ASX Announcement

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The Manager
Australian Securities Exchange Limited
Corporate Announcement Office
Level 4, 20 Bridge St
Sydney NSW 2000

Hotel Property Investments (ASX Code: HPI)

Chairman's address - AGM

Ladies and Gentlemen,

Introduction

In the year ended 30 June 2019 the Group again delivered the forecast distribution to securityholders.

Financial Results

HPI achieved a group statutory profit after tax of $49.2 million which included $51.1 million revenue from tenants, a $20.6 million fair value gain on investment properties, Property Outgoing Costs of $7.3 million, Management and Trust Expenses of $3.8 million, and Financing Expenses of $13.0 million. AFFO or Adjusted Funds from Operations was $28.8 million and was 100% distributed to security holders.

At 30 June 2019 the HPI Group's net assets were $426.9 million representing net assets per security of $2.93 compared to $2.79 for the prior year.

Distributions

For the year ended 30 June 2019 the HPI Group paid an interim distribution from trading operations of 9.8 cents and a final distribution of 10.1 cents for a total of 19.9 cents per security, consistent with the prior year due primarily to higher funding costs, an increase in Queensland land tax from 2% to 2.5% for holdings greater than $10 million and the sale of The Wickham Hotel.

Capital management and re-financing

As at 30 June 2019 HPI's gearing of 39.4% was slightly below the Board's target range of 40% to 50%, following revaluation increases in investment properties. Gearing reverted to just within the target range following payment of the distribution in August 2019. At 30 June there was approximately $39.3 million headroom available within HPI's loan facilities.

On 28 June 2019, the maturity of the bank Common Terms Deed facility was extended for 5 years; maturing 28 June 2024.

HPI's inaugural Distribution Reinvestment Plan was introduced for the final FY19 distribution payment and 14.3% of the register elected to receive additional HPI securities in lieu of cash.

Business Strategies and prospects

The Group will continue to pursue acquisition opportunities which meet its investment criteria, namely that target properties be in good condition, in key regional or metropolitan locations with potential for long term growth, and leased to experienced tenants on favourable lease terms.

In the current low capitalisation rate environment, development opportunities undertaken on surplus land are also a focus for future growth.

The FY20 distribution guidance is 20.7 cents per security which has been influenced by:

- the Queensland Government's decision to increase land tax by a further 0.25% on values greater than $10 million;
- contracted market rent increases; and
- lower variable funding costs.

Summary

The Group is working hard to improve shareholder value and we remain focussed on delivering the distribution guidance.

Thank you, I will now move to the Formal Business of today's Meeting.

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