



Bonny View Tavern, Bald Hills, QLD



# ANNUAL RESULTS BRIEFING

30 June 2021

# POSITIONED FOR GROWTH

- ▶ Extended lease terms underpin HPI's portfolio strength to support broader investment and growth
- ▶ Tapping equity markets together with increased debt capacity funds this enhanced capability
- ▶ Acquisition of 9 assets during the financial year totalling \$96.0m<sup>1</sup>, building on the momentum from FY20
- ▶ \$48.0m<sup>1</sup> of equity raised
- ▶ Development at Ferry Road on surplus land demonstrate this capability and the pathway to further opportunities
- ▶ A strong working relationship with our principal tenant continues to present investment prospects
- ▶ The \$30m capital refurbishment program is improving operational performance of the underlying pub business
- ▶ At the same time these activities have increased geographic and tenant diversification of our property portfolio

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FY21 highlights



# FY21 Highlights



## Financial performance

### Revenue from investment properties

- \$54.3m rental revenue from investment properties
- Up 9.0% on prior year
- Excluding acquisitions and 8 assets where rent was reset, like for like revenue up 3.4%

### Profit after tax

- \$84.7m profit after tax
- Up 107.1% on prior year primarily due to valuation uplift

### Distributions per Security

- 19.3c per security
- Down 3.5% on prior year

### Net asset value per Security

- \$3.30
- Up 9.6% on prior year



# FY21 Highlights



Investment properties	
Acquisitions - \$96 <sup>1</sup> m	Portfolio property statistics
<ul style="list-style-type: none"> <li>Jubilee Tavern (Airlie Beach, QLD)</li> </ul>	<ul style="list-style-type: none"> <li>54 properties valued at \$952.5m</li> </ul>
<ul style="list-style-type: none"> <li>Mango Hill Hotel (Mango Hill, QLD)</li> </ul>	<ul style="list-style-type: none"> <li>Weighted average cap. rate tightened to 5.9% (June 2020: 6.1%)</li> </ul>
<ul style="list-style-type: none"> <li>Summerhill Hotel (Reservoir, VIC)</li> </ul>	<ul style="list-style-type: none"> <li>Fair value gain \$51.0m</li> </ul>
<ul style="list-style-type: none"> <li>Surfair Beach Hotel (Marcoola, QLD)</li> </ul>	<ul style="list-style-type: none"> <li>Weighted average lease expiry – 10.8 years</li> </ul>
<ul style="list-style-type: none"> <li>Commonwealth Hotel (Roma, QLD)</li> </ul>	<ul style="list-style-type: none"> <li>Hotel occupancy – 100%</li> </ul>
<ul style="list-style-type: none"> <li>White Bull Tavern (Roma, QLD)</li> </ul>	<ul style="list-style-type: none"> <li>49 properties leased to QVC/AVC</li> </ul>
<ul style="list-style-type: none"> <li>Capella Hotel (Capella, QLD)</li> </ul>	
<ul style="list-style-type: none"> <li>Commercial Hotel (Clermont, QLD)</li> </ul>	
<ul style="list-style-type: none"> <li>Grand Hotel (Clermont, QLD)</li> </ul>	



# FY21 Highlights



Capital management	
Equity	Debt as at June 2021
<ul style="list-style-type: none"> <li>\$48m capital raising<sup>1</sup></li> <li>174.5m Securities on issue, up 11.1% from June 2020</li> </ul>	<ul style="list-style-type: none"> <li>\$363.6m drawn</li> <li>37.8%<sup>2</sup> gearing</li> <li>Weighted average cost of debt – 3.9%</li> </ul>
Distribution reinvestment plan	Debt changes effective August 2021
<ul style="list-style-type: none"> <li>1% discount to WVAP</li> <li>13.9% participation for Jun 2021 distribution</li> <li>\$5.4m raised from Dec 20 and Jun 21 distribution</li> </ul>	<ul style="list-style-type: none"> <li>Additional \$80m USPP note issued in August 2021, replacing bank debt</li> <li>Total available facilities, including USPP, increased from \$403.0m<sup>3</sup> to \$430.0m<sup>4</sup></li> <li>Weighted average debt tenor increased from 3.9<sup>5</sup> years to 5.7 years</li> <li>Weighted average cost of debt – 4.3%</li> </ul>



<sup>1</sup> Placement and Security Purchase Plan (before costs)

<sup>2</sup> (Drawn loans minus cash) / (Total assets minus cash)

<sup>3</sup> Excluding guarantee facility

<sup>4</sup> Inclusive of \$20.0m on call facility

<sup>5</sup> As at August 2021

# Impact of COVID-19 on HPI

## ▶ Our people

- The safety and well-being of our staff is of the highest importance
- Restricted travel in accordance with guidelines
- Working from home as required
- Reliable IT infrastructure

## ▶ FY21 financial impact

- Minor revenue impacts
  - \$0.1m rent abated
  - \$3.7m rent deferred
- HPI has not accessed Jobkeeper

## ▶ Moving forward

- Current or future lockdowns may result in further rent abatements or deferrals



**HPI**

**ESG**

# ESG

- ▶ HPI believes that being sustainable is important and has recently embarked on its ESG journey
- ▶ We are focused on understanding key stakeholders needs and are currently exploring how we can make a difference
- ▶ Our aim is to better understand the potential impact of issues such as climate change and the transition to low carbon, green buildings, urbanization, labour rights and potential future pandemics

## Case study: Liquid roof insulation (Thermoshield)

- ▶ Over the course of the past 2 years, we have been adding long-life liquid thermal insulation Thermoshield to some of our pub roofs. Thermoshield coating creates a cool rooftop that reduces internal temperatures by up to 45%, lowers energy costs by at least 20% and decreases UV penetration by up to 96%. Thermoshield also prevents surface rust, roof deterioration and early roof replacements.
- ▶ As a result, we have increased the time until re-painting and reduced the amount of heat inside the tenancies, lowering air conditioning use and power costs, and extending the asset life and value. This represents a direct positive impact on the financial performance of both HPI and our tenants, and reduces our carbon footprint.



# Financial results



# FY21 financial results – statutory profit

	FY21 \$m	FY20 \$m
Rental income	54.1	49.8
Other property income	6.0	4.3
<b>Net rental income</b>	<b>60.1</b>	<b>54.1</b>
Property outgoings	(9.5)	(7.3)
Management and trust expenses	(4.4)	(4.2)
<b>Operating profit</b>	<b>46.2</b>	<b>42.6</b>
Fair value gain on investment property	51.0	10.2
<b>Earnings before interest and tax</b>	<b>97.2</b>	<b>52.8</b>
Finance expenses	(12.5)	(11.9)
<b>Net profit before tax</b>	<b>84.7</b>	<b>40.9</b>
Income tax expense	-	-
<b>Net profit after tax</b>	<b>84.7</b>	<b>40.9</b>
<b>Earnings per Security</b>	<b>50.7 cents</b>	<b>27.3 cents</b>

Rental income - \$54.1m – up 8.6% on pcp due to acquisitions and annual rent increases

Operating profit - \$46.2m – up 8.4% on pcp

Fair value gain on investment property - \$51.0m – up >100% on pcp. Average cap. rate 5.9% (FY20 6.1%)



# FY21 financial results – distributions per security

	FY21 \$m	FY20 \$m
<b>Net profit after tax</b>	<b>84.7</b>	<b>40.9</b>
<b>Adjusted for:</b>		
Straight line lease adjustment	(0.7)	(0.3)
Net property fair value gain	(51.0)	(10.2)
Maintenance Capex	(1.3)	(0.7)
Other adjustments	0.9	0.6
<b>Adjusted Funds From Operations</b>	<b>32.6</b>	<b>30.3</b>
Distributions from Capital	1.0	-
<b>Distributions</b>	<b>33.6</b>	<b>30.3</b>
<b>Distribution per Security</b>	<b>19.3 cents</b>	<b>20.0 cents</b>

AFFO - \$32.6m – up 7.6% on pcp

Distributions - \$33.6m – up 10.9% on pcp

Distributions per security – 19.3 cents – down 3.5% due to reset of rents and extension of lease terms in 2020



# FY21 financial results – balance sheet

	FY21 \$m	FY20 \$m
Cash and cash equivalents	0.5	1.1
Receivables	6.0	3.8
Investment properties	952.5	785.9
Other assets	2.0	0.9
<b>Total assets</b>	<b>961.0</b>	<b>791.7</b>
Creditors and payables	6.8	5.5
Provisions	16.9	15.2
Loans and borrowings	363.6	301.5
Borrowing costs	(2.3)	(2.8)
Other liabilities	1.0	0.3
<b>Total liabilities</b>	<b>385.9</b>	<b>319.7</b>
<b>Net assets</b>	<b>575.0</b>	<b>472.0</b>
<b>Net asset value per Security</b>	<b>\$3.30</b>	<b>\$3.01</b>
<b>Gearing<sup>1</sup></b>	<b>37.8%</b>	<b>38.0%</b>

## INVESTMENT PROPERTIES

54 properties – up from 45

Valued at \$952.5m – up 22.0% from pcp

## LOANS AND BORROWINGS

Drawn debt \$363.6m – up 20.0% from pcp

Gearing<sup>1</sup> 37.8% – remains within the target range of 35% – 45%

Net tangible assets per security - \$3.30 – up 9.6% from pcp

# FY21 financial results – borrowing summary

As at 30 June 2021

	USPP Note A	USPP Note B	USPP Note C	CTD Facility A	CTD Facility B	Total
Total facility	\$100m	\$30m	\$100m	\$73m	\$100m	\$403m
Amount drawn	\$100m	\$30m	\$100m	\$69.6m	\$64.0m	\$363.6m
Available debt	-	-	-	\$3.3m	\$36.0m	\$39.3m
Maturity date	August 2025	August 2027	August 2027	July 2022	December 2024	4.0 years
Interest basis	Fixed	Fixed	Floating	Floating	Floating	36% fixed

Covenants	Covenant	June 2021	Headroom
Gearing <sup>1</sup>	60%	39.6%	20.4%
Interest cover ratio	1.5 times	3.9 times	2.4 times
Tangible assets	\$500m	\$961m	\$461m

Significant debt covenant headroom and capacity to drive growth

# FY21 financial results – borrowing summary

As at 11 August 2021

Since 30 June 2021 HPI has:

- issued \$80m of USPP Notes;
- cancelled CTD Facility A (\$73m excluding guarantee facility)
- entered a new \$20m CTD Facility agreement that is available for HPI to initiate by 31 December 2021

Following these changes HPI's facilities are summarised as:

	USPP Note A	USPP Note B	USPP Note C	USPP Note D	USPP Note E	CTD Facility A <sup>1</sup>	CTD Facility B	Total <sup>2</sup>
Total facility	\$100m	\$30m	\$100m	\$40m	\$40m	\$20m	\$100m	\$430m
Maturity date	August 2025	August 2027	August 2027	August 2028	August 2033	August 2024	December 2024	5.7 years
Interest basis	Fixed	Fixed	Floating	Fixed	Fixed	Floating	Floating	58% <sup>3</sup> fixed

Increased fixed % and debt tenor manages risk and provides certainty



<sup>1</sup> CTD Facility A is a committed facility.

<sup>2</sup> Includes CTD Facility A

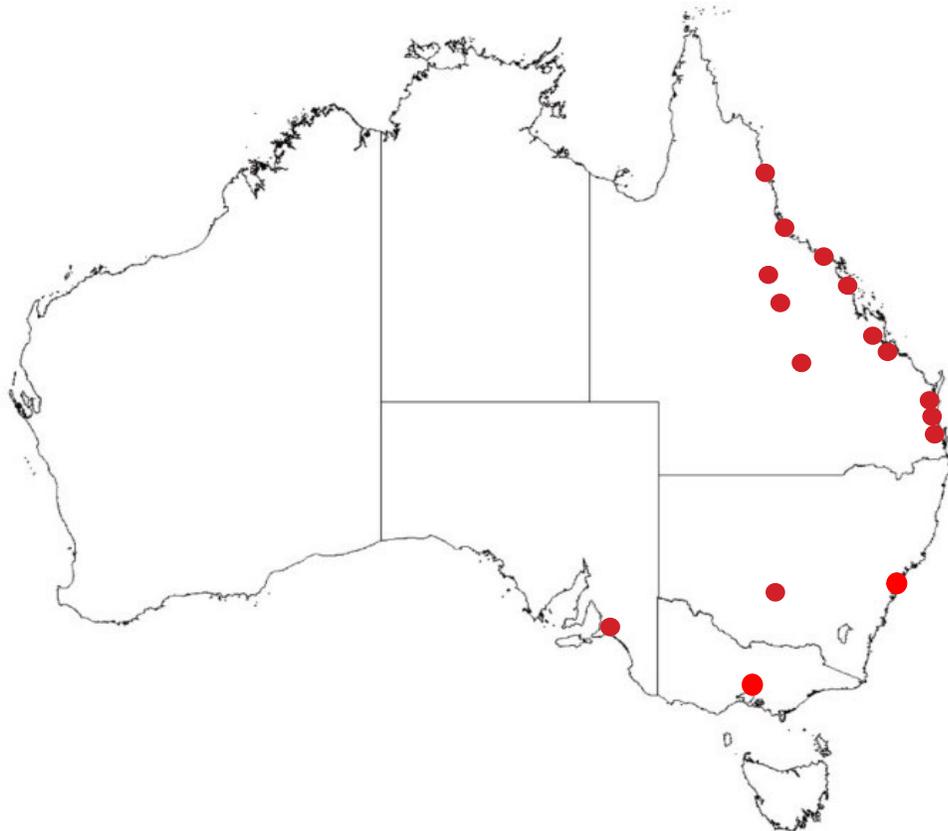
<sup>3</sup> Of drawn debt assuming 30 June 2021 drawn balances



# Property portfolio



# HPI's property portfolio



## 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  
**Jubilee Tavern**

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  
**Surfair Beach Hotel**

Brisbane and suburbs  
Acacia Ridge Hotel  
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  
**Mango Hill Tavern**  
Mihi Tavern  
New Inala Hotel  
Regatta Hotel  
Sundowner Hotel  
Woodpecker Bar and Grill

Gold Coast  
Coomera Lodge Hotel  
Ferry Road Tavern  
Wallaby Hotel

Roma  
**Commonwealth Hotel**  
**White Bull Tavern**

Capella  
**Capella Hotel**

Clermont  
**Commercial Hotel**  
**Grand Hotel**

## Victoria

Melbourne and suburbs  
**Summerhill Hotel**

## New South Wales

Griffith  
Quest Griffith

Sydney and suburbs  
Gregory Hills

## Assets acquired in FY21

## South Australia

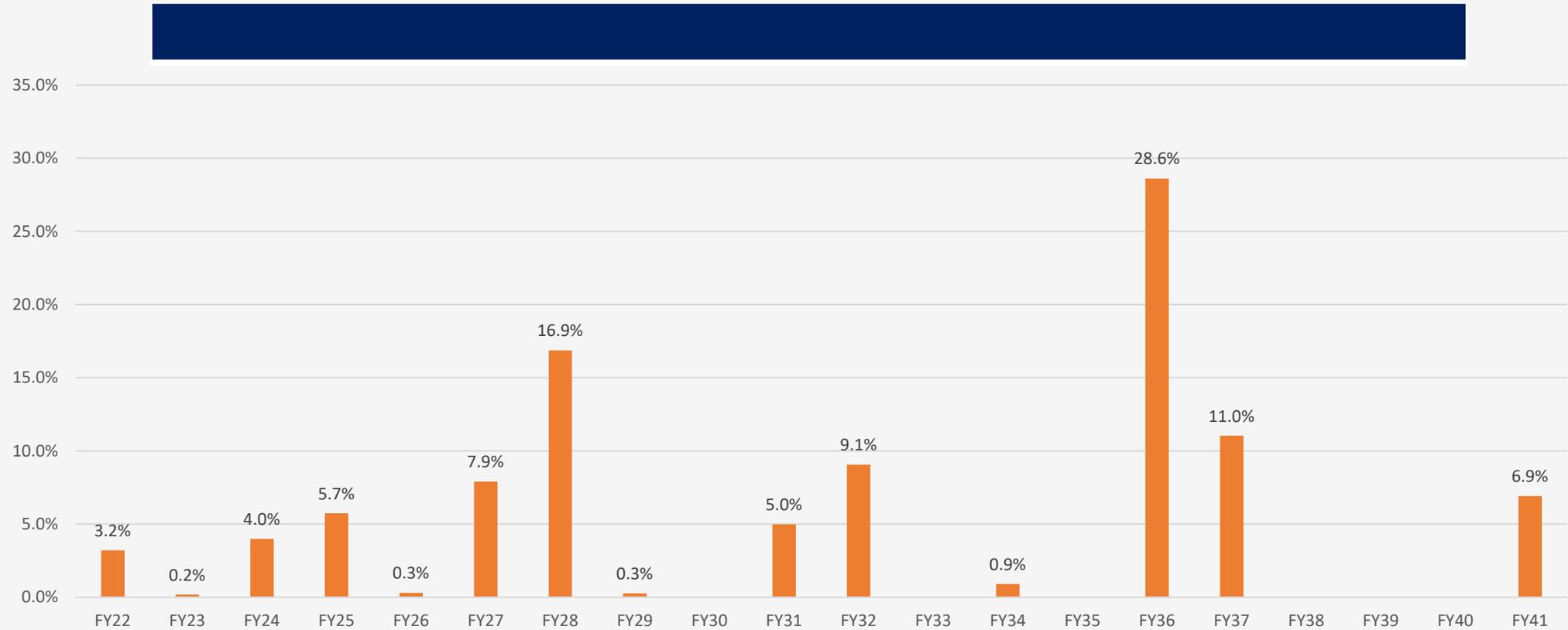
Adelaide and suburbs  
Brighton Metro Hotel  
Grand Junction Hotel  
Waterloo Hotel

# Key portfolio metrics

	Jun 21	Jun 20
<b>Investment properties</b>		
Investment property value	\$952.5m	\$785.9m
Number of properties	54	45
Weighted average capitalisation rate	5.95%	6.1%
Weighted average lease expiry	10.8 years	11.4 years
Average hotel option period	18.8 years	14.7 years
Hotel occupancy	100%	100%



# Lease expiry profile by income



Weighted average lease expiry – 10.8 years



# Investment thesis

- ▶ HPI owns 54 pub and accommodation properties, 42 leased to Queensland Venue Company (“QVC”) and 7 leased to Australian Venue Company (“AVC”)
- ▶ QVC is a joint venture between Coles Limited and AVC established in March 2019
- ▶ AVC are an experienced pub and hospitality operator with 150+ venues
- ▶ Secure income stream 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



Acquisitions



# Acquisitions summary

The acquisitions meet HPI's investment criteria	
<b>Strong performing assets</b>	<ul style="list-style-type: none"> <li>✓ Metropolitan and strategic regional locations</li> <li>✓ Acquisitions provide geographic diversification</li> </ul>
<b>Quality operators</b>	<ul style="list-style-type: none"> <li>✓ Experienced operators with proven track records</li> <li>✓ Properties with diversified income streams (i.e. a mix of F&amp;B, bar, gaming, accommodation and retail)</li> </ul>
<b>Long term leases</b>	<ul style="list-style-type: none"> <li>✓ Long lease terms with further options to extend</li> <li>✓ Acquisitions increase portfolio WALE</li> </ul>
<b>Attractive lease terms</b>	<ul style="list-style-type: none"> <li>✓ Rent set at sustainable levels</li> <li>✓ Predominantly net leases with tenant responsible for property outgoings</li> </ul>



Acquisitions summary							
Asset	Location	State	Purchase Price <sup>1</sup>	Cap rate	Land area (sqm)	WALE <sup>2</sup> (Years)	Hotel occ. <sup>3</sup>
Mango Hill Tavern	Brisbane	QLD	\$31.3m	5.7%	15,400	6.6	100%
Summerhill Hotel	Melb.	VIC	\$22.7m	7.0%	6,750	17.8	100%
Jubilee Tavern	Airlie Beach	QLD	\$9.3m	7.5%	19,180	20.0	100%
Surfair Beach Hotel	Sunshine Coast	QLD	\$10.5m	7.0%	1,899	20.0	100%
Commercial Hotel	Clermont	QLD	\$3.0m	9.0%	2,693	20.0	100%
Grand Hotel	Clermont	QLD	\$2.8m	9.0%	2,753	20.0	100%
Capella Hotel	Capella	QLD	\$3.3m	8.5%	4,055	20.0	100%
Commonwealth Hotel	Roma	QLD	\$9.8m	7.6%	2,023	20.0	100%
White Bull Tavern	Roma	QLD	\$3.3m	7.8%	2,640	20.0	100%
<b>Total/average</b>			<b>\$96.0m</b>	<b>6.9%</b>	<b>57,393</b>	<b>15.1</b>	<b>100%</b>

- Notes:
1. Excludes transaction costs
  2. WALE metrics are as at settlement date
  3. Excludes specialities



Pub refurbishments





# Pub refurbishments

- ▶ **Significant improvement to pub EBITDA**
- ▶ **Investment property capitalisation rate tightening**
- ▶ 12.4m invested to 30 June 2021
- ▶ Projects completed
  - Bonny View Hotel
  - Fitzy's Loganholme
  - MiHi Tavern
  - Palm Cove Tavern
  - Chancellors Tavern
  - Wallaby Hotel
  - Kings Beach Hotel
- ▶ Significant projects planned/underway<sup>1</sup>
  - Coomera Lodge
  - Brighton Metro Hotel
  - Dunwoody's Tavern
  - Everton Park Hotel
  - Crown Hotel
  - Boomerang Hotel
  - Regatta Hotel

# Pub refurbishments





**HPI**

**Outlook**

# Outlook



- ▶ HPI is a long-term owner of pub and accommodation properties that aims to deliver a secure income stream to investors
- ▶ HPI maintains a strong relationship with AVC that is creating mutually beneficial outcomes
- ▶ We work with tenants to enhance the value of the portfolio to achieve better site utilisation with the objective of increasing returns
- ▶ HPI will continue to pursue pub acquisitions that meet our investment criteria
- ▶ The buoyant pub market continues to provide opportunities



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