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Hotel Property Investments (ASX Code: HPI)
Financial results for the year ended 30 June 2021, distributions and Distribution Reinvestment
Plan outcomes

Hotel Property Investments (HPI) today lodged its 2021 annual report which shows a statutory profit of \$84.7 million and has declared a final distribution of 9.7 cents per stapled security for the year ended 30 June 2021.

1. HPI positioned for growth

FY21 has established the foundation for sustainable growth:

- Extended lease terms underpin HPI's portfolio strength and support broader investment and growth;
- Tapping equity markets together with increased debt capacity funds this strategy;
- Acquisition of 9 assets during the financial year totalling \$96.0m, building on momentum from FY20;
- Development at Ferry Road Tavern, Gold Coast, on surplus land demonstrates this development capability and is a pathway to further added value;
- A strong working relationship with our principal tenant continues to present investment prospects;
- The \$30m capital refurbishment program is improving the operational performance of the underlying pub businesses; and
- At the same time these activities have increased geographic and tenant diversification of our property portfolio.

2. Highlights

- **Total revenue:** Total revenue is up 11.0% to \$60.1 million (2020: \$54.1 million). Annual rent increases averaged 2.5% across the pub portfolio and HPI acquired 11 assets during FY20 and FY21.

These increases were offset by the \$3 million p.a. rent reduction for eight pubs that was announced in January 2020. This reduction was effective 1 July 2020.

- **Adjusted Funds From Operations (AFFO):** AFFO increased by 7.3% to \$32.5 million (2020: \$30.3 million).
- **Distributions:** The final distribution for the six months ended 30 June 2021 is 9.7 cents (2020: 9.7 cents), for a total distribution of 19.3 cents for the year (2020: 20.0 cents).
- **Property Valuation and Cap Rates:** Portfolio valued at \$952.5 million reflecting an average Cap Rate of 5.9%. (June 2020: 6.1%)
- **Acquisitions:** During the year HPI acquired 9 assets:
 - Mango Hill Tavern, Brisbane QLD
 - Jubilee Tavern, Airlie Beach QLD
 - Summerhill Hotel, Reservoir VIC
 - Surfair Beach Hotel, Sunshine Coast QLD
 - Commercial Hotel, Clermont QLD
 - Grand Hotel, Clermont QLD
 - Capella Hotel, Capella QLD
 - Commonwealth Hotel, Roma QLD
 - White Bull Tavern, Roma QLD

The aggregate acquisition price was \$96.0 million excluding costs, representing a passing yield of 6.9%.

- **Loan Refinancing:** In August 2021, HPI refinanced one of its loan facilities via a further issue of \$80 million into the US Private Placement (“USPP”) market. \$40 million of the new notes mature in August 2028 and \$40 million mature in August 2033. The weighted average debt tenor has increased from 3.9 years to 5.7 years as at August 2021.

3. Profit after tax and Distributable Earnings

Profit after Tax for the year ended 30 June 2021 was \$84.7 million. Operating revenues and expenses included rental income from investment properties of \$54.2 million, property cost recoveries of \$6.0 million, property outgoing costs of \$9.5 million, management fees and other trust costs of \$4.4 million, and financing costs of \$12.5 million. The fair value gain on investment property was \$51.0 million.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of HPI was \$33.8 million. Adjusting further for maintenance capex of \$1.3 million the Adjusted Funds from Operations (AFFO) was \$32.5 million.

4. Distribution Reinvestment Plan (DRP)

HPI has previously advised that the Subscription Price of securities under the DRP is \$3.1922 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.

Of the registered Securityholders, 13.87% elected to take their distribution for the six months ended 30 June 2021 as new HPI Securities. As a result, the DRP will raise \$2.3 million through the issue of approximately 0.7 million new HPI Securities.

5. Key Metrics

- **Statutory Profit:** \$84.7 million
- **Fair value gain:** \$51.0 million

- **Investment Property Value:** \$952.5 million
- **Average cap rate:** 5.9%
- **Cash on Hand:** \$0.5 million
- **Loans Drawn:** \$363.6 million
- **Undrawn debt facilities:** \$39.3 million
- **Weighted average debt expiry:** 4.0 years at 30 June 2021 (5.7 years following debt changes in August 2021)
- **Gearing:** 37.8% (Drawn Debt minus cash)/(Total Assets minus Cash)
- **WALE:** 10.8 years
- **Average Option Period:** 18.8 years
- **Occupancy:** Hotels 100% leased
- **Net Assets per Security:** \$3.30

6. **Distribution Guidance for FY22**

Distribution guidance of 20.5 cents per security.

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

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