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**Hotel Property Investments (ASX Code: HPI)**  
**Financial results for the year ending 30 June 2023**

ABN 25 010 330 515

Hotel Property Investments (HPI) today lodged its FY23 annual financial report which shows a statutory after tax profit of \$3.6 million and has declared a final distribution of 9.4 cents per stapled security for the six months ending 30 June 2023.

**1. Highlights**

**Revenue:** Rent from investment properties is up 6.8% to \$70.9 million (2022: \$66.4 million), representing the full effect of prior acquisitions, rentalised investments in the existing portfolio and an annual average rent increase of 3.6% across the pub portfolio for consistently held assets.

**Adjusted Funds From Operations (AFFO):** AFFO decreased by 7.9% to \$36.1 million (2022: \$39.2 million), primarily due to increased variable interest rates.

**Distributions:** The final distribution per security for the six months ended 30 June 2023 is 9.4 cents (2022: 10.3 cents), for a total distribution of 18.6 cents for the year (2022: 20.5 cents, including 0.2 cents from capital).

**Property Valuation and Cap Rates:** Portfolio valued at \$1,253.5 million (inclusive of available for sale assets) reflecting an average Cap Rate of 5.42%. (June 2022: 5.21%). 23 of the 60 investment properties have been externally valued or reviewed at 30 June 2023, 35 were also externally valued or reviewed at 31 December 2022, 1 is held for sale and 1 was recently acquired.

**Transactions:** During the period HPI:

- sold the Barron River Hotel, Cairns QLD, on a passing yield of 4.99% and reinvested the proceeds into capital works on existing assets at 7.5%;
- acquired the Cornerstone Ale House for \$4 million, representing a 7% initial yield; and
- contracted to acquire The Strand Hotel for \$9.3 million, representing a 6.2% initial yield. Settlement is contingent on finalisation of certain property works.

**Debt facilities and interest rates:** HPI refinanced a partially drawn \$120 million bank debt facility that was due to mature in August 2024 with a \$105 million facility with two Australian banks that expires in May 2026.

During the year HPI entered into a callable base rate swap to fix an increased portion of its borrowing costs. The swap has the following features:

- Face value: A\$100 million
- Fixed rate: 2.98% (plus any facility margin)
- Term: 5 years starting from May 2023. At any time after the second anniversary date the swap may be called by the bank at its discretion.

As at 30 June 2023 the instrument has a positive fair value of \$2.4 million.

HPI is well positioned with a mix of debt facilities:

- weighted average fixed rate debt term – 3.6 years
- weighted average cost of fixed rate debt – 4.89%
- proportion of debt fixed – 67.8%
- weighted average debt tenor - 3.5 years
- weighted average cost of drawn debt - 5.45%

## 2. Profit after tax and Distributable Earnings

The Profit after Tax for the year ended 30 June 2023 was \$3.6 million. Included in the result is a fair value loss on investment properties of \$36.0 million, rental income from investment properties of \$70.9 million, property cost recoveries of \$8.9 million, property outgoing costs of \$12.6 million, management fees and other trust costs of \$4.9 million, financing costs of \$25.1 million and a fair value gain on hedging instrument of \$2.4 million.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of HPI was \$37.1 million. Adjusting further for maintenance capex of \$1.0 million the Adjusted Funds from Operations (AFFO) was \$36.1 million.

## 3. Key Metrics

- **Statutory profit:** \$3.6 million
- **Investment property fair value loss:** \$36.0 million
- **Hedging instrument fair value gain:** \$2.4 million
- **Investment Property Value:** \$1,253.5 million (inclusive of available for sale assets)
- **Average cap rate:** 5.42%
- **Cash on Hand:** \$1.0 million
- **Loans Drawn:** \$457.2 million
- **Undrawn debt facilities:** \$57.8 million
- **Weighted average debt expiry:** 3.5 years
- **Gearing:** 36.1% (Drawn Debt minus cash)/(Total Assets minus Cash)
- **WALE:** 10.0 years
- **Average Hotel Option Period:** 19.9 years
- **Occupancy:** Hotels 100% leased
- **Net Assets per Security:** \$4.02

## 4. Distribution Guidance for FY24

HPI provides distribution guidance of 19.0 cents per security for FY24.

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

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