



ASX Announcement

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Hotel Property Investments (ASX Code: HPI)

Financial results for the half year ended 31 December 2020, distributions, and Distribution Reinvestment Plan outcomes

Hotel Property Investments (HPI) today lodged its half year report which shows a statutory profit of \$29.9 million and has declared a distribution of 9.6 cents per stapled security for the half year ended 31 December 2020.

1. HPI positioned for growth

Calendar Year 2020 has established the foundation for future 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 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; and
- At the same time these activities have increased geographic and tenant diversification of our property portfolio.

2. Half year highlights

- **Total revenue:** Total revenue is up 6.2% to \$28.8 million (2019: \$27.1 million). Annual rent increases averaged 2.3% across the pub portfolio and HPI acquired the Acacia Ridge Hotel (March 2020), the Gregory Hills Hotel (April 2020), the Jubilee Tavern (December 2020) and the Mango Hill Hotel (December 2020).

These increases were offset by the \$3 million p.a. rent reduction for eight pubs that was announced in January 2020. This reduction was effective 1 July 2020.

- **Adjusted Funds From Operations (AFFO):** AFFO increased by 2.6% to \$15.5 million (2019: \$15.1 million).
- **Distributions:** The distribution for the six months ended 31 December 2020 is 9.6 cents (2019: 10.3 cents), comprising 9.0 cents from operations and 0.6 cents from capital.
- **Property Valuation and Cap Rates:** Portfolio valued at \$850.0 million reflecting an average Cap Rate of 5.97%. (June 2020: 6.1%)
- **Acquisitions:** HPI acquired the Jubilee Tavern and the Mango Hill Hotel in December 2020. The aggregate acquisition price was \$40.6 million excluding costs, representing a passing yield of 6.0%. The Summerhill Hotel was contracted during the half year and settled on 1 February 2021.

3. Profit after tax and Distributable Earnings

Profit after Tax for the half year ended 31 December 2020 was \$29.9 million. Operating revenues and expenses included rental income from investment properties of \$26.0 million, property cost recoveries of \$2.8 million, property outgoing costs of \$4.6 million, management fees and other trust costs of \$2.0 million, and financing costs of \$6.2 million. The fair value gain on investment property was \$13.9 million.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of HPI was \$16.1 million. Adjusting further for maintenance capex of \$0.6 million the Adjusted Funds from Operations (AFFO) was \$15.5 million.

4. Distribution Reinvestment Plan (DRP)

HPI advise that the Subscription Price of securities under the DRP is \$3.0567 per stapled security. This Price was established by applying a 1% discount to the average of the daily price average of the daily volume weighted average price of all sales of Stapled Securities recorded on ASX for each of the first 20 ASX Trading Days on and from the first date the Stapled Securities traded on the ASX on an entitlement basis in respect of the Distribution.

Of the registered Securityholders, 18.49% elected to take their distribution for the six months ended 31 December 2020 as new HPI Securities. As a result, the DRP will raise \$3.0 million through the issue of approximately 1.0 million new HPI Securities.

5. Key Metrics as at 31 December 2020

- **Statutory Profit:** \$29.9 million
- **Fair value gain:** \$13.9 million
- **Investment Property Value:** \$850.0 million
- **Average cap rate:** 6.0%
- **Cash on Hand:** \$1.0 million
- **Loans Drawn:** \$308.3 million
- **Undrawn debt facilities:** \$94.7 million
- **Weighted average debt expiry:** 4.5 years
- **Gearing:** 35.6% (Drawn Debt minus cash)/(Total Assets minus Cash)
- **WALE:** 10.8 years
- **Average Option Period:** 17.7 years

- **Occupancy:** Hotels 100% leased
- **Net Assets per Security:** \$3.08

6. Distribution Guidance for FY21

Distribution guidance of 19.3 cents per security.

This ASX announcement was authorised by the Hotel Property Investments Limited Board

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