



ASX Announcement

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**Hotel Property Investments (ASX Code: HPI)
Financial results for the half year ended 31 December 2019, distributions and Distribution
Reinvestment Plan outcomes**

Hotel Property Investments (HPI) today lodged its interim report which shows a statutory profit of \$29.6 million and has declared a final distribution of 10.3 cents per stapled security for the half year ended 31 December 2019.

1. Highlights

- **Total revenue:** Total revenue up 9.3% to \$27.1 million (2019: \$24.8 million) primarily due to annual rent increases averaging 3.5% across the hotel portfolio and movement in straight-line lease adjustments totalling approximately \$1.4 million in the comparative period.
- **Adjusted Funds From Operations (AFFO) and Distributions:** AFFO for the half year up 5.6% to \$15.1 million from \$14.3 million due to rent revenue increases and reduced variable funding costs.
- **Distributions:** The interim distribution for the six months ended 31 December 2019 is 10.3 cents (2019: 9.8 cents) in line with forecast.
- **Property Valuation and Cap Rates:** Portfolio valued at \$714.3 million reflecting a weighted average Cap Rate of 6.1%. (June 2019: 6.4%). The December 2019 valuations reflect the terms of the lease extensions included in HPI's ASX announcement on 28 January 2020.

2. Profit after tax and Distributable Earnings

Profit after Tax for the half year ended 31 December 2019 was \$20.4 million. Operating revenues and expenses included rental income from investment properties of \$24.7 million, property cost recoveries of \$2.4 million, property outgoing costs of \$4.0 million, management fees and other trust

costs of \$1.9 million, and financing costs of \$5.8 million. Additionally, there was a fair value gain on investment property of \$5.0 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 \$15.5 million. Adjusting further for maintenance capex of \$0.4 million the Adjusted Funds from Operations (AFFO) was \$15.1 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 \$3.1967 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 traded on the ASX on an ex-entitlement basis in respect of the Distribution.

There were 22.11% of the registered Securityholders who elected to take their distribution for the six months ended 31 December 2019 as new HPI Securities. As a result, the DRP will raise \$3.3 million through the issue of approximately 1.0 million new HPI Securities.

4. Key Metrics

- **Statutory Profit:** \$20.4 million
- **Fair value gain:** \$5.0 million
- **Investment Property Value:** \$714.3 million
- **Average cap rate:** 6.1%
- **Cash on Hand:** \$0.5 million
- **Loans Drawn:** \$264.7 million
- **Weighted average debt expiry:** 5.7 years
- **Gearing:** 36.7%
- **WALE:** 11.8 years
- **Average Option Period:** 15.1 years
- **Occupancy:** Hotels 100% leased as at 31 December 2019
- **Net Assets per Security:** \$2.96

5. Distribution Guidance for FY20

Distribution guidance of 20.7 cents per security.

This ASX announcement was authorised by the Hotel Property Investments Limited Board.

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