

HOTEL PROPERTY INVESTMENTS

Annual Results Briefing – 30 June 2019





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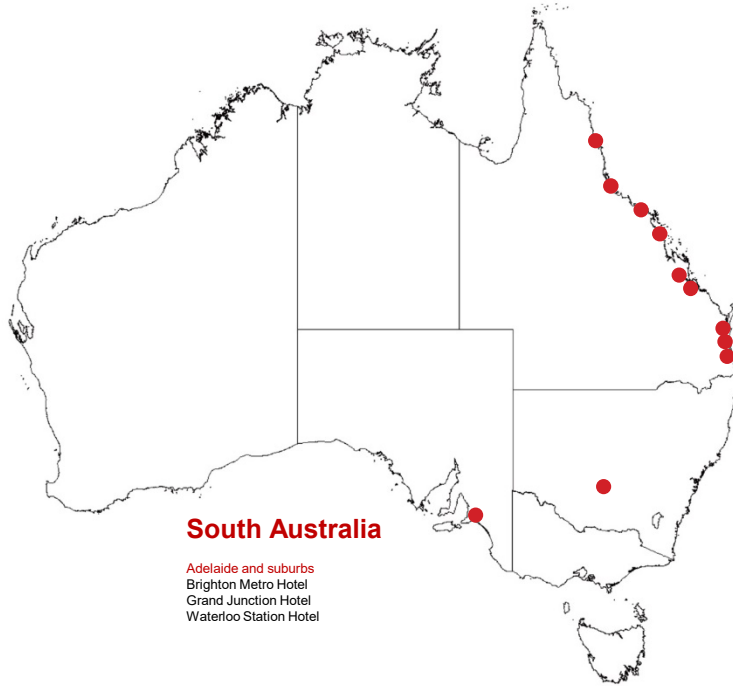
Key Portfolio Metrics

Outlook

HPI Investment Portfolio

- HPI are the owner of 43 pub and accommodation assets, 41 leased to Queensland Venue Co (QVC)
- QVC is a joint venture between Coles Ltd and Australian Venue Co (AVC) established in March 2019
- AVC operate more than 150 venues across Australia and New Zealand employing over 4,500 employees
- AVC manage the pub and hotel business and Coles the packaged liquor business
- 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

HPI Investment Portfolio locations



Queensland

Cairns

Barron River Hotel
Dunwoody's Tavern
Grafton Hotel
Palm Cove
Q Sports Bar
Trinity Beach

Townsville

Hotel Allen
Royal Hotel
Tom's Tavern

Airlie Beach

Magnum's Hotel

Mackay

Boomerang Hotel
Kooyong Hotel

Rockhampton

Berserker Tavern
Leichhardt Hotel

Gladstone

Club Hotel

Sunshine Coast

Bribie Island Hotel
Chancellor's Tavern
Kings Beach Tavern
Royal Mail Hotel

Brisbane and suburbs

Beenleigh Tavern
Bonny View Hotel
Brighton Hotel
Crown Hotel
Cleveland Sands Hotel
Cleveland Tavern
Everton Park Hotel
Hotel HQ
Fitzy's Loganholme
Fitzy's Waterford
Finnigan's Chin Kallangur
Lord Stanley Hotel
MiHi Tavern
New Inala Hotel
Regatta Hotel
Sundowner Hotel
Woodpecker Bar and Grill

Gold Coast

Coomera Lodge Hotel
Ferry Road Tavern
Wallaby Hotel

South Australia

Adelaide and suburbs

Brighton Metro Hotel
Grand Junction Hotel
Waterloo Station Hotel

New South Wales

Griffith

Quest Griffith

Highlights for FY 2019

Revenue from investment properties

- \$48.3m revenue from investment properties
- Up 3.8% on prior year

Adjusted Funds From Operations

- \$28.8m
- Up 0.8% on prior year
- In line with guidance

Distributions per security

- 19.9c per security
- Up 1.5% on prior year
- In line with guidance

Debt

- \$264.7m drawn
- 37.2% gearing ratio
- Bank facility extended from Aug 2020 to Jun 2024



Highlights for FY 2019

Distribution reinvestment plan introduced

- 14.25% take up
- \$2.1m re-invested from June 2019 distribution

Properties

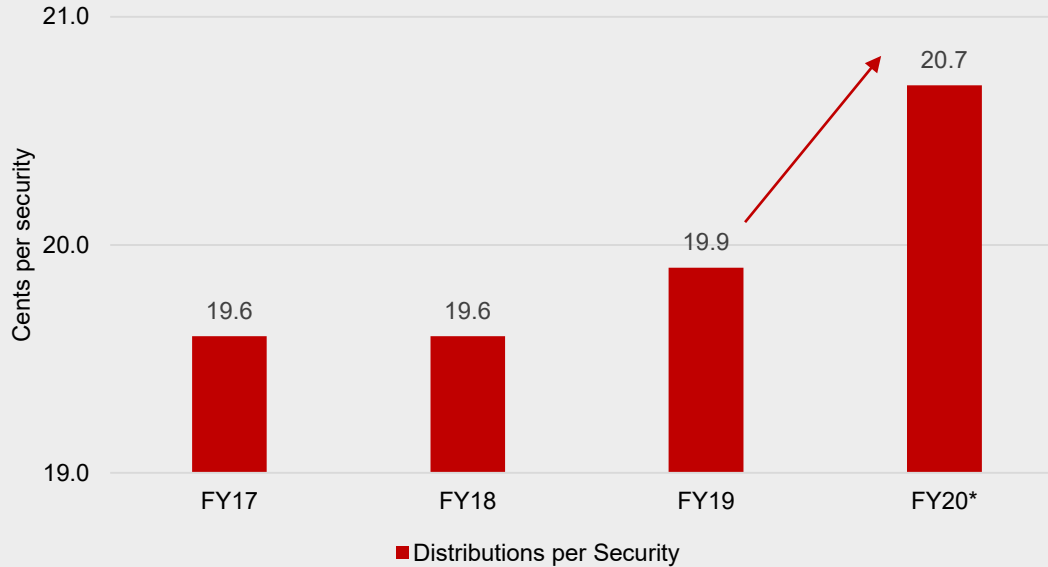
- 43 properties valued at \$708.5m
- Up 3.0% year on year primarily due to rental increases
- 6.4% average cap. rate

Net asset value per security

- \$2.93
- Up 5.0%



Financial Results - Distributions per Security



* Forecast

FY18 – Secured long term USPP funding at higher cost than short term funding

FY19 – Sale of Wickham Hotel, increased QLD land tax and interest costs reduced year on year distribution growth

FY20 – Forecast distribution expected to more closely track contracted rent increases

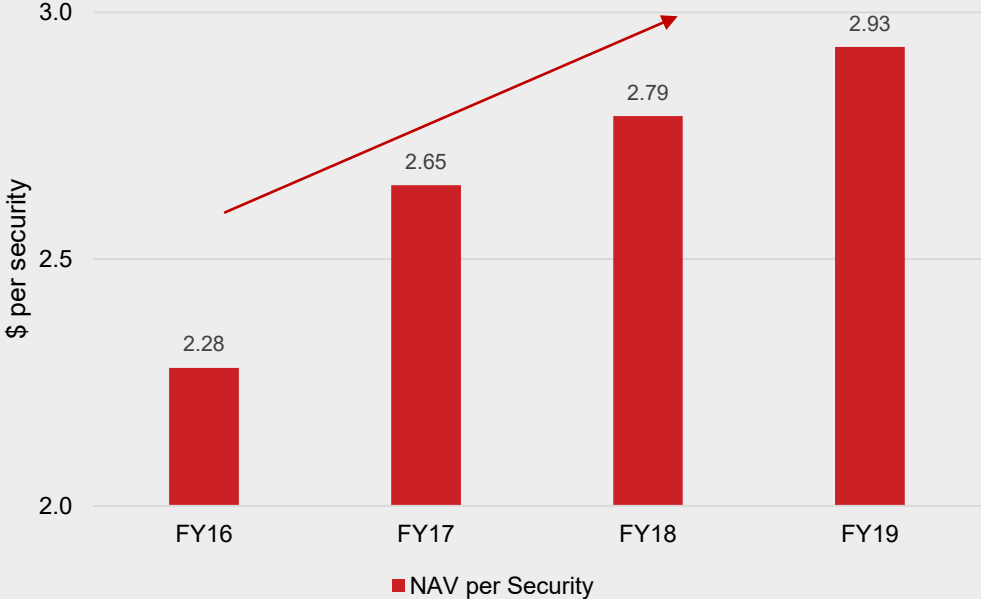
Financial Results - Statutory Profit

	FY19 \$m	FY18 \$m	Comment
Rental income	48.2	46.4	Contracted rent increases
Other property income	4.3	4.1	Recovery of outgoings
Straight line lease adjustment	(1.4)	(0.3)	Accounting straight line leasing adjustment
Net rental income	51.1	50.2	
Property outgoings	(7.3)	(6.7)	Increase principally due to QLD land tax
Management and trust expenses	(3.8)	(3.1)	Increase principally due to D&O insurance & one off management costs
Operating profit	40.0	40.4	
Gain on disposal of investment property	1.6	-	Sale of Wickham Hotel
Fair value gain on investment property	20.6	21.2	Higher contracted rental cashflows
Earnings before interest and tax	62.2	61.6	
Finance expenses	(13.0)	(13.2)	Full year of USPP offset by lower variable interest rates
Net profit	49.2	48.4	
Earnings per security	33.7c	33.1c	

Financial Results - Distributable Income

	FY19 \$m	FY18 \$m	Comment
Net Profit	49.2	48.4	
Adjusted for:			
Straight line lease adjustment	1.4	0.3	
Net property fair value gain	(20.6)	(21.2)	
Gain on disposal of investment property	(1.6)	-	
Maintenance Capex	(0.3)	(0.4)	
Other adjustments	0.7	1.5	Amortisation of borrowing costs
Adjusted Funds From Operations	28.8	28.6	
Taxable income adjustment	0.2	-	Taxable income is higher than distributable income due to the sale of The Wickham Hotel
Total distribution	29.0	28.6	
Distribution per security (cents)	19.9c	19.7c	

Financial Results - Net Asset Value per Security



Financial Results - Balance Sheet

	Jun 19 \$m	Jun 18 \$m
Cash and cash equivalents	0.6	1.2
Receivables	0.4	0.4
Investment properties	708.5	700.2
Other assets	0.6	0.8
Total assets	710.1	702.4
Creditors and payables	5.1	5.6
Provisions	14.7	14.3
Loans and borrowings	264.7	277.5
Borrowing costs	(1.5)	(1.9)
Other liabilities	0.2	0.2
Total liabilities	283.2	295.7
Net assets	426.9	406.7
NAV per security	\$2.93	\$2.79
Gearing*	37.2%	39.4%

* (Drawn loans minus cash / Total assets minus cash)



Financial Results - Borrowing Summary

	USPP Note A	USPP Note B	USPP Note C	Bank facilities	Total
Total facility	\$100m	\$30m	\$100m	\$74m	\$304m
Amount drawn	\$100m	\$30m	\$100m	\$34.7m	\$264.7m
Available debt	-	-	-	\$39.3m	\$39.3m
Maturity date	August 2025	August 2027	August 2027	June 2024	6.7 years
Interest basis	Fixed	Fixed	Floating	Floating	50% fixed

Covenants	Covenant	June 2019	Headroom
Gearing*	60%	39.4%	20.6%
Interest cover ratio	1.5 times	3.2 times	1.7 times
Tangible assets	\$500m	\$710.1m	\$210.1m

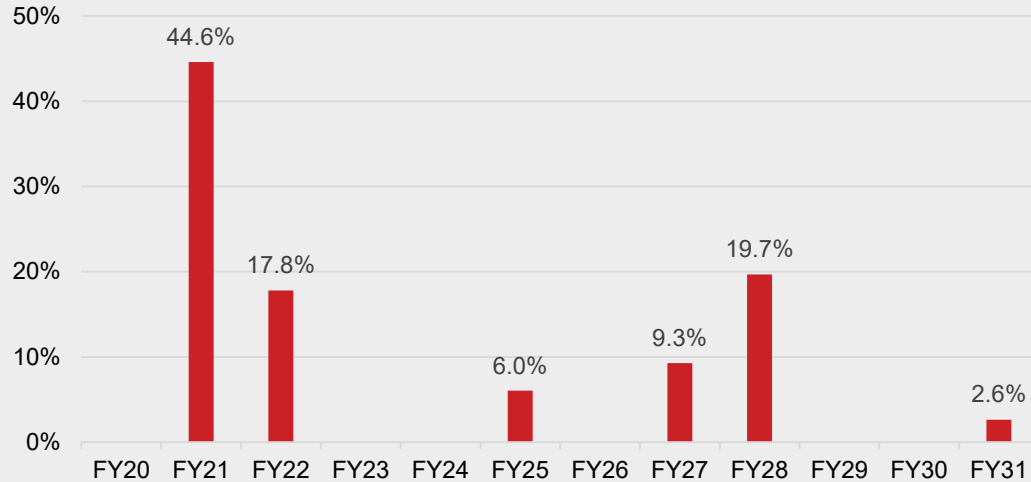
* (Total interest bearing liabilities and distribution provision / Total assets)

Key Portfolio Metrics

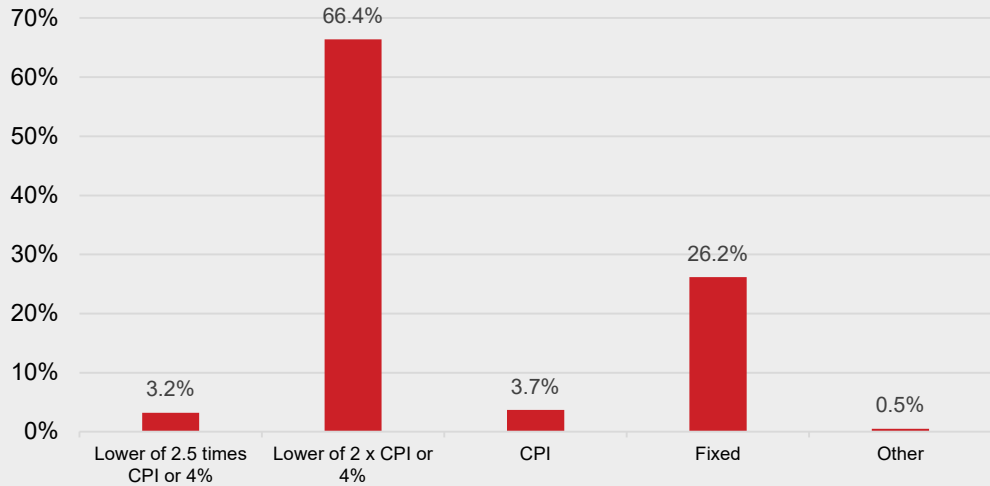
	FY19	FY18
Investment properties	\$708.5m	\$700.2m
Investment properties value	\$708.5m	\$700.2m
Number of properties	43	44
Weighted average capitalisation rate	6.4%	6.5%
Weighted average lease expiry	4.4 years	5.3 years
Average hotel option period	24.0 years	24.2 years
Hotel occupancy	100%	100%
Debt facilities		
Debt facilities limit (ex Guarantees)	\$304.0m	\$304.0m
Loans drawn (ex Guarantees)	\$264.7m	\$277.5m
Gearing	37.2%	39.4%
Weighted average debt expiry	6.6 years	6.8 years
Weighted average debt costs	4.33%	4.59%
% at fixed interest rates	50%	47%



Key Portfolio Metrics – Hotel lease expiry profile by income



Key Portfolio Metrics - Annual rent review profile by income



Outlook

- 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
- HPI will pursue pub asset acquisitions that meet our investment criteria
- Seek opportunities to increase exposure to free standing accommodation, up to 10-15% of the portfolio over the medium term

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