

ASX Announcement



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26 February 2020

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Corporate Announcement Office  
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## Hotel Property Investments (ASX Code: HPI)

### Acquisitions and Equity Raising

HPI is pleased to announce that it:

- has entered into agreements to acquire two metropolitan hotel properties (the “**Acquisitions**”) for total consideration of \$60m<sup>1</sup>;
- will undertake a fully underwritten institutional placement to raise \$30m (“**Placement**”) to partially fund the Acquisitions and associated transaction costs; and
- will undertake a non-underwritten security purchase plan (“**SPP**”) to eligible securityholders<sup>2</sup> to raise up to \$5m<sup>3</sup>.

The balance of the funding for the Acquisitions will be sourced from various debt facilities.

### Acquisitions

HPI has entered into agreements to acquire 100% freehold interests in the following properties:

- **Gregory Hills Hotel:** HPI’s first entry into the metropolitan Sydney market, for a consideration of \$40m<sup>1</sup>
  - representing a 5.5% initial yield
  - an initial lease term of 12 years with three 12-year extension options at the tenant’s discretion

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<sup>1</sup> Excluding transaction costs.

<sup>2</sup> Eligible securityholders are holders of existing HPI securities as at 7:00pm (AEDT) on 25 February 2020 with a registered address in Australia or New Zealand.

<sup>3</sup> Any proceeds under the SPP, which is subject to a cap of \$5m, will be used to partly fund the Acquisitions. The SPP is subject to scaleback at HPI’s absolute discretion.

*Hotel Property Investments comprises Hotel Property Investments Trust (ARSN 166 484 377), and*

*Hotel Property Investments Limited (ACN 010 330 515, AFSL 479719).*

- fully leased to Royal Hotels Group – a highly experienced operator with a 25-year history of successfully owning and managing pubs in Sydney
- the property was purpose built in 2016 and located in the high growth corridor of South Western Sydney
- **Acacia Ridge Hotel:** a large format suburban hotel in metropolitan Brisbane, for a consideration of \$20m<sup>4</sup>
  - representing a 5.5% initial yield
  - an initial lease term of 12 years with five 10-year extension options at the tenant’s discretion
  - fully leased to Monarch Hotel Management – who operates several pubs across Australia
  - recently refurbished in 2019 and among the top 10 gaming hotels in Queensland

Settlement of the Acquisitions are expected to occur by the end of March 2020.

HPI’s Chief Executive Officer, Don Smith commented: *“The acquisitions we have announced today demonstrate HPI’s ability to source acquisition opportunities which are well located and are leased to quality operators on attractive lease terms.”*

*“We will continue to monitor the market for further acquisition opportunities which meet our investment criteria and improves the overall quality of our portfolio.”*

## Portfolio impact

	1H FY20	Acquisitions	Pro forma
Investment properties value	\$714.3m	\$60.0m <sup>4</sup>	\$774.3m
Number of properties	43	2	45
Weighted average capitalisation rate	6.1%	5.5%	6.1%
Weighted average lease expiry	11.8 years	12.0 years	11.8 years
Average option periods	15.1 years	23.2 years	16.7 years
Hotel occupancy	100%	100%	100%

## Placement

To partially fund the Acquisitions and associated transaction costs, HPI is undertaking a fully underwritten institutional placement to raise \$30m.

The Placement will be issued at a fixed price of \$3.23 per security (“**Issue Price**”), which represents a:

- 4.7% discount to the last close of \$3.39 on 25 February 2020
- 5.8% discount to the 5 day VWAP of \$3.43 on 25 February 2020

<sup>4</sup> Excluding transaction costs.

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New securities issued as part of the Placement will rank equally with existing HPI securities.

The Placement is fully underwritten by E&P Corporate Advisory Pty Ltd and J.P. Morgan Securities Australia Limited.

### **Security Purchase Plan**

Eligible securityholders in Australia and New Zealand<sup>5</sup> will be invited to subscribe for up to \$30,000 in additional securities, free of any brokerage or transaction costs, at the Issue Price of \$3.23 per security, same as the Placement price.

New securities issued as part of the SPP will rank equally with existing HPI securities.

The SPP will be capped at \$5m and will not be underwritten. If total demand for the SPP exceeds \$5m, HPI reserves the right to scale back the maximum number of New Securities issued to each eligible securityholder at its absolute discretion.

Further information on the SPP will be lodged with the ASX and sent to eligible securityholders on or around Thursday, 5 March 2020.

### **Financial Impact**

Including the impact of the Acquisitions and Placement, and barring any unforeseen events and no material change in market conditions, HPI reaffirms its FY20 distribution guidance of 20.7 cents per security.

Following the Acquisitions and Placement, HPI's pro forma metrics at 31 December 2019 are:

- Balance sheet gearing of 38.3%
- NTA per security of \$2.95

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<sup>5</sup> Eligible securityholders are holders of existing HPI securities as at 7:00pm (AEDT) on 25 February 2020 with a registered address in Australia or New Zealand.

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## Timetable

Event	Date (2020)
Record date for SPP	Tuesday, February 25
Trading halt and announcement of the Placement, SPP and Acquisitions	Wednesday, February 26
Trading halt lifted – trading of securities recommences on ASX	Thursday, February 27
Settlement of new securities issued under the Placement	Monday, March 2
Allotment and normal trading of new securities issued under the Placement	Tuesday, March 3
SPP offer opens and booklet is despatched	Thursday, March 5
SPP offer closing date	Thursday, March 26
SPP allotment date	Thursday, April 2
Despatch of holding statements and normal trading of new securities issued under the SPP	Friday, April 3

All dates and times are indicative only and subject to change. Subject to the requirements of the Corporations Act 2001 (Cth), ASX Listing Rules and any other applicable laws, HPI, in consultation with the underwriters, reserves the right to amend this timetable at any time.

## Additional Information

Additional information about the Acquisitions and Equity Raising, including key risks, is contained in the HPI investor presentation released to the ASX today.

## Analyst and Investor Briefing

HPI will conduct a conference call in relation to the announcement today at 10.30am AEDST. Please refer to the teleconference details below:

Australia Free Call	1800 123 296
New Zealand	0800 452 782
Hong Kong	3008 2034
Singapore	800 616 2288
International Dial	+61 2 8038 5221

Passcode: 718 0245

*This ASX announcement was authorised by the Hotel Property Investments Limited Board*

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