

# HOTEL PROPERTY INVESTMENTS

## Half Year Results



31 December 2020

# HPI positioned for growth

- ✓ Extended lease terms underpin HPI's portfolio strength to support broader investment and growth
- ✓ Tapping equity markets together with increased debt capacity funds this enhanced capability
- ✓ Acquisition of 5 assets totalling \$123.3m<sup>1</sup> and the development at Ferry Road on surplus land demonstrate this capability and the pathway to further opportunities
- ✓ A strong working relationship with our principal tenant continues to present investment prospects
- ✓ The \$30m capital refurbishment program is improving the operational performance of the underlying pub business
- ✓ At the same time these activities have increased geographic and tenant diversification of our property portfolio

<sup>1</sup> Excluding costs



Fitzy's Loganholme, Loganholme QLD



Bonny View Hotel, Bald Hills QLD

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# 1. H1 FY2021 Highlights



# H1 FY2021 Highlights

Investment properties	Capital management	Financial performance
<b>Acquisitions</b> <ul style="list-style-type: none"> <li>Jubilee Tavern</li> <li>Mango Hill Hotel</li> <li>Summerhill Hotel (Feb 2021 settlement)</li> </ul>	<b>Equity</b> <ul style="list-style-type: none"> <li>\$48m capital raising<sup>1</sup></li> <li>173.5m securities on issue, up 10.5% from June 2020</li> </ul>	<b>Revenue from investment properties</b> <ul style="list-style-type: none"> <li>\$26.0m rental revenue from investment properties</li> <li>Up 5.2% on prior half year</li> </ul>
<b>Properties</b> <ul style="list-style-type: none"> <li>47 properties valued at \$850.0m (ex Summerhill Hotel)</li> <li>Weighted average cap rate reduced to 6.0% (June 2020: 6.1%)</li> </ul>	<b>Debt as at December 2020</b> <ul style="list-style-type: none"> <li>\$308.3m drawn</li> <li>35.6%<sup>2</sup> Gearing</li> </ul>	<b>Interim Distributions per Security</b> <ul style="list-style-type: none"> <li>9.6c per security</li> <li>Down 6.8% on prior half year</li> </ul>
	<b>Distribution reinvestment plan</b> <ul style="list-style-type: none"> <li>18.5% take up</li> <li>\$3.1m to be re-invested from the December 2020 distribution</li> </ul>	<b>Net asset value per Security</b> <ul style="list-style-type: none"> <li>\$3.08</li> <li>Up 2.3% from June 2020</li> </ul>

1. Placement and Share Purchase Plan (Before costs)  
 2. (Drawn loans minus cash) / (Total assets minus cash)

# Impact of COVID-19 on HPI

## Our people

- The safety and well-being of our staff is of the highest importance
- Restricted travel in accordance with guidelines
- Working from home implemented
- Reliable IT infrastructure

## H1 FY2021 financial impact

- Minor revenue impacts
  - \$0.1m<sup>1</sup> rent abated (0.4% of H1 FY2021 rental income)
  - \$3.7m<sup>1</sup> rent deferred (14.3% of H1 FY2021 rental income)
- HPI has not accessed JobKeeper



The Boatshed, Regatta Hotel, Toowong QLD

<sup>1</sup> Excluding GST



## 2. Financial Results

# H1 FY2021 Financial Results - Statutory Profit

	H1 FY2021 \$m	H1 FY2020 \$m
Rental income	26.0	24.7
Other property income	2.8	2.4
<b>Net rental income</b>	<b>28.8</b>	<b>27.1</b>
Property outgoings	(4.6)	(4.0)
Management and trust expenses	(2.0)	(1.9)
<b>Operating profit</b>	<b>22.2</b>	<b>21.2</b>
Fair value gain on investment property	13.9	5.0
<b>Earnings before interest and tax</b>	<b>36.1</b>	<b>26.2</b>
Finance expenses	(6.2)	(5.8)
<b>Net profit before tax</b>	<b>29.9</b>	<b>20.4</b>
Income tax expense	-	-
<b>Net profit after tax</b>	<b>29.9</b>	<b>20.4</b>
<b>Earnings per Security</b>	<b>18.6 cents</b>	<b>13.9 cents</b>

# H1 FY2021 Financial Results – Distributions per Security

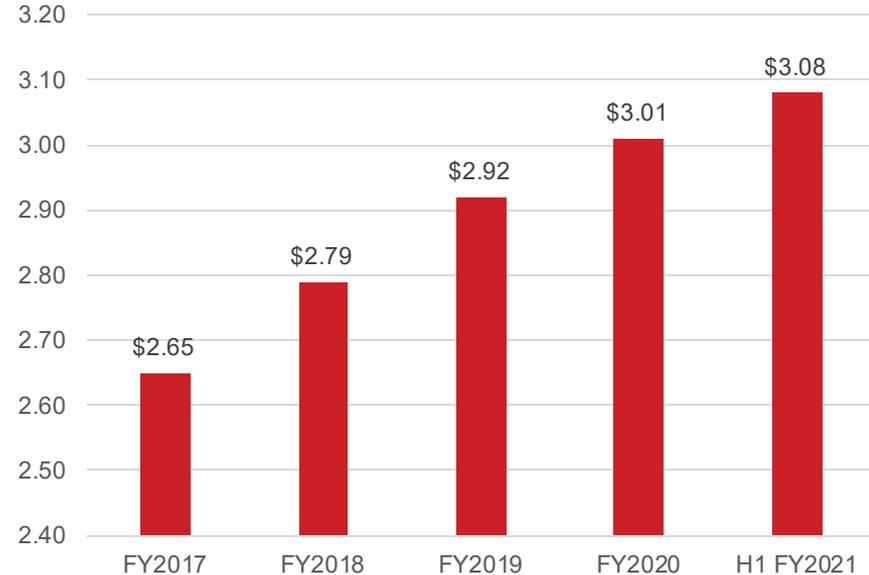
	H1 FY2021 \$m	H1 FY2020 \$m
<b>Net Profit</b>	<b>29.9</b>	<b>20.4</b>
<b>Adjusted for:</b>		
Straight line lease adjustment	(0.3)	(0.1)
Net property fair value gain	(13.9)	(5.0)
Maintenance Capex	(0.6)	(0.4)
Other adjustments	0.6	0.2
<b>Adjusted Funds From Operations</b>	<b>15.5</b>	<b>15.1</b>
Capital distribution	1.1	-
<b>Distribution</b>	<b>16.6</b>	<b>15.1</b>
<b>Distribution per Security</b>	<b>9.6 cents</b>	<b>10.3 cents</b>
<b>Number of securities on issue</b>	<b>173.5m</b>	<b>146.7m</b>

- Distribution per security reflects the \$3m rent reduction at 8 pubs that was effective 1 July 2020, as announced in January 2020
- Distribution guidance for FY2021 is 19.3 cents per security (FY2020: 20.0 cents per security)

# H1 FY2021 Financial Results - Balance Sheet

	Dec 2020 \$m	Jun 2020 \$m
Cash and cash equivalents	1.0	1.1
Receivables	7.8	3.8
Investment properties	850.0	785.9
Other assets	4.9	0.9
<b>Total assets</b>	<b>863.7</b>	<b>791.7</b>
Creditors and payables	7.0	5.5
Provisions	16.6	15.2
Loans and borrowings	308.3	301.5
Borrowing costs	(2.5)	(2.8)
Other liabilities	0.3	0.3
<b>Total liabilities</b>	<b>329.7</b>	<b>319.7</b>
<b>Net assets</b>	<b>534.0</b>	<b>472.0</b>
<b>NAV per Security</b>	<b>\$3.08</b>	<b>\$3.01</b>
<b>Gearing<sup>1</sup></b>	<b>35.6%</b>	<b>38.0%</b>

## Net Asset Value per Security



# H1 FY2021 Financial Results - Borrowing Summary

	USPP Note A	USPP Note B	USPP Note C	CTD Facility A	CTD Facility B	Total
Total facility	\$100m	\$30m	\$100m	\$73m	\$100m	\$403m
Amount drawn	\$100m	\$30m	\$100m	\$35.8m	\$42.5m	\$308.3m <sup>2</sup>
Available debt	-	-	-	\$37.2m	\$57.5m	\$94.7m <sup>2</sup>
Maturity date	August 2025	August 2027	August 2027	July 2022	December 2024	4.5 years
Interest basis	Fixed	Fixed	Floating	Floating	Floating	42% fixed

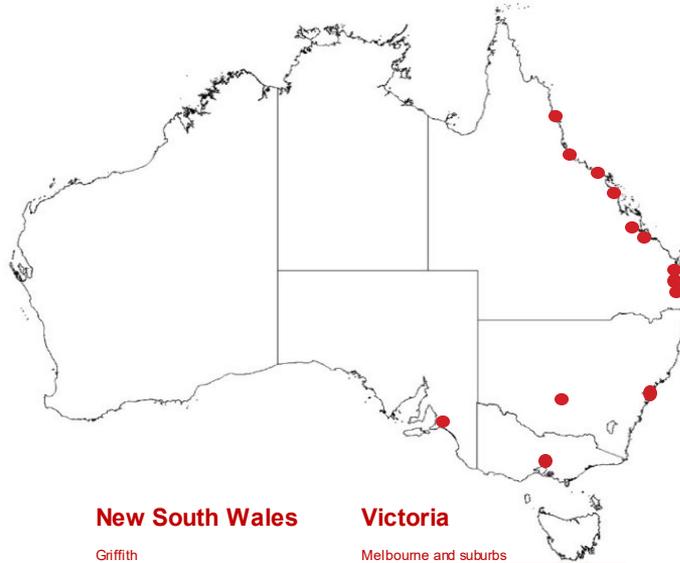
Covenants	Covenant	Dec 2020	Headroom
Gearing <sup>1</sup>	60%	37.6% <sup>2</sup>	22.4% <sup>2</sup>
Interest cover ratio	1.5 times	3.7 times	2.2 times
Tangible assets	\$500m	\$863.7m	\$363.7m

1. (Total interest bearing liabilities and distribution provision) / Total tangible assets
2. Before settlement of Summerhill Hotel



### 3. Property Portfolio

# HPI's Property Portfolio



## Queensland

### Caïms

Barron River Hotel  
Dunwoody's Tavern  
Grafton Hotel  
Palm Cove  
Q Sports Bar  
Trinity Beach

### Townsville

Hotel Allen  
Royal Hotel  
Tom's Tavern

### Airlie Beach

Magnum's Hotel  
**Jubilee Tavern**

### Mackay

Boomerang Hotel  
Kooyong Hotel

### Rockhampton

Berserker Tavern  
Leichhardt Hotel

### Gladstone

Club Hotel

### Sunshine Coast

Bribie Island Hotel  
Chancellor's Tavern  
Kings Beach Tavern  
Royal Mail Hotel

### Brisbane and suburbs

Acacia Ridge Hotel  
Beenleigh Tavern  
Bonny View Hotel  
Brighton Hotel  
Crown Hotel  
Cleveland Sands Hotel  
Cleveland Tavern  
Everton Park Hotel  
Hotel HQ  
Fitzy's Loganhdme  
Fitzy's Waterford  
Finnigan's Chin Kallangur  
Lord Stanley Hotel  
**Mango Hill Tavern**  
MiHi Tavern  
New Inala Hotel  
Regatta Hotel  
Sundowner Hotel  
Woodpecker Bar and Grill

### Gold Coast

Coomera Lodge Hotel  
Ferry Road Tavern  
Wallaby Hotel

## South Australia

### Adelaide and suburbs

Brighton Metro Hotel  
Grand Junction Hotel  
Waterloo Station Hotel

## New South Wales

### Griffith

Quest Griffith

### Sydney and suburbs

Gregory Hills

## Victoria

### Melbourne and suburbs

**Summerhill Hotel (Settled February 2021)**

# Investment Thesis

- HPI owns 47 pub (48 following settlement of Summerhill Hotel on 1 February 2021) and accommodation properties, 42 leased to Queensland Venue Co (“QVC”)
- QVC is a joint venture between Coles Ltd and Australian Venue Co (“AVC”) established in March 2019
- AVC are an experienced pub and hospitality operator of 150+ venues
- Secure income stream underpinned by long term lease arrangements
- HPI owns the majority of the liquor and gaming licences which revert to the landlord at lease expiry
- Prudently managed balance sheet which provides flexibility
- Attractive risk-return profile

# Key Portfolio Metrics

	Dec 2020 <sup>1</sup>	Jun 2020
<b>Investment properties</b>		
Investment properties value	\$850.0m	\$785.9m
Number of properties	47	45
Weighted average capitalisation rate	6.0%	6.1%
Weighted average lease expiry	10.8 years	11.4 years
Average hotel option period	17.7 years	14.7 years
Hotel occupancy	100%	100%
<b>Debt facilities</b>		
Debt facilities limit (ex Guarantees)	\$403.0m	\$403.0m
Loans drawn (ex Guarantees)	\$308.3m	\$301.5m
Gearing <sup>2</sup>	35.6%	38.0%
Weighted average debt expiry	4.5 years	5.0 years
Weighted average debt costs	3.52%	3.59%
% at fixed interest rates	42%	43%

## Key observations

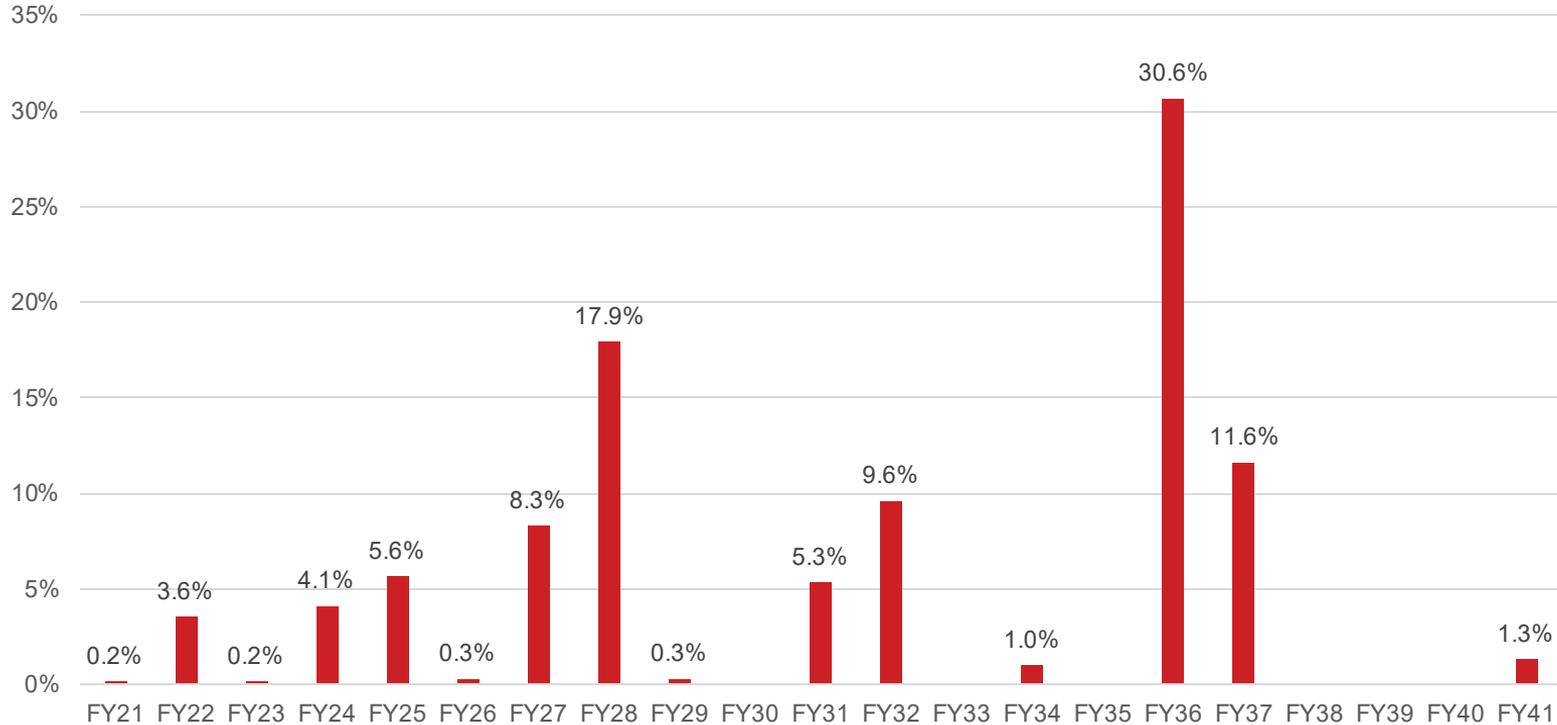
- NAV growth driven by cap rate compression in 7 properties, offset by acquisition costs
- Acquisitions of Jubilee Tavern and Mango Hill Hotel
- Summerhill Hotel settled on 1 February 2021
- 100% hotel occupancy maintained
- Weighted average debt costs have reduced to 3.52%

<sup>1</sup> Excluding Summerhill Hotel

<sup>2</sup> (Drawn Debt minus Cash)/(Total Assets minus Cash)

# Lease expiry profile

## Lease expiry profile by percentage of total income<sup>1</sup>





## 4. Pub refurbishments

# Pub refurbishments

- \$8.7m invested to 31 December 2020
- EBITDA increase 30%+ following the works

## Projects completed

- Bonny View Hotel
- Fitzys Loganholme
- Mi Hi Tavern
- Palm Cove Tavern
- Chancellors Tavern
- Wallaby Hotel

## Significant projects planned

- Coomera Lodge
- Brighton Metro Hotel
- Dunwoody's Tavern
- Beenleigh Tavern
- Kings Beach Tavern
- Leichhardt Hotel
- Boomerang Hotel
- Hotel Allen



Fitzy's Loganholme, Loganholme QLD

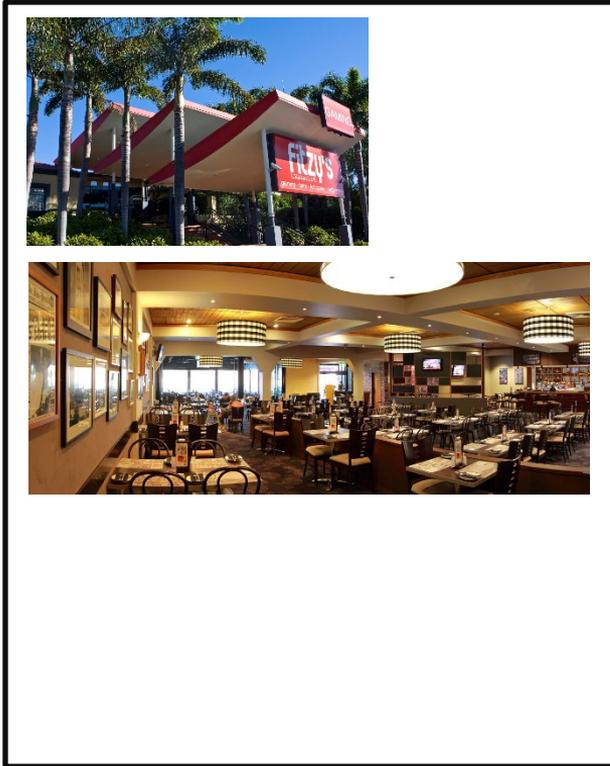
# Pub refurbishments - Bonny View Hotel



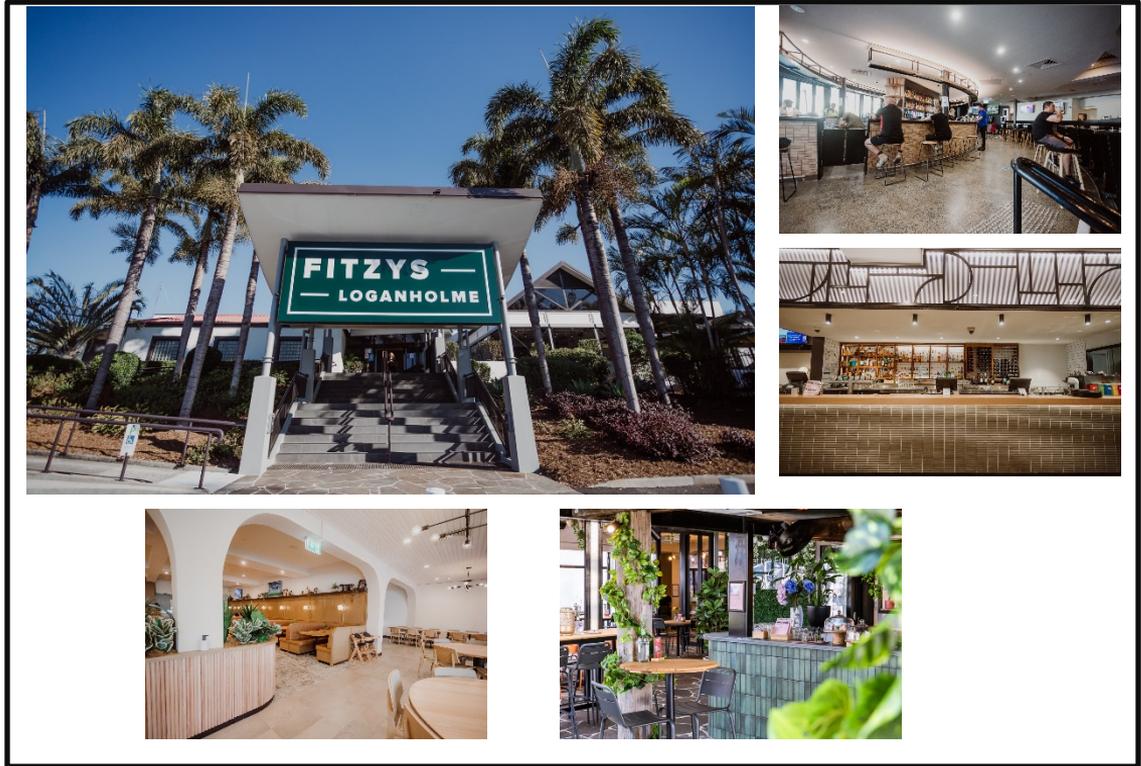
Before

After

# Pub refurbishments - Fitzys Loganholme



Before



After

# Pub refurbishments - Mi Hi Tavern



Before



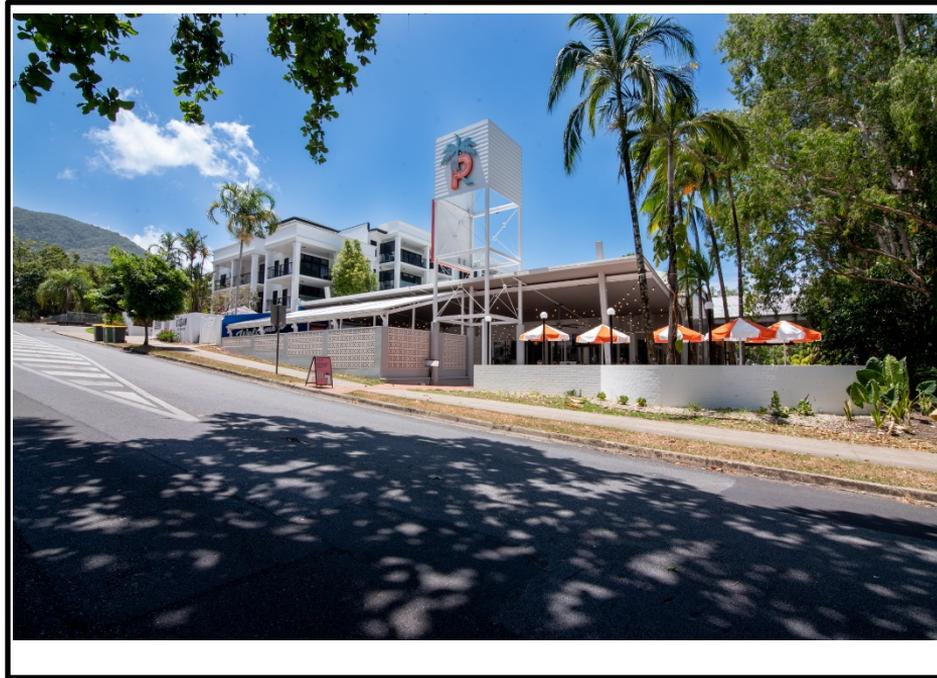
After



# Pub refurbishments - Palm Cove Tavern



Before



After

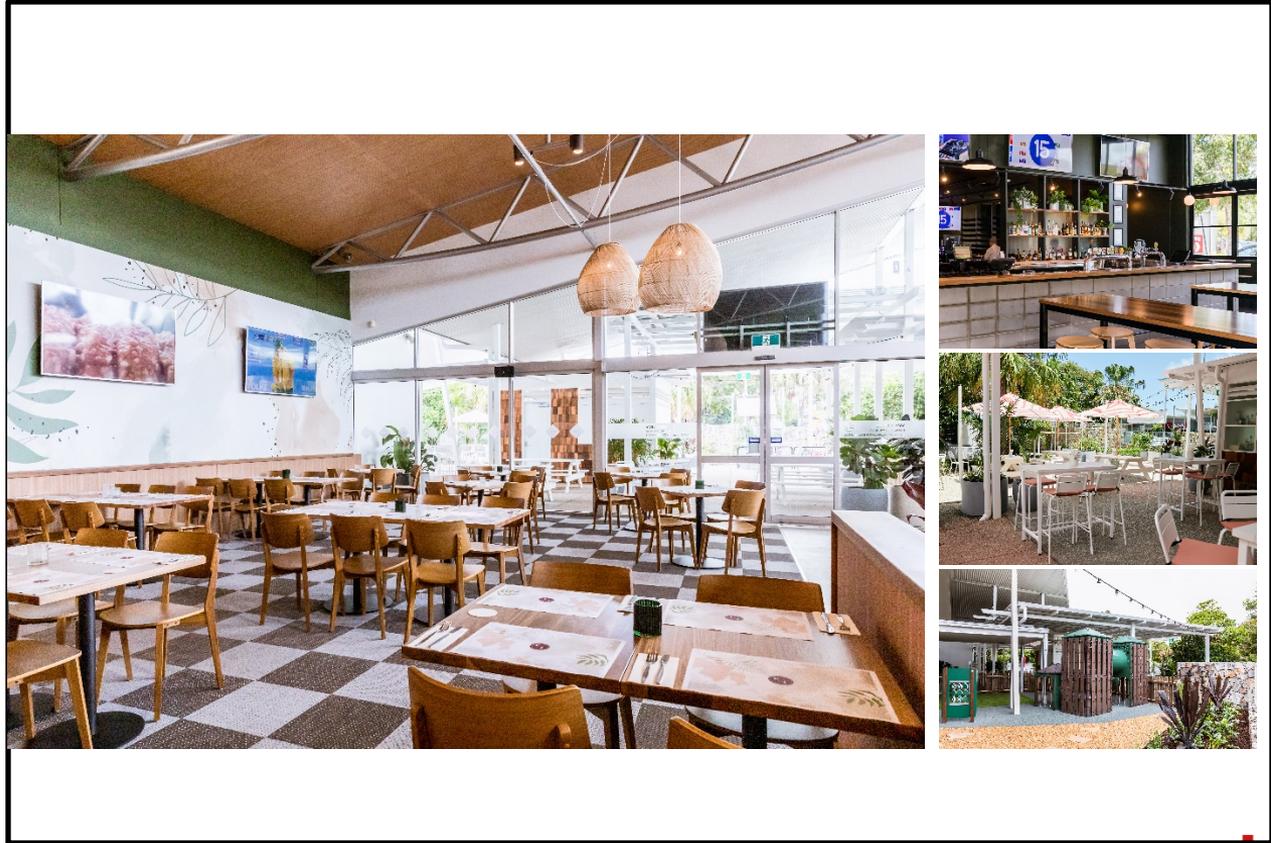


# Pub refurbishments - Chancellors Tavern



23

Before



After

# Pub refurbishments - Wallaby Hotel





## 5. Acquisitions

# Acquisitions Overview

## The Acquisitions met HPI's investment criteria

<b>Strongly performing assets</b>	<ul style="list-style-type: none"> <li>✓ Metropolitan and strategic regional locations</li> <li>✓ Mango Hill is located opposite Westfield North Lakes, a fast growing area in metropolitan Brisbane</li> <li>✓ Acquisitions provide geographic diversification</li> </ul>
<b>Quality operators</b>	<ul style="list-style-type: none"> <li>✓ Experienced operators with proven track records</li> <li>✓ Properties with diversified income streams (i.e. a mix of F&amp;B, bar, gaming, accommodation and retail)</li> </ul>
<b>Long term leases</b>	<ul style="list-style-type: none"> <li>✓ Long lease terms with further options to extend</li> <li>✓ Acquisitions increase portfolio WALE</li> </ul>
<b>Attractive lease terms</b>	<ul style="list-style-type: none"> <li>✓ Rent set at sustainable levels</li> <li>✓ Predominantly net leases with tenant responsible for property outgoings</li> </ul>

Notes:

1. Excludes transaction costs
2. WALE metrics are as at settlement date
3. Excludes specialties
4. Summerhill Hotel settled 1 February 2021

## Acquisition summary

Acquisitions	Location	State	Purchase price <sup>1</sup>	Cap rate	Land area (sqm)	WALE <sup>2</sup> (years)	Hotel occupancy <sup>3</sup>
Mango Hill	Brisbane	QLD	\$31.3m	5.7%	15,400	6.6	100%
Summerhill <sup>4</sup>	Melbourne	VIC	\$22.7m	7.0%	6,750	17.8	100%
Jubilee Tavern	Airlie Beach	QLD	\$9.3m	7.5%	19,180	20.0	100%
<b>Total/average</b>			<b>\$63.3m</b>	<b>6.4%</b>	<b>41,330</b>	<b>13.4</b>	<b>100%</b>



Jubilee Tavern, Airlie Beach QLD

# Acquisitions – Mango Hill Tavern



- Mango Hill Tavern is a mixed use complex in metropolitan Brisbane comprising a pub and liquor barn, service station and specialty tenancies
  - corner location in above average income catchment with high population growth, situated 29km north of the Brisbane CBD
  - located opposite Westfield North Lakes
- Diverse income streams across bar, F&B and 45 EGMs
- The mixed use complex includes a pub, bottle shop, service station and specialty retail
  - QVC, a joint venture between AVC and Coles, is the tenant for pub and bottleshop (56% of rent)
  - Viva Energy Australia (Shell-branded) is the tenant for the service station (19% of rent)
  - specialty retail tenants comprise 25% of rent

KEY LEASE TERMS	
Location	Brisbane, QLD
Tenants	QVC, Viva Energy Australia, Specialty retail
Purchase Price <sup>1</sup>	\$31.3m
Yield	5.7%
Passing rent (p.a.)	\$1.9m
Lease and option terms	6.6 year WALE QVC (pub): 14 years (1x10 year option) QVC (bottle shop): 4 years (2x10 year option) Service station: 4 years (5x5 year option)
Rent review mechanisms	QVC: low er of 2xCPI or 3% Service Station: CPI
Outgoings	Tenant responsibility (excluding land tax)
Land area	15,400 sqm
Refurbishments	No refurbishment provisions
Gaming authority ownership	HPI has the first right to purchase

Note:

1. Excluding transaction costs

# Acquisitions – Summerhill Hotel



- A pub in metropolitan Melbourne, 12km north of the Melbourne CBD
  - pub performs at well above VIC averages for net machine revenue with 88 EGMs
  - area undergoing increasing levels of medium and higher density housing development
- Premises also includes a Chemist Warehouse outlet and retail shop (currently vacant)
  - The Chemist Warehouse outlet represents ~11% of income
  - vacant space has been attributed no consideration
- The Francis Group has been involved in hotel operations since 1992, and have a strong track record including the Mordialloc Hotel, the Dorset Gardens Hotel and the Newport Family Hotel
- Settlement of the acquisition occurred on 1 February 2021

KEY LEASE TERMS	
Location	Melbourne, VIC
Tenants	The Francis Group, Chemist Warehouse outlet
Purchase Price <sup>1</sup>	\$22.7m
Yield	7.0%
Passing rent (p.a.)	\$1.6m
Lease and option terms	17.8 year WALE Pub: 20 years (2x20 year options) Chemist: 10 years (4x5 year options)
Rent review mechanisms	Pub: Fixed 2.5% Chemist: Fixed 3.0%
Outgoings	Pub: Tenant Responsibility Chemist: Landlord Responsibility (~20k p.a.)
Land area	6,750 sqm
Refurbishments	Pub: Every 7 years, paid by lessee Chemist: Every 4 years, paid by lessee
Gaming entitlements	Reverts to HPI at lease expiry

Note:

1. Excluding transaction costs

# Acquisitions – Jubilee Tavern



- Single level hotel with a public bar, TAB, 45 EGMs, bistro, large beer garden and dual lane drive through bottle shop
  - designed to cater to the family and tourism market
- Located in Jubilee Pocket, a predominantly residential suburb 2.5km south-east of Airlie Beach, Queensland
  - large caravan park immediately opposite the pub
- 20 year lease to AVC

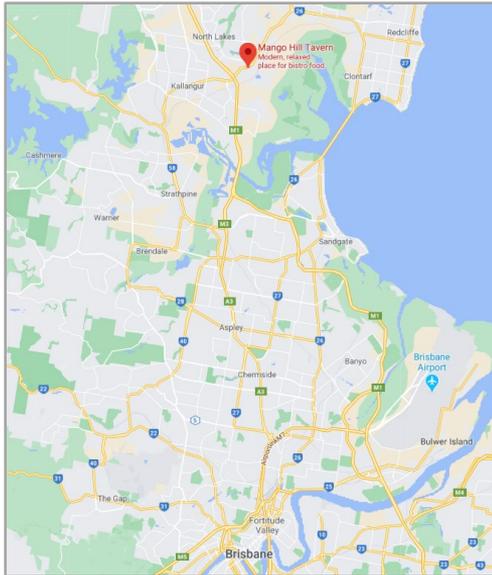
KEY LEASE TERMS	
Location	Airlie Beach, QLD
Tenant	AVC
Purchase Price <sup>1</sup>	\$9.3m
Yield	7.5%
Passing rent (p.a.)	\$0.7m
Lease and option terms	20 years (2x15 year options)
Rent review mechanisms	CPI plus 0.5% with cap and collar of 1% and 3%
Outgoings	Tenant responsibility
Land area	19,180 sqm
Refurbishments	Every 5 years, paid by lessee
Gaming authority ownership	Reverts to HPI at lease expiry

Note:

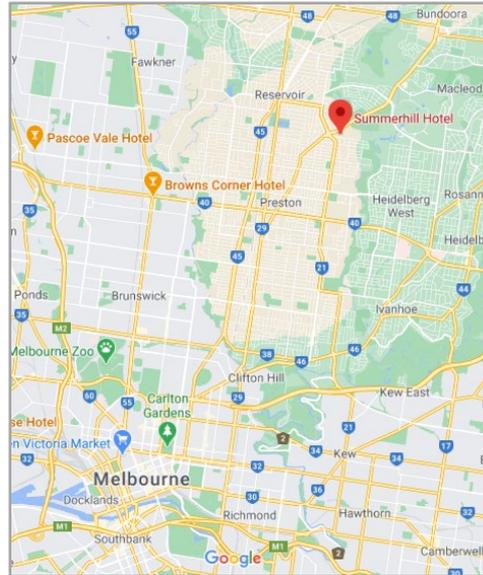
1. Excluding transaction costs

# Acquisitions – Locations

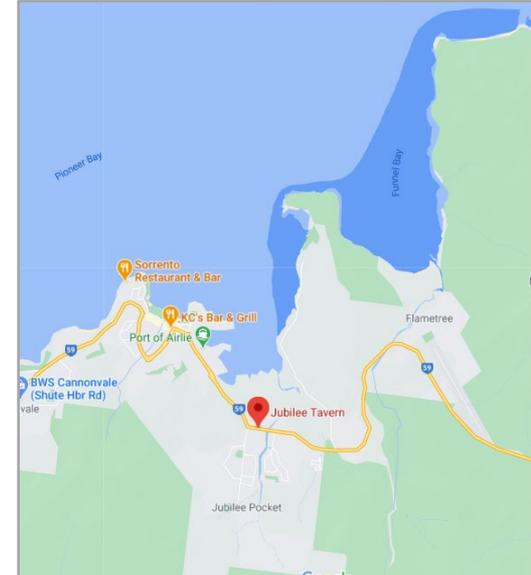
## Mango Hill Tavern



## Summerhill Hotel



## Jubilee Tavern



## 6. Outlook



# Outlook

- HPI is a long-term owner of pub and accommodation properties that aims to deliver a secure income stream to investors
- We work with tenants to enhance the value of the portfolio through investment and upgrades to achieve better site utilisation with the objective of increasing distributions and capital growth by:
  - Focusing on expanding onsite accommodation; and
  - Exploring opportunities to create new income streams on underutilised land
- HPI will continue to pursue pub acquisitions that meet our investment criteria

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