



ASX Announcement

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Hotel Property Investments (ASX Code: HPI)
Financial results for the year ended 30 June 2020, distributions and Distribution Reinvestment Plan outcomes

Hotel Property Investments (HPI) today lodged its annual report which shows a statutory profit of \$40.9 million and has declared a final distribution of 9.7 cents per stapled security for the year ended 30 June 2020.

1. Highlights

- **Total revenue:** Total revenue up 5.8% to \$54.1 million (2019: \$51.1 million) due to annual rent increases averaging 3.3% across the pub portfolio and the acquisition of the Acacia Ridge Hotel (March 2020) and the Gregory Hills Hotel (April 2020).
- **Adjusted Funds From Operations (AFFO) and Distributions:** AFFO has increased by 5.2% to \$30.3 million (2019: \$28.8 million).
- **Distributions:** The final distribution for the six months ended 30 June 2020 is 9.7 cents (2019: 10.1 cents), for a total distribution of 20.0 cents for the year (2019: 19.9 cents, split 19.7 cents from operations and 0.2 cents from capital).
- **Property Valuation and Cap Rates:** Portfolio valued at \$785.9 million reflecting an average Cap Rate of 6.1%.
- **Acquisitions:** HPI acquired the Acacia Ridge Hotel (March 2020) and the Gregory Hills Hotel (April 2020). The aggregate acquisition price was \$60 million excluding costs, representing a passing yield of 5.5%.
- **Lease extensions and capital investment program:** In January 2020 HPI agreed to extend 28 leases that were due to expire in June and December 2021. The leases represented 57% of HPI's gross rental income at 31 December 2019 and the lease extensions had the effect of increasing the Weighted Average Lease Expiry from 3.8 years to 11.8 years at that date. In

conjunction with the lease extensions HPI committed to a \$30 million capital investment program across the portfolio.

2. Profit after tax and Distributable Earnings

Profit after Tax for the year ended 30 June 2020 was \$40.9 million. Operating revenues and expenses included rental income from investment properties of \$49.8 million, property cost recoveries of \$4.3 million, property outgoing costs of \$7.3 million, management fees and other trust costs of \$4.2 million, and financing costs of \$11.9 million. The fair value gain on investment property was \$10.2 million.

Adjusting profit after tax for fair value adjustments, non cash finance costs and other minor items, the distributable earnings of HPI was \$31.0 million. Adjusting further for maintenance capex of \$0.7 million the Adjusted Funds from Operations (AFFO) was \$30.3 million, 100% of which is distributed to security holders.

3. Distribution Reinvestment Plan (DRP)

HPI has previously advised that the Subscription Price of securities under the DRP is \$2.8764 per stapled security.

Of the registered Securityholders, 13.44% elected to take their distribution for the six months ended 30 June 2020 as new HPI Securities. As a result, the DRP will raise \$2.0 million through the issue of approximately 0.7 million new HPI Securities.

4. Key Metrics

- **Statutory Profit:** \$40.9 million
- **Fair value gain:** \$10.2 million
- **Investment Property Value:** \$785.9 million
- **Average cap rate:** 6.1%
- **Cash on Hand:** \$1.1 million
- **Loans Drawn:** \$301.5 million
- **Weighted average debt expiry:** 5.0 years
- **Gearing:** 38.0% (Drawn Debt minus cash)/(Total Assets minus Cash)
- **WALE:** 11.4 years
- **Average Option Period:** 14.4 years
- **Occupancy:** Hotels 100% leased as at 30 June 2020
- **Net Assets per Security:** \$3.01

5. Distribution Guidance for FY21

HPI has determined that it is not appropriate to issue distribution guidance for FY21 in these uncertain times.

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

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