



FY24 RESULTS BRIEFING

For the year ending
30 June 2024

FY24 Overview

Net Tangible Assets \$4.01 per security (2023: \$4.02 per security)	Portfolio Value \$1.28b (2023: \$1.25b)	Net Assets \$782.5m (2023: \$780.2m)
No. of properties 59 (2023: 60)	Management Expense Ratio (MER) ¹ 36 bps (2023: 38 bps)	AFFO \$37.0m (2023: \$36.0m)
Distribution 19.0c per security (2023: 18.6c per security)	Pub Occupancy 100% (2023: 100%)	Weighted Average Lease Expiry ² 9.1 years (2023: 10.0 years)

¹ Total management and trust costs / average total assets

² Pub lease only WALE 9.5 years (2023:10.5 years)





Investment thesis

➤ **HPI's portfolio is unique, difficult to replicate and has long term strategic value:**

- Only pure-play pub portfolio listed on the ASX
- Meaningful scale with secure, growing rental revenue and attractive lease terms
- Operating business¹ reverts to landlord at lease expiry, providing protection and strategic value upside

➤ **Disciplined, aligned and active internal management structure has added value:**

- Investment in existing portfolio and acquisitions
- Long-term, attractively priced fixed rate USPP debt and interest rate swaps
- Productive partnership with AVC² provides growth optionality

➤ **Pubs remain an attractive and enduring asset class amid broader sector volatility and disruption**

- Comparatively low capitalisation rate volatility
- Highly sought after assets
- Significant barriers to entry for new venues

➤ **HPI portfolio has strong investment fundamentals:**

- 9.1 year WALE (hotels 9.5 years) with an average option period of an additional 19.3 years (hotels 20.0 years) (effective ~30 year WALE)
- 66%⁴ of debt is fixed with rolling debt maturities out to August 2033

➤ **Strong tenant covenants across the portfolio:**

- 38 properties leased to QVC³, 15 properties leased to AVC² and 6 properties leased to other experienced operators

¹ Under the majority of leases, liquor and gaming licenses revert to the landlord

² Australian Venue Company

³ Queensland Venue Company (QVC). QVC is a joint venture between Coles Limited and Australian Venue Company

⁴ An additional \$100 million of interest rate swaps were executed in July 2024, resulting in the fixing of ~90% of drawn debt when the deal commences in August 2024



Contents

- FY24 highlights
- FY24 financial results
- Property portfolio
- Pub refurbishments
- Outlook





FY24 highlights





Portfolio management

Transactions

- Settled the acquisition of the Strand Hotel In Yeppoon, Queensland for \$9.3 million, representing a yield of 6.2% in November 2023
- Sold four assets and recycled the proceeds into a new \$50 million refurbishment program
- Sold Hotel HQ for \$34.0 million (representing a passing yield of 5.5%), settlement was completed on 1 July 2024

Refurbishment program

- Two major projects from the FY20 Capital Works program are to be completed at Leichhardt Hotel and Everton Park Hotel
- The remaining commitment from the FY20 Capex program is \$4.4 million
- We will continue to assess, with our key tenants, funding future refurbishments in return for a rentalised revenue stream

Portfolio management – FY24 refurbishment program

Asset sales

- Four assets sold for a total of \$48.6 million at December 2023 book values
 - Hotel Allen and Ball Court Hotel settled in March 2024 with aggregate proceeds of \$23.7 million
 - Royal Mail Hotel and Woodpecker Bar & Grill expected to settle in March 2025 with aggregate proceeds of \$24.9 million

Refurbishment program

- Proceeds of each tranche are immediately redeployed at a yield of 7.5%
- Tranche 1 proceeds have been allocated to:
 - Strand Hotel
 - Berserker Tavern
 - Bonny View Tavern
 - Brighton Hotel
 - Everton Park Hotel
 - Coomera Lodge Hotel
 - Grand Junction Tavern
 - Leichhardt Hotel
 - Mile End Hotel

FY24 key metrics

Financial performance	
Revenue from investment properties	Adjusted Funds from Operations
➤ \$73.2m rental revenue from investment properties	➤ 19.0c per security
➤ Up 3.3% on prior corresponding period (pcp)	➤ Up 2.2% from pcp
Distributions per Security	Net asset value per Security
➤ 19.0c per security	➤ \$4.01 as at 30 June 2024
➤ Up 2.2% from pcp	➤ Down 0.2% from pcp



Investment properties
Portfolio property statistics as at June 2024
➤ 59 properties valued at \$1.28b
➤ Weighted average capitalisation rate of 5.53% (June 2023: 5.42%)
➤ Weighted average hotel expiry – 9.5 years (all leases 9.1 years)
➤ Weighted average hotel option periods – 20.0 years (all leases 19.3 years)
➤ Hotel occupancy – 100%
➤ 53 properties leased to QVC/AVC

FY24 key metrics

Capital management

Distribution reinvestment plan

- Distribution reinvestment plan reinstated for June 2024 distribution
- 16.1% participation for June 2024 distribution

Debt as at June 2024

- \$477.1m¹ drawn
- \$37.8m² undrawn facilities
- 37.0%³ gearing (lower end of target range)
- Weighted average cost of all debt – 5.72%
- Weighted average cost of fixed rate debt – 4.89%
- Weighted average fixed rate debt tenor – 2.6 years
- Proportion of fixed rate debt – 65.0%⁴
- Additional hedging completed subsequent to year end

¹ Excluding guarantee facility. \$453.6m as at 31 July 2024, following settlement of Hotel HQ

² \$61.4m as at 31 July 2024, following settlement of Hotel HQ

³ (Drawn loans minus cash) / (Total assets minus cash). 35.0% as at 31 July 2024, following settlement of Hotel HQ

⁴ Of debt drawn at 30 June 2024 (~90% following commencement of new swap)



FY24 financial results

FY24 financial results

– statutory profit

	FY24 \$m	FY23 \$m
Rental income	73.2	70.9
Other property income	9.0	8.9
Net rental income	82.2	79.8
Property outgoings	(13.0)	(12.6)
Management and trust expenses	(4.6)	(4.9)
Operating profit	64.6	62.4
Fair value loss on investment property	(0.7)	(36.0)
Fair value gain/(loss) on derivative instrument	(0.7)	2.4
Earnings before interest and tax	63.2	28.8
Finance expenses	(27.2)	(25.1)
Net profit before tax	36.0	3.7
Income tax expense	-	(0.1)
Net profit after tax	36.0	3.6
Earnings per Security (cents)	18.5	1.9

Rental income - \$73.2m – up 3.2% on pcip

MER – 36bps¹ – Low effective MER

Operating profit - \$64.6m – up 3.5% on pcip

Finance expenses - \$27.2m – up 8.4% on pcip due to higher variable interest rates

¹ Total management and trust costs / average total assets

FY24 financial results

– distributions per security

	FY24 \$m	FY23 \$m
Net profit after tax	36.0	3.6
Adjusted for:		
Straight line lease adjustment	(1.0)	(1.3)
Fair value loss on investment property	0.7	36.0
Fair value (gain)/loss on derivative instrument	0.7	(2.4)
Maintenance Capex	(0.6)	(1.0)
Other adjustments	1.9	1.2
Adjusted Funds From Operations	37.7	36.1
Capital adjustment	-	-
Distributions	37.7	36.1
AFFO distribution per Security (cents)	19.0	18.6
Capital adjustment per Security (cents)	-	-
Total distribution per Security (cents)	19.0	18.6

AFFO - \$37.7m – up 4.4% on pcp

Distributions - \$37.7m – at guidance

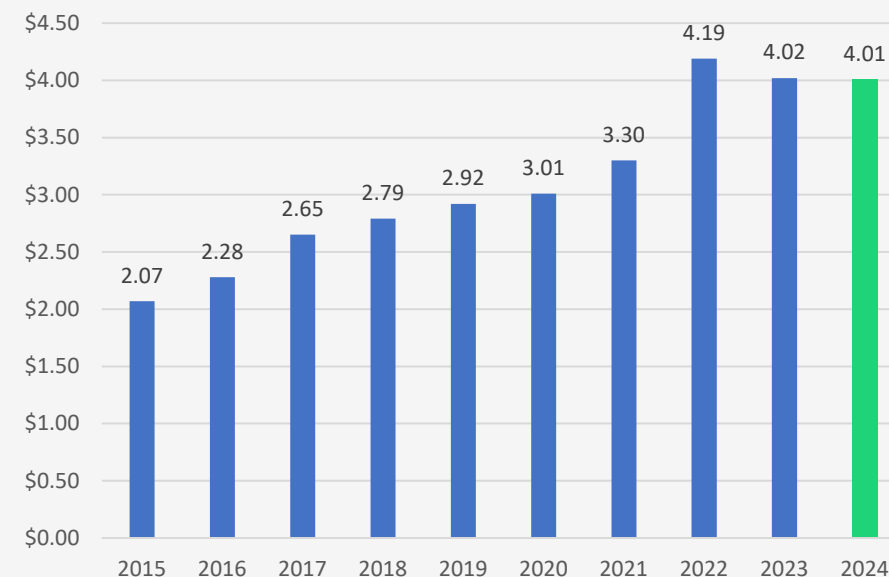
Distributions per security – 19.0 cents – up 2.2% on pcp

FY24 financial results – balance sheet



	Jun 24 \$m	Jun 23 \$m
Cash and cash equivalents	0.9	1.0
Receivables	0.4	1.6
Investment properties (inc. held for sale)	1,278.4	1,253.5
Other assets	9.0	9.6
Total assets	1,288.7	1,265.7
Creditors and payables	12.4	11.8
Provisions	18.5	18.2
Loans and borrowings	477.1	457.2
Capitalised borrowing costs	(2.2)	(2.2)
Other liabilities	0.4	0.5
Total liabilities	506.2	485.5
Net assets	782.5	780.2
Net asset value per Security	\$4.01	\$4.02
Gearing¹	37.0%	36.1%

Net asset value per security



¹ (Drawn Debt minus Cash)/(Total Assets minus Cash).
35.0% as at 31 July 2024 following settlement of Hotel HQ

FY24 financial results

– debt facilities summary

	USPP Note A	USPP Note B	USPP Note C	USPP Note D	USPP Note E	CTD Facility A	CTD Facility B	CTD Facility C	Total ¹
Total facility	\$100m	\$30m	\$100m	\$40m	\$40m	\$60m	\$45m	\$100m	\$515m
Amount drawn	\$100m	\$30m	\$100m	\$40m	\$40m	\$53.9m	\$13.2m	\$100m	\$477.1m
Available debt	-	-	-	-	-	\$6.1m	\$31.8m	-	\$37.9m
Maturity date	August 2025	August 2027	August 2027	August 2028	August 2033	May 2026	May 2026	December 2028	3.3 years
Interest basis	Fixed	Fixed	Floating ²	Fixed	Fixed ³	Floating	Floating	Floating	65.0% ⁴ fixed

Covenants	Covenant	Jun 24	Headroom
Gearing ⁵	60%	38.5%	22.5%
Interest cover ratio	1.5 times	2.4 times	1.1 times
Tangible assets	\$500m	\$1,288.7m	\$788.7m

¹ Excludes fully drawn \$5.6m bank guarantee facility

² Effectively swapped to fixed by callable interest rate swap

³ Effectively swapped to floating between August 2028 and August 2033

⁴ Of drawn debt as at 30 June 2024, including impact of callable interest rate swap

⁵ (Interest bearing liabilities + provision for distribution) / Total assets

FY24 financial results

– interest rate management

Interest rate management	
Existing deals	New deals (post balance date)
<p>In May 2023, HPI executed a Callable Interest Rate Swap with the following attributes:</p> <ul style="list-style-type: none">• Fixed rate 2.98% against BBSW 3M• 5 year term• Callable by the Counterparty after 2 years• Positive fair value of \$1.4m at 30 June 2024	<p>In July 2024, HPI has executed two Interest Rate Swaps to utilise long dated value with the following attributes:</p> <p><u>Swap 1:</u></p> <ul style="list-style-type: none">• \$100 million face value• Pay fixed rate of 3.09% against BBSW 3M• Approximately 100bps lower than a vanilla swap• 3 year term, commencing August 2024 <p><u>Swap 2:</u></p> <ul style="list-style-type: none">• \$40 million face value• Receive fixed rate of 2.1% against BBSW 6M• 5 year term, commencing August 2028



Property portfolio

◦ BEENLEIGH TAVERN ◦

BISTRO >

BAR



Property portfolio

Western Australia

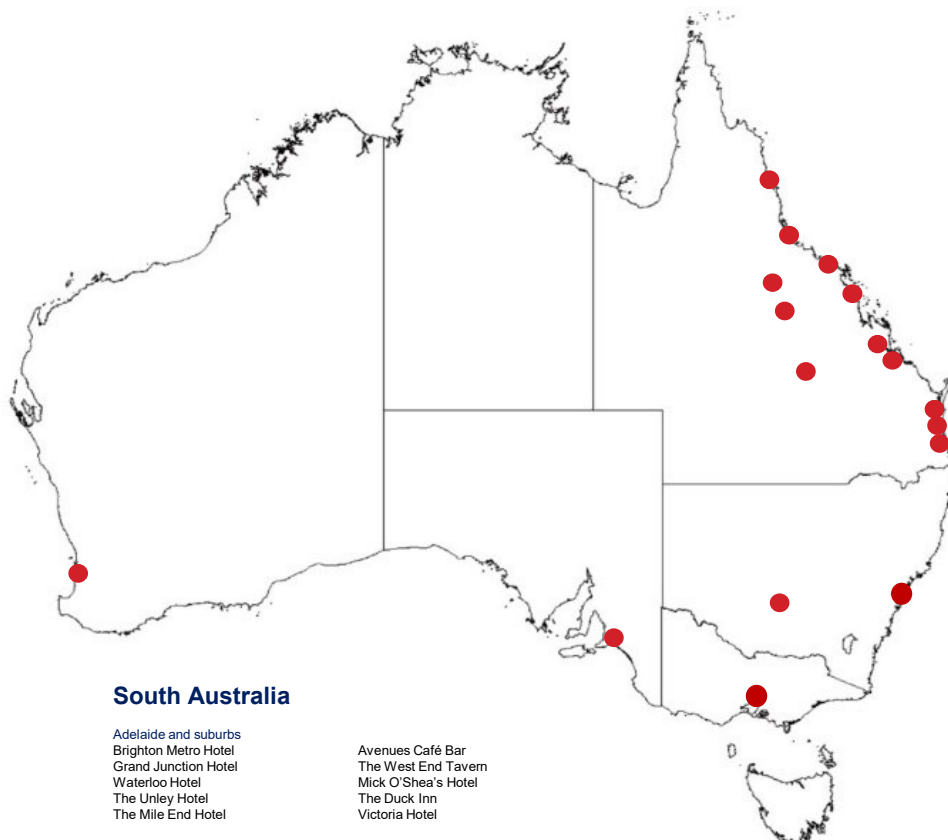
Perth and suburbs
Cornerstone Ale House



South Australia

Adelaide and suburbs
Brighton Metro Hotel
Grand Junction Hotel
Waterloo Hotel
The Unley Hotel
The Mile End Hotel

Avenues Café Bar
The West End Tavern
Mick O'Shea's Hotel
The Duck Inn
Victoria Hotel



Queensland

Cairns
Dunwoody's Tavern
Empire Altercade & Events
Grafton Hotel
Palm Cove Tavern
Trinity Beach Tavern

Townsville
Tom's Tavern

Airlie Beach
Magnum's Hotel
Jubilee Tavern

Mackay
Boomerang Hotel
Kooyong Hotel

Rockhampton and surrounds
Berserker Tavern
Leichhardt Hotel
Strand Hotel Motel

Gladstone
Club Hotel

Sunshine Coast
Bribie Island Hotel
Chancellor's Tavern
Kings Beach Tavern
Royal Mail Hotel
Surfair Beach Hotel

Brisbane and suburbs
Beenleigh Tavern
Bonny View Hotel
Brighton Hotel
Crown Hotel
Cleveland Sands Hotel
Cleveland Tavern
Everton Park Hotel
Hotel HQ
Fitzy's Loganholme
Fitzy's Waterford
Finnigan's Chin Kallangur
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

Roma
Commonwealth Hotel
White Bull Tavern

Capella
Capella Hotel

Clermont
Commercial Hotel
Grand Hotel

Victoria

Melbourne and suburbs
Summerhill Hotel
Edwardes Lake Hotel

New South Wales

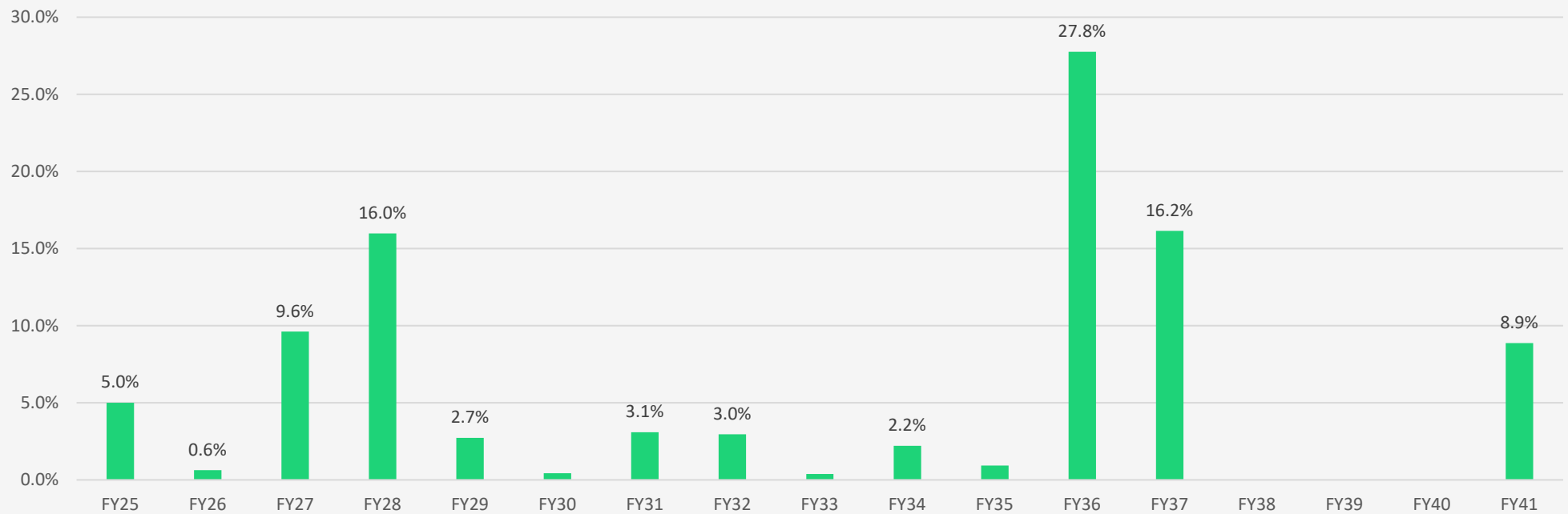
Griffith
Quest Griffith

Sydney and suburbs
Gregory Hills

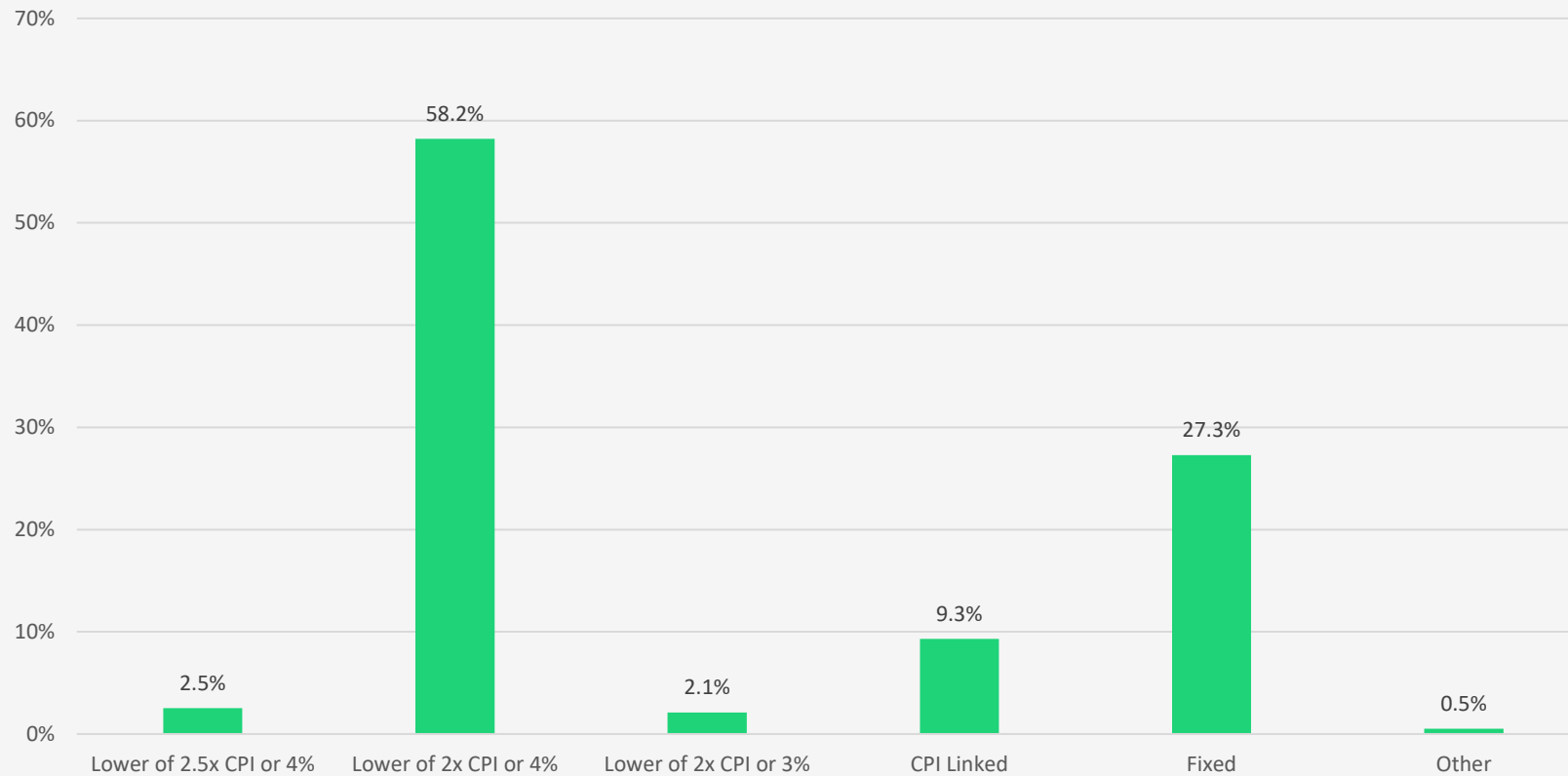
Key portfolio metrics

	Jun 24	Jun 23
Investment properties		
Investment property value	\$1,278.4m	\$1,253.5m
Number of properties	59	60
Number of properties externally valued during the year (reviewed as at June)	38(21)	39(23)
Weighted average capitalisation rate	5.53%	5.42%
Weighted average lease expiry (all leases)	9.1 years	10.0 years
Average hotel option period	20.0 years	19.9 years
Hotel occupancy	100%	100%

Lease expiry by income



Lease rent review mechanism by income





Pub refurbishments

◦ BEENLEIGH TAVERN ◦

BISTRO >

BAR



Pub refurbishments – FY24 program

- In March 2024 HPI announced the sale of four assets for \$48.6 million and the recycling of those proceeds, plus an additional \$1.4 million, into a new \$50 million refurbishment program, to be staged over two tranches
 - Tranche 1 settled in March 2024 and the proceeds of \$23.7 million were immediately reinvested
 - Tranche 2 is expected to settle in March 2025 and the sale proceeds of \$24.9 million, together with the additional \$1.4 million, will be reinvested at that time
 - All refurbishment proceeds are rentalised at 7.5%
 - The program provides a framework for lease extensions across the portfolio
- Tranche 1 assets ¹:
 - Grand Junction Hotel
 - The Strand Hotel
 - Berserker Tavern
 - Bonny View Tavern
 - Brighton Hotel
 - Everton Park
 - Leichhardt Hotel
 - Commera Lodge
 - Mile End Hotel
 - Tranche 2 assets will be finalised prior to the settlement of Tranche 2



Pub refurbishments – Pre FY24 programs

➤ Projects funded and completed since 2020:

- Bonny View Hotel
- Fitzzy's Loganholme
- MiHi Tavern
- Palm Cove Tavern
- Chancellors Tavern
- Wallaby Hotel
- Kings Beach Hotel
- Brighton Metro Hotel
- Crown Hotel
- Beenleigh Tavern
- Bribie Island
- Coomera Lodge
- Boomerang Hotel
- Club Hotel
- Dunwoody's Tavern
- Inala Hotel
- Sundowner Hotel
- Waterloo Station
- Cleveland Sands Hotel
- Grand Junction Hotel

➤ Significant projects planned/underway¹

- Leichhardt Hotel
 - Everton Park Hotel
- Including the planned projects, 22 of our 59 assets have recently been refurbished since 2020
- Refurbishments are typically cover the whole of pub, including public bars, bistros and outdoor areas

Pub refurbishments – Boomerang Hotel



The top photos show the newly renovated spaces at Boomerang Hotel, contrasted with the same areas prior to the renovation



Pub refurbishments – Crown Hotel



The top photos show the newly renovated spaces at Crown Hotel, contrasted with the same areas prior to the renovation



Pub refurbishments – Coomera Lodge





Outlook





Outlook

- HPI is a long-term owner of pubs that aims to deliver a secure income stream to investors
- HPI maintains a strong relationship with AVC that is creating mutually beneficial outcomes
- HPI will continue to pursue pub acquisitions that meet our investment criteria
- We will continue to review the portfolio with a view to increasing distributions, whether by divesting properties and recycling the proceeds into higher returning properties or strengthening the balance sheet, developing properties, or by acquiring new properties at appropriate prices



Important notice

- This presentation and any accompanying annexures (**Presentation**) has been prepared by Hotel Property Investments Limited ACN 010 330 515 AFSL 479719. Figures stated in this Presentation are as at the date provided at the start of this Presentation and all dollar values are in Australian dollars, unless stated otherwise. The HPI group (**HPI Group**) consists of Hotel Property Investments Limited, the Hotel Property Investments Trust and their controlled entities. Whilst every effort is made to provide accurate and complete information, the HPI Group does not warrant or represent that the information included in this Presentation is free from errors or omissions or that is suitable for your intended use. Except as required by law, the HPI Group does not assume any obligation to update or revise this Presentation after the date of this Presentation.
- This Presentation contains forward-looking statements, including statements regarding future earnings and distributions that are based on information and assumptions available to us as of the date of this Presentation. Actual results, performance or achievements could be significantly different from those expressed in, or implied by these forward looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this Presentation.
- The information provided in this Presentation may not be suitable for your specific needs and should not be relied upon by you in substitution of you obtaining independent advice. The information provided in this Presentation should be considered together with the HPI Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange and other information available on our website. To the maximum extent permitted by law, the HPI Group and its respective directors, officers, employees and agents accepts no responsibility for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of any error, omission or misrepresentation in this Presentation. All information in this Presentation is subject to change without notice. This presentation does not constitute an offer or an invitation to acquire financial products in any jurisdictions, and is not a prospectus, product disclosure statements or other offering document under Australian law or any other law. It is for information purposes only.
- This announcement is authorised for release to the market by the Hotel Property Investments Limited Board.