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Hotel Property Investments (ASX Code: HPI)
Financial results for the year ending 30 June 2022, distributions and Distribution Reinvestment
Plan outcomes

Hotel Property Investments (HPI) today lodged its FY22 annual report which shows a statutory profit of \$211.4 million for the financial year and has declared a final distribution of 10.3 cents per stapled security for the six months ending 30 June 2022.

In FY22 HPI has continued to deliver on its strategy of:

- Growing the portfolio by way of strategic acquisitions (9 pubs acquired in FY22);
- Improving the quality of the portfolio by capital expenditure in collaboration with our major tenant's refurbishments and via strategic sale of assets;
- Actively managing the tenor of our debt facilities (weighted average facility term at June 2022 is 4.1 years, maintained at the June 2021 tenor); and,
- Ensuring an appropriate level and term of fixed rate debt (weighted average term of fixed rate debt at June 2022 is 5.5 years, up from 4.4 years at June 2021).

1. Highlights

- **Total revenue:** Total revenue is up 23.0% to \$74.0 million (2021: \$60.1 million) due to acquisition of 9 assets, rentalised capital expenditure into the existing portfolio and annual rent increases averaging 3.5% across the like for like pub portfolio.
- **Adjusted Funds From Operations (AFFO):** AFFO increased by 20.6% to \$39.2 million (2021: \$32.5 million).
- **Distributions:** The final distribution per security for the six months ended 30 June 2022 is 10.3 cents (2021: 9.7 cents), for a total distribution of 20.5 cents for the year (2021: 19.3 cents). Of this distribution, 0.2 cents is paid from capital (2021: 0.6 cents) due to timing of the equity raisings.
- **Property Valuation and Cap Rates:** Portfolio valued at \$1,296.2 million reflecting an average Cap Rate of 5.2%. (June 2021: 5.9%). The fair value gain for FY22 included in this amount is \$171.3 million.

- **Acquisitions and investments:** During the year HPI acquired 9 assets and invested in the existing portfolio:
 - \$28.0 million - Edwardes Lake Hotel, Reservoir VIC
 - \$7.6 million - Ball Court Hotel, Sunbury VIC
 - \$66.1 million - South Australian portfolio consisting of 7 assets, SA
 - \$38.8 million lease harmonisation; and,
 - \$30.4 million capex program

The aggregate investment was \$170.9 million excluding costs, representing a weighted average yield of 5.2%.

- **Disposals:** During the year HPI disposed of assets for an aggregate selling price of \$44.8 million (ex. costs) representing a weighted average yield of 4.7%, including the:
 - Acacia Ridge Hotel - \$25.0 million, ex. costs (4.4% passing yield)
 - Royal Hotel - \$3.8 million, ex. costs (7.1% passing yield); and,
 - Lord Stanley Hotel - \$16.0 million, ex. costs (4.6% passing yield).

The Lord Stanley Hotel settled on 8 August 2022 and the settlement of the Royal Hotel is expected in August 2022.

- **Loan facilities:** During the year HPI modified and extended the debt facilities:
 - 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; and
 - In December 2021, HPI increased the Common Terms Deed debt facilities from \$120 million to \$220 million.

As at 30 June 2022 the weighted average debt tenor is 4.1 years, the average cost of debt is 4.14% and 45.0% of drawn debt is at fixed rates.

2. **Profit after tax and Distributable Earnings**

Profit after Tax for the year ended 30 June was \$211.4 million. Operating revenues and expenses included rental income from investment properties of \$66.4 million, property cost recoveries of \$7.6 million, property outgoing costs of \$11.2 million, management fees and other trust costs of \$5.4 million, and financing costs of \$17.2 million. The fair value gain on investment property was \$171.3 million.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of HPI was \$39.6 million. Adjusting further for maintenance capex of \$0.4 million the Adjusted Funds from Operations (AFFO) was \$39.2 million.

3. **Key Metrics as at 30 June 2022**

- **Statutory Profit:** \$211.4 million
- **Fair value gain:** \$171.3 million
- **Investment Property Value:** \$1,296.2 million (including held for sale assets)
- **Average cap rate:** 5.2%
- **Cash on Hand:** \$0.8 million
- **Loans Drawn:** \$467.0 million
- **Undrawn debt facilities:** \$63.0 million
- **Fixed rate debt:** \$210.0 million (45.0% of drawn debt)

- **Weighted average duration of fixed rate debt:** 5.5 years
- **Weighted average debt expiry:** 4.1 years
- **Gearing:** 35.7% (Drawn Debt minus cash)/(Total Assets minus Cash)
- **Weighted Average Lease Expiry:** 10.3 years
- **Average Option Period:** 20.0 years
- **Occupancy:** Hotels 100% leased
- **Net Assets per Security:** \$4.19

4. Distribution Guidance for FY23

HPI provides a distribution guidance range of 18.0 – 18.4 cents per security for FY23 which assumes an average floating base rate during FY23 ranging from 2.7% to 3.4%.

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

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