



# RESULTS BRIEFING

For the year ended  
30 June 2023

# Investment thesis

▶ **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 business<sup>1</sup> 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 AVC<sup>2</sup> provides growth optionality

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

- Comparatively low capitalisation rate volatility
- Highly sought after assets
- Significant barriers to entry for new venues

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

- 10.0 year WALE with an average option period of an additional 19.9 years (effective ~30 year WALE)
- 68% of debt is fixed with rolling maturities out to August 2033

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

- 39 properties leased to QVC<sup>3</sup>, 15 properties leased to AVC<sup>2</sup> and 6 properties leased to other experienced operators

<sup>1</sup> Under the majority of leases, liquor and gaming licenses revert to the landlord

<sup>2</sup> Australian Venue Company

<sup>3</sup> Queensland Venue Company (QVC). QVC is a joint venture between Coles Limited and Australian Venue Company

# Contents

- ▶ FY23 highlights
- ▶ ESG
- ▶ FY23 financial results
- ▶ Property portfolio
- ▶ Pub refurbishments
- ▶ Outlook





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**FY23 highlights**

# FY23 – Portfolio management



## Transactions

- ▶ Settled the sales of the Lord Stanley Hotel<sup>1</sup> for \$16.0 million<sup>2</sup> (1.3% premium to book value), the Royal Hotel<sup>1</sup> for \$3.8 million<sup>2</sup> (in line with book value) and the Barron River Hotel for \$6.2 million<sup>2</sup> (9.2% premium to book value)
- ▶ Acquired the Cornerstone Ale House for \$4.0 million<sup>2</sup> at a yield of 7.0%

<sup>1</sup> Contracted prior to 30 June 2022

<sup>2</sup> Before costs



## Refurbishment program

- ▶ Targeted \$6.8 million refurbishment package across eight properties
- ▶ Funds provided to AVC in December 2022 and immediately rentalised at 7.5%
- ▶ Improved asset quality supports valuations
- ▶ A further \$4.6 million is committed under the FY20 Capex program
- ▶ We continue to assess, with our key tenants, funding future refurbishments in return for a rentalised revenue stream

# FY23 key metrics



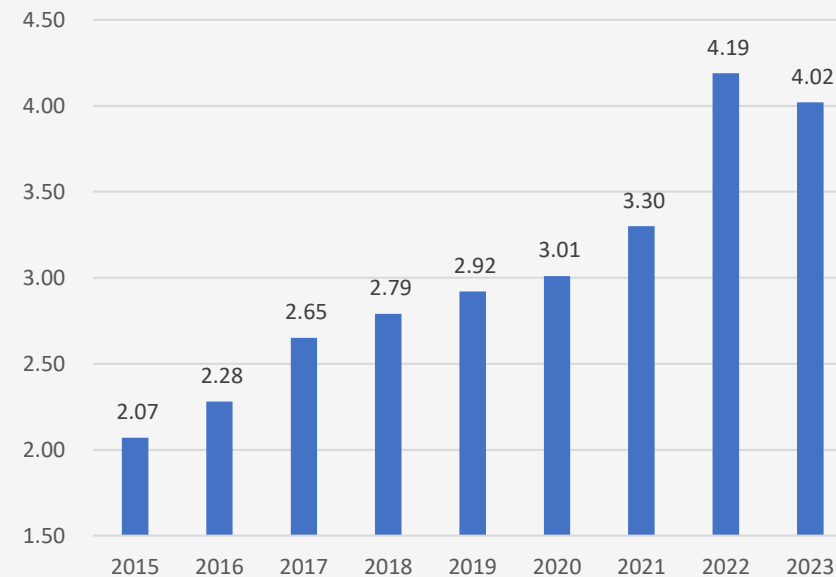
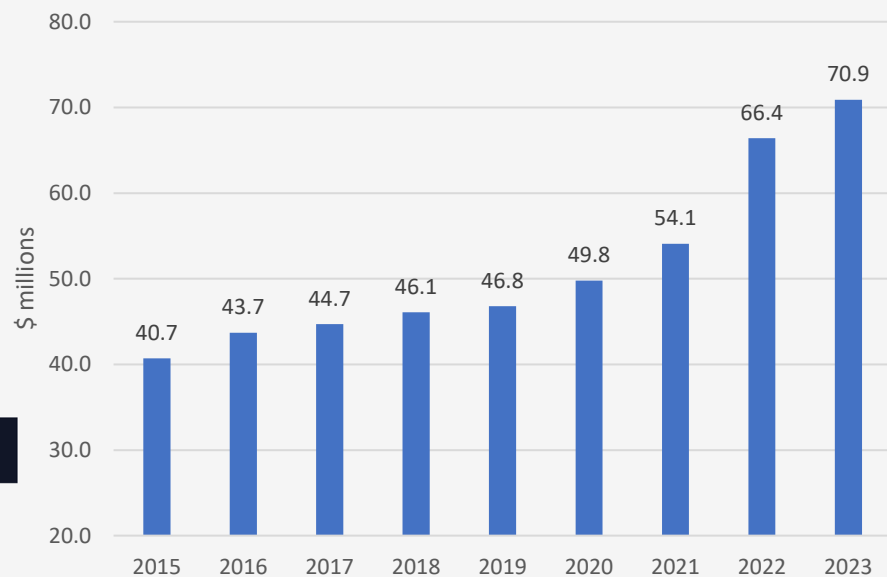
## Financial performance

### Revenue from investment properties

- \$70.9m rental revenue from investment properties
- Up 6.8% on prior year

### Net asset value per Security

- \$4.02
- Down 4.0% on prior year



# FY23 key metrics



## Financial performance

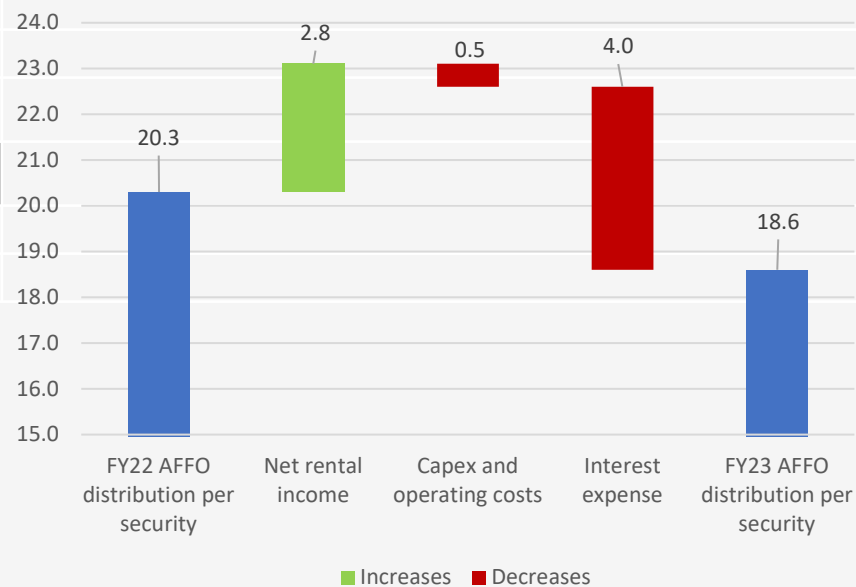
### Adjusted Funds from Operations

- 18.6c per security
- Down 8.4% on prior year, with rental growth offset by higher interest rates

### Distributions per Security

- 18.6c per security
- 0.2c above top end of FY23 guidance

### AFFO distribution per security from FY22 to FY23



# FY23 key metrics



Investment properties	
Sales and investments	Portfolio property statistics
<ul style="list-style-type: none"> <li>Sale of the Barron River Hotel for \$6.2m<sup>1</sup> (9.2% premium to book value, equivalent to a 4.99% yield)</li> </ul>	<ul style="list-style-type: none"> <li>60 properties valued at \$1.25b</li> </ul>
<ul style="list-style-type: none"> <li>Investment in \$6.8m income producing capex program at a 7.5% yield</li> </ul>	<ul style="list-style-type: none"> <li>Weighted average capitalisation rate of 5.42% (June 2022: 5.21%)</li> </ul>
<ul style="list-style-type: none"> <li>Acquisition of the Cornerstone Ale House for \$4.0m<sup>1</sup> on a 7.0% yield</li> </ul>	<ul style="list-style-type: none"> <li>FY23 fair value loss - \$36.0m or 2.8%</li> </ul>
	<ul style="list-style-type: none"> <li>Weighted average lease expiry (all leases) – 10.0 years</li> </ul>
	<ul style="list-style-type: none"> <li>Weighted average hotel option period – 19.9 years</li> </ul>
	<ul style="list-style-type: none"> <li>Hotel occupancy – 100%</li> </ul>
	<ul style="list-style-type: none"> <li>54 properties leased to QVC/AVC</li> </ul>
	<ul style="list-style-type: none"> <li>Under the majority of leases, liquor and gaming licenses revert to the landlord</li> </ul>



<sup>1</sup> Excluding costs



# FY23 key metrics



Capital management	
Distribution reinvestment plan	Debt as at June 2023
<ul style="list-style-type: none"> <li>Distribution reinvestment plan reinstated for June 2023 distribution</li> <li>14.6% participation for June 2023 distribution</li> </ul>	<ul style="list-style-type: none"> <li>\$457.2m<sup>1</sup> drawn</li> <li>36.1%<sup>2</sup> gearing (lower end of target range)</li> <li>Weighted average cost of all debt – 5.45%</li> <li>Weighted average cost of fixed rate debt – 4.89%</li> <li>Weighted average fixed rate debt tenor – 3.6 years</li> <li>Proportion of fixed rate debt – 67.8%</li> </ul>



<sup>1</sup> Excluding guarantee facility

<sup>2</sup> (Drawn loans minus cash) / (Total assets minus cash)

# Bribie Island

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ESG

# ESG



- ▶ We released our first sustainability report in October 2022 and plan to release our updated report in October 2023.
- ▶ We are encouraging, and to the extent permitted given the limitations of our lease arrangements, working with key stakeholders to improve our portfolio with ESG initiatives.
- ▶ 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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**FY23 financial results**

# FY23 financial results – statutory profit

	FY23 \$m	FY22 \$m
Rental income	70.9	66.4
Other property income	8.9	7.6
<b>Net rental income</b>	<b>79.8</b>	<b>74.0</b>
Finance income	0.1	-
Property outgoings	(12.6)	(11.2)
Management and trust expenses	(4.9)	(5.4)
<b>Operating profit</b>	<b>62.4</b>	<b>57.4</b>
Fair value (loss) / gain on investment property	(36.0)	171.3
<b>Profit from operating activities</b>	<b>26.4</b>	<b>228.7</b>
Fair value gain on hedging instrument	2.4	-
Finance expenses	(25.1)	(17.2)
<b>Net profit before tax</b>	<b>3.7</b>	<b>211.5</b>
Income tax expense	(0.1)	(0.1)
<b>Net profit after tax</b>	<b>3.6</b>	<b>211.4</b>
<b>Earnings per Security (cents)</b>	<b>1.9</b>	<b>112.2</b>

Rental income - \$70.9m – up 6.8% on prior year due to impact of prior year acquisitions, refurbishment program and weighted average annual rent increases of 3.6%

Operating profit - \$62.4m – up 8.7% on prior year

Finance expenses - \$25.1m – up 45.9% on prior year due to higher variable interest rates



## FY23 financial results – distributions per security

	FY23 \$m	FY22 \$m
<b>Net profit after tax</b>	<b>3.6</b>	<b>211.4</b>
<b>Adjusted for:</b>		
Straight line lease adjustment	(1.3)	(1.7)
Net property fair value loss /(gain)	36.0	(171.3)
Fair value gain on hedging instrument	(2.4)	-
Maintenance Capex	(1.0)	(0.4)
Other adjustments	1.2	1.2
<b>Adjusted Funds From Operations</b>	<b>36.1</b>	<b>39.2</b>
Capital adjustment	-	0.4
<b>Distributions</b>	<b>36.1</b>	<b>39.6</b>
AFFO distribution per Security (cents)	18.6	20.3
Capital adjustment per Security (cents)	-	0.2
<b>Total distribution per Security (cents)</b>	<b>18.6</b>	<b>20.5</b>

AFFO - \$36.1m – reduced by 7.9% on prior year

Distributions - \$36.1m – \$0.4m above guidance

Distributions per security – 18.6 cents – reduced by 9.3% on prior year. 0.2 cents above guidance



## FY23 financial results – balance sheet

	Jun 23 \$m	Jun 22 \$m
Cash and cash equivalents	1.0	0.8
Receivables	1.6	1.1
Investment properties (inc. held for sale)	1,253.5	1,296.2
Other assets	9.6	7.1
<b>Total assets</b>	<b>1,265.7</b>	<b>1,305.3</b>
Creditors and payables	11.8	10.4
Provisions	18.2	19.9
Loans and borrowings	457.2	467.0
Capitalised borrowing costs	(2.2)	(2.8)
Other liabilities	0.5	0.8
<b>Total liabilities</b>	<b>485.5</b>	<b>495.3</b>
<b>Net assets</b>	<b>780.2</b>	<b>810.0</b>
<b>Net asset value per Security</b>	<b>\$4.02</b>	<b>\$4.19</b>
<b>Gearing<sup>1</sup></b>	<b>36.1%</b>	<b>35.7%</b>

### INVESTMENT PROPERTIES

60 properties – reduced from 62 due to net disposals

Valued at \$1,253.5m – reduced 3.3% from prior year due to disposals and fair value adjustments

### LOANS AND BORROWINGS

Drawn debt \$457.2m – reduced by 2.1% from prior year

Gearing<sup>1</sup> 36.1% – remains at the lower end of the target range of 35% – 45%

Net tangible assets per security - \$4.02 – reduced by 4.1% from prior year

# Debt facility summary

	USPP Note A	USPP Note B	USPP Note C	USPP Note D	USPP Note E	CTD Facility A	CTD Facility B	CTD Facility C	Total <sup>1</sup>
Total facility	\$100m	\$30m	\$100m	\$40m	\$40m	\$60m	\$45m	\$100m	\$515m
Amount drawn	\$100m	\$30m	\$100m	\$40m	\$40m	\$39.9m	\$7.3m	\$100m	\$457.2m
Available debt	-	-	-	-	-	\$20.1m	\$37.7m	-	\$57.8m
Maturity date	August 2025	August 2027	August 2027	August 2028	August 2033	May 2026	May 2026	December 2024	3.5 years
Interest basis	Fixed	Fixed	Floating <sup>2</sup>	Fixed	Fixed	Floating	Floating	Floating	67.8% <sup>3</sup> fixed

Covenants	Covenant	Jun 23	Headroom
Gearing <sup>4</sup>	60%	37.6%	22.4%
Interest cover ratio	1.5 times	2.5 times	1.0 times
Tangible assets	\$500m	\$1,265.9m	\$765.9m

## Callable Interest Rate Swap

In May 2023, HPI has executed a Callable Interest Rate Swap with the following attributes:

- Fixed rate 2.98% against BBSW 3M
- 5 year term
- Callable by the Counterparty after 2 years
- Fair gain value of \$2.4m at 30 June 2023

Weighted average duration of fixed rate debt - 3.6 years

Weighted average fixed rate debt cost - 4.89%



<sup>1</sup> Excludes fully drawn \$5.6m bank guarantee facility

<sup>2</sup> Effectively swapped to fixed by callable interest rate swap

<sup>3</sup> Of drawn debt as at 30 June 2023, including impact of callable interest rate swap

<sup>4</sup> (Interest bearing liabilities + provision for distribution) / Total assets

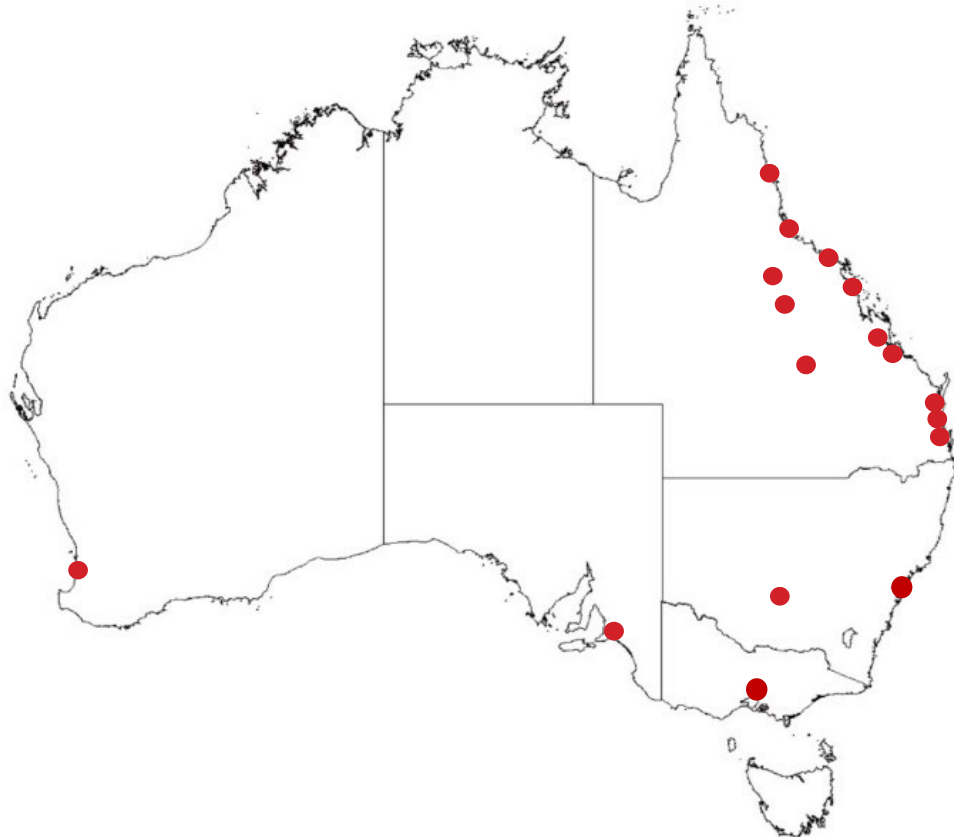


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Property portfolio

# 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



## Western Australia

Perth and suburbs  
Cornerstone Ale House

## 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

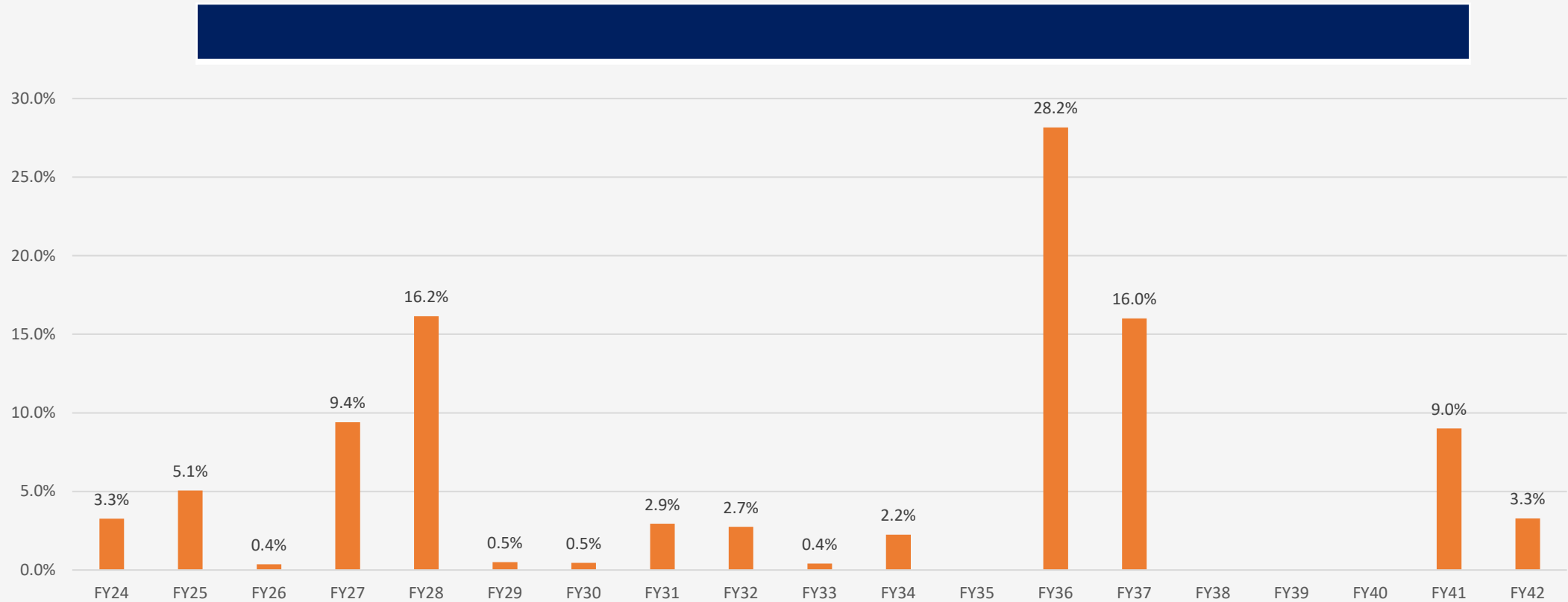
# Key portfolio metrics

	Jun 23	Jun 22
<b>Investment properties</b>		
Investment property value	\$1,253.5m	\$1,296.2m
Number of properties	60	62
Number of properties externally valued or reviewed as at reporting date	23 (all others reviewed Dec 22) <sup>1</sup>	28
Weighted average capitalisation rate	5.42%	5.21%
Weighted average lease expiry (all leases)	10.0 years	10.3 years
Average hotel option period	19.9 years	20.0 years
Hotel occupancy	100%	100%

<sup>1</sup> Excludes held for sale assets



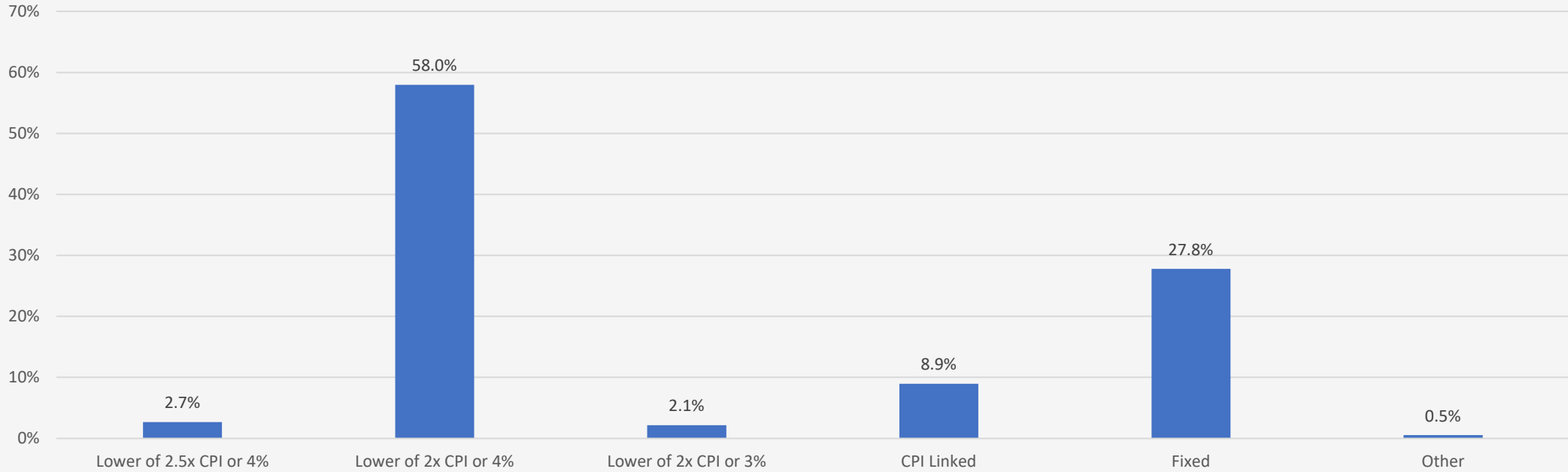
# Lease expiry<sup>1</sup> profile by income



Weighted average lease expiry – 10.0 years

<sup>1</sup> Assumes no options are exercised. The weighted average option period available is 19.9 years

# Lease rent review mechanisms by income



Portfolio weighted average rent reviews – 3.6%  
Fixed reviews weighted average increases – 3.0%



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**Pub refurbishments**



# Pub refurbishments – FY20 Capex Program Update

- ▶ Total program - \$30m
- ▶ \$25.4m invested to 30 June 2023
- ▶ Projects completed
  - Bonny View Hotel
  - Fitzzy'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/underway<sup>1</sup>
  - Leichhardt Hotel
  - Everton Park Hotel
- ▶ Refurbishments typically cover the whole of pub, including public bars, bistros and outdoor areas.

# 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







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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 ongoing mutually beneficial new opportunities and long-term outcomes for our AVC and QVC portfolio
- ▶ 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
- ▶ HPI provides distribution guidance of 19.0 cents per security for FY24.



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