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Hotel Property Investments (ASX Code: HPI)
Financial results for the six months ending 31 December 2021, distributions and Distribution
Reinvestment Plan outcomes

Hotel Property Investments (HPI) today lodged its H1 FY22 interim report which shows a statutory profit of \$120.1 million and has declared a final distribution of 10.2 cents per stapled security for the six months ending 31 December 2021.

1. Highlights

- **Total revenue:** Total revenue is up 22.9% to \$35.4 million (2021: \$28.8 million). HPI acquired 2 assets during the period and rentalised further investment in the existing portfolio. Annual rent increases averaged 3.5% across the like for like pub portfolio.
- **Adjusted Funds From Operations (AFFO):** AFFO increased by 23.9% to \$19.2 million (2021: \$16.6 million).
- **Distributions:** The half year distribution per security increased by 6.3% for the six months ended 31 December 2021 to 10.2 cents (2021: 9.6 cents). Of this distribution, 0.2 cents is paid from capital (2021: 0.6 cents) due to timing of the equity raisings.
- **Property Valuation and Cap Rates:** Portfolio valued at \$1,175.3 million reflecting an average Cap Rate of 5.4%. (June 2021: 5.9%)
- **Acquisitions and investments:** During the period HPI acquired 2 assets and invested in the existing portfolio:
 - \$28.0 million - Edwardes Lake Hotel, Reservoir VIC
 - \$7.6 million - Ball Court Hotel, Sunbury VIC
 - \$38.8 million lease harmonisation; and
 - \$30.4 million capex program

The aggregate investment was \$104.8 million excluding costs, representing a weighted average yield of 5.1%.

- **Loan facilities:** During the period HPI modified and extended the debt facilities:
 - In August 2021, HPI refinanced one of its loan facilities via a further issue of \$80 million into the US Private Placement (“USPP”) market. \$40 million of the new notes mature in August 2028 and \$40 million mature in August 2033; and

- In December 2021, HPI increased the Common Terms Deed debt facilities from \$120 million to \$220 million.

As at 31 December 2021 the weighted average debt tenor is 4.6 years and the average cost of debt is 3.59%.

2. Profit after tax and Distributable Earnings

Profit after Tax for the six months ended 31 December was \$120.1 million. Operating revenues and expenses included rental income from investment properties of \$31.5 million, property cost recoveries of \$3.9 million, property outgoing costs of \$5.4 million, management fees and other trust costs of \$2.8 million, and financing costs of \$7.8 million. The fair value gain on investment property was \$100.7 million.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of HPI was \$19.5 million. Adjusting further for maintenance capex of \$0.3 million the Adjusted Funds from Operations (AFFO) was \$19.2 million.

3. Distribution Reinvestment Plan (DRP)

HPI has previously advised that the Subscription Price of securities under the DRP is \$3.5118 per stapled security. This Price was established by applying a 1% discount to the average of the daily price average of the daily volume weighted average price of all sales of Stapled Securities recorded on ASX for each of the first 20 ASX Trading Days on and from the first date the Stapled Securities traded on the ASX on an ex-entitlement basis in respect of the Distribution.

Of the registered Securityholders, 16.1% elected to take their distribution for the six months ended 31 December 2021 as new HPI Securities. As a result, the DRP will raise \$3.2 million through the issue of approximately 0.9 million new HPI Securities.

4. Key Metrics as at 31 December 2021

- **Statutory Profit:** \$120.1 million
- **Fair value gain:** \$100.7 million
- **Investment Property Value:** \$1,175.3 million
- **Average cap rate:** 5.4%
- **Cash on Hand:** \$3.7 million
- **Loans Drawn:** \$436.1 million
- **Undrawn debt facilities:** \$93.9 million
- **Weighted average debt expiry:** 4.6 years
- **Gearing:** 36.2% (Drawn Debt minus cash)/(Total Assets minus Cash)
- **Weighted Average Lease Expiry:** 10.6 years
- **Average Option Period:** 18.8 years
- **Occupancy:** Hotels 100% leased
- **Net Assets per Security:** \$3.82

5. Distribution Guidance for FY22

HPI re-affirms distribution guidance of 20.5 cents per security for FY22.

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

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