HPI

H1 FY24 RESULTS BRIEFING

For the period ending 31 December 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[1] reverts to landlord at lease expiry, providing protection and strategic value upside
- **Disciplined, aligned and active internal management structure has added value:**
  - Investment in existing portfolio and acquisitions
  - Long-term, attractively priced fixed rate USPP debt and interest rate swap
  - Productive partnership with AVC[2] 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:**
  - 9.5 year WALE with an average option period of an additional 19.9 years (effective ~30 year WALE)
  - 66% of debt is fixed with rolling maturities out to August 2033
- **Strong tenant covenants across the portfolio:**
  - 39 properties leased to QVC[3], 16 properties leased to AVC[2] and 6 properties leased to other experienced operators

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[1] Under the majority of leases, liquor and gaming licenses revert to the landlord
[2] Australian Venue Company

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

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- H1 FY24 highlights
- H1 FY24 financial results
- Property portfolio
- Pub refurbishments
- Outlook


Cleveland Sands Hotel
Cleveland QLD

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H1 FY24 highlights

Portfolio management

Transactions

- Settled the acquisition of the Strand Hotel In Yeppoon, Queensland for $9.3 million, representing a yield of 6.2%

Refurbishment program

- Two major projects from the FY20 Capital Works program are to be completed at Leichhardt Hotel and Brighton Hotel
- The remaining commitment from the FY20 Capex program is $4.5 million
- We will continue to assess, with our key tenants, funding future refurbishments in return for a rentalised revenue stream

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H1 FY24 key metrics

Financial performance	
Revenue from investment properties	**Adjusted Funds from Operations**
➢ $36.5m rental revenue from investment properties	➢ 9.5c per security
➢ Up 3.4% on prior corresponding period (pcp)	➢ Down 2.1% on pcp, with rental growth offset by higher interest rates
Distributions per Security	**Net asset value per Security**
➢ 9.5c per security	➢ $3.97 as at 31 December 2023
➢ Up 3.3% on pcp	➢ Down 1.2% from 30 June 2023
➢ On track to deliver FY24 guidance	

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H1 FY24 key metrics

Investment properties
Portfolio property statistics
➢ 61 properties valued at $1.26b
➢ Weighted average capitalisation rate of 5.47% (June 2023: 5.42%)
➢ Weighted average lease expiry (all leases) – 9.5 years
➢ Weighted average option periods – 19.9 years
➢ Hotel occupancy – 100%
➢ 55 properties leased to QVC/AVC

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H1 FY24 key metrics

Capital management	
Distribution reinvestment plan	**Debt as at Dec 2023**
➢ Suspended for Dec 2023 distribution	➢ $470.2m[1] drawn
	➢ 36.7%[2] gearing (lower end of target range)
	➢ Weighted average cost of all debt – 5.56%
	➢ Weighted average cost of fixed rate debt – 4.89%
	➢ Weighted average fixed rate debt tenor – 3.1 years
	➢ Proportion of fixed rate debt – 65.9%[3]

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[1] Excluding guarantee facility
[2] (Drawn loans minus cash) / (Total assets minus cash)
[3] Of debt drawn at 31 December 2023

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H1 FY24 financial results

H1 FY24 financial results – statutory profit

	H1 FY24 $m	H1 FY23 $m
Rental income	36.5	35.3
Other property income	4.7	4.7
Net rental income	**41.2**	**40.0**
Property outgoings	(6.8)	(6.6)
Management and trust expenses	(2.2)	(2.3)
Operating profit	**32.2**	**31.1**
Fair value loss on investment property	(8.1)	(27.1)
Fair value loss on derivative instrument	(1.0)	-
Earnings before interest and tax	**23.1**	**3.9**
Finance expenses	(13.6)	(11.8)
Net profit / (loss) before tax	**9.5**	**(7.9)**
Income tax expense	-	-
Net profit / (loss) after tax	**9.5**	**(7.9)**
Earnings per Security (cents)	**4.85**	**(4.09)**

Rental income - $36.5m – up 3.4% on pcp

Operating profit - $32.2m – up 3.5% on pcp

Finance expenses - $13.6m – up 15.2% on pcp due to higher variable interest rates

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H1 FY24 financial results – distributions per security

	H1 FY24 $m	H1 FY23 $m
Net profit / (loss) after tax	**9.5**	**(7.9)**
Adjusted for:		
Straight line lease adjustment	(0.6)	(0.6)
Fair value loss on investment property	8.1	27.1
Fair value loss on derivative instrument	1.0	-
Maintenance Capex	(0.3)	(0.1)
Other adjustments	0.8	0.4
Adjusted Funds From Operations	**18.5**	**18.9**
Capital adjustment	-	(1.0)
Distributions	**18.5**	**17.9**
AFFO distribution per Security (cents)	9.5	9.8
Capital adjustment per Security (cents)	-	(0.6)
Total distribution per Security (cents)	**9.5**	**9.2**

AFFO - $18.5m – down 2.1% on pcp

Distributions - $18.5m – at guidance

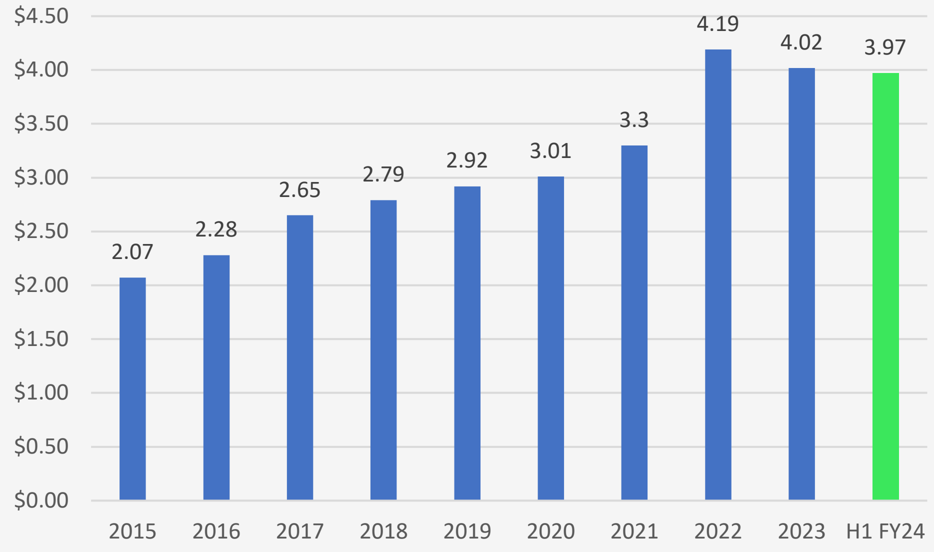
Distributions per security – 9.5 cents – up 3.3% on pcp

Distributions - on track for 19.0 cents for the full year (up 2.2% on pcp)

H1 FY24 financial results – balance sheet

	Dec 23 $m	Jun 23 $m
Cash and cash equivalents	2.1	1.0
Receivables	0.7	1.6
Investment properties (inc. held for sale)	1,263.9	1,253.5
Other assets	10.3	9.6
Total assets	**1,277.0**	**1,265.7**
Creditors and payables	16.5	11.8
Provisions	18.5	18.2
Loans and borrowings	470.2	457.2
Capitalised borrowing costs	(2.5)	(2.2)
Other liabilities	0.4	0.5
Total liabilities	**503.1**	**485.5**
Net assets	**773.9**	**780.2**
Net asset value per Security	**$3.97**	**$4.02**
Gearing[1]	**36.7%**	**36.1%**

Net asset value per security



[1] (Drawn Debt minus Cash)/(Total Assets minus Cash)

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H1 FY24 financial results – debt facilities 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[1]
Total facility	$100m	$30m	$100m	$40m	$40m	$60m	$45m	$100m	$515m
Amount drawn	$100m	$30m	$100m	$40m	$40m	$54.8m	$5.4m	$100m	$470.2m
Available debt	-	-	-	-	-	$5.2m	$39.6m	-	$44.8m
Maturity date	August 2025	August 2027	August 2027	August 2028	August 2033	May 2026	May 2026	December 2028	3.8 years
Interest basis	Fixed	Fixed	Floating[2]	Fixed	Fixed	Floating	Floating	Floating	65.9%[3] fixed

Covenants	Covenant	Dec 23	Headroom
Gearing[4]	60%	38.3%	22.7%
Interest cover ratio	1.5 times	2.4 times	1.1 times
Tangible assets	$500m	$1,269.2m	$769.2m

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
- Positive fair value of $1.4m at 31 December 2023

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[1] Excludes fully drawn $5.6m bank guarantee facility
[2] Effectively swapped to fixed by callable interest rate swap
[3] Of drawn debt as at 31 December 2023, including impact of callable interest rate swap
[4] (Interest bearing liabilities + provision for distribution) / Total assets

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Property portfolio

Property portfolio

Western Australia

Perth and suburbs
Cornerstone Ale House

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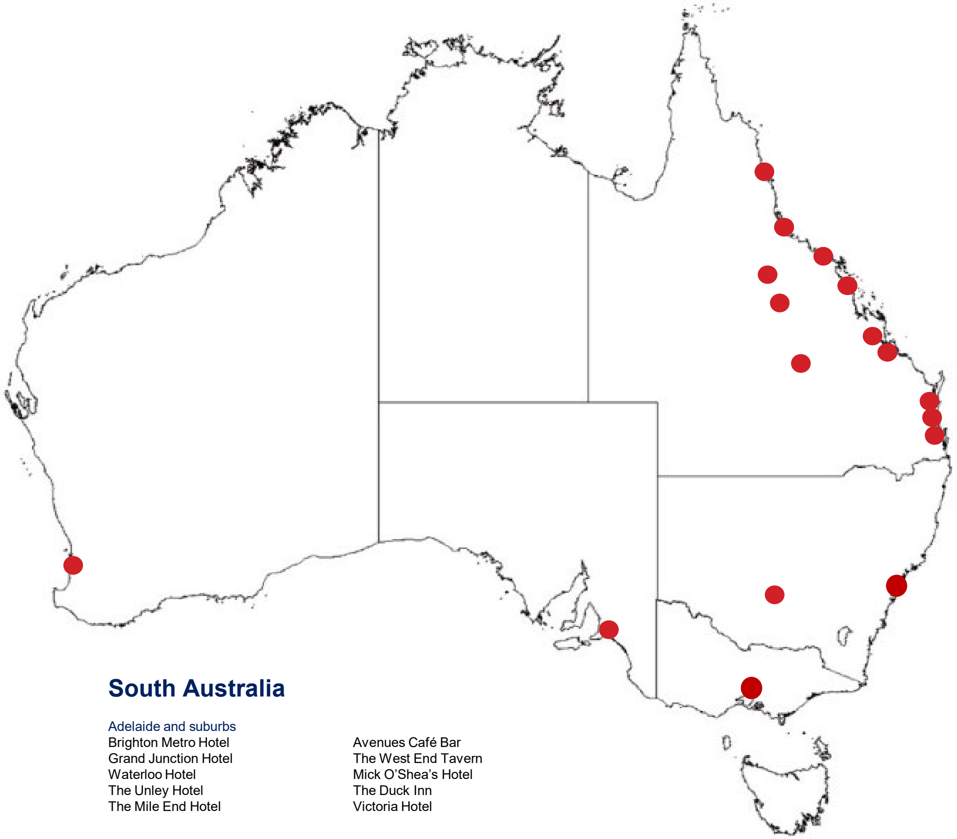

South Australia

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

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 and surrounds
Berserker Tavern
Leichhardt Hotel
Strand Hotel Motel

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
Edwardes Lake Hotel
Ball Court Hotel

New South Wales

Griffith
Quest Griffith

Sydney and suburbs
Gregory Hills

Key portfolio metrics

	Dec 23	Jun 23
Investment properties		
Investment property value	$1,263.9m	$1,253.5m
Number of properties	61	60
Number of properties externally valued or reviewed as at reporting date	16	23 (all others reviewed Dec 22)[1]
Weighted average capitalisation rate	5.47%	5.42%
Weighted average lease expiry (all leases)	9.5 years	10.0 years
Average hotel option period	19.9 years	19.9 years
Hotel occupancy	100%	100%

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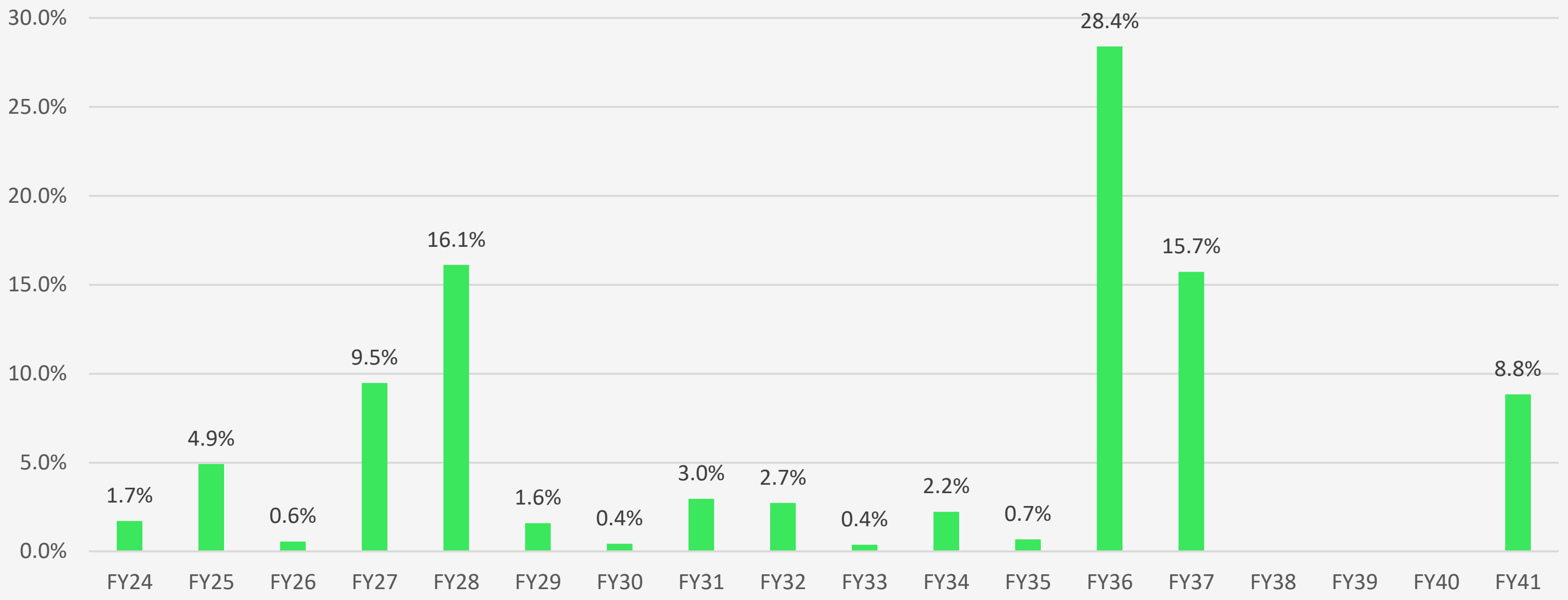
[1] Excludes held for sale assets

Lease expiry by income



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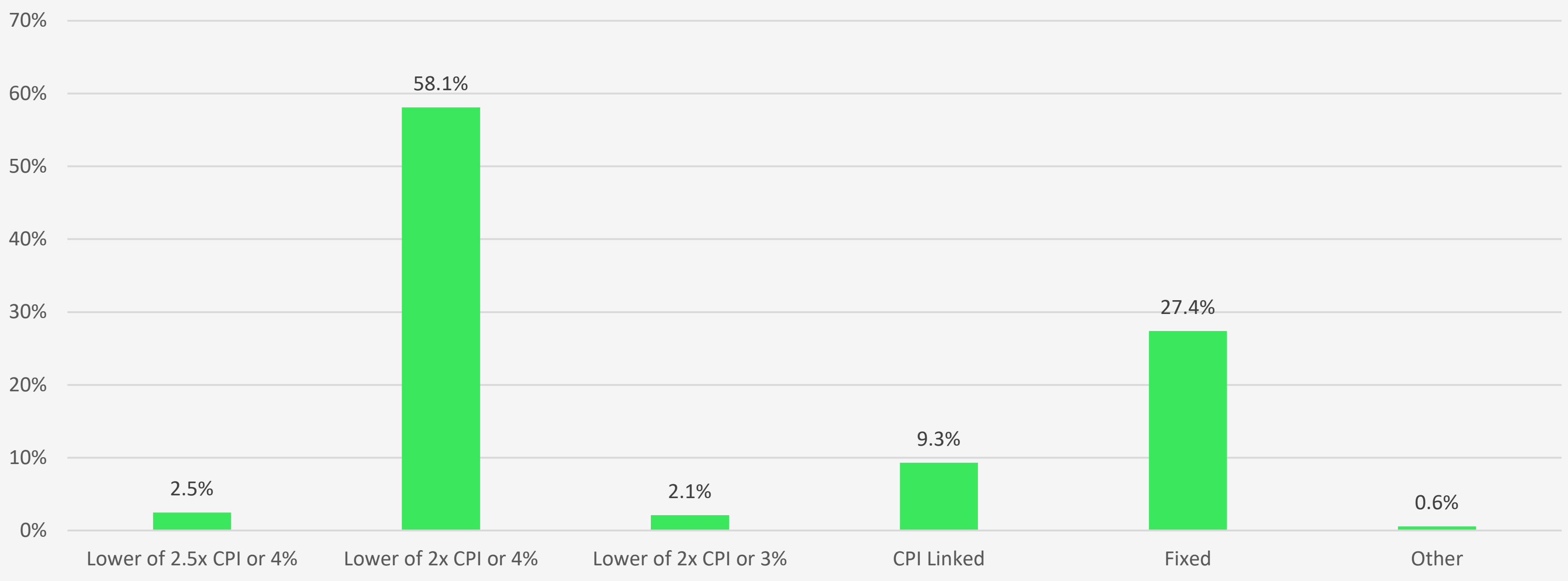
Lease rent review mechanism by income



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Pub refurbishments

Pub refurbishments

- Projects funded and completed since 2020:
  - 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
  - Club Hotel
  - Dunwoody's Tavern
  - Inala Hotel
  - Sundowner Hotel
  - Waterloo Station
  - Cleveland Sands Hotel
  - Grand Junction Hotel

- Significant projects planned/underway[1]
  - Leichhardt Hotel
  - Brighton Hotel

- Including the planned projects, 22 of our 61 assets have recently been refurbished since 2020

- Refurbishments are typically cover the whole of pub, including public bars, bistros and outdoor areas

[1] Subject to change

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Outlook

Outlook

- HPI is a long-term owner of pubs that aims to deliver a secure income stream to investors
- HPI maintains a strong relationship with AVC that is creating mutually beneficial outcomes
- HPI will continue to pursue pub acquisitions that meet our investment criteria
- The pub market continues to provide opportunities to enhance our portfolio
- We will continue to review the portfolio with a view to increasing distributions, whether by divesting properties and recycling the proceeds into higher returning properties or strengthening the balance sheet, developing properties, or by acquiring new properties at appropriate prices.

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