



Chancellors Tavern, Sippy Downs

Annual Results Briefing – 30 June 2018

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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 lease arrangements
- 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
 - Including portfolio improvement and de-risking opportunities
2. Work with our tenants to enhance the value of the portfolio through incremental investment and upgrades to achieve better site utilisation
 - Some full-site upgrade opportunities
 - Exploring opportunities to create new businesses on underutilised land
3. Acquire land contiguous to existing hotels for complementary business expansion to add significant value to the hotels
 - A major focus within the industry on maximising accommodation opportunities to add significant 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 of 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

Proactive Fund Management

1. Exchanged contracts to divest the Wickham Hotel in August 2018 for \$14m, at a 5.6% yield and \$2m above book value, maximising its value
2. Acquired a 1,350m² parcel of land contiguous with the Regatta Hotel in Brisbane and commenced master planning for an accommodation hotel development by a 3rd party developer
3. Diversified funding sources and lengthened tenor through a US Private Placement completed in August 2017, and moved from secured to unsecured borrowing

HPI's weighted average debt tenor of 6.8 years is now longer than its weighted average lease expiry of 5.3 years
4. Smooth transition of Senior Management

Financial Results Highlights

As at 30 June 2018

1. Revenue from investment properties ↑ 3.3% on the prior corresponding period to \$46.1 million (2017: \$44.7 million)
2. Adjusted Funds From Operations constant \$28.6 million (2017: \$28.6 million) and Distribution from trading operations 19.6 cents (2017: 19.6 cents) per stapled security due primarily to higher funding costs
3. Property portfolio value ↑ 6.3% to \$700.2 million (2017: \$658.7 million) due to acquisitions and capex of \$20.7 million and a valuation increment of \$20.8 million. The weighted average cap rate remains constant at 6.5%
4. Statutory Profit \$48.4 million (2017: \$98.9 million), including fair value gain on property of \$21.2 million (2017: \$69.5 million)



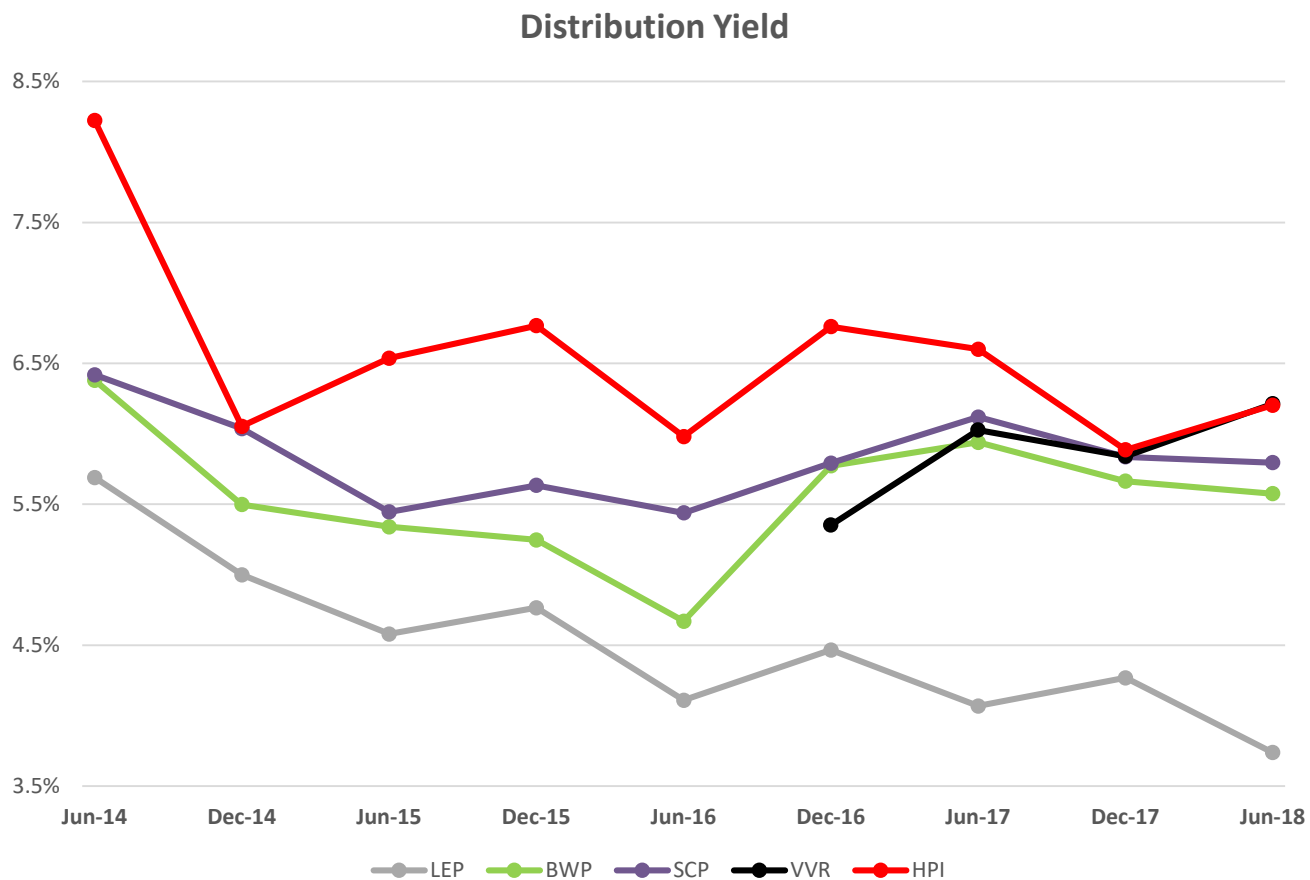
Key Metrics and Capital Management

As at 30 June 2018

<u>Key Metrics</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
Investment Properties	\$700.2 m	\$658.7 m
Number of Properties	44	43
Weighted Average Cap Rate	6.5%	6.5%
Weighted Average Lease Expiry	5.3 years	6.1 years
Average Length of Option Period	24.2 years	24.3 years
Hotel occupancy	100%	100%
Net Assets per security	\$2.79	\$2.65
Debt Facilities Limit (ex Guarantees)	\$304.0 m	\$281.0 m
Loans Drawn (ex Guarantees)	\$277.5 m	\$256.0 m
Cash On Hand	\$1.2 m	\$1.1 m
Gearing ¹	39.4%	38.6%
	<u>30-Jun-18</u>	<u>30-Jun-17</u>
Weighted Average Debt Expiry	6.8 years	3.6 years
Weighted Average Debt Cost	4.59%	3.72%
Security	Unsecured	Secured
% hedged or at fixed rates (Drawn debt)	47%	24%

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

Distribution Yield ~6.2%



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



Sports Bar, Fitzy's Loganholme, Brisbane

Appendix 1 - Financials

Net Profit for the year ended 30 June 2018

Consolidated Income Statement

<u>P&L in \$ millions</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
Income		
Net rental income	46.2	44.7
Operating expenses		
Non-recoverable property expenses	-2.6	-2.6
Management costs	-1.8	-1.8
Trust expenses	-1.3	-1.4
Total expenses	-5.7	-5.8
Operating profit	40.5	38.9
P&L on Disposal of Assets	0.0	1.5
Fair value adj and realised loss on hedging	0.0	-0.6
Fair value gain on investment property	21.1	69.5
EBIT	61.6	109.3
Net interest expense	-13.2	-10.4
Net profit before tax	48.4	98.9
Tax	0.0	0.0
Net Profit after tax	48.4	98.9

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

Distributions for the year ended 30 June 2018

Consolidated Distribution Statements

Distributions in \$ millions	30-Jun-18	30-Jun-17
Statutory NPAT for the period	48.4	98.9
Amortisation adjustment	1.5	0.8
Fair Value, P&L on Disposal and other adjs	-20.9	-70.3
Distributable earnings	29.0	29.4
Maintenance capex	-0.4	-0.8
AFFO (Adj Funds From Ops)	28.6	28.6
Stapled Securities at end of period (millions)	146.1	146.1
AFFO per stapled security (cents)	19.6	19.6
Capital distribution per stapled security (cents)	0.0	12.5
Distribution declared per stapled security (cents)	19.6	32.1

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

Balance sheet at 30 June 2018

Consolidated Balance Sheet

Balance Sheet in \$ millions	30-Jun-18	30-Jun-17
Cash	1.2	1.1
Other current assets	0.7	0.7
Total Current Assets	1.9	1.8
Investment property / Property held for sale	700.2	658.7
Other non current assets	0.3	1.7
Total Non Current Assets	700.5	660.4
Total Assets	702.4	662.2
Payables, Accruals, Other current liabilities ¹	20.1	19.0
Non Current Liabilities		
Borrowings ²	275.6	254.8
Other non current liabilities	0.0	1.2
Total Liabilities	295.7	275.0
Net Assets	406.7	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

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



Waterloo Station Hotel, Paralowie

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