

ASX Announcement



P: +61 3 9038 1774
F: +61 3 8526 7430
www.hpitrust.com.au

19 November 2020

Address
Suite 2, L17, IBM Centre
60 City Road,
Southbank, VIC, 3006

The Manager
Australian Securities Exchange Limited
Corporate Announcement Office
Level 4, 20 Bridge St
Sydney NSW 2000

Hotel Property Investments (ASX Code: HPI)

Acquisitions and Equity Raising

HPI is pleased to announce that it:

- has entered into agreements to acquire three hotel properties (the “**Acquisitions**”) for \$63.3m¹;
- will undertake a fully underwritten institutional placement to raise \$40m (“**Placement**”) to partially fund the Acquisitions and associated transaction costs;
- will undertake a non-underwritten Security Purchase Plan (“**SPP**”) to eligible securityholders² to raise up to \$8m³; and
- is pleased to increase its FY21 distribution guidance from 19.2 to 19.3 cents per security, barring any unforeseen events and no material change in market conditions.

The new securities issued as part of the Placement and the SPP will rank equally with existing HPI securities and will be entitled to the distribution for the six months ending 31 December 2020.

Acquisitions

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

- **Mango Hill Tavern:** a mixed use complex in metropolitan Brisbane comprising a pub and liquor barn, service station and specialty tenancies, for consideration of \$31.3m¹
 - 5.65% initial yield

¹ Excluding transaction costs.

² Eligible securityholders are holders of existing HPI securities as at 7:00pm (AEDT) on 18 November 2020 with a registered address in Australia or New Zealand.

³ If demand for the SPP exceeds \$8 million, HPI may accept applications (in whole or in part) that results in the SPP raising more than this amount at its 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).

- Major tenants of the property are Queensland Venue Co (HPI's current major tenant) and Viva Energy
- The combined WALE is 6.6 years
- Located 29km north of the Brisbane CBD
- **Summerhill Hotel:** a pub in metropolitan Melbourne, for consideration of \$22.7m⁴
 - 7.0% initial yield
 - Leased to The Francis Group, an experienced pub operator and a Chemist Warehouse
 - The combined WALE is 17.8 years
 - Located in Reservoir, 12km north of the Melbourne CBD
- **Jubilee Tavern:** a freestanding tavern in Airlie Beach, QLD, for consideration of \$9.3m⁴
 - 7.5% initial yield
 - 20 year lease to Australian Venue Co, which operates more than 150 hotel venues around Australia
 - Located in Jubilee Pocket, 2.5km from Airlie Beach

The Mango Hill Tavern and Jubilee Tavern are expected to settle by the end of December 2020. The Summerhill Hotel is expected to settle by the end of March 2021 subject to the satisfaction of conditions.

HPI's Chief Executive Officer, Don Smith commented: *"The acquisitions announced today represent the continuation of HPI's strategy of acquiring high quality properties in attractive markets which are leased to quality operators on long lease terms."*

Portfolio impact

	Current	Acquisitions	Pro forma ⁵
Investment properties value ⁶	\$785.9m	\$63.3m ⁴	\$849.2m
Number of properties	45	3	48
Weighted average capitalisation rate	6.1%	6.4%	6.1%
Weighted average lease expiry ⁵	11.2 years	13.4 years ⁷	11.4 years
Hotel occupancy ⁸	100%	100%	100%

Placement

To partially fund the Acquisitions and associated transaction costs, HPI is undertaking a fully underwritten institutional placement to raise \$40m.

⁴ Excluding transaction costs.

⁵ WALE metrics are as at 1 December 2020.

⁶ Balance as at 30 June 2020.

⁷ Includes period between 1 December 2020 and expected settlement date of 1 March 2021 for Summerhill.

⁸ Excludes specialties.

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The Placement will be issued at a fixed price of \$3.04 per security (“**Issue Price**”), which represents a:

- 3.5% discount to the last close of \$3.15 on 18 November 2020;
- 4.6% discount to the 5-day VWAP of \$3.19 on 18 November 2020; and
- 6.3% forecast FY21 distribution yield⁹.

New securities issued as part of the Placement will rank equally with existing HPI securities and will be entitled to the distribution for the six months ending 31 December 2020.

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 Zealand¹⁰ 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 \$3.04 per security, which is the same as the Placement price.

New securities issued as part of the SPP will rank equally with existing HPI securities and will be entitled to the distribution for the six months ending 31 December 2020.

The SPP is targeted to raise \$8m and will not be underwritten. If total demand for the SPP exceeds \$8m, HPI may accept applications (in whole or in part) that results in the SPP raising more than this amount at its absolute discretion.

Further information on the SPP will be set out in the SPP offer booklet which is expected to be lodged with the ASX and sent to eligible securityholders on or around 27 November 2020.

Financial Impact

The Acquisitions and Placement are expected to be accretive to earnings. Including the impact of the Acquisitions and Placement, and barring any unforeseen events and no material change in market conditions, HPI is pleased to increase its FY21 distribution guidance from 19.2 cents per security to 19.3 cents per security.

Following the Acquisitions and Placement, HPI’s pro forma metrics at 30 June 2020 are:

- Balance sheet gearing of 38.2%
- NTA per security of \$2.98

⁹ Based on FY21 distribution guidance of 19.3 cents per security.

¹⁰ Eligible securityholders are holders of existing HPI securities as at 7:00pm (AEDT) on 18 November 2020 with a registered address in Australia or New Zealand.

Timetable

Event	Date
Record date for SPP	Wednesday, 18 November 2020
Trading halt and announcement of the Placement, SPP and Acquisitions	Thursday, 19 November 2020
Trading halt lifted – trading of securities recommences on ASX	Friday, 20 November 2020
Settlement of new securities issued under the Placement	Tuesday, 24 November 2020
Allotment and normal trading of new securities issued under the Placement	Wednesday, 25 November 2020
SPP offer opens and booklet is dispatched	Friday, 27 November 2020
SPP offer closing date	Thursday, 10 December 2020
SPP allotment date	Thursday, 17 December 2020
Despatch of holding statements and normal trading of new securities issued under the SPP	Friday, 18 December 2020

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 AEDT. Please pre-register for the call at the link below:

<https://s1.c-conf.com/diamondpass/10011061-fmn38d.html>

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

Contact:

Blair Strik

Hotel Property Investments Limited

03 9038 1774

Website: www.hpitrust.com.au

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The joint lead managers may rely on information provided by or on behalf of institutional investors in connection with managing, conducting or underwriting the Placement without having independently verified that information and the joint lead managers do not assume responsibility for the accuracy or completeness of the information.

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FUTURE PERFORMANCE

This announcement contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target” “outlook”, “guidance” and other similar expressions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of HPI, the outcome and effects of the Offer, and the use of proceeds from the Offer. The forward looking statements contained in this announcement are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of HPI, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Neither HPI, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this announcement will actually occur.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. Forward-looking statements may also assume the success of HPI’s business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond HPI’s control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statements may have been prepared or otherwise.

Refer to the key risks set out in the investor presentation for a non-exhaustive summary of certain key business, offer and general risk factors that may affect HPI. Actual operations, results, performance, production targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. To the maximum extent permitted by law, HPI and its Limited Parties disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.