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15 November 2023

**Hotel Property Investments Limited (ASX Code: HPI)  
Chairman's AGM address**

Ladies and Gentlemen,

My name is Giselle Collins and I am the Chairman of your Company and I will be Chair of the meetings.

I'd like to begin by acknowledging the Traditional Custodians of the land on which we meet today, the Wurundjeri Woi-wurrung and Bunurong Boon Wurrung Peoples of the Eastern Kulin Nation, and to pay my respects to their Elders past and present and to all those that respect and care for the lands and the seas of Australia.

**Introduction**

It has been a challenging twelve months for the Australian real estate investment trust (A-REIT) sector, with persistent and high inflation leading to an unprecedented increase in interest rates. This has had a significant impact on A-REIT security prices and earnings, and the Group has not been immune. We acknowledge the impact this has had on all securityholders.

Your Board and management team are focused on ensuring the variables within our control are optimised – this includes securing our balance sheet, maintaining appropriate hedging levels, strengthening relationships with our key tenants, controlling corporate costs and continually evaluating strategic and value accretive opportunities that meet our investment criteria.

Notwithstanding current market volatility, I would like to reiterate that the fundamentals of the Group's property portfolio remain robust. The Group owns a unique and highly strategic portfolio of land rich properties in a sector that has proven its resilience through many cycles. Our tenants are sophisticated operators and provide secure, growing rental income for the Group. We are confident that HPI's market position and relationships with key operators will provide the Group with attractive growth opportunities as market conditions improve.

We have received a question prior to the AGM on growth and I hope the information provided during the meeting answers that question.

I will now provide an overview of the FY23 financial year. The key highlights for the year include:

- Distributions totalling 18.6 cents per security, 0.2 cents per security above initial guidance;
- Acquisition of our first investment property in Western Australia, the Cornerstone Ale House;

- Contracted to acquire the Strand Hotel in Yeppoon;
- Funded an additional \$6.8 million capex program with our primary tenant across eight properties;
- Settled the sales of the Lord Stanley Hotel and the Royal Hotel;
- Sold the Barron River Hotel;
- Actively managed our debt facilities by refinancing \$105 million of bank debt maturities for a further three years. In addition, we hedged an additional \$100 million of variable rate debt with a callable swap. At 30 June 2023, 68% of drawn debt is at fixed rates.

## **Financial Results**

The Group returned a net profit of \$3.6 million for 2023.

Increasing interest rates have negatively affected our performance this year resulting in net financing costs increasing by 45% from \$17.2 million in 2022 to \$25.0 million in 2023. Valuations were also impacted by interest rates, resulting in net property valuation losses incurred of \$36.0 million for the year.

Rental income totalling \$70.9 million increased by 6.8%, due to rent reviews and the impact of acquisitions. Net property expenses were \$3.7 million compared with \$3.6 million in 2022 and total trust and management expenses decreased by \$0.5 million to \$4.9 million.

At 30 June 2023 the Group's net assets were \$780.2 million representing net assets per security of \$4.02 compared to \$4.19 for the prior year.

## **Acquisitions**

HPI was less acquisitive this year due to the prevailing market conditions. Albeit, we are continuing to actively manage the portfolio and contracted to acquire two assets including the Cornerstone Ale House in Western Australia, and the Strand Hotel in Queensland.

## **Divestments**

During the year, HPI completed the sale of three properties for an aggregate selling price of \$26.0 million, including the Lord Stanley Hotel in East Brisbane, the Royal Hotel in Townsville and the Barron River Hotel in Cairns.

## **Decrease in fair value of the investment property portfolio**

The challenging market environment and rising interest rates resulted in a general softening of capitalisation rates during Financial Year 2023.

Our weighted average capitalisation rate increased from 5.21% in 2022 to 5.42% at June 2023. The net fair value loss for the period was \$36.0 million.

## **Distributions**

For the year ended 30 June 2023 the Group paid an interim distribution of 9.2 cents and a final distribution of 9.4 cents for a total of 18.6 cents per security, a decrease of 9.2% on 2022 due to the impact of rising interest rates.

## **Refurbishments**

We have been active with our tenants to refurbish existing assets, with 6 completed during the year at Grand Junction, Sundowner Hotel, Club Gladstone, Waterloo Station Hotel, Coomera Lodge Hotel and Cleveland Sands Hotel.

## **Business strategies and FY24 to date**

The Group has been actively monitoring the pub market and is focused on continuing to enhance the portfolio through both acquisitions and divestments. Market conditions are challenging and opportunities to acquire assets that are accretive to distributions are limited.

HPI will continue to pursue acquisition opportunities but only when they meet our key investment criteria, namely that target properties be in good condition, in key regional or metropolitan locations with potential for long term growth and leased to experienced tenants on favourable lease terms.

The Group will continue to build on the strong relationship with our principal tenant and highly regarded pub operator QVC to identify opportunities that lead to mutually beneficial outcomes.

Our guidance for the FY24 distribution is 19.0 cents per security, barring any unforeseen events and no material change in market conditions, representing a 2.2% increase over FY23.

Thank you, I will now move to the Formal Business of today's Meeting.

Giselle Collins  
*Hotel Property Investments Limited Chairman*

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

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