

# Hotel Property Investments

## Half Year Results to December 2018



# Strategy



- HPI is a long term owner of pub and accommodation assets that aims to deliver a secure income stream to investors
- We work with tenants to enhance the value of the portfolio through investment and upgrades to achieve better site utilisation with the objective of increasing distributions and capital growth
  - Focus on expanding existing onsite accommodation
  - Exploring opportunities to create new income streams on underutilised land
  - Acquire adjacent sites to existing hotels for complementary business uses
- We will pursue pub asset acquisitions that meet our investment criteria. Current market conditions makes this unlikely in the short term



# HPI Investment Proposition

- HPI are the owner of 43 pub and accommodation assets, 41 leased to Coles
- Secure income underpinned by long term lease arrangements
- HPI owns the majority of the liquor and gaming licences which revert to the landlord at lease expiry
- Prudently managed balance sheet which provides flexibility
- Attractive risk-return profile and bond-like security



# Financial Results Highlights

- Revenue from investment properties up 4.9% to \$24.1 million <sup>1</sup>
- AFFO constant at \$14.3 million
  - As previously forecast this is due to higher funding costs associated with diversifying funding sources through the US private placement, higher QLD land tax and the sale of the Wickham hotel
- Statutory Profit up 21% to \$21.1 million (2017: \$17.5 million)
- Property Portfolio value up \$6.9 million with the weighted average cap rate tightening to 6.45% (June 2018 6.5%)
  - The gross value of the portfolio is \$694.0 million (June 2018: \$700.2 million) following the sale of the Wickham Hotel (\$12.0 million book value), acquisitions and capex of \$0.5 million

*(1. Excluding straight line adjustments)*



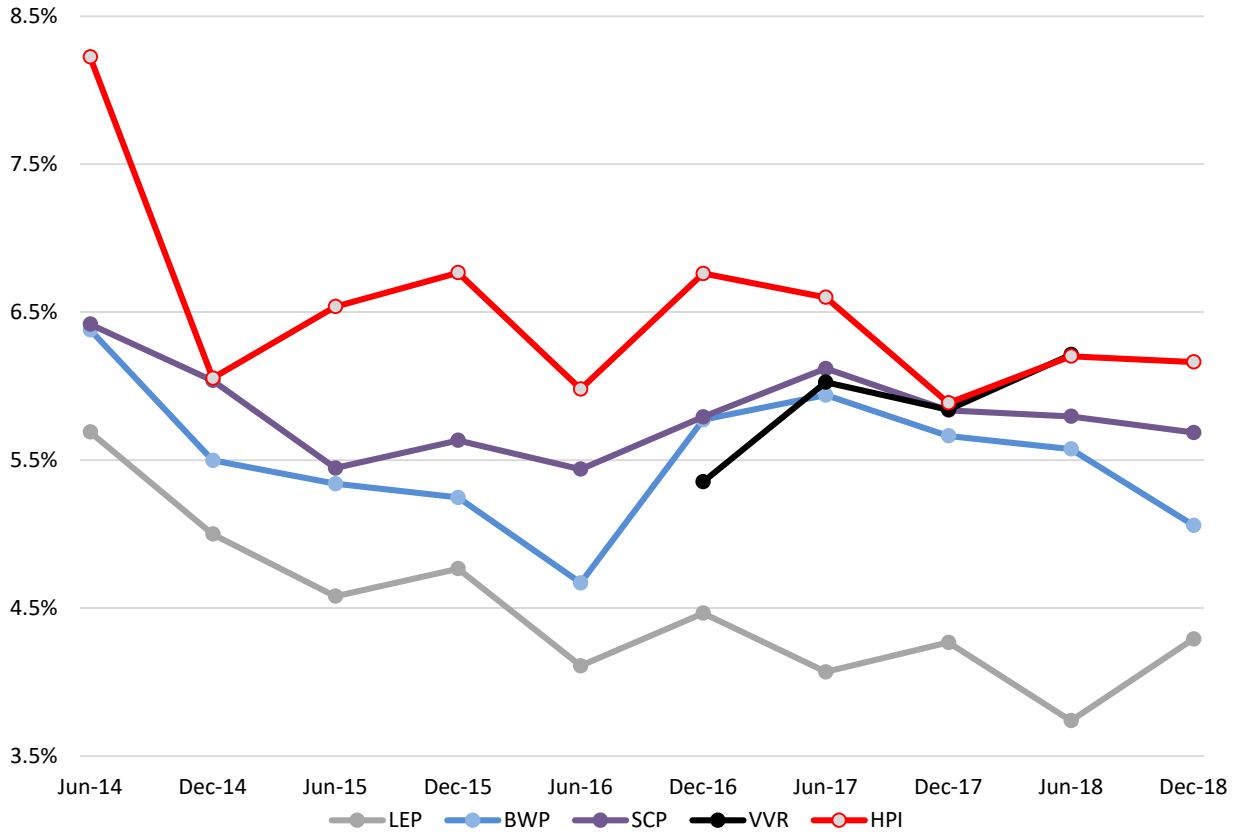
# Key Metrics and Capital Management

<b>Key Metrics</b>	<b>31-Dec-18</b>	<b>30-Jun-18</b>
Investment Properties	\$694.0 m	\$700.2 m
Number of Properties	43	44
Weighted Average Cap Rate	6.45%	6.50%
Weighted Average Lease Expiry	4.7 years	5.3 years
Average Length of Option Period	24.2 years	24.2 years
Pub / Hotel occupancy	100%	100%
Net Assets per security	\$2.83	\$2.79
Debt Facilities Limit (ex Guarantees)	\$304.0 m	\$304.0 m
Loans Drawn (ex Guarantees)	\$266.0 m	\$277.5 m
Cash On Hand	\$1.3 m	\$1.2 m
Gearing <sup>1</sup>	37.9%	39.4%
	<b>31-Dec-18</b>	<b>30-Jun-18</b>
Weighted Average Debt Expiry	6.3 years	6.8 years
Weighted Average Debt Cost	4.62%	4.59%
% hedged or at fixed rates (Drawn debt)	49%	47%

<sup>1</sup> (Drawn Loans - Cash / Total Assets - Cash)



# Distribution Yield ~6.2%



Yields based on announced distributions and period end share prices.

Distributions exclude estimated capital return



## Appendix 1 - Financials



Sports Bar, Fitzy's Loganholme, Brisbane



## Net Profit half year ended 31 December 2018

<u>P&amp;L in \$ millions</u>	<u>31-Dec-18</u>	<u>31-Dec-17</u>
<b>Income</b>		
Net rental income	24.1	23.0
Straight line lease adjustment	-1.5	0.0
<b>Net rental income</b>	<b>22.6</b>	<b>23.0</b>
<b>Operating expenses</b>		
Non-recoverable property expenses	-1.6	-1.3
Management costs	-1.1	-0.9
Trust expenses	-0.8	-0.7
<b>Total expenses</b>	<b>-3.5</b>	<b>-2.9</b>
<b>Operating profit</b>	<b>19.1</b>	<b>20.1</b>
P&L on disposal of investment property	1.6	0.0
Fair value gain on investment property	6.9	4.2
<b>EBIT</b>	<b>27.6</b>	<b>24.3</b>
Finance costs	-6.5	-6.8
<b>Net profit before tax</b>	<b>21.1</b>	<b>17.5</b>
Tax	0.0	0.0
<b>Net profit after tax</b>	<b>21.1</b>	<b>17.5</b>





## Distributions half year ended 31 December 2018

<b><u>Distributions in \$ millions</u></b>	<b><u>31-Dec-18</u></b>	<b><u>31-Dec-17</u></b>
<b>Statutory NPAT for the period</b>	<b>21.1</b>	<b>17.5</b>
Amortisation adjustment	0.2	1.2
Fair Value, P&L on Disposal and other adjs	-6.9	-4.2
<b>Distributable earnings</b>	<b>14.4</b>	<b>14.5</b>
Maintenance capex	-0.1	-0.2
<b>AFFO (Adj Funds From Ops)</b>	<b>14.3</b>	<b>14.3</b>
Stapled Securities at end of period	146.1	146.1
<b>AFFO per stapled security (cents)</b>	<b>9.8</b>	<b>9.8</b>
<b>Capital distribution per stapled security (cents)</b>	<b>0.0</b>	<b>0.0</b>
<b>Distribution declared per stapled security (cents)</b>	<b>9.8</b>	<b>9.8</b>



## Balance sheet at 31 December 2018

<b>Balance Sheet in \$ millions</b>	<b>31-Dec-18</b>	<b>30-Jun-18</b>
Cash	1.3	1.2
Other current assets	3.8	0.7
<b>Total Current Assets</b>	<b>5.0</b>	<b>1.9</b>
Investment property / Property held for sale	694.0	700.2
Other non current assets	0.3	0.3
<b>Total Non Current Assets</b>	<b>694.3</b>	<b>700.5</b>
<b>Total Assets</b>	<b>699.4</b>	<b>702.4</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables, Accruals, Other current liabilities <sup>1</sup>	21.5	20.1
<b>Non Current Liabilities</b>		
Borrowings <sup>2</sup>	264.4	275.6
Other non current liabilities	0.0	0.0
<b>Total Non Current Liabilities</b>	<b>264.4</b>	<b>275.6</b>
<b>Total Liabilities</b>	<b>285.9</b>	<b>295.7</b>
<b>Net Assets</b>	<b>413.5</b>	<b>406.7</b>

<sup>1</sup> Current Liabilities includes Provision for Distribution,

<sup>2</sup> Borrowings shown on balance sheet are drawn borrowings less \$1.6 million (Jun-18: \$1.8 million) of capitalised loan establishment fees

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



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