



H1 FY23 RESULTS BRIEFING

31 December 2022



Investment thesis and value proposition

▶ **HPI's portfolio is unique, difficult to replicate and has long term strategic value:**

- Only pure-play pub portfolio listed on the ASX
- Meaningful scale with secure, growing rental revenue and attractive lease terms
- Operating business¹ reverts to landlord at lease expiry, providing protection and strategic value upside

▶ **Disciplined, aligned and active internal management structure has added value:**

- Asset sales at strong prices to enhance quality
- Investment in existing portfolio and acquisitions
- Long-term, attractively priced fixed rate USPP debt
- Productive partnership with AVC² provides growth optionality

▶ **Pubs remain an attractive and enduring asset class amid broader sector volatility and disruption:**

- Record transaction value in 2022, continuing into 2023

▶ **HPI portfolio has strong investment fundamentals:**

- 10.3 year WALE with an average option period of an additional 19.9 years (effective ~30 year WALE)
- Inflation captured in rents – 71.2% of leases by income reference CPI³
- Long dated, attractively priced fixed debt (weighted average fixed rate debt tenor of 5.0 years, 47% of debt is fixed)

▶ **Strong tenant covenants across the portfolio:**

- 39 properties leased to QVC⁴, 15 properties leased to AVC² and 5 properties leased to other experienced operators

¹ Under the majority of leases, liquor and gaming licenses revert to the landlord

² Australian Venue Company

³ The rent review for the majority of the portfolio is the lower of 2 x times CPI or 4%

⁴ Queensland Venue Company (QVC). QVC is a joint venture between Coles Limited and Australian Venue Company

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Bribie Island
HOTEL

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H1 FY23 highlights

H1 FY23 – Portfolio management

Non-core asset sales

- ▶ Settled the sales of the Lord Stanley Hotel¹ for \$16.0 million² (1.3% premium to book value) and the Royal Hotel¹ for \$3.8 million² (in line with book value)
- ▶ Sold the Barron River Hotel for \$6.2 million² (9.2% premium to book value), representing a yield of 4.99%



Refurbishment program

- ▶ Targeted \$6.8 million refurbishment package across eight properties
- ▶ Funds provided to AVC in December 2022 and immediately rentalised at 7.5%
- ▶ Typical 30% increase in pub business turnover post refurbishment providing a step change in productivity
- ▶ Improved asset quality supports valuations

¹ Contracted prior to 30 June 2022

² Before costs

H1 FY23 key metrics



Financial performance

Revenue from investment properties

- \$35.3m rental revenue from investment properties
- Up 11.9% on prior corresponding period (pcp)

Adjusted Funds from Operations

- 9.8c per security
- Down 1.5% on pcp, with strong rental growth offset by higher interest rates

Distributions per Security

- 9.2c per security
- On track to deliver the top end of FY23 guidance

Net asset value per Security

- \$4.06 as at 31 December 2022
- Down 3.3% from 30 June 2022



H1 FY23 key metrics



Investment properties	
Sales and investments	Portfolio property statistics
<ul style="list-style-type: none"> Sale of the Barron River Hotel for \$6.2m (9.2% premium to book value, equivalent to a 4.99% yield) Investment in \$6.8m income producing capex program at a 7.5% yield 	<ul style="list-style-type: none"> 59 properties valued at \$1.2b Weighted average capitalisation rate of 5.33% (June 2022: 5.21%) 71.2% of leases by income reference CPI Weighted average lease expiry (all leases) – 10.3 years Hotel occupancy – 100% 54 properties leased to QVC/AVC



H1 FY23 key metrics



Capital management

Distribution reinvestment plan	Debt as at Dec 2022
<ul style="list-style-type: none"> Suspended for Dec 2022 distribution 12.8% participation for Jun 2022 distribution 	<ul style="list-style-type: none"> \$449.1m¹ drawn 35.3%² gearing (lower end of target range) Weighted average cost of all debt – 5.12% Weighted average cost of fixed rate debt – 4.68% Weighted average fixed rate debt tenor – 5.0 years Proportion of fixed rate debt – 46.77%



¹ Excluding guarantee facility

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

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ESG

ESG



- ▶ We released our first sustainability report in October 2022.
- ▶ We are working with our key stakeholders and are currently exploring how we can make a difference, given the limitations within the confines of the existing leases.
- ▶ Our work has identified several assets where installation of solar systems is viable
- ▶ We continue to install Thermoshield®, a protective roof coating that improves thermal efficiency and reduces energy use, across our portfolio





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H1 FY23 financial results

H1 FY23 financial results – statutory profit

	H1 FY23 \$m	H1 FY22 \$m
Rental income	35.3	31.5
Other property income	4.7	3.9
Net rental income	40.0	35.4
Property outgoings	(6.6)	(5.4)
Management and trust expenses	(2.3)	(2.8)
Operating profit	31.1	27.2
Fair value (loss) / gain on investment property	(27.1)	100.7
Earnings before interest and tax	3.9	127.9
Finance expenses	(11.8)	(7.8)
Net (loss) / profit before tax	(7.9)	120.1
Income tax expense	-	-
Net profit after tax	(7.9)	120.1
Earnings per Security (cents)	(4.09)	65.2

Rental income - \$35.3m – up 11.9% on pcp due to impact of prior year acquisitions and average annual rent increases of 3.7%

Operating profit - \$31.1m – up 14.3% on pcp



H1 FY23 financial results – distributions per security

	H1 FY23 \$m	H1 FY22 \$m
Net profit after tax	(7.9)	120.1
Adjusted for:		
Straight line lease adjustment	(0.6)	(0.6)
Net property fair value loss /(gain)	27.1	(100.7)
Maintenance Capex	(0.1)	(0.3)
Other adjustments	0.4	0.7
Adjusted Funds From Operations	18.9	19.2
Capital adjustment	(1.0)	0.4
Distributions	17.9	19.6
AFFO distribution per Security (cents)	9.8	10.0
Capital adjustment per Security (cents)	(0.6)	0.2
Total distribution per Security (cents)	9.2	10.2

AFFO - \$18.9m – down 1.5% on pcp

Distributions - \$17.9m – at guidance

Distributions per security – 9.2 cents – down 9.8% on pcp

Distributions - on track for 18.4 cents for the full year



H1 FY23 financial results – balance sheet

	Dec 22 \$m	Jun 22 \$m
Cash and cash equivalents	1.0	0.8
Receivables	0.6	1.1
Investment properties (inc. held for sale)	1,254.2	1,296.2
Other assets	10.7	7.1
Total assets	1,266.5	1,305.3
Creditors and payables	14.4	10.4
Provisions	17.9	19.9
Loans and borrowings	449.1	467.0
Capitalised borrowing costs	(2.4)	(2.8)
Other liabilities	0.7	0.8
Total liabilities	479.7	495.3
Net assets	786.8	810.0
Net asset value per Security	\$4.06	\$4.19
Gearing¹	35.3%	35.7%

INVESTMENT PROPERTIES

59 properties – down from 62 due to disposals
Valued at \$1,254.2m – down 3.2% from pcp due to disposals and fair value adjustments

LOANS AND BORROWINGS

Drawn debt \$449.1m – down 3.8% from pcp
Gearing¹ 35.3% – remains at the lower end of the target range of 35% – 45%

Net tangible assets per security - \$4.06 – down 3.3% from June 2022

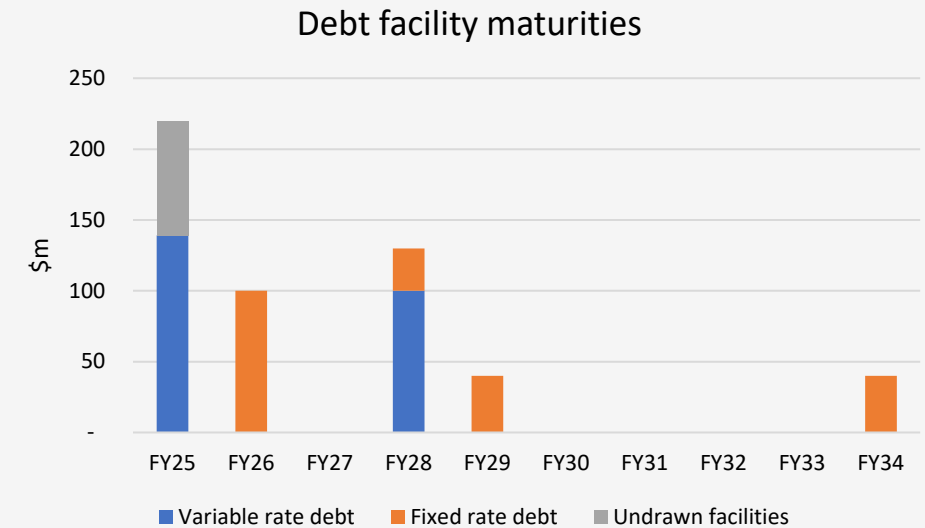
Debt facility summary

	USPP Note A	USPP Note B	USPP Note C	USPP Note D	USPP Note E	CTD Facility A	CTD Facility B	Total
Total facility	\$100m	\$30m	\$100m	\$40m	\$40m	\$120m	\$100m	\$530m
Amount drawn	\$100m	\$30m	\$100m	\$40m	\$40m	\$39.1m	\$100m	\$449.1m
Available debt	-	-	-	-	-	\$80.9m	-	\$80.9m
Maturity date	August 2025	August 2027	August 2027	August 2028	August 2033	August 2024	December 2024	3.6 years
Interest basis	Fixed	Fixed	Floating	Fixed	Fixed	Floating	Floating	46.8% ¹ fixed

Covenants	Covenant	Dec 22	Headroom
Gearing ²	60%	36.8%	23.2%
Interest cover ratio	1.5 times	3.0 times	1.5 times
Tangible assets	\$500m	\$1,269.2m	\$769.2m

Weighted average duration of fixed rate debt - 5.0 years

Weighted average fixed rate debt cost - 4.68%



¹ Of drawn debt as at 31 December 2022

² (Interest bearing liabilities + provision for distribution) / Total assets

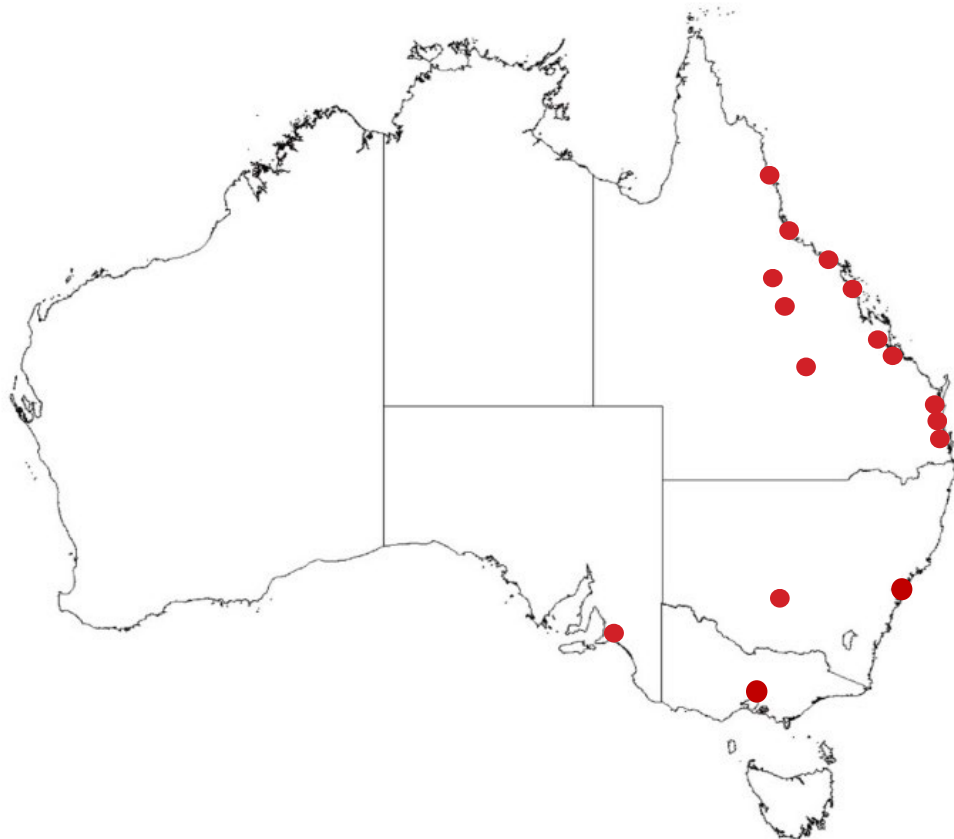


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Property portfolio

HPI's property portfolio



Queensland

Cairns
Dunwoody's Tavern
Empire Altercade & Events
Grafton Hotel
Palm Cove
Trinity Beach

Townsville
Hotel Allen
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
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
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
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
The Unley Hotel
The Mile End Hotel

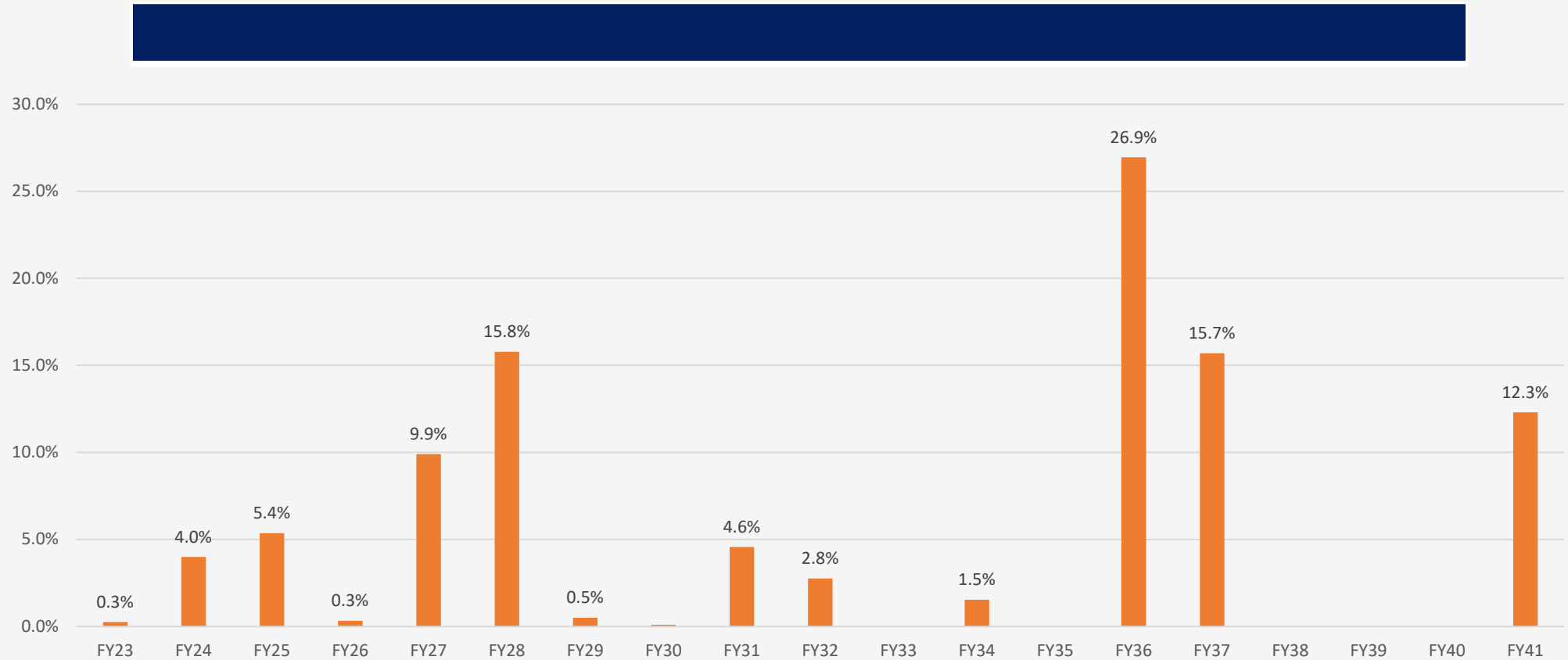
Avenues Café Bar
The West End Tavern
Mick O'Shea's Hotel
The Duck Inn
Victoria Hotel

Key portfolio metrics

	Dec 22	Jun 22
Investment properties		
Investment property value	\$1,254.2m	\$1,296.2m
Number of properties	59	62
Number of properties externally valued or reviewed as at reporting date	47	28
Weighted average capitalisation rate	5.33%	5.21%
Weighted average lease expiry (all leases)	10.3 years	10.3 years
Average hotel option period	19.9 years	20.0 years
Hotel occupancy	100%	100%

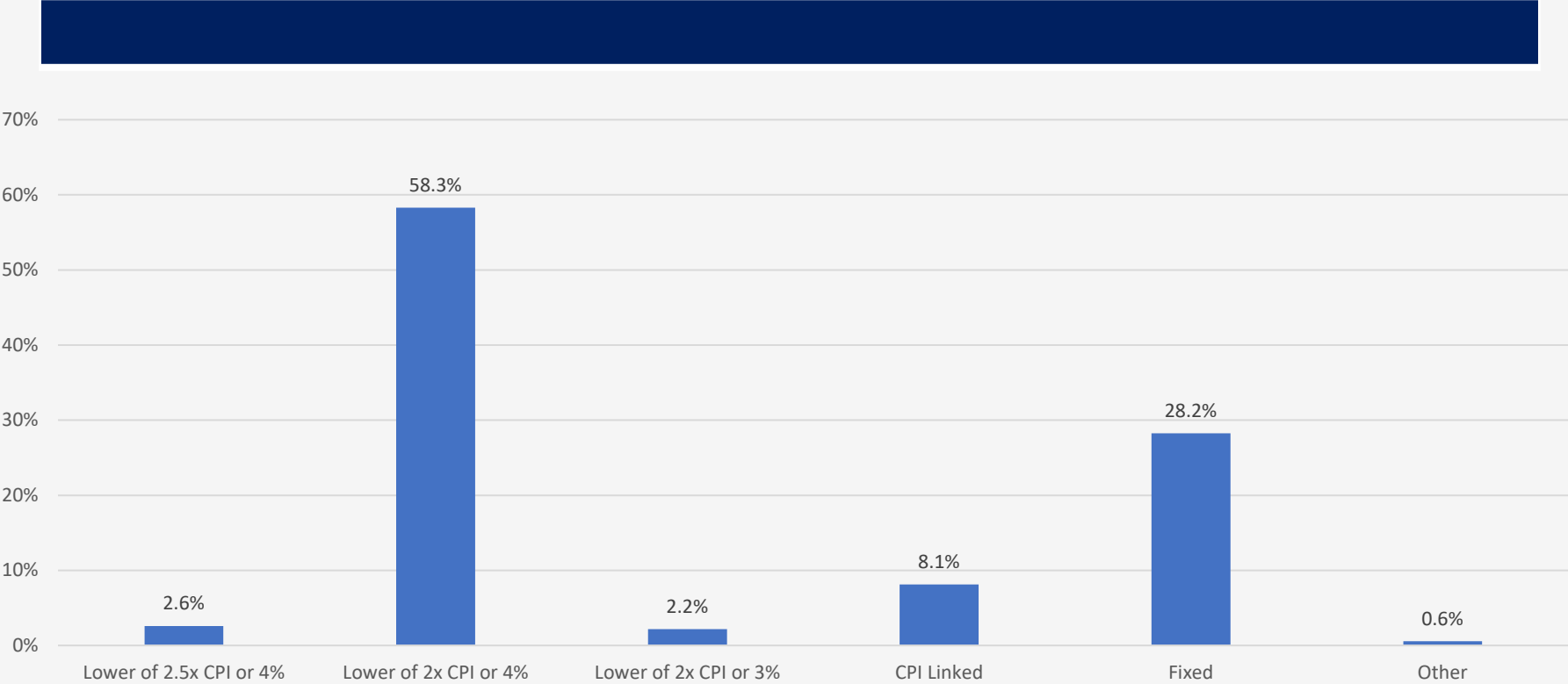


Lease expiry profile by income



Weighted average lease expiry – 10.3 years

Lease rent review mechanisms by income



Total linked to CPI – 71.2%
Weighted average fixed increases – 3.0%



The image shows the exterior of the Bribie Island Hotel at dusk. The building has a modern, light-colored facade with a prominent sign that reads "Bribie Island HOTEL". The sign is illuminated, and the word "HOTEL" is in a smaller font below "Bribie Island". The entrance area is visible, featuring large glass windows and a white pillar. The sky is overcast, and the overall atmosphere is calm and professional.

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Pub refurbishments

Pub refurbishments – FY20 Capex Program Update

- ▶ Total program - \$30m
- ▶ \$25.1m invested to 31 December 2022
- ▶ 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
 - Bribie Island
 - Coomera Lodge
 - Boomerang Hotel
- ▶ Significant projects planned/underway¹
 - Leichhardt Hotel
 - Everton Park 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

¹ Subject to change

Pub refurbishments – FY23 Capex Program

- ▶ Total program - \$6.8m
- ▶ Funds provided to QVC in December 2022, rentalised immediately at 7.5%
- ▶ Hotels included in program
 - Brighton Metro Hotel
 - Crown Hotel
 - Beenleigh Tavern
 - Coomera Lodge
 - Boomerang Hotel
 - Bribie Island
 - Dunwoody's Tavern
 - Waterloo Station Hotel



The image shows the exterior of the Bribie Island Hotel at dusk. The building has a modern, light-colored facade with a prominent sign that reads "Bribie Island HOTEL". The sign is illuminated, and the word "HOTEL" is in a smaller font below "Bribie Island". The entrance area is visible, with large glass windows and doors. Inside, a Christmas tree is visible, suggesting the photo was taken during the holiday season. The sky is overcast, and the overall lighting is soft and warm.

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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 pub market continues to provide opportunities to enhance our portfolio



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