

15 November 2024

ABN 25 010 330 515

Dear fellow securityholder,

Annual General Meeting – Strategy Presentation

At our Annual General Meeting (AGM) on Wednesday, 13 November 2024, our recently appointed Chief Executive Officer and Managing Director, John White, provided a strategy update for HPI. In John's address and presentation, he reconfirmed HPI's vision – ***to be Australia's premium ASX-listed owner of pub assets.***

John reiterated HPI's investment proposition to provide our securityholders with secure income from important community assets run by sector-leading operators, with significant scope for distribution and capital growth.

HPI's strategy to deliver attractive growth to securityholders over the medium to long term, is underpinned by its:

1. **Existing portfolio** – highly secure income profile with an attractive lease structure that provides strong organic growth;
2. **Growth levers** – multiple additional growth levers across venue enhancement, acquisition pipeline and site intensification; and
3. **Optimisation** – continual refinement of our portfolio and capital structure.

HPI has also undertaken recent initiatives to improve our portfolio quality and enhance our capital management, which has allowed HPI to upgrade its FY25 full year distribution guidance to 19.7 cents per security (including our declared October 2024 interim distribution), representing growth of 3.7% above the level of distributions for FY24.

Attached to this letter are key excerpts of the presentation. I encourage all securityholders to view John's presentation in full, which has been recorded and is available on the HPI website (www.hpitrust.com.au/annual-general-meeting/). The full presentation is also available on the ASX or the HPI website (<https://www.hpitrust.com.au/wp-content/uploads/2024/11/2809716.pdf>).

The HPI Directors are excited for HPI's prospects under John's leadership, supported by Blair Strik as Chief Financial Officer. HPI is a unique portfolio of pub assets, underpinned by an attractive lease structure and robust balance sheet, with an aligned internal management. HPI is pursuing multiple available growth levers and benefits from the strong relationship with AVC, our major pub operator.

Takeover Offer

The Directors of HPI continue to conclude that the Offer is not compelling, materially undervalues HPI's portfolio and does not compensate HPI securityholders for the value of our unique portfolio, or the strength of and outlook for our business.

Your HPI Directors continue to unanimously recommend that you **REJECT** the opportunistic, unsolicited and conditional best and final takeover Offer from Charter Hall Retail REIT and Hostplus. Our reasons to REJECT the Offer include:

1. HPI owns a high-quality pub portfolio that is well positioned for future growth;
2. HPI's business is in a strong position and delivering growing returns;
3. the Offer, which is best and final, is not compelling and materially undervalues HPI; and
4. the timing of the Charter Hall Retail REIT and Hostplus Revised Offer is opportunistic.

To reject the Offer, **DO NOTHING** and **TAKE NO ACTION** in relation to all correspondence from Charter Hall Retail REIT and Hostplus.

The HPI Board believes that HPI's existing portfolio and strategy offers significantly greater value to HPI securityholders.

Should you need assistance, please refer to HPI's Target's Statement and First Supplementary Target's Statement or contact your financial or professional adviser. If you have any questions about the Revised Offer, call the HPI securityholder information line on 1300 255 218 (within Australia) or +61 2 9066 4084 (outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding public holidays).

Thank you for your ongoing support of, and investment in, HPI.

Yours faithfully



Giselle Collins
Chairman
Hotel Property Investments Limited



Abridged strategy update
14 November 2024





HPI Investment Thesis

HPI's vision To be Australia's premier ASX-listed owner of pub assets

HPI securityholder investment proposition

HPI provides investors with secure income sourced from important community assets run by sector-leading operators, with significant scope for distribution and capital growth

HPI investment characteristics

					
UNIQUE PORTFOLIO OF FREEHOLD PUB ASSETS	ATTRACTIVE LEASE STRUCTURE	INTERNAL MANAGEMENT	STRONG CAPITAL POSITION	MULTIPLE GROWTH DRIVERS	PREFERRED REAL ESTATE PARTNER FOR AVC
<ul style="list-style-type: none">• Portfolio is unique, difficult to replicate with long term strategic value• Strong relationship with AVC, our major pub operator• Pubs are resilient assets with significant community importance	<ul style="list-style-type: none">• Double net lease structure with long WALE• Review structure typically lower of 2x CPI and 4%• Licences revert to landlord on lease expiry	<ul style="list-style-type: none">• Aligned management with low MER• High quality management team and Board with complementary skills	<ul style="list-style-type: none">• Robust balance sheet• Prudent approach to interest rate risk management	<ul style="list-style-type: none">• Growth opportunities across existing portfolio and new assets	<ul style="list-style-type: none">• <i>"We have a strong history in partnering with HPI in both acquisitions and developments... We continue to plan for further investments across a range of venues in the HPI portfolio" - Paul Waterson, CEO of Australian Venue Co</i>



HPI Strategy Progression

HPI's growth strategy is an important phase in delivering value for securityholders

	ESTABLISH (2013-FY19)	IMPROVE (FY19-FY20)	GROW (FY21+)
Major tenant			
Tenant parent			
Major initiatives	<ul style="list-style-type: none"> • Separation from Redcape • ASX listing • Internalisation of management • 5 asset acquisitions - \$70.2m • New equity raised - \$30m 	<ul style="list-style-type: none"> • Change of ownership of tenant • Significant improvement in venue performance • Lease extension and rent reset • 2 pub acquisitions - \$60m • New equity raised - \$30m 	<ul style="list-style-type: none"> • Commencement of venue enhancement program • Board and management renewal • Acquisition framework developed with AVC • 19 pub acquisitions - \$175.7m • 9 pub disposals - \$133.6m • New equity raised - \$107.5m

NTA	\$1.90	\$4.01
DPS (1-yr fwd)	15.4c	19.7c
# pubs	41	59
Portfolio valuation	\$477.3 million	\$1.28 billion



HPI Strategy Update

HPI is well-positioned to deliver attractive growth to securityholders over the medium to long term

Existing portfolio



Secure income

- All venues operated by leading pub operators; major operator (AVC) enjoys renewed growth mandate
- Long WALE of 9.4 years¹, with a further average option period of 25.0 years as at 31 October 2024

Embedded growth

- Most leases contain review mechanisms of lesser of 2x CPI or 4%
- Expect consistent rent growth of 3.5% - 4.0% through the cycle

Reversion rights

- Licences revert to landlord on lease expiry
- Provide additional protection of income as well as future optionality

Highly secure income profile with attractive lease structure

Growth levers



Venue enhancement

- Capex programme to drive operational improvement within venues (and therefore market rent)
- Capital rentalised as 7.5%² and mechanism to secure extension of leases (through option exercise)

Acquisition pipeline

- Preferred acquisition partner for AVC (with strong growth mandate under PAG ownership)
- ROFR over Hotel Allen, Woodpecker, Royal Mail

Site intensification

- ~41% site coverage across existing portfolio – opportunity for development, generally with specialist partner
- Range of potential additional uses including QSR, short term accommodation, outdoor signage, embedded networks, EV charging stations

Multiple levers to drive earnings and distribution growth

Optimisation



Asset recycling

- Continued portfolio curation to improve quality
- Strategic sale of select assets to release capital

Capital management

- Diversify capital sources and extend tenor; optimise cost of debt
- Focus on efficient mechanisms to raise equity where ROIC > WACC

Third party capital

- Potential to utilise third party capital to grow portfolio / expand pub investment mandate

Continual refinement of portfolio and capital structure

¹ As at 31 October 2024 due to property options being exercised ² Based on current capex program



Response to Charter Hall Retail REIT / Hostplus Offer

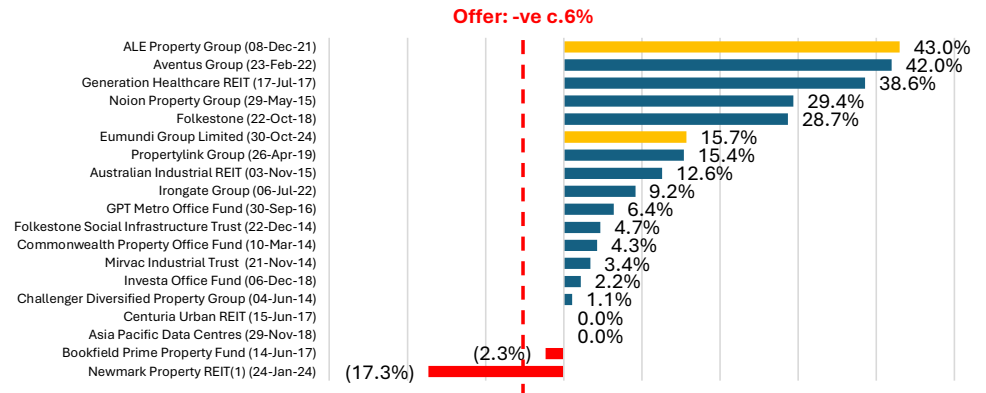
Response to Charter Hall Retail REIT / Hostplus Offer

HPI's Board unanimously recommends securityholders **REJECT** the best and final takeover offer from Charter Hall Retail REIT and Hostplus

Reasons to **REJECT** the Offer

- 1 HPI owns a high-quality pub portfolio that is well-positioned for future growth
 - Unique, difficult to replicate portfolio with long term strategic value
- 2 HPI's business is in a strong position and delivering growing returns
 - Financially strong with a robust balance sheet; FY25 distribution growth guidance of 3.7%
- 3 The offer, which is best and final, materially undervalues HPI
 - Inadequate value proposition relative to ASX and direct market comparables
- 4 The timing of the offer is opportunistic and not compelling
 - Outlook for REITs is improving; HPI is well positioned as inflation slows due to its reliable and strong returns
- 5 The offer is highly conditional
 - HPI securityholders receive no value whilst the offer remains conditional

Offer premia to NTA in historical Australian REIT transactions



Source: Transaction documentation per publicly available ASX company announcements.

Pub Portfolios within ASX listed REITs

Portfolio	Ownership	Size (A\$bn)	WALE (Years)	Cap Rate (%)	Annual Rent Review
Charter Hall pub portfolios					
ALE	CLW and Hostplus	1,590.4	4.5	4.9%	CPI
Endeavour (LWIP1)	CLW and Hostplus	1,253.5	10.3	5.0%	CPI
Endeavour (LWIP2)	CQR and Hostplus	304.5	10.7	5.1%	CPI
Eumundi – Implied Offer Pricing					
Eumundi	EBG securityholders	71.9	n/a	~5.3% (implied)	n/a
HPI portfolio – Implied Offer Pricing					
HPI	HPI security holders	1,274.4	9.1	~5.7% (implied)	Lower of 2xCPI or 4%

Source: FY24 Investor Presentations; Charter Hall Retail REIT Takeover offer for Hotel Property Investments (ASX: HPI) with institutional party released by Charter Hall Retail REIT (ASX: CQR) on ASX on 9 September 2024

Thank you



Corporate Directory

Hotel Property Investments (HPI)
Suite 2, Level 17 – IBM Centre
60 City Road Southbank VIC 3006

T (03) 9038 1774
hpitrust.com.au

CEO & Managing Director
John White

CFO & Company Secretary
Blair Strik

Security Registry
Link Market Services (MUFG Corporate Markets)
Tower 4, Collins Square
727 Collins Street Docklands VIC 3008

Custodian
The Trust Company Limited
Level 12, Angel Place
123 Pitt Street Sydney NSW 2001

Auditor
KPMG
Tower 2, Collins Square
727 Collins Street Melbourne VIC 3008

Responsible Entity
Hotel Property Investments (HPI)
Suite 2, Level 17 – IBM Centre
60 City Road Southbank VIC 3006



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