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Strategic Asset Sales and Capital Investment Program

HPI today announces that it has entered into binding documentation to sell four assets for aggregate consideration of \$48.6 million, to its major tenant, Australian Venue Co, in two tranches. The proceeds from the asset sales will be immediately allocated to a capital investment program upon settlement to upgrade other assets within the HPI portfolio.

The transaction delivers a package of benefits to HPI securityholders, including:

- the sale of four assets at the current book value;
- the redeployment of the sale proceeds at an attractive initial yield of 7.5% (which reflects a premium to other investment opportunities available to HPI);
- improved certainty on HPI's future rental cashflows as a result of:
 - venue enhancement; and
 - increased lease tenures from various lease extensions;
- de-risking the portfolio via the sale of certain venues; and
- further strengthening of HPI's relationship with its major tenant.

Further details of the transaction are set out below.

Strategic divestments

HPI has exchanged unconditional contracts to divest the following properties:

- Hotel Allen, North Ward, QLD;
- Ball Court Hotel, Sunbury, VIC;
- Royal Mail Hotel, Tewantin, QLD; and
- Woodpecker Bar & Grill, Burpengary Meadows, QLD.

The four assets, which will be acquired by a subsidiary of Australian Venue Co. for future redevelopment, have been identified for disposal based on HPI's assessment of sustainable rent and strategic portfolio fit.

Aggregate sale proceeds of \$48.6 million are in line with HPI's carrying value as at 31 December 2023.

Settlement of the Hotel Allen and Ball Court Hotel will occur as soon as practicable, delivering aggregate proceeds of \$23.7 million. Settlement of the Royal Mail Hotel and Woodpecker Bar & Grill (aggregate proceeds of \$24.9 million) will occur no later than 12 months from the date of this announcement. HPI will continue to receive full rent on divested assets prior to settlement.

These divestments reflect a continuation of HPI's ongoing strategic portfolio curation, with a total of eight assets divested for gross proceeds of \$99.6 million since FY20 (including divestments announced today) and 22 assets acquired for \$271.7 million over the corresponding period (including entry to new markets).

Capital Investment Program

HPI has entered into agreements with Australian Venue Co. to invest up to \$50 million to enhance a number of venues across its portfolio. Capital invested by HPI will be rentalised immediately after the settlement of each tranche of asset sales at a 7.5% initial yield, increasing thereafter in accordance with the existing lease terms.

The Capital Investment Program will be undertaken in two tranches, reflecting the timing of the above asset sales. In the initial stage, approximately \$23.7 million will be invested across the following nine venues:

- Queensland (seven venues): Strand Hotel, Berserker Tavern, Bonny View Tavern, Brighton Hotel, Everton Park Hotel, Coomera Lodge Hotel, and
- South Australian Venues (two venues): Grand Junction Tavern, Mile End Hotel

to deliver a range of venue enhancements, including improvements to the existing food & beverage offering as well as upgrades to indoor and outdoor spaces.

HPI anticipates that a further \$26.3 million will be invested in other assets across the HPI portfolio following the settlement of Royal Mail and Woodpecker in 2025. HPI will continue to receive full rent during the course of the capital works and any associated venue closure. The Capital Investment Program follows a number of successful venue enhancements and developments undertaken between HPI and Australian Venue Co.

The documentation in relation to the Capital Investment Program provides HPI with appropriate controls over the development work undertaken on its assets, as well as a framework (either immediately or in the future) for lease extensions across the portfolio. On a pro-forma basis as at 28 February 2024, these extensions would add approximately 2.3 years to HPI's existing whole of portfolio weighted average lease term.

Australian Venue Co. is a food and beverage-led hospitality group that owns and operates more than 200 pubs, bars and event venues across Australia and New Zealand. Australian Venue Co recorded revenue of \$1.1 billion for FY23.

Paul Waterson, Australian Venue Co. Chief Executive Officer, commented: "Australian Venue Co. has a proven track record of enhancing its venues through strategic investment. We are confident that the capital investment program announced today with our landlord, HPI, will deliver material

operational improvements and transform these venues into modern properties that become the cornerstone of local communities”.

Impact on HPI

The transaction delivers an attractive package of benefits to HPI securityholders. As a result of the transaction, HPI has:

- divested non-strategic assets in line with current book value;
- committed to re-invest the proceeds of those asset sales in its existing portfolio at an attractive rate of return. Based on the capital being re-invested at 7.5%, HPI expects the transaction will be slightly accretive to earnings on a full year basis, and accretive to NTA should capitalisation rates on existing assets remain stable;
- improved the certainty of future cash flows through venue enhancements that benefit tenant performance (and therefore rent sustainability);
- obtained immediate tenure extensions on three venues leased with Australian Venue Co., in addition to agreeing a framework for further lease extensions across the portfolio; and
- further strengthened HPI’s relationship with Australian Venue Co. under its new owner, PAG.

Blair Strik, acting Chief Executive Officer, commented: “despite challenging capital markets conditions, we remain committed to implementing initiatives to further enhance HPI’s market leading portfolio and drive long-term securityholder returns. The strong pricing outcomes on these asset sales reflect the attractive fundamentals of the sector in which we operate, and the asset enhancement program provides an efficient recycling mechanism to deploy capital into higher return investments that enhance the quality of our assets”.

FY24 distribution guidance

Given the timing of the initiatives, HPI maintains current FY24 distribution guidance of 19.0 cents per security, barring any unforeseen events and no material change in market conditions.

Australian Venue Co. Change of Ownership

In February 2024, PAG acquired a controlling interest in Australian Venue Co from KKR. PAG is a leading alternative investment firm with over US\$50 billion of assets under management focused on the Asia Pacific region with three core businesses: Credit & Markets, Private Equity, and Real Assets.

PAG Private Equity is an active investor in the Australian food and consumer sectors and is the owner of Patties Foods, Cordina Farms and Craveable Brands which include the brands Red Rooster, Oporto, Chargrill Charlie’s and Chicken Treat.

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

Blair Strik
Acting Chief Executive Officer
Hotel Property Investments Limited