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Hotel Property Investments (ASX Code: HPI)
Financial results for the year ending 30 June 2024

Hotel Property Investments (HPI) today lodged its FY24 annual financial report which shows a statutory profit of \$36.0 million and has declared a final distribution of 9.5 cents per stapled security for the six months ending 30 June 2024.

1. Highlights

Rental income: Rental income is up 3.3% to \$73.2 million (FY23: \$70.9 million), due primarily to contract rent increases across the pub portfolio for consistently held assets.

Adjusted Funds From Operations (AFFO): AFFO increased by 2.7% to \$37.0 million (FY23: \$36.1 million), primarily due to rental income growth, offset by the impact of increased variable interest costs.

Distributions: The final distribution per security for the six months ended 30 June 2024 is 9.5 cents (2023: 9.4 cents), for a total distribution of 19.0 cents for the year (2023: 18.6 cents).

Property Valuation and Cap Rates: Portfolio valued at \$1,278.4 million (inclusive of available for sale assets) reflecting an average Cap Rate of 5.53%. (June 2023: 5.42%). 21 of the 59 investment properties have been externally valued or reviewed at 30 June 2024 and 17 were externally valued prior to 30 June during the financial year. Five assets are currently held for sale.

Transactions: During the year HPI contracted and/or settled the following transactions:

- acquisition of the Strand Hotel, Yeppoon QLD;
- an integrated asset sale and capital investment program, comprising:
 - disposal of Hotel Allen and Ball Court Hotel, settled in March 2024;
 - unconditionally contracted the sale of Royal Mail Hotel and the Woodpecker, due to settle in March 2025; and
- disposal of the Hotel HQ, settled 1 July 2024.

Debt facilities: As at 30 June, HPI is well positioned with a mix of debt facilities:

- next facility maturity – \$100m USPP Note in August 2025
- weighted average debt tenor – 3.3 years
- weighted average cost of debt – 5.72%
- weighted average fixed rate debt term – 2.6 years

- weighted average cost of fixed rate debt – 4.89%
- proportion of debt fixed – 65.0%

In July 2024 HPI entered into 2 interest rate swaps with the following attributes:

Swap 1:

- \$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

Swap 2:

- \$40 million face value
- Receive fixed rate of 2.1% against BBSW 6M
- 5 year term, commencing August 2028

The combination of these two swaps increases medium term cashflow certainty. It is anticipated that approximately 90% of drawn debt will be fixed until at least May 2025, when the 2023 callable swap may revert back to floating.

2. Profit after tax and Distributable Earnings

The Profit after Tax for the year ended 30 June 2024 was \$36.0 million. In addition to the fair value loss on investment properties of \$0.7 million, other operating revenues and expenses included rental income from investment properties of \$73.2 million, property cost recoveries of \$9.0 million, property outgoing costs of \$13.0 million, management fees and other trust costs of \$4.7 million, and financing costs of \$27.2 million.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of HPI was \$37.6 million. Adjusting further for maintenance capex of \$0.6 million the Adjusted Funds from Operations (AFFO) was \$37.0 million.

3. Key Metrics at 30 June 2024

- **Statutory profit:** \$36.0 million
- **Fair value loss on investment property:** \$0.7 million
- **Investment Property Value:** \$1,278.4 million
- **Average cap rate:** 5.53%
- **Cash on Hand:** \$0.9 million
- **Loans Drawn:** \$477.1 million
- **Undrawn debt facilities:** \$37.9 million
- **Weighted average debt expiry:** 3.3 years
- **Gearing:** 37.0% (Drawn Debt minus cash)/(Total Assets minus Cash)
- **WALE:** 9.1 years
- **Average Hotel Option Period:** 20.0 years
- **Occupancy:** Hotels 100% leased
- **Net Assets per Security:** \$4.01

4. Distribution Guidance for FY25

HPI provides distribution guidance of 19.5 cents per security for FY25, an increase of 2.6% from FY24.

5. Appointment of CEO and Managing Director

John White has been appointed CEO and Managing Director effective 2 September 2024. John has over thirty years experience in various aspects of the Australian and global property sector.

Please refer to the separate ASX announcement for further details of John's background and the terms of his employment.

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

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