



The Everton Park Hotel, Brisbane

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Our Focus Remains:

1. Capital Management Discipline

- Maintaining Internal Rate of Return (“IRR”)
- Not drawn to “top of market” deals
- Portfolio optimisation
- Management of capital
- Moderate gearing

2. Efficiency

- Optimise value in each property
- Continuing focus on Management Expense Ratio (“MER”)
- Financing structure and terms

3. Shareholder Returns

- Balance of Return on Equity (“ROE”) and gearing
- Minimising operating costs – controllable costs down in FY17
- Strong focus on asset values and market conditions
- Total Shareholder Return and cash distributions

Financial Results Highlights

As at 30 June 2017

1. Statutory Profit ↑ 65% to \$98.9 million (2016: \$60.1 million) including a fair value gain on investment property of \$69.5 million (2016: 32.6 million)
2. Adjusted funds from operations (AFFO) ↑ 7.1% to \$28.6 million (2016: \$26.7 million) after maintenance capex of \$0.8m (2016: \$0.5 million)
3. Distribution from trading operations ↑ 7.1% to 19.6 cents (2016: 18.3 cents), plus a capital distribution of 12.5 cents for a total distribution of 32.1 cents per security (2016: 18.3 cents)
4. Property portfolio valuation ↑ 12% to \$658.7 million (2016: \$588.3 million) reflecting an average Cap Rate of 6.5% (2016: 7.3%)



Achievements

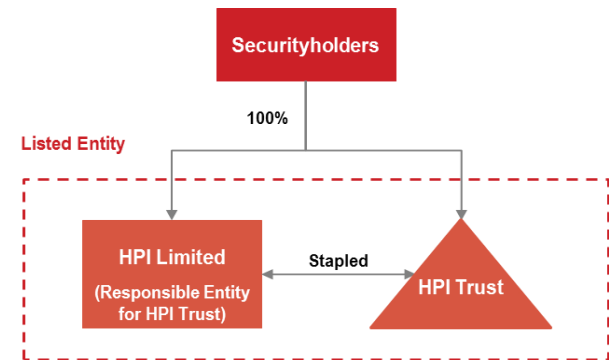
Year ended 30 June 2017

1. Refinanced HPI's loan facilities including HPI's inaugural issuance into the US Private Placement ("USPP") market in August 2017
 - diversified funding sources, increasing the average debt tenor to 8 years at a weighted average cost of 4.43%
 - all debt is now unsecured
2. A \$70 million uplift in property valuations with cap rate compression to 6.5%
3. Divested the Payneham Tavern at a sale yield not previously seen for a South Australian freehold pub
4. Improved the skills and capabilities within the HPI team with the appointment of Blair Strik as Chief Financial Officer

Achievements

Year ended 30 June 2017

5. Prudent capital and gearing management throughout the year including a capital distribution of 12.5 cents per security in March 2017
6. Disciplined acquisition IRR hurdles maintained in an exuberant market
7. Successful internalisation of management including all staff, IT systems, office relocation and all AFSL compliance matters, resulting in a simpler structure, reduced costs and improved MER



Key Metrics and Capital Management

As at 30 June 2017

<u>Key Metrics</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
Investment Property (incl Asset held for sale)	\$658.7 m	\$596.6 m
Number Of Pubs	43	44
Weighted Average Cap Rate	6.5%	7.3%
Weighted Average Lease Expiry (years)	6.1	7.0
Average Length of Option Period (years)	24.3	24.3
Occupancy	100%	100%
Net Assets per security	\$2.65	\$2.28
Debt Facilities Limit	\$285.0 m	\$285.0 m
Loans Drawn (ex \$4m Bank Guarantees)	\$256.0 m	\$246.6 m
Cash On Hand	\$1.1 m	\$2.3 m
Gearing ¹	38.6%	40.9%
	<u>August 2017</u>	<u>30-Jun-17</u>
Weighted Average Debt Expiry	8.0 years	3.6 years
Weighted Average Debt Cost	4.43%	3.72%
Security	Unsecured	Secured
% hedged or at fixed rates (Drawn debt)	51%	24%

¹ (Drawn Loans - Cash / Total Assets - Cash)

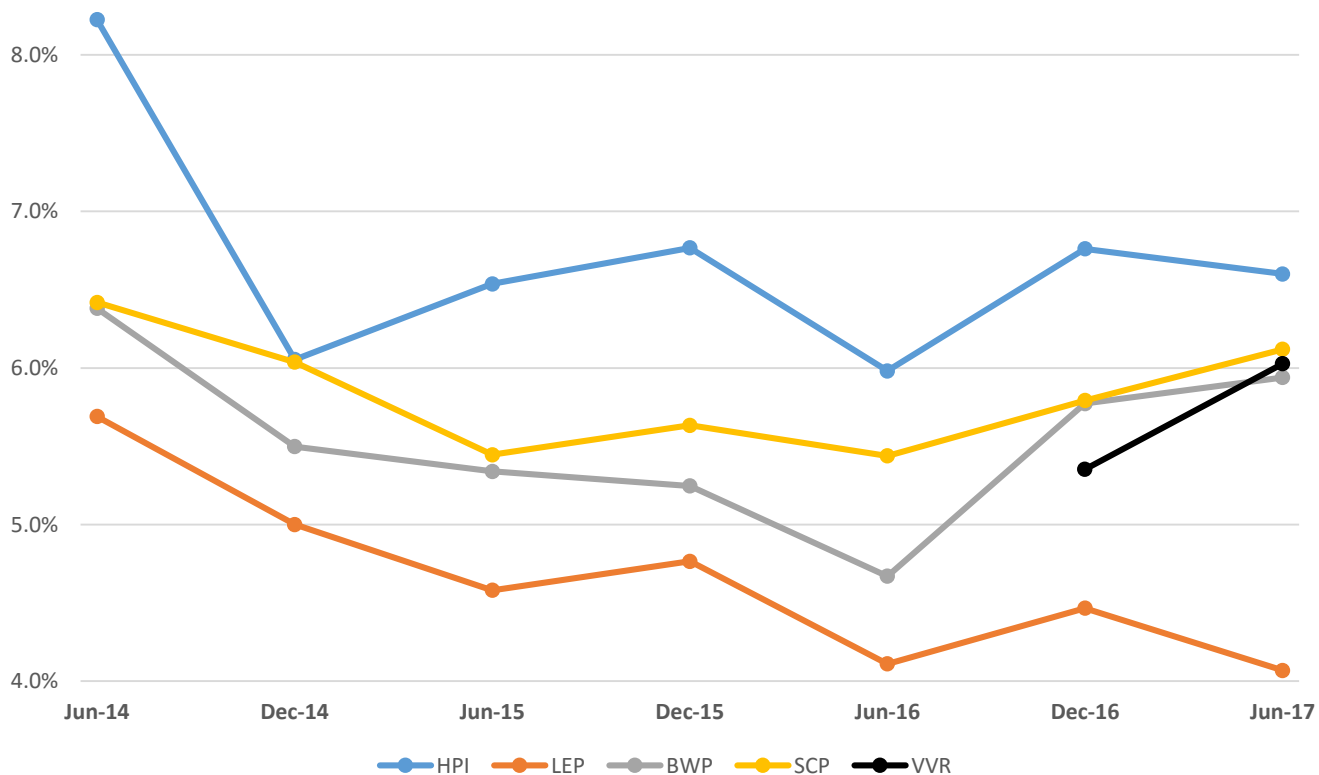
Outlook and strategic agenda

1. Continued focus on cost management
2. Potential to work with our tenants to enhance the value of the portfolio through incremental development or better site utilisation
 - Reviewing several full-site redevelopment opportunities
 - Exploring opportunities to develop under-utilised land
3. Pursue asset acquisition opportunities that meet HPI's investment criteria
4. 50% of the portfolio to be independently valued in December 2017
5. Distribution guidance for FY18 of 19.6 cents



Distribution Yield 6.6%+

Distribution Yield



Compares favourably with other A-REITs with Wesfarmers or Woolworths tenants

Investment Proposition

- Owner of large scale gaming venues leased to Coles & ALH
- Premium hotel assets whose underlying value grows with gaming
- Secure income underpinned by long term leases
- Distributions underpinned by contracted rental increases
- Investment property portfolio value growing as cap rates tighten and rentals grow
- Additional value associated with land value, development potential and strategic value of liquor and gaming licences
- Tenant's business is a contingent asset which reverts to the landlord at end of lease
- Low risk capital structure with balance sheet flexibility
- Active portfolio management to drive further security holder value
- Attractive risk-return profile for a Wesfarmers bond-like security (A- rating)
- Experienced Board and management



Al Fresco Bar, Everton Park Hotel, Brisbane

Net Profit for the year ended 30 June 2017

Consolidated Income Statement

<u>P&L in \$ millions</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
Income		
Net rental income (excl. straight line lease adj)	44.6	43.7
Operating expenses		
Non-recoverable property expenses	-2.5	-2.6
Management costs	-1.8	-2.2
Trust expenses	-1.5	-2.2
Total expenses	-5.7	-6.9
Operating profit	38.9	36.8
P&L on Disposal of Assets	1.5	0.0
Fair value adj and realised loss on hedging	-0.6	1.0
Fair value gain on investment property	69.5	32.6
EBIT	109.3	70.4
Net interest expense	-10.4	-10.2
Net profit before tax	98.9	60.1
Tax	0.0	0.0
Net Profit after tax	98.9	60.1

Distributions for the year ended 30 June 2017

Consolidated Distribution Statement

<u>Distributions in \$ millions</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
Statutory NPAT for the period	98.9	60.1
Amortisation adjustment	0.8	0.3
Fair Value, P&L on Disposal and other adjs	-70.4	-33.6
Distributable earnings	29.4	26.8
Maintenance capex	-0.8	-0.5
AFFO (Adj Funds From Ops)	28.6	26.7
Stapled Securities at end of period	146.1	146.1
AFFO per stapled security (cents)	19.6	18.3
Capital distribution per stapled security (cents)	12.5	0.0
Distribution declared per stapled security (cents)	32.1	18.3

¹ HPI intends to pay 100% of full year AFFO as distributions for FY17

Minor addition differences are due to rounding to \$M's

Balance sheet as at 30 June 2017

Consolidated Balance Sheet

<u>Balance Sheet in \$ millions</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
Current Assets		
Cash	1.1	2.3
Other current assets	2.1	0.8
Total Current Assets	3.2	3.1
Non Current Assets		
Investment property & Property held for sale	658.7	596.6
Other non current assets	0.3	0.2
Total Non Current Assets	659.0	596.8
Total Assets	662.2	599.8
Liabilities		
Current Liabilities		
Payables, Accruals, Other current liabilities ¹	19.1	16.5
Non Current Liabilities		
Borrowings ²	254.8	246.0
Other non current liabilities	1.1	4.0
Total Liabilities	275.0	266.4
Net Assets	387.2	333.4

¹ Current Liabilities includes Provision for Distribution

² Borrowings shown on balance sheet are drawn borrowings less \$1.2 million (Jun-16: \$0.66 million) of capitalised loan establishment fees



Sports Bar Entrance, Everton Park Hotel, Brisbane