ASX RELEASE

15 November 2023

AGM 2023 CHAIR AND CEO ADDRESS

HMC Capital Limited (ASX: HMC) provides the attached Chair and CEO address to the Annual General Meeting 2023.

The AGM will be held at Level 7, Gateway, 1 Macquarie Place, Sydney at 11.00am today.

This announcement is approved for release by the Board of Directors.

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About HMC Capital

HMC Capital is a leading ASX-listed alternative asset manager which specialises in real assets and private equity. We manage approximately $8bn on behalf of institutional, high net worth and retail investors. We have a highly experienced and aligned team of over 80 professionals with deep investment and operational expertise. Our point of difference is our ability to execute large, complex transactions. This has underpinned our rapid growth in funds under management since listing in October 2019 and track record of generating outsized returns for our investors. Our investment strategies are exposed to sectors benefitting from powerful megatrends such as healthcare, life sciences and last mile retail logistics. We are well positioned to grow our funds under management to over $20bn in the medium term by scaling our existing platform and expanding into new alternative sectors such as energy transition, infrastructure, and private credit.

Wednesday, 15 November 2023

Chair and CEO's Address to
2023 Annual General Meeting of
HMC Capital Shareholders

Welcome and Introduction

Good morning ladies and gentlemen and welcome to our 2023 Annual General Meeting. My name is Chris Saxon, and I am the Chair of HMC Capital Limited.

As a quorum of shareholders is present and it is now 11.00am, I declare the meeting open.

In the spirit of reconciliation I would like to begin by acknowledging the Traditional Custodians of country throughout Australia and to celebrate their diverse culture and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Before I proceed to the formal aspects of the meeting, I would like to introduce my fellow directors who are present today – Zac Fried, Greg Hayes, Brendon Gale (who is also Chair of the Sustainability Committee), Kelly O'Dwyer, Susan Roberts (who is also Chair of the Audit and Risk Committee) and David Di Pilla, the Managing Director and Group Chief Executive Officer. A number of our executive team are also seated in the audience this morning.

On behalf of the Board, it is my pleasure to welcome you here today.

Agenda

In terms of the agenda this morning, I will provide a brief overview of key aspects of our 2023 result. I will then ask David to address you and provide a more detailed review of FY23. We will then move to the formal business of the day.

In addition to considering the 2023 Annual Report, shareholders will be asked to support 8 resolutions as set out in the Notice of Meeting, namely:

- the adoption of the Remuneration Report;
- the election of Susan Roberts as Director;
- the re-election of The Hon. Kelly O'Dwyer as Director;
- the grant of performance rights to the Managing Director and Chief Executive Officer;
- the approval of the Employee Equity Plan;
- the approval of the Non-Executive Director Equity Plan;
- the ratification of the prior issue of the December Placement Options; and
- the ratification of the prior issue of the March Placement Shares.

Once the votes are counted following closure of the meeting, the results will be released to the ASX.

I intend to vote any undirected proxies held by me as Chair of the meeting in favour of all resolutions.

2023 Result

Before I hand over to David for the CEO's address, I would like to provide a brief overview of key aspects of our financial year 2023 result.

In FY23, the Group delivered $82.1m of operating earnings which represents operating earnings per share of 26.4 cents. Pleasingly, this result was underpinned by a higher proportion of recurring earnings across our investments and funds management activities relative to FY22.

Dividends of 12.0 cents per share for the full-year was in-line with the guidance we provided at the beginning of the financial year. The Group 's intention is to maintain this dividend level whilst growing earnings which will result in a lower payout ratio over time. This is consistent with HMC's strategy to re-invest earnings into high return-on-equity growth opportunities.

Funds under management at financial year end was $8.1bn, up 40% on the prior corresponding period. This strong growth was supported by the establishment of three major new unlisted growth platforms during the period and HMC's continued focus on high conviction investment strategies.

The Group has also maintained a strong capital position with minimal gearing and $1.1bn of liquidity including net tangible assets and undrawn debt. Accordingly, the Board considers that HMC is ideally placed to capitalise on value enhancing growth opportunities which are emerging in the current environment.

I would now like to hand over to David Di Pilla, Managing Director and Group Chief Executive Officer for his address.

Managing Director and Group CEO Address

Introduction

Thanks Chris and good morning, everyone.

Firstly, I would like to thank our shareholders for your ongoing support and for entrusting us with your capital.

We take the responsibility of managing our shareholders' capital very seriously. Since our IPO in October 2019, HMC Capital has delivered a total shareholder return of 93% which far exceeds the broader market.

As I said at our full-year result, I am incredibly proud of the tangible progress we achieved in FY23. Our business is in a much stronger position relative to twelve months ago and is well placed to capitalise on attractive opportunities in today's more challenging operating and funding environment.

FY23 marked another active year of fund raising, new product creation and capital deployment which accelerated our evolution towards a high return on equity alternative asset manager.

Our assets under management grew by 40% or $2.6bn to $8.1bn in FY23. Importantly, we deployed into high quality investment opportunities and took advantage of the changing capital markets environment.

This is a testament to our ability to execute large, complex transactions quickly and thrive in more challenging market environments when capital is scarce and compelling opportunities emerge. The $1.2bn Healthscope Hospital portfolio transaction is a great example of this.

FY23 Review

In contrast to FY22 where all of our growth came from listed strategies, in FY23 we pivoted the business by establishing three new unlisted fund initiatives. HMC today now manages five highly scalable vehicles with diversified sources of capital including major institutional capital partners.

I'll briefly touch on the three new unlisted fund strategies established in FY23:

- In September 2022 we launched our first private equity vehicle – HMC Capital Partners Fund I. This marks the beginning of our strategy to move into new alternative asset classes. This fund is actively deploying into three high conviction opportunities and taking advantage of current market volatility.
- In June 2023, we announced a successful first close for a new $800m unlisted institutional investment strategy targeting last mile retail logistics properties. This strategy leverages our market leading daily needs platform, tenant relationships and development capability. We are delighted to have partnered with Funds SA on the first vintage of this fund series which we believe can be scaled into a multi-billion strategy over time.
- And finally, in May 2023 we announced a $1.3bn unlisted institutional healthcare and life sciences fund which was seeded with seven hospitals leased to Healthscope. In September we announced that the fund successfully secured $650m of equity commitments including $251m from three major global institutional investors. A fourth investor is currently in the final stages of obtaining its investment approval for the remaining equity commitment which was underwritten by HMC.

Having access to both listed and unlisted capital across multiple strategies means our business can thrive in different market environments. In FY23, our funds management platform was less reliant on listed equity with the cost of capital of REITs across the market negatively impacted by the more challenging capital markets environment.

Importantly, the long-term growth opportunity for our two listed REITs remains strong. Our focus on high quality properties in defensive and growing sectors such as healthcare and daily needs retail delivered strong underlying rental income and operating performance in FY23. This enabled our REITs to successfully absorb the significant increase in interest rates and property expenses.

Maintaining a strong balance sheet remains a key priority for our listed REITs. Gearing for both entities remains at conservative levels relative to covenants and we continue to proactively divest properties to reduce debt or re-invest into higher quality properties including accretive developments. In addition, both REITs are over 81% hedged which provides protection against further increases in interest rates.

Sustainability

Turning to slide 9 to discuss our progress on sustainability.

This slide highlights our HMC Group sustainability framework which was designed around our objective to create healthy communities.

We are pleased to have released our latest Sustainability Report last month which details the great strides we've made towards achieving our sustainability goals during FY23 and demonstrates the progress we are driving across our entire platform:

1. **Environment:** Our two listed REITS are both on-track to achieve net zero by 2028 and on track with our Net Zero Energy Roadmap, having achieved a 24% reduction in scope 1 and scope 2 carbon emissions across managed real estate assets within managed funds. Our Energy Management System rollout has now been made to 30 sites, exceeding targets of 15% for energy consumption

reduction. Our solar installations are progressing well across the REITs with over 15 installations either underway or installed.

2. **Social:** HMC's social impact strategy is supported by the establishment of the HMC Capital Foundation to accelerate the delivery of our social impact commitments and the CommunityCo National Partnership with Eat Up commencing in FY24, as well as progressing our Reconciliation Action Plan for submission to Reconciliation Australia.

3. **Governance:** We always strive to implement best practices in everything we do. Over FY23 we have:

    - We have achieved our 50% gender diversity target across the whole organisation as well as across independent board director positions in the group, ahead of our FY25 targets.
    - HMC received a rating of AA in the MSCI ESG Ratings assessment.
    - HDN released its inaugural modern slavery statement and was awarded 2023 ESG Regional Top-Rated company with Morningstar Sustainalytics

We are making significant and tangible progress on our sustainability strategy, as well as creating long-term value on ESG issues that matter most to our stakeholders.

New growth initiatives

At our full year result we flagged several new growth opportunities that were either under review or being actively pursued. This includes transformative opportunities which will expand our business into new alternative sectors and potentially new markets.

Real Estate

We believe our existing Real Estate platform has significant operating leverage with our established funds well positioned to materially grow assets under management with minimal growth in overheads. This is a key pillar of our strategy to grow return on equity to over 20% across the group.

Our recently established unlisted institutional funds have significant organic growth potential:

- Last Mile Logistics: we believe this strategy could evolve into a series of fund vintages of up to $1bn per annum being deployed; and
- Healthcare & Life Sciences: Similarly, this fund will target large-scale development opportunities to grow the portfolio. We have already secured strategic sites for future private hospital and healthcare developments worth over $1bn.

We are also pursuing inorganic growth opportunities in real estate such as expanding our healthcare platform into a global strategy. This reflects a combination of the significant and growing investor demand for the asset class and the limited opportunity currently available to access global healthcare opportunities.

We believe the current dislocation in markets is creating attractive opportunities which could accelerate our growth ambitions in this sector.

Importantly, anything we do will be executed in a low risk and conservative manner either by onboarding an experienced management team or alternatively through a platform acquisition. We will also remain highly disciplined with our capital.

Private Equity

Our Private Equity strategy today includes HMC Capital Partners Fund I which targets high conviction opportunities in listed companies. We expect this strategy will expand over time to include corporate private equity transactions with support from institutional capital partners.

HMC Capital Partners Fund I has been running for just over 12 months now and has built strategic stakes in Sigma Healthcare, Lendlease and Ingenia Communities. The fund has identified significant embedded value in each of these businesses which we are focused on unlocking as a proactive and engaged shareholder.

Whilst the fund's recent performance has been impacted by the significant increase in long-term bond yields and correction in equity markets, we remain highly confident about the potential to generate compelling returns over the medium-term from the fund's investments.

Our objective is to grow the fund to over $1bn over time as we continue to grow and broaden the funds distribution into the retail and wholesale market. We expect this to accelerate as the fund continues to build track record and secures additional ratings. In addition, we believe this strategy will attract institutional capital via more bespoke co-investment arrangements.

Energy Transition & Infrastructure

Energy Transition and Infrastructure remains a key growth opportunity. Our focus to date has been on platform opportunities which have existing operating and development capability. The immediate priority is to onboard a specialist team which will form the basis to launch an energy transition fund.

Private Credit

Our expansion into private credit will be opportunity led as we look to build a large-scale private credit business over time which can play across multiple credit strategies.

We continue to review opportunities but will remain patient and disciplined at this point in the credit cycle. We believe more attractive opportunities in this sector will emerge over the medium-term.

<u>Outlook and guidance</u>

Turning now to our outlook and guidance.

As I said at the outset, HMC is well positioned to take advantage of attractive opportunities in the current environment. Importantly, the business is in a strong capital position with $1.1bn of liquid investments and undrawn debt capacity, however we will remain highly disciplined.

HMC's existing real estate platforms have significant embedded organic growth runway, and we are actively exploring a range of inorganic growth opportunities in new verticals.

HMC is on-track to deliver strong growth in operating earnings from annuity style activities in FY24. Consistent with previous years, the group also has the potential to generate meaningful earnings from activities such as underwriting, investments and asset warehousing.

FY24 dividend per share guidance of 12.0 cents is also reaffirmed. As we outlined at our full-year result, our strategy is to maintain this dividend and reduce the payout ratio over time. This will enable HMC to re-invest retained earnings into value enhancing growth opportunities.

In closing, I would like to thank our Board, our investors and all our stakeholders for their ongoing support.

I will now hand back to our Chair, Chris Saxon to conduct the formal business of the meeting.