



ASX Announcement

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Hotel Property Investments (ASX Code: HPI)
Financial results for the year ended 30 June 2019, distributions and Distribution Reinvestment Plan outcomes

Hotel Property Investments (HPI) today lodged its annual report which shows a statutory profit of \$49.2 million and has declared a final distribution of 10.1 cents per stapled security for the year ended 30 June 2019.

1. Highlights

- **Total revenue:** Total revenue up 1.8% to \$51.1 million (2018: \$50.3 million) due to annual rent increases averaging 3.75% across the pub portfolio and the acquisition of Quest Griffith in March 2018. This is partially offset by accounting straight-line lease adjustments totalling approximately \$1.4 million and the sale of The Wickham Hotel in September 2018.
- **Adjusted Funds From Operations (AFFO) and Distributions:** AFFO is the same as prior year at \$28.8 million.
- **Distributions:** The final distribution for the six months ended 30 June 2019 is 10.1 cents (2018: 9.9 cents), for a total distribution of 19.9 cents for the year (2018: 19.6 cents) from operations (19.7 cents) and capital (0.2 cents).
- **Refinancing:** In June 2019 HPI extended the expiry date of the \$78.1 million Bank Facility (\$4.1 million Guarantee Facility and \$74.0 million Cash Advance Facility) with Commonwealth Bank of Australia from August 2020 to June 2024.

The debt maturity profile following the extension is:

- \$78.1 million Bank Facility – June 2024
- A\$100 million USPP fixed notes – August 2025;
- A\$100 million USPP floating notes – August 2027; and

- A\$30 million USPP fixed notes – August 2027.

The weighted average debt maturity profile of the facilities has increased from 5.8 years to 6.7 years.

- **Property Valuation and Cap Rates:** Portfolio valued at \$708.5 million reflecting an average Cap Rate of 6.4%.
- **The Wickham Hotel divestment:** On 2 August 2018 the Group exchanged an unconditional contract to divest The Wickham Hotel for \$14 million, representing a yield of 5.62% on net passing income. The sale was settled on 17 September 2018 resulting in a gain on sale of \$1.6 million.

2. **Profit after tax and Distributable Earnings**

Profit after Tax for the year ended 30 June 2019 was \$49.2 million. Operating revenues and expenses included rental income from investment properties of \$46.8 million, property cost recoveries of \$4.3 million, property outgoing costs of \$7.3 million, management fees and other trust costs of \$3.8 million, and financing costs of \$13.0 million. Additionally, there was a fair value gain on investment property of \$20.6 million and a realised gain on sale of the Wickham Hotel of \$1.6 million.

Adjusting profit after tax for fair value adjustments, non cash finance costs and other minor items, the distributable earnings of the HPI Group was \$29.1 million. Adjusting further for maintenance capex of \$0.3 million the Adjusted Funds from Operations (AFFO) was \$28.8 million, 100% of which is distributed to security holders.

3. **Distribution Reinvestment Plan (DRP)**

HPI advise that the Subscription Price of securities under the DRP is \$3.4284 per stapled security. This Price was established by applying a 1% discount to the average of the daily price average of the daily volume weighted average price of all sales of Stapled Securities recorded on ASX for each of the first 20 ASX Trading Days on and from the first date the Stapled Securities trade on the ASX on an entitlement basis in respect of the Distribution.

14.25% of the registered Securityholders elected to take their distribution for the six months ended 30 June 2019 as new HPI Securities. As a result, the DRP will raise \$2.1 million through the issue of approximately 0.6 million new HPI Securities.

4. **Key Metrics**

- **Statutory Profit:** \$49.2 million
- **Fair value gain:** \$20.6 million
- **Investment Property Value:** \$708.5 million
- **Average cap rate:** 6.4%
- **Cash on Hand:** \$0.6 million
- **Loans Drawn:** \$264.7 million
- **Weighted average debt expiry:** 6.7 years
- **Gearing:** 39.4%
- **WALE:** 4.4 years

- **Average Option Period:** 23.6 years
- **Occupancy:** Hotels 100% leased as at 30 June 2019
- **Net Assets per Security:** \$2.93

5. Distribution Guidance for FY20

Distribution guidance of 20.7 cents per security.

End.

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