50%	24%

¹ (Drawn Loans - Cash / Total Assets - Cash)

Distribution Yield ~6%



Compares favourably with other A-REITs with Wesfarmers or Woolworths tenants





Al Fresco Bar, Everton Park Hotel, Brisbane



Net Profit for the 6 months ended 31 December 2017

Consolidated Income Statement

<u>P&L in \$ millions</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Income		
Net rental income	23.0	22.3
Operating expenses		
Non-recoverable property expenses	-1.3	-1.2
Management costs	-0.9	-0.9
Trust expenses	-0.7	-0.7
Total expenses	-2.9	-2.9
Operating profit	20.1	19.4
P&L on Disposal of Assets	0.0	1.5
Fair value adj and realised loss on hedging	0.0	-0.3
Fair value gain on investment property	4.2	56.0
EBIT	24.3	76.6
Net interest expense	-6.8	-5.4
Net profit before tax	17.5	71.2
Tax	0.0	0.0
Net Profit after tax	17.5	71.2

Minor addition differences are due to rounding to \$M's

Distributions for the 6 months ended 31 December 2017

Consolidated Distribution Statements

<u>Distributions in \$ millions</u>	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Statutory NPAT for the period	17.5	71.2
Amortisation adjustment	1.3	0.7
Fair Value, P&L on Disposal and other adjs	-4.2	-57.2
Distributable earnings	14.6	14.7
Maintenance capex	-0.2	-0.5
AFFO (Adj Funds From Ops)	14.4	14.2
Stapled Securities at end of period	146.1	146.1
AFFO per stapled security (cents)	9.8	9.7
Capital distribution per stapled security (cents)		
Distribution declared per stapled security (cents)	9.8	9.7

Minor addition differences are due to rounding to \$M's



Balance sheet at 31 December 2017

Consolidated Balance Sheet

Balance Sheet in \$ millions	31-Dec-17	30-Jun-17
Cash	1.1	1.1
Other current assets	2.0	0.7
Total Current Assets	3.1	1.8
Investment property	663.1	658.7
Other non current assets	0.4	1.7
Total Non Current Assets	663.5	660.4
Total Assets	666.6	662.2
Payables, Accruals, Other current liabilities ¹	20.6	19.0
Total Current Liabilities	20.6	19.0
Borrowings ²	255.9	254.8
Other non current liabilities	0.0	1.2
Total Non Current Liabilities	255.9	256.0
Total Liabilities	276.5	275.0
Net Assets	390.1	387.2

¹ Current Liabilities includes Provision for Distribution,

² Borrowings shown on balance sheet are drawn borrowings less \$1.8 million (Jun-17: \$1.2 million) of capitalised loan establishment fees

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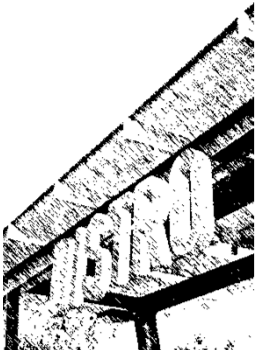


Quest Griffith

Appendix 2 – Acquisition Photographs



Quest Griffith, NSW



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