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ASX Announcement

2 March 2015

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

**Hotel Property Investments (ASX Code: HPI)
Investor Briefing Update**

Investors are referred to the attached presentation.

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Hotel Property Investments comprises Hotel Property Investments Trust and Hotel Property Investments Limited, the investment manager for the Trust. The Trust Company (RE Services) Limited is the responsible entity for the Trust.

(Hotel Property Investments Trust ARSN 166 484 377, Hotel Property Investments Limited ACN 010 330 515)

HOTEL PROPERTY INVESTMENTS INTERIM RESULTS BRIEFING – MARCH 2015



12.30 pm, Monday 2 March 2015, Sydney

David Charles, Fund Manager

Key Messages

- Interim distribution of 7.9 cents per security declared, and full year guidance upgraded of 16.1 cents - ahead of PDS forecast of 15.9 cents
- Active Portfolio Management: 4 acquisitions and 7 divestments including the acquisition of HPI's first property leased to ALH Group
- 16 properties independently valued at December 14 - average cap rate contraction 10bps.
- Hedging implemented for the term of loans – 100% hedged from July 2015 to December 2018

Key Metrics

<u>Key Metrics</u>	<u>31-Dec-14</u>	<u>30-Jun-14</u>
Investment Property	\$528.8 m	\$496.7 m
Loans Drawn	\$227.1 m	\$224.1 m
Cash On Hand	\$2.7 m	\$3.3 m
Gearing	42.0%	44.3%
Average Cap Rate	7.39%	7.42%
WALE	8.4	8.5
Occupancy	100%	100%
Net Assets per security	\$1.96	\$1.96
Closing Share Price	\$2.61	\$2.05
Share Price Premium / (Discount) to NAPS	33%	4%



Acquisitions Completed



Hotel HQ – Acquired / Settled Sept 2014



- Hotel Constructed and opened 2006
- Rent \$1.3m p.a and Outgoings recovered except Land Tax
- Positioned in the heart of the rapidly growing Logan city, 20km south of Brisbane CBD
- Annual rent increases at fixed 4% (2.5 x CPI or 4%)
- Initial lease term to March 2028 and 30 years of options
- Top 20 Gaming venue in Qld
- 40 Gaming Authorities revert to the landlord on termination of the lease

Beenleigh Hotel – Acquired / Settled Oct 2014



- Hotel Constructed and opened in 2003
- Rent \$0.8m p.a and Outgoings recovered except Land Tax
- Strategically positioned in between Brisbane and the Gold Coast
- Annual rent increases at CPI
- Initial lease term to December 2026 and 20 years of options
- Full service hotel including food and beverage, retail liquor and strong gaming room
- 40 Gaming Authorities revert to the landlord on termination of the lease

Magnums Tavern – Acquired / Settled Jan 2015



- HPI's first property leased to the ALH Group (75% owned by Woolworths)
- Rent \$1.4m p.a and Outgoings recovered except Land Tax
- Strategically located in the centre of Airlie Beach's main commercial centre and tourist locale
- Annual rent increases at fixed 3.25%
- Initial lease term to December 2026 and 30 years of options
- Tenant owns and operates 2 highly successful detached bottle shops off the hotel licence
- 40 Gaming Authorities revert to the landlord on termination of the lease

Wallaby Hotel - Acquired / Settled Jan 2015



- Acquisition settled in late January 2015
- Rent \$0.8m p.a and Outgoings recovered except Land Tax
- Original hotel opened at the site in 1884, with current heritage listed building constructed in 1914.
- Very strong performing pub, including 1st Choice Liquor Superstore and top 40 ranked Gaming room
- Annual rent increases at fixed 3%
- Initial lease term expires July 2016 with 15 years of options

Outlook

- Seek further asset acquisition opportunities... but will continue to be selective.
 - Assets at the right price with the right tenant and the right lease terms and delivering incremental distributions to securityholders
- Further asset recycling where opportunities arise
- Review opportunities within portfolio for development
- Continue to pursue cost reduction measures where possible



Appendix 1 – Financials and Capital Management

Net Profit 6 months ended 31 December 2014

Consolidated Income Statements

<u>P&L in \$ millions</u>	<u>Actual</u>
Income	
Net rental income (excl SLL Adj)	19.7
Operating expenses	
Non-recoverable property operating expenses	-1.2
Management fees	-0.8
Trust expenses	-0.7
Total expenses	-2.7
Operating Profit	17.0
Fair value adj on Hedging	-6.6
Fair value gain on HPI portfolio of properties	2.1
EBIT	12.6
Net interest expense	-5.2
Net Profit before tax	7.3
Tax	0.0
Net Profit after tax	7.3

Minor addition differences due to rounding to \$M's

Distributable Income 6 months ended 31 December 2014

Consolidated Distribution Statements

<u>DISTRIBUTIONS in \$ millions</u>	<u>Actual</u>
Statutory NPAT for the period	7.3
Amortisation of capitalised borrowing costs / Tax adj	0.1
Fair Value & P&L on Disposal adj's	4.4
Distributable earnings	11.9
Maintenance capex	-0.3
AFFO (Adj Funds From Ops)	11.6
Return of capital	0.0
Total Distribution	11.6
Stapled Securities at end of period	146.1
Distribution per stapled security (cents)	7.9
Distribution yield % on Issue Price \$2.10	7.6%

Minor addition differences due to rounding to \$M's

Balance sheet at 31 December 2014

Consolidated Balance Sheet

BALANCE SHEET in \$ millions		
Current Assets	<u>Dec-14</u>	<u>Jun-14</u>
Cash	2.7	3.3
Other current assets	5.2	1.3
Total Current Assets	7.9	4.7
Non Current Assets		
Investment property / Investment Properties held for sale	528.8	496.7
Other non current assets	0.2	0.2
Total Non Current Assets	529.0	496.9
Total Assets	536.9	501.6
Liabilities		
Current Liabilities		
Other current liabilities	14.8	14.3
Borrowings	226.3	223.2
Other non current liabilities	9.7	3.2
Total Non Current Liabilities	236.0	226.3
Total Liabilities	250.8	240.6
Net Assets	286.1	261.0
Gearing (Drawn Borrowings ¹ - Cash) / (Total Assets – Cash)	42.0%	44.3%
Net Assets Per Security	1.96	1.96

¹ Borrowings shown on balance sheet are drawn borrowings less \$0.84 million (Jun-14: \$0.95 million) of capitalised debt establishment fees

Minor addition differences due to rounding to \$M's

Capital Management

As at 31 December 2014

CAPITAL MANAGEMENT	<u>31-Dec-14</u>
Drawn Debt	\$227.1 m
Net Debt (Drawn Debt less Cash)	\$224.5 m
Loan Facility Limit	\$260.0 m
Debt Term to Maturity	3.9 yrs
Gearing (Drawn Borrowings ¹ - Cash) / (Total Assets – Cash)	42.0%
% Hedging to June 15	51%
% Hedging July 2015 to end of loan term December 2018	100%

HOTEL PROPERTY INVESTMENTS POST RESULTS BRIEFING – MARCH 2015

