



ASX Announcement

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

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

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

Hotel Property Investments (ASX Code: HPI)
Financial results for the half year ended 31 December 2018

Hotel Property Investments (HPI) today lodged its interim report with the ASX and has declared an interim distribution of 9.8 cents per stapled security from trading operations for the half year ended 31 December 2018.

1. Highlights of the Half Year

- **Revenue:** Underlying revenue from investment properties up 4.9% on the prior corresponding period to \$24.1 million (2017: \$23.0 million). Statutory revenue, including straight line lease adjustments, down 1.7% to \$22.6 million (2017: \$23.0 million).
- **Adjusted Funds From Operations (AFFO) and Interim Distribution:** AFFO and interim distribution per stapled security are consistent with the prior corresponding period at \$14.3 million (2017: \$14.3 million) and 9.8 cents (2017: 9.8 cents) respectively.
AFFO was impacted by higher Queensland Land Tax, the sale of The Wickham Hotel and higher funding costs.
- **The Wickham Hotel divestment:** On 17 September 2018 the divestment of The Wickham Hotel settled. The sale price was \$14 million, representing a yield of 5.62% on net passing income.

2. Profit after tax and Distributable Earnings

Profit after Tax for the half year ended 31 December 2018 was \$21.1 million, up from \$17.5 million in the prior corresponding period.

Operating revenues and expenses included rental income from investment properties of \$22.6 million, property cost recoveries of \$2.2 million, operating costs of \$5.7 million, financing costs of \$6.5 million, and a fair value gain on investment property of \$6.9 million.

Adjusting profit after tax for fair value adjustments, amortisation of derivatives, maintenance capex and other minor items, Adjusted Funds from Operations (“AFFO”) was \$14.3 million, 100% of which is distributed to stapled security holders.

3. Portfolio Valuation

The Portfolio was valued at \$694.0 million reflecting a weighted average cap rate of 6.45%. Independent valuations of 20 investment properties were obtained and the remaining 23 properties were valued by the Directors in accordance with the valuation policy, with cap rates held constant at their prior independent valuation levels, and applying current net incomes for each property.

4. Key Metrics

- **Statutory Profit:** \$21.1 million
- **Fair Value Gain:** \$6.9 million
- **Investment Property Value:** \$694.0 million
- **Weighted Average Cap Rate:** 6.45%
- **Cash on Hand:** \$1.3 million
- **Loans Drawn:** \$266.0 million
- **Gearing:** 37.9%
- **Weighted Average Debt Tenor:** 6.3 years
- **Weighted Average Lease Expiry:** 4.7 years
- **Occupancy:** Hotels 100% leased as at 31 December 2018
- **Net Assets Per Security:** \$2.83

5. Guidance

Final distribution guidance is 10.1 cents (comprising 9.9 cents AFFO and 0.2 cents capital) for a total for the year of 19.9 cents, up 0.2 cents on previous guidance.

The distribution guidance has been revised due to the estimated FY19 taxable position of the HPI Trust following the capital gain made on the sale of The Wickham Hotel.

End.

Contact:
Blair Strik
Company Secretary and Chief Financial Officer
Hotel Property Investments Limited
03 9038 1774
Website: www.hpitrust.com.au