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Hotel Property Investments (ASX Code: HPI)
Financial results for the six months ending 31 December 2023

Hotel Property Investments (HPI) today lodged its H1 FY24 interim report which shows a statutory profit of \$9.5 million and has declared a final distribution of 9.5 cents per stapled security for the six months ending 31 December 2023.

1. Highlights

Rental income: Rental income is up 3.4% to \$36.5 million (H1 FY23: \$35.3 million), due to contract rent increases across the pub portfolio for consistently held assets.

Adjusted Funds From Operations (AFFO): AFFO decreased by 2.1% to \$18.5 million (H1 FY23: \$18.9 million), primarily due to the impact of increased variable interest costs.

Distributions: The half year distribution for 31 December 2023 is 9.5 cents (H1 FY23: 9.2 cents).

Property Valuation and Cap Rates: Portfolio valued at \$1,263.9 million reflecting an average Cap Rate of 5.47%. (June 2023: 5.42%). 16 of the 61 investment properties have been externally valued at 31 December 2023.

Transactions: During the period HPI settled the acquisition of the Strand Hotel, Yeppoon QLD, representing a yield of 6.2%.

Debt facilities: HPI is well positioned with a mix of debt facilities:

- next facility maturity – \$100m USPP Note in August 2025
- weighted average fixed rate debt term – 3.1 years
- weighted average cost of fixed rate debt – 4.89%
- proportion of debt fixed – 65.9%

As at 31 December 2023 the weighted average debt tenor is 3.8 years and the average cost of debt is 5.56%.

2. Profit after tax and Distributable Earnings

The Profit after Tax for the six months ended 31 December 2023 was \$9.5 million. In addition to the fair value loss on investment properties of \$8.1 million, other operating revenues and expenses included rental income from investment properties of \$36.5 million, property cost recoveries of \$4.7 million, property outgoing costs of \$6.8 million, management fees and other trust costs of \$2.2 million, and financing costs of \$13.6 million.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of HPI was \$18.8 million. Adjusting further for maintenance capex of \$0.3 million the Adjusted Funds from Operations (AFFO) was \$18.5 million.

3. Distribution Reinvestment Plan (DRP)

The DRP has been suspended for the December 2023 distribution.

4. Key Metrics

- **Statutory profit:** \$9.5 million
- **Fair value loss:** \$8.1 million
- **Investment Property Value:** \$1,263.9 million
- **Average cap rate:** 5.47%
- **Cash on Hand:** \$2.1 million
- **Loans Drawn:** \$470.2 million
- **Undrawn debt facilities:** \$44.8 million
- **Weighted average debt expiry:** 3.8 years
- **Gearing:** 36.7% (Drawn Debt minus cash)/(Total Assets minus Cash)
- **WALE:** 9.5 years
- **Average Hotel Option Period:** 19.9 years
- **Occupancy:** Hotels 100% leased
- **Net Assets per Security:** \$3.97

5. Distribution Guidance for FY24

HPI re-affirms distribution guidance of 19.0 cents per security for FY24.

6. CEO and Managing Director update

Don Smith, CEO and Managing Director, returned to work on 15 January 2024 and over the next few months will require periods of additional leave to achieve a full recovery. During these periods, Blair Strik will be acting CEO.

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

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