October 2024

Charter Hall Retail REIT & Hostplus Offer

HPI's Board unanimously recommends that HPI securityholders <u>REJECT</u> the Offer

Overview

- **HPI owns a unique portfolio of high-quality pub assets**
- **Charter Hall Retail REIT and Hostplus have made an unsolicited and conditional offer (“Offer”) to acquire all securities in HPI at a cash price of $3.65 per HPI security, less any rights (including distributions) securityholders become entitled to on or after 9 September 2024**
  - The Offer is **<u>unsolicited, opportunistic and materially undervalues HPI</u>**
- **HPI Board unanimously recommends that securityholders REJECT the Offer and TAKE NO ACTION in relation to correspondence from Charter Hall Retail REIT and Hostplus**
- **HPI has low management costs and a robust balance sheet, providing steady distribution growth and growing returns**
- **In considering the Offer, investors would benefit from understanding:**
  - The unique nature of HPI’s portfolio, with long term leases and favourable reversion rights at the end of the lease period
  - The strength of HPI’s relationship with major pub operator and opportunities for long term value creation
  - Future growth from internal and external growth initiatives, as well as ongoing capital management optimisation
  - The Offer is not compelling and materially undervalues HPI relative to asset valuation benchmarks and comparable recent A-REIT merger and acquisition transaction precedents, and provides a negligible premium to recent trading prices
- **Pubs are an attractive asset class and HPI Board and management are committed to maximising securityholder returns**

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HPI's unique portfolio of pub assets

- **HPI is the only pure-play pub REIT in the S&P / ASX 300 Index**
  - Internal management with strong investor alignment and low management costs
  - Meaningful scale with secure, growing revenue and attractive lease structure

- **Unique, high-quality portfolio of pubs on Australia's eastern seaboard that would be difficult to replicate**
  - 58 properties leased to experienced operators
  - The QVC joint venture is the tenant across more than 70% of the portfolio (by income)
    - Australian Venue Co is an experienced operator with a proven track record
    - Coles is a high-quality covenant that is strategically tied to the portfolio through its retail liquor business
  - 9.1-year WALE with an average option period of an additional 19.3 years
  - Operating business (including liquor and gaming licences) reverts to the landlord at the conclusion of the lease in the majority of leases, providing protection and strategic value upside

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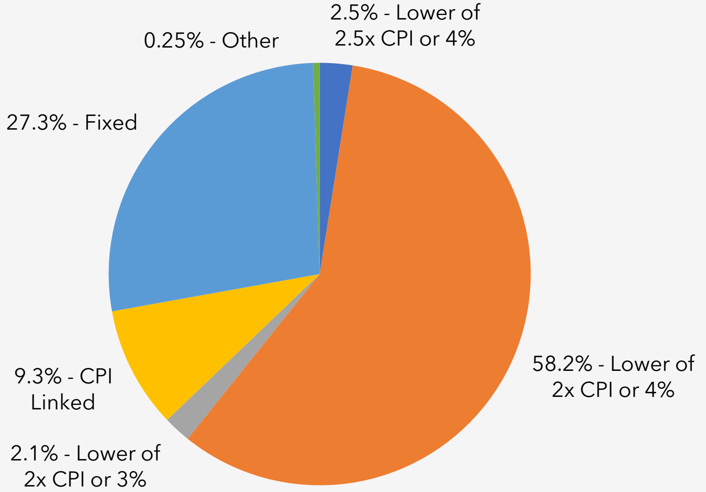
Strong landlord / operator relationship

- **Australian Venue Co (AVC), HPI's major pub operator, operates over 200 venues Australia wide, with revenue >$1bn**
  - Experienced operator
  - Demonstrated track record of creating value
  - Significant mandate for growth following investment by PAG, a leading private equity firm in the Asia Pacific
- **Attractive lease structure with experienced operators providing long term growth**
  - Over 70% of leases contain rent review mechanisms set at CPI or multiple of CPI with a cap
  - As inflation reduces, lease structure will provide attractive relative growth
  - Operating business (including licences) reverts to landlord at lease expiry, providing protection and strategic value upside
- **HPI has worked effectively with AVC to refurbish assets which is expected to create long term value through improved asset base**
  - Capital deployed into asset refurbishments at existing HPI venues and rentalised at 7.5%
  - $23.7m deployed across 9 venues in March 2024; a further $26.3m is contracted to be deployed in 2025
  - Expected to improve operating performance of assets, sustainability of passing rent, and creates potential for further rental upside
  - Potential for capital growth as refurbished assets are independently valued (including capitalising incremental rent from refurbishment capex at the prevailing asset cap rate)

HPI Lease rent review mechanism by income (as at Jun-24)



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Growth prospects

➢ **Strong Internal Growth prospects**

- Demonstrated active management of portfolio with portfolio enhancement achieved through disposal of non-core assets and acquisition of higher quality assets and investment in existing portfolio
- Ongoing refurbishment program with AVC expected to result in immediate income through rentalised capital expenditure program at a yield of 7.5%
- Embedded growth in leases with inflation-based review mechanism averaging 3.5% like for like growth over the past 2 years

➢ **Strong External Growth prospects**

- Strong pipeline of opportunities through relationship with AVC (including first right to buyback pubs sold to fund capex program)
- Active market for pubs with opportunities to grow in a fragmented sector; consolidation opportunity in partnership with AVC (and independently)
- Ongoing asset recycling program with four assets sold in March 2024 for $48.6 million
- Actively reviewing new investments and asset recycling opportunities; since 30 June, have reviewed investment opportunity in 15 pubs with a capital value >$200m

➢ **Potential to consider new growth initiatives to enhance distributions and capital growth for HPI securityholders**

- A more detailed strategy update will be provided to HPI investors at the AGM scheduled for 13 November 2024

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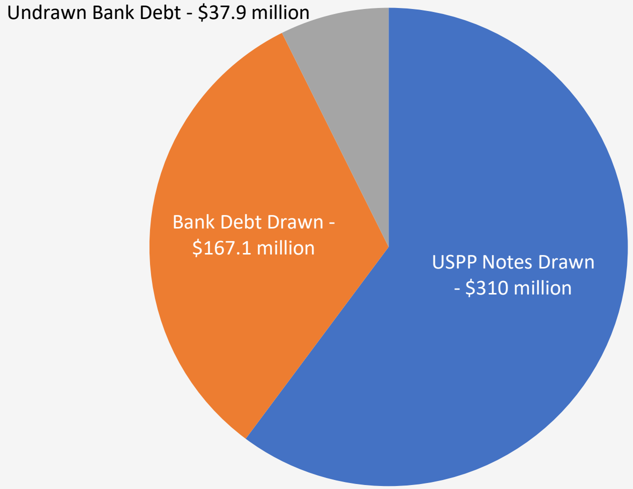
HPI is financially strong and offers growing distributions

- **HPI is in a strong capital position**
  - Robust balance sheet with gearing of approximately 35% (lower end of target range) with a diversified funding base, including a USPP
  - Prudent capital management with ~90% of debt hedged
  - Currently undertaking refinancing initiatives that are expected to reduce HPI's cost of debt
- **Leases provide securityholders with contracted earnings and distribution growth**
  - 100% occupancy with high quality, proven operators
  - Rental restructure (undertaken in 2021) and capex initiatives have improved rent sustainability across the portfolio
  - Strong revenue growth underpinned by long term attractive leases
  - Distribution guidance of 19.5cpu for FY25, an increase of 2.6% from FY24
- **Asset recycling program provides clear transaction evidence of realisation of non-core assets at book value**

HPI debt facilities (as at Jun-24)



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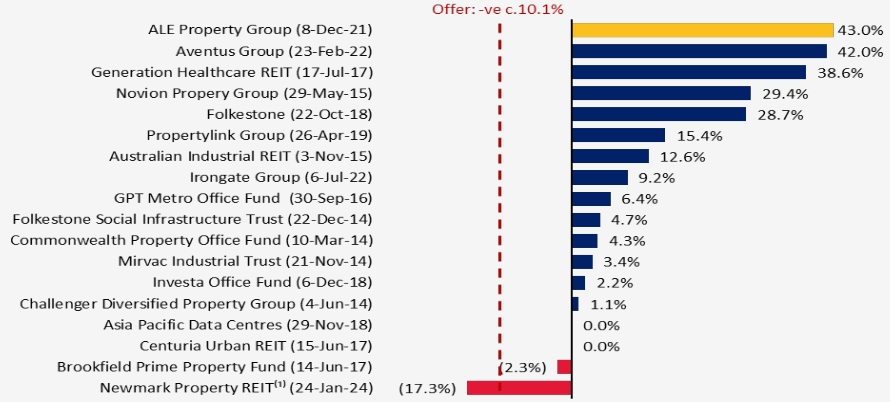
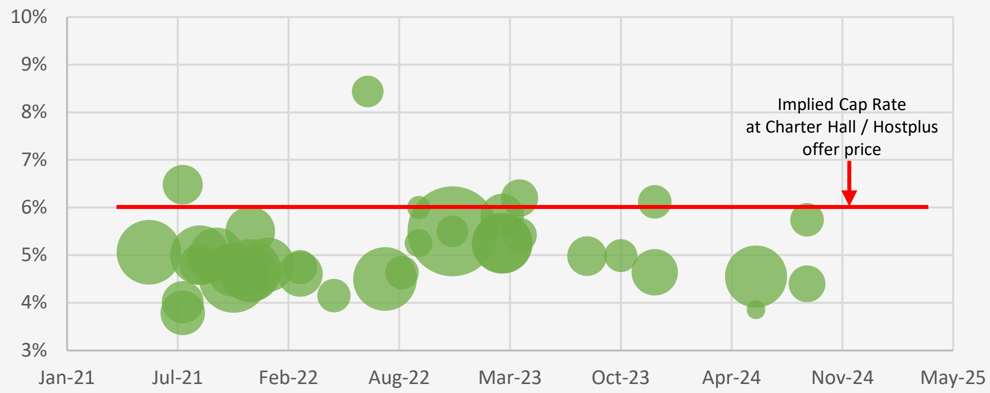
Offer materially undervalues HPI

- **The Offer materially undervalues HPI and fails to recognise the unique and strategic value of HPI's portfolio**
- **Transaction precedents in the A-REIT sector highlight that control typically passes at a material premium to NTA; the Offer represents a ~10% discount to NTA**
  - Charter Hall Long WALE REIT and Hostplus paid a 43% control premium for the ALE portfolio
- **The Offer represents an implied yield of 6%[3] on the HPI portfolio, a significant discount to the yield adopted by Charter Hall entities and Hostplus on their existing portfolios and transactional evidence in direct market transactions**
  - Yields on other Charter Hall and Hostplus owned pub portfolios range from 4.9% to 5.1%
  - Transaction evidence supports capitalisation rates materially below that implied by the Offer
- **No benefit for the stamp duty savings (via concessional duty on listed securities vs direct asset acquisitions) available to Charter Hall Retail REIT and Hostplus estimated to be approximately $54m or 27 cents per security**

A-REIT Control Transactions – Premium / (discount) to NTA[1,2]



Direct market transactions – Australian freehold pub transaction cap rates 2021-24[4]



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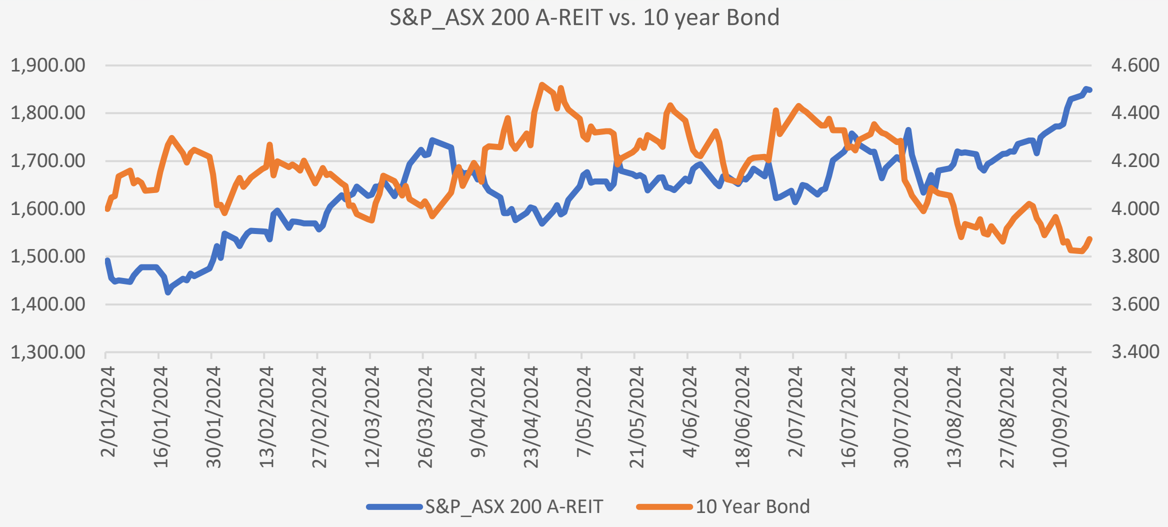
Notes:
1. IRESS and Factset market Data as at 6 September 2024
2. Per ASX announcements
3. Implied yield provided by CQR in ASX presentation dated 9 September 2024
4. Cushman & Wakefield, JLL Hotels, HTL Property, CBRE, Various Media Reports, Hotel Property Investments (bubble represents size of transaction)

Charter Hall / Hostplus approach is unsolicited and opportunistic

- **HPI recently appointed John White as CEO and Managing Director who has significant property and capital markets experience**
  - Additional skills and experience added to the HPI Board through the appointment of Chris Judd
- **A-REIT index has performed strongly as government bonds reduce in expectation of interest rate reductions**
  - Commentators, including Charter Hall CEO, see growth potential for assets with HPI's attributes and the outlook for interest rates improves
  - REITs have performed strongly in previous interest rate easing cycles
- **HPI leases benefit from a favourable lease structure in environment where inflation outlook is reducing**
- **Significant opportunity to continue to grow through acquisitions and re-invest in portfolio in partnership with operators**



"We expect as the interest rate cycle peaks, appetite for long-weighted average lease expiry assets across all sectors will emerge as a more appropriate assessment of the low-risk profile, low cap-ex drag and higher long-term rental growth profile of such assets."

– David Harrison, CEO, Charter Hall (*The Australian*, 21st August 2024)

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HPI Board unanimously recommends that securityholders REJECT the offer

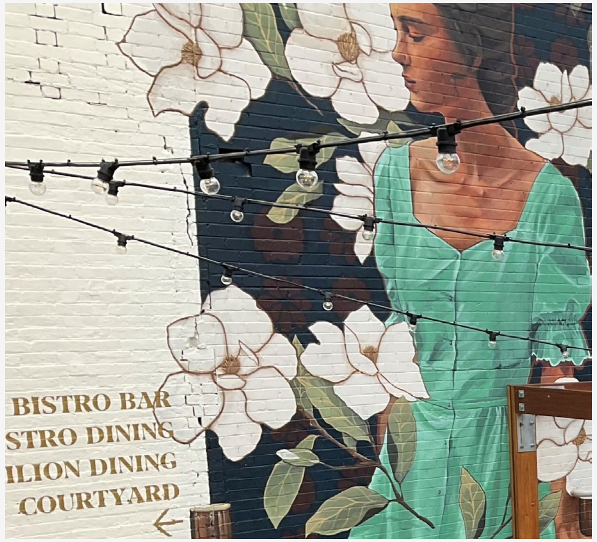
- **The Board has considered the offer carefully and unanimously recommends that securityholders <u>REJECT</u> the offer**

- **The Board has concluded that <u>the offer is opportunistic, not compelling and materially undervalues HPI</u>:**
  - Recent A-REIT merger and acquisition transaction precedents show control typically passing at a premium to NTA, however the Offer reflects a significant discount of c.10% to NTA (adjusting for current accrued distributions)
  - The Offer reflects an implied yield (as represented by Charter Hall Retail REIT) of 6.0%, a substantial discount to the yield at which Charter Hall entities and Hostplus value their existing pub portfolios
  - The Offer provides a minimal 4.9% premium to the last closing price of HPI securities on 6 September 2024
  - No benefit for the ~27 cents per security of stamp duty savings available to Charter Hall Retail REIT and Hostplus

- **HPI believes that its existing portfolio and current strategy, including its organic growth initiatives, offer significantly greater value to HPI securityholders**

- **Securityholders are advised to <u>TAKE NO ACTION</u> in relation to the offer, and <u>ignore any correspondence received from Charter Hall Retail REIT and Hostplus</u>**

- **HPI securityholders are encouraged to review the Board's detailed assessment of the Offer contained in the Target's Statement and read the Target's Statement in full**



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