



Bonny View Tavern, Bald Hills, QLD



H1 FY22 RESULTS BRIEFING

31 December 2021



Investment thesis

- ▶ Strong investment fundamentals:
 - 5.9% - forecast yield for FY22 (as at 7/2/2022 Security Price)
 - \$3.82 NTA per security, up 15.8% from June 2021
 - WALE 10.6 years and average option period of an additional 18.8 years
 - Rent reviews linked to CPI – 71.2% of leases by income reference CPI, provides a natural hedge in an inflationary environment

- ▶ Strong tenant covenant across the 56 properties owned by HPI
 - 42 leased to Queensland Venue Company (“QVC”), which is a joint venture between Coles Limited and Australian Venue Company (“AVC”)
 - 8 leased to AVC
 - 6 leased to other experienced operators

Contents

- ▶ H1 FY22 highlights
- ▶ ESG
- ▶ H1 FY22 financial results
- ▶ Property portfolio
- ▶ Acquisitions
- ▶ Pub refurbishments
- ▶ Outlook





H1 FY22 highlights



H1 FY22 highlights

- ▶ \$58.9m¹ of equity raised
- ▶ Acquisition of 2 pubs for \$35.6m¹
- ▶ Income producing investment in our existing portfolio totalling \$69.2m¹ via a capex and lease harmonisation projects
- ▶ Completed retail development at Ferry Road yielding 8.0%
- ▶ 5 year option at Trinity Beach exercised, extending lease from June 2022 to June 2027
- ▶ A strong working relationship with our principal tenant continues to present investment opportunities
- ▶ Multiple capital refurbishment programs are improving operational performance of the underlying pub business
- ▶ Increasing geographic and tenant diversification of our property portfolio
- ▶ \$3.0m indirect investment into Harvest Funds, a pub freehold going concern investment vehicle, providing future opportunities and options

FY22 to date – Post balance date transactions

- ▶ Acquired a portfolio of 7 South Australian Pubs leased to AVC on new 15 year leases¹
- ▶ The \$66.1m² investment has an initial yield of 5.4%, settled on 14 February 2022
- ▶ Sold the Acacia Ridge Hotel¹ and Royal Hotel for a total price of \$28.8m², representing a passing yield of 4.79%
- ▶ Following these transactions and the payment of the interim distribution in March 2022, forecast drawn debt is \$485.8m (Dec 21: \$436.1m) and forecast gearing is 39.4% (Dec 21: 36.2%)



¹ Refer December 2021 ASX announcement

² Before costs



H1 FY22 key metrics

Financial performance

Revenue from investment properties

- \$31.5m rental revenue from investment properties
- Up 21.2% on prior year

Profit after tax

- \$120.1m profit after tax
- Up >300% on prior year primarily due to valuation uplift

Distributions per Security

- 10.2c per security
- Up 6.3% on prior year

Net asset value per Security

- \$3.82
- Up 15.8% on prior year



H1 FY22 key metrics



Investment properties	
Acquisitions and investments - \$104.8 ¹ m	Portfolio property statistics
<ul style="list-style-type: none"> \$28.0m - Edwardes Lake Hotel (Reservoir, VIC) \$7.6m - Ball Court Hotel (Sunbury, VIC) 	<ul style="list-style-type: none"> 56 properties valued at \$1,175.3m Weighted average cap. rate tightened to 5.4% (June 2021: 5.9%)
<ul style="list-style-type: none"> \$38.8m - Lease harmonisation program \$30.4m - Capital expenditure program 	<ul style="list-style-type: none"> Fair value gain \$100.7m Weighted average lease expiry – 10.6 years Hotel occupancy – 100% 50 properties leased to QVC/AVC



H1 FY22 key metrics

Capital management

Equity	Debt as at Dec 2021
<ul style="list-style-type: none"> \$58.9m capital raising¹ 192.6m Securities on issue, up 10.3% from June 2021 	<ul style="list-style-type: none"> \$436.1m³ drawn 36.2%² gearing Weighted average cost of debt – 3.59%
Distribution reinvestment plan	
<ul style="list-style-type: none"> 1% discount to VWAP 16.1% participation for Dec 2021 distribution \$3.2m reinvested from the Dec 2021 distribution 	



¹ Placement and Security Purchase Plan (before costs)

² (Drawn loans minus cash) / (Total assets minus cash)

³ Excluding guarantee facility

H1 FY22 impact of COVID-19

▶ 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

▶ H1 FY22 financial impact

- Minor revenue impacts
 - \$0.4m rent abated
 - \$0.4m 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
- ▶ As previously announced, we are in the process of preparing our first sustainability report for release at the end of FY22.
- ▶ During the past six months, we have completed a detailed materiality assessment to define the ESG topics presenting the greatest potential risk to both our stakeholders and our ability to create long term value, such as energy, climate change, health and safety, employee diversity, tenants' sustainability and communities.



H1 FY22 financial results



H1 FY22 financial results – statutory profit

	H1 FY22 \$m	H1 FY21 \$m
Rental income	31.5	26.0
Other property income	3.9	2.8
Net rental income	35.4	28.8
Property outgoings	(5.4)	(4.6)
Management and trust expenses	(2.8)	(2.0)
Operating profit	27.2	22.2
Fair value gain on investment property	100.7	13.9
Earnings before interest and tax	127.9	36.1
Finance expenses	(7.8)	(6.2)
Net profit before tax	120.1	29.9
Income tax expense	-	-
Net profit after tax	120.1	29.9
Earnings per Security	65.2 cents	18.6 cents

Rental income - \$31.5m – up 21.2% on pcp due to acquisitions and annual rent increases

Operating profit - \$27.2m – up 22.5% on pcp

Fair value gain on investment property - \$100.7m – up >100% on pcp. Average cap. rate 5.4% (FY21 5.9%)



H1 FY22 financial results – distributions per security

	H1 FY22 \$m	H1 FY21 \$m
Net profit after tax	120.1	29.9
Adjusted for:		
Straight line lease adjustment	(0.6)	(0.3)
Net property fair value gain	(100.7)	(13.9)
Maintenance Capex	(0.3)	(0.6)
Other adjustments	0.7	0.6
Adjusted Funds From Operations	19.2	15.5
Distributions from Capital	0.4	1.1
Distributions	19.6	16.6
AFFO distribution per Security	10.0 cents	9.0 cents
Capital distribution per Security	0.2 cents	0.6 cents
Total distribution per Security	10.2 cents	9.6 cents

AFFO - \$19.2m – up 23.9% on pcp

Distributions - \$19.6m – up 18.1% on pcp

Distributions per security – 10.2 cents – up 6.3% on pcp



H1 FY22 financial results – balance sheet

	Dec 21 \$m	Jun 21 \$m
Cash and cash equivalents	3.7	0.5
Receivables	10.2	6.0
Investment properties (inc. held for sale)	1,175.3	952.5
Other assets	7.9	2.0
Total assets	1,197.1	961.0
Creditors and payables	8.3	6.8
Provisions	19.6	16.9
Loans and borrowings	436.1	363.6
Borrowing costs	(3.1)	(2.3)
Other liabilities	0.9	1.0
Total liabilities	461.8	385.9
Net assets	735.3	575.0
Net asset value per Security	\$3.82	\$3.30
Gearing¹	36.2%	37.8%

INVESTMENT PROPERTIES

56 properties – up from 54

Valued at \$1,175.3m – up 23.4% from pcp

LOANS AND BORROWINGS

Drawn debt \$436.1m – up 20.0% from pcp

Gearing¹ 36.2% – remains within the target range of 35% – 45%

Net tangible assets per security - \$3.82 – up 15.8% from pcp

H1 FY22 debt facilities

	USPP Note A	USPP Note B	USPP Note C	USPP Note D	USPP Note E	CTD Facility A ¹	CTD Facility B	Total ²
Total facility	\$100m	\$30m	\$100m	\$40m	\$40m	\$120m	\$100m	\$530m
Amount drawn	\$100m	\$30m	\$100m	\$40m	\$40m	\$40m	\$86.1m	\$436.1m
Available debt	-	-	-	-	-	\$80m	\$13.9m	\$93.9m
Maturity date	August 2025	August 2027	August 2027	August 2028	August 2033	August 2024	December 2024	4.6 years
Interest basis	Fixed	Fixed	Floating	Fixed	Fixed	Floating	Floating	48.1% ³ fixed

Covenants	Covenant	Dec 2021	Headroom
Gearing ¹	60%	38.1%	21.9%
Interest cover ratio	1.5 times	3.9 times	2.4 times
Tangible assets	\$500m	\$1,197m	\$697m

¹ CTD Facility A is a committed facility subject to some conditions.

² Includes CTD Facility A

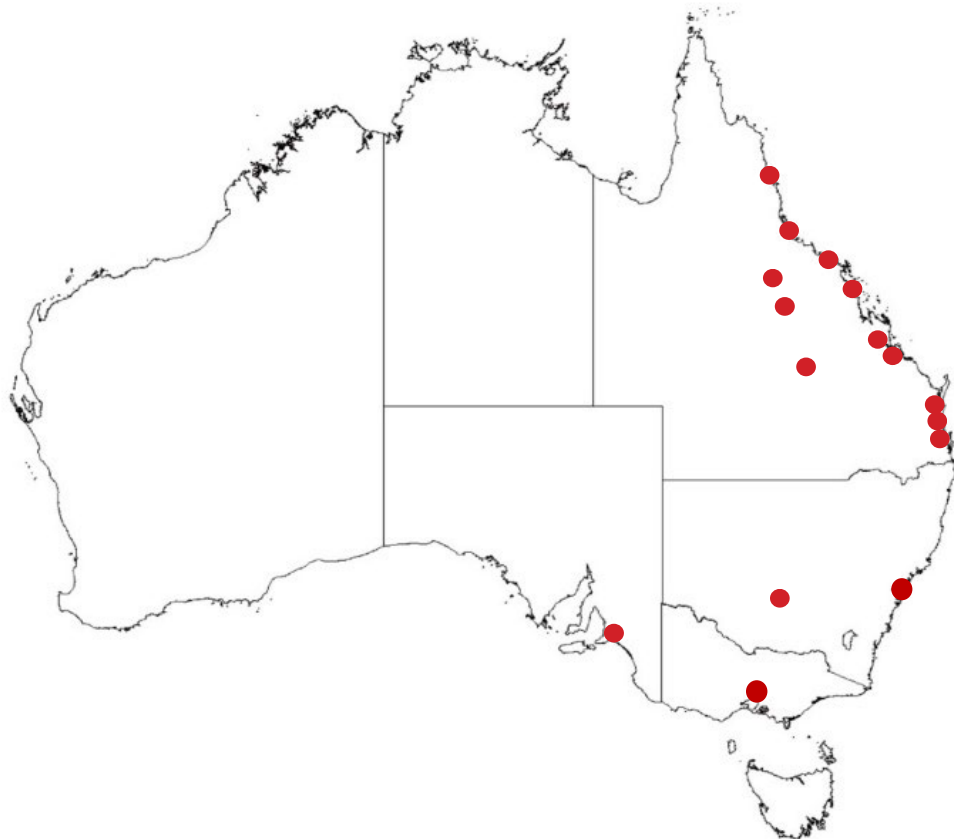
³ Of drawn debt as at 31 December 2021



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

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
Edwards Lake Hotel
Ball Court Hotel

New South Wales

Griffith
Quest Griffith

Sydney and suburbs
Gregory Hills

South Australia

Adelaide and suburbs
Brighton Metro Hotel
Grand Junction Hotel
Waterloo Hotel

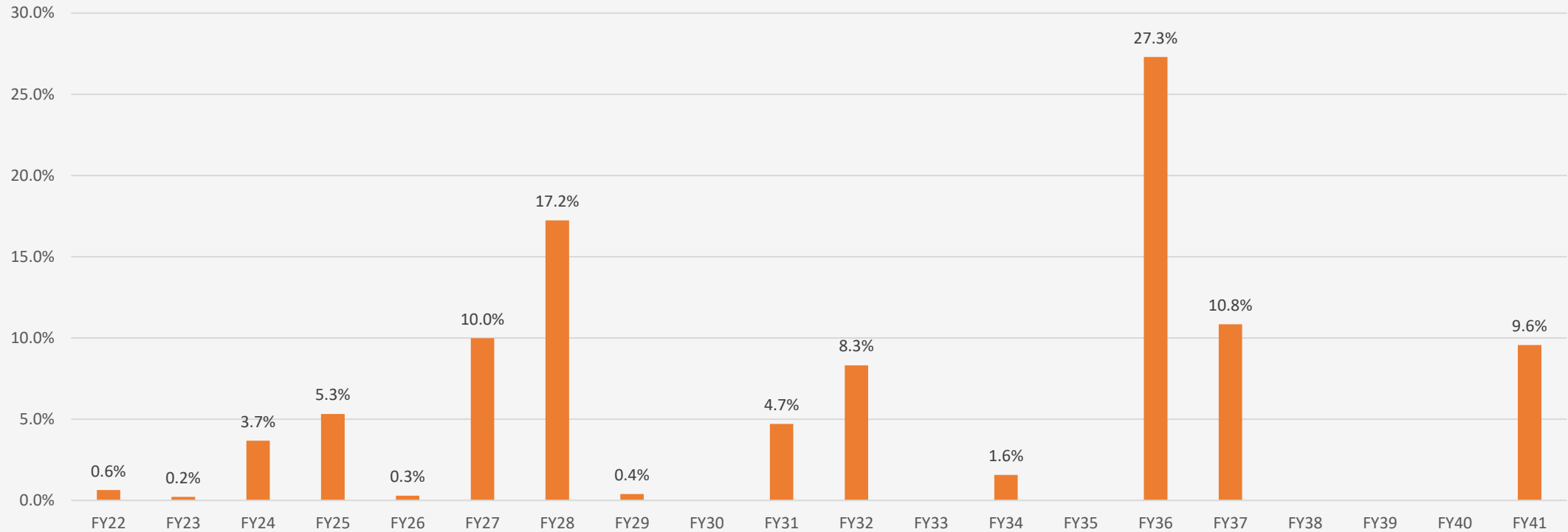
Assets acquired in H1 FY22

Key portfolio metrics

	Dec 21	Jun 21
Investment properties		
Investment property value	\$1,175.3m	\$952.5m
Number of properties	56	54
Weighted average capitalisation rate	5.39%	5.95%
Weighted average lease expiry	10.6 years	10.8 years
Average hotel option period	18.8 years	18.8 years
Hotel occupancy	100%	100%

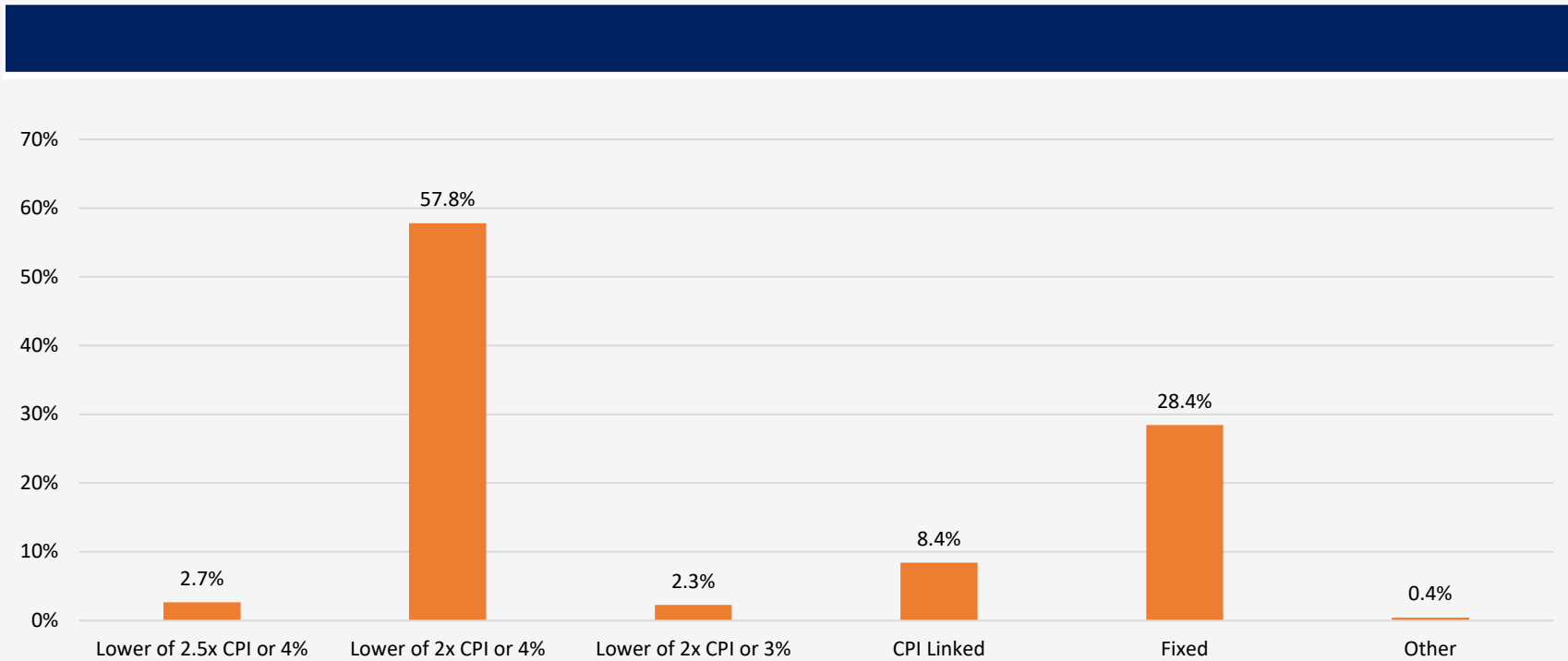


Lease expiry profile by income



Weighted average lease expiry – 10.6 years

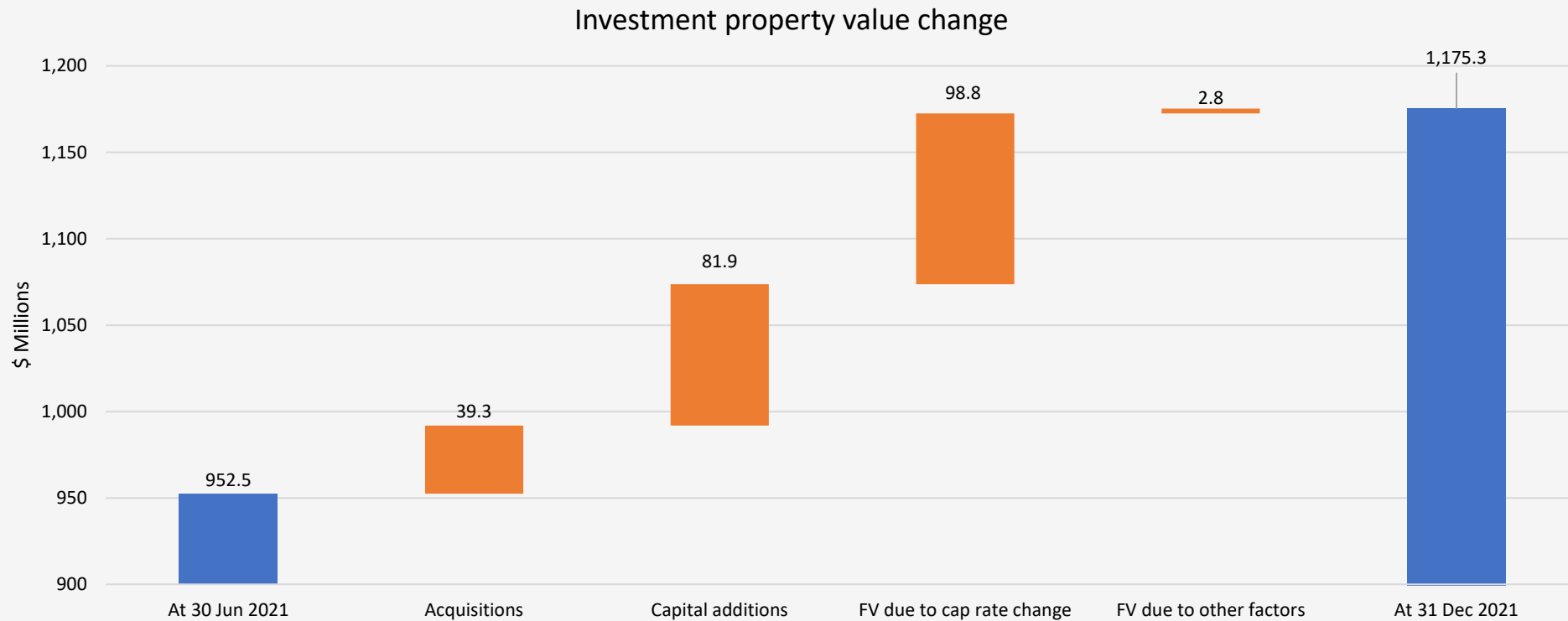
Lease rent review mechanisms – Natural hedge to inflation



Total linked to CPI – 71.2%

Weighted average fixed increases – 3.1%

Valuations



- ▶ 26 properties externally valued
- ▶ Weighted average capitalisation rate 5.39% (Jun 21: 5.95%)
- ▶ Assets acquired since 2018 contributed \$32.7m (32%) of the fair value gain



Acquisitions



Acquisitions overview – Edwardes Lake Hotel

- ▶ A mixed-use complex in Melbourne’s northern growth corridor, comprising a sports bar, gaming room, family bistro, bottle shop, kids zone and car parking
- ▶ The property occupies a commanding position with high exposure to Edwardes Street and an extensive street frontage of around 189 metres
- ▶ The site is zoned Industrial 3 Zone (IN3Z) under the City of Darebin Planning Scheme with a Development Contributions Plan Overlay affecting the land
- ▶ Diverse income streams across F&B, bottle shop and 100 Electronic Gaming Machines
- ▶ The Francis Group have been one of the most rapidly expanding hotel groups in recent times within Victoria. A family-run business, the group have both owned and operated various venues for 30+ years and have since cemented their position as one of Victoria’s leaders in the hotel industry



KEY LEASE TERMS

Location	Reservoir, VIC
Tenants	The Francis Group
Purchase Price ¹	\$28.0m
Yield	5.0%
Lease Structure	triple net lease
Passing rent (p.a.)	\$1.4m
Lease and option terms	Lease expiry in March 2041 (2x20 year option)
Rent review mechanisms	2.5% annual increase
Outgoings	Tenant responsibility
Land area	48,900 sqm Industrial 3 Zone (IN3Z)
Refurbishments	At landlord's reasonable request
Gaming entitlements	Gaming entitlements transferred to Landlord upon lease expiration or termination

Note:
1. Excluding transaction costs

Acquisitions overview – Ball Court Hotel

- ▶ A multi-tenanted property incorporating the Ball Court Hotel and four retail shops. The Hotel includes an open plan sports bar, a split level dining facility, function rooms and outdoor dining areas.
- ▶ Australian Venue Company operates over 150 venues across Australia



KEY LEASE TERMS

Location	Sunbury, VIC
Hotel Tenant	Australian Venue Company
Purchase Price ¹	\$7.6m
Yield	5.5%
Lease Structure	triple net lease
Passing rent (p.a.)	\$0.4m
Hotel lease and option terms	Lease expiry in October 2036 (2x10 year option)
Rent review mechanisms	2.5% annual increase
Outgoings	Tenant responsibility
Land area	3,805 sqm Commercial 1 Zone (C1Z)

Note:

1. Excluding transaction costs



HPI

Pub refurbishments

Pub refurbishments – FY20 Capex Program

- ▶ Total program - \$30m
- ▶ \$20.5m invested to 31 December 2021
- ▶ Projects completed
 - Bonny View Hotel
 - Fitzy's Loganholme
 - MiHi Tavern
 - Palm Cove Tavern
 - Chancellors Tavern
 - Wallaby Hotel
 - Kings Beach Hotel
 - Brighton Metro Hotel
 - Crown Hotel
 - Beenleigh Tavern
- ▶ Significant projects planned/underway¹
 - Bribie Island
 - Coomera Lodge
 - Leichhardt Hotel
 - Everton Park Hotel
 - Boomerang Hotel
- ▶ Refurbishments are typically cover the whole of pub, including public bars, bistros and outdoor areas.
- ▶ Turnover typically increases by around 30% following a refurbishment

Pub refurbishments – FY22 Capex Program

- ▶ Total program - \$30.4m
- ▶ Funds provided to QVC in December 2021, rentalised immediately at weighted average 5.9%
- ▶ Hotels¹ included in program
 - Bribie Island
 - Brighton Hotel
 - Cleveland Sands Hotel
 - Diamonds Inala Hotel
 - Dunwoody's Tavern
 - Grafton Hotel
 - Grand Junction Hotel
 - Hotel Allen
 - Mango Hill Hotel
 - Sundowner Hotel
 - Club Hotel
 - Waterloo Station Hotel

¹ Subject to change



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 and ESG sustainability
- ▶ HPI will continue to pursue pub acquisitions that meet our investment criteria
- ▶ The buoyant pub market continues to provide opportunities



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