



Charter Hall Retail REIT (ASX:CQR)

Takeover offer for Hotel Property Investments
(ASX:HPI) with institutional partner

9 September 2024





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Agenda

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Transaction overview

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Transaction overview

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Transaction overview	<ul style="list-style-type: none"> — Charter Hall Retail REIT (“CQR”) and a Charter Hall managed trust on behalf of Host-Plus Pty Limited (“Hostplus”), (via a Charter Hall Group trustee, the “Bidder”) have today lodged an off-market takeover bid to acquire all of the securities on issue in Hotel Property Investments (“HPI”), subject to a 50.1% minimum acceptance condition and other limited conditions (the “Offer”) — Each of CQR and Hostplus will contribute 50% of the cash consideration for the Offer and indirectly own 50% of the acquiring entity
Offer consideration	<ul style="list-style-type: none"> — The Bidder is offering to acquire all of the securities in HPI by way of an off-market takeover for cash consideration of \$3.65 per HPI Security¹
Benefits for HPI Securityholders	<ul style="list-style-type: none"> — The Offer will deliver significant benefits to HPI Securityholders including: <ul style="list-style-type: none"> ✓ An attractive premium to HPI’s historical trading levels ✓ Certainty of all-cash consideration, which is fully funded, delivering immediate value at an attractive price at a time of listed market volatility ✓ Access to liquidity at a premium, without the need to pay brokerage fees ✓ Low execution risk with an offer from an Australia domiciled Bidder that is subject to limited conditions ✓ No competing offer has emerged, and the likelihood of a competing proposal emerging is low given the Bidder holds 14.7% of HPI Securities
Strategic rationale for CQR Unitholders	<ul style="list-style-type: none"> — The proposed transaction facilitates growth and diversification with the addition of a significant portfolio benefiting from a secure and growing income stream in an attractive sector — Under the proposed transaction, CQR would acquire a 50% interest in HPI’s \$1.2bn portfolio of 58 net leased retail assets, which have either NN or NNN lease structures and strong annual rent reviews (predominantly the lower of 2x CPI or 4.0%) — HPI’s strategically located portfolio is 100% occupied and has a 9.1 year WALE, with capital values supported by high underlying land value — Provides an opportunity for CQR to upweight its convenience net lease retail exposure
Impact of the proposed transaction	<ul style="list-style-type: none"> — Based on information currently available and barring any unforeseen events, CQR reconfirms its forecast FY25 operating earnings of approximately 25.4 cents per unit, with the proposed transaction expected to be operating earnings accretive from completion — CQR’s contribution to the proposed transaction will be funded through existing investment capacity and ongoing portfolio curation

1. The cash consideration payable will be reduced by the amount or value of any distributions or other Rights to which relevant HPI Securityholders receive or become entitled to receive on and from the Announcement Date, which the Bidder does not receive.

Key benefits for HPI Securityholders

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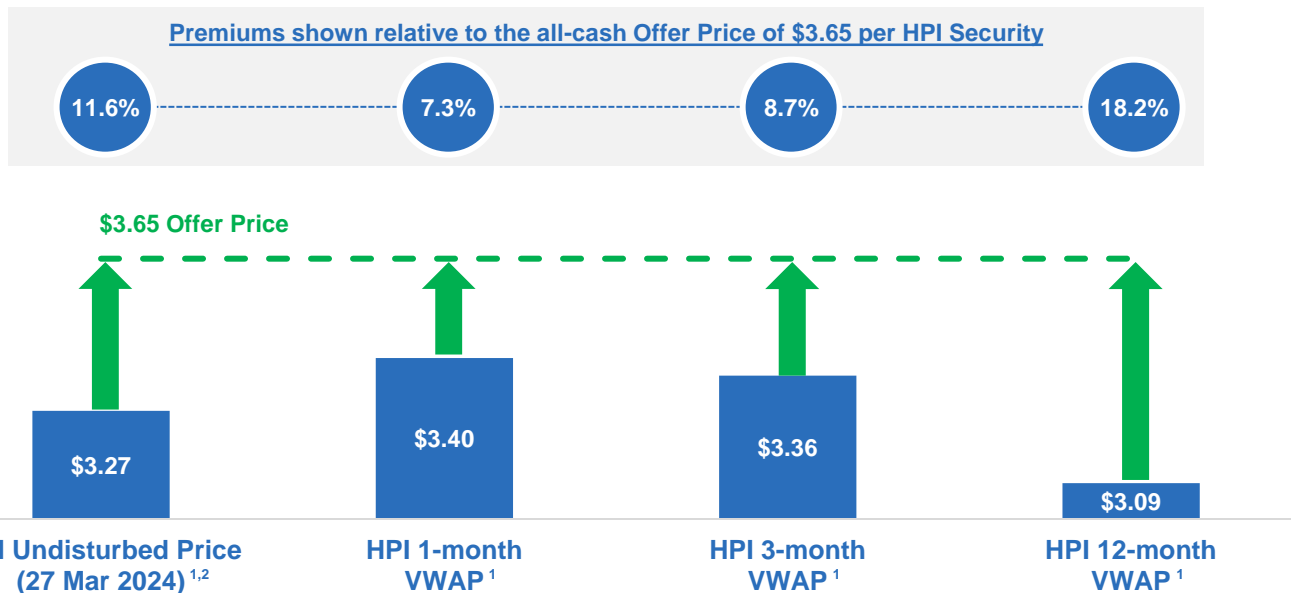


The Offer delivers an attractive cash premium for HPI Securityholders

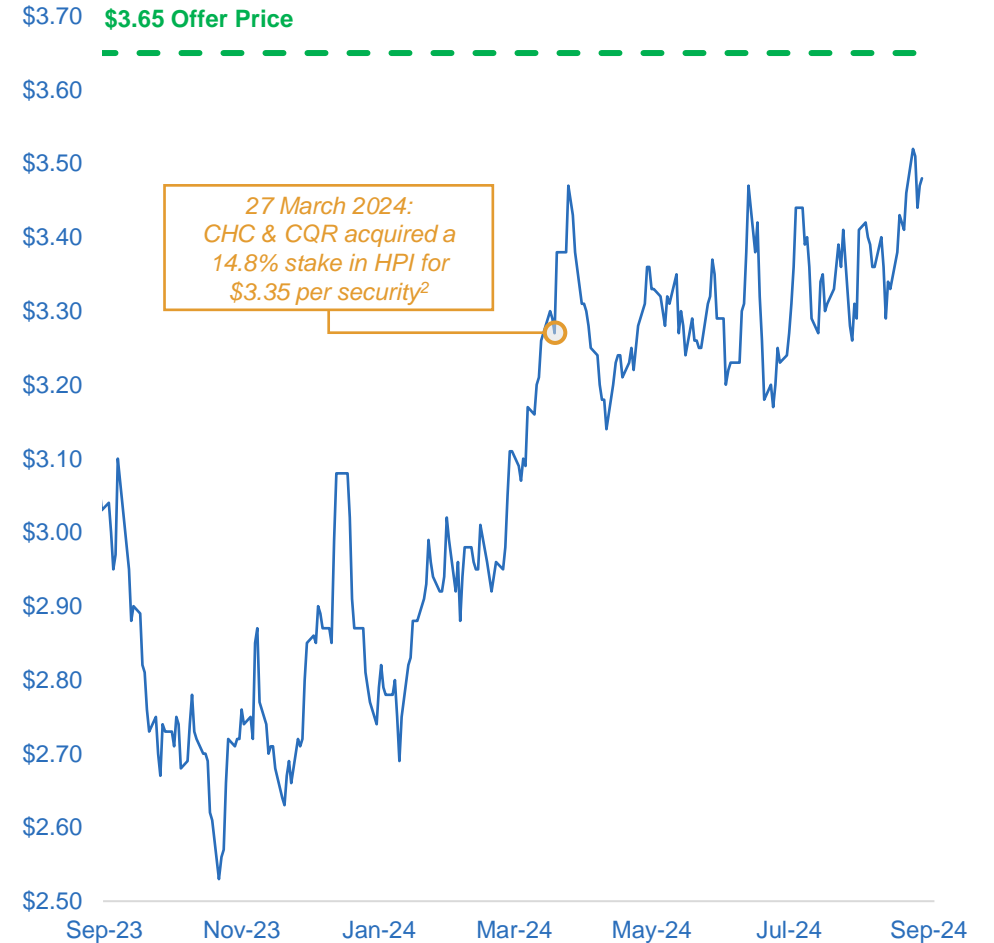
The Offer will deliver significant benefits to HPI Securityholders including:

- ✓ An attractive premium to HPI's historical trading levels
- ✓ Certainty of all-cash consideration, which is fully funded, delivering immediate value at an attractive price at a time of listed market volatility
- ✓ Access to liquidity without the need to pay brokerage fees
- ✓ Low execution risk with an offer from an Australia domiciled Bidder that is subject to limited conditions
- ✓ No competing offer has emerged, and the likelihood of a competing proposal emerging is low given the Bidder holds 14.7% of HPI Securities

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HPI Security Price Performance (last twelve months)¹



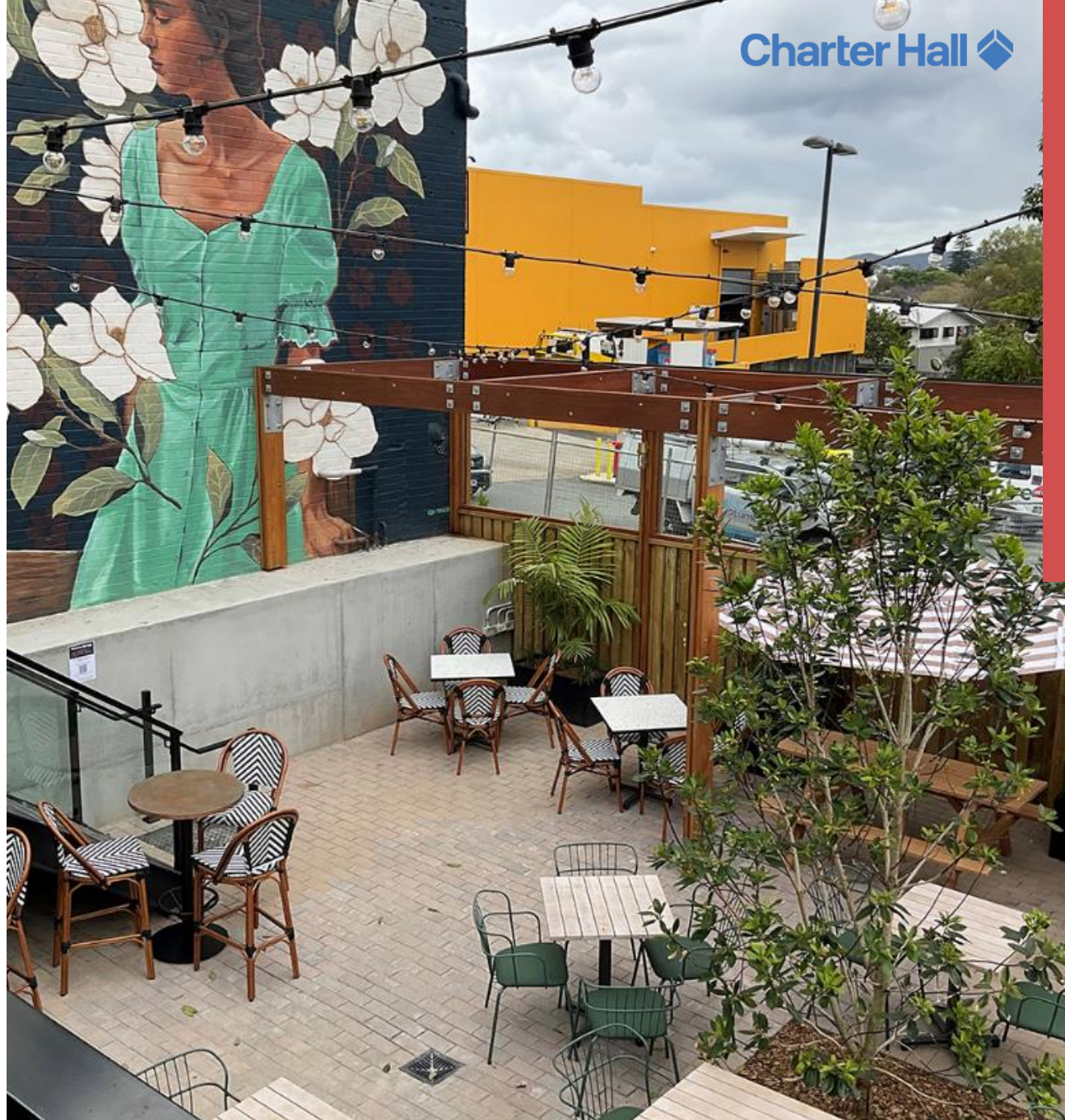
1. IRESS market data as at 6 September 2024.

2. As announced on 28 March 2024, Charter Hall Retail REIT and Charter Hall Group equally funded a JV Trust which acquired a 14.8% strategic stake in Hotel Property Investments for total consideration of \$97 million, equivalent to \$3.35 per HPI Security. The strategic stake was acquired at a 2.4% premium to the closing price of HPI Securities on 27 March 2024 of \$3.27 (Undisturbed Date).

Strategic rationale for CQR Unitholders

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Strategic rationale for CQR Unitholders

The proposed transaction provides a unique opportunity to acquire a significant portfolio of high quality, net lease retail assets

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1 High quality portfolio with strong tenant covenant

- ✓ Diversified portfolio of 58 net leased retail assets
- ✓ 88% of properties are located on Australia's eastern seaboard
- ✓ Predominantly leased to AVC¹ and QVC², which are experienced operators
- ✓ Capital values supported by high underlying land value – with potential higher and better use opportunities over the long term

3 Improved diversification

- ✓ Provides an opportunity for CQR to upweight its convenience net lease retail exposure from 29% to 39% (by value)
- ✓ CQR benefits from Charter Hall's national footprint and expertise as the leading manager of net lease retail assets in Australia

2 Attractive lease structure and growth profile

- ✓ 100% occupancy and a 9.1 year WALE with an average options period of an additional 19.3 years provides security of income
- ✓ Favourable rent review mechanisms provide growth through inflationary cycles, with CPI-linked escalators that benefit from fixed collars
- ✓ Limited forecast maintenance capex, averaging ~10bps of asset value over the last 5 years

4 Accretive transaction for CQR

- ✓ Proposed transaction expected to be operating earnings accretive for CQR Unitholders from completion
- ✓ The portfolio's total return prospects are favourable given the entry yield, rent reviews, and low capital expenditure drag
- ✓ The proposed transaction will be funded by existing investment capacity together with continued portfolio curation

1. AVC denotes Australian Venue Company.

2. QVC denotes Queensland Venue Company. QVC is a joint venture between Coles Limited and Australian Venue Company.

Strategic rationale for CQR Unitholders (continued)

HPI's portfolio is predominantly eastern seaboard weighted with a secure 9.1 year WALE and 100% occupancy

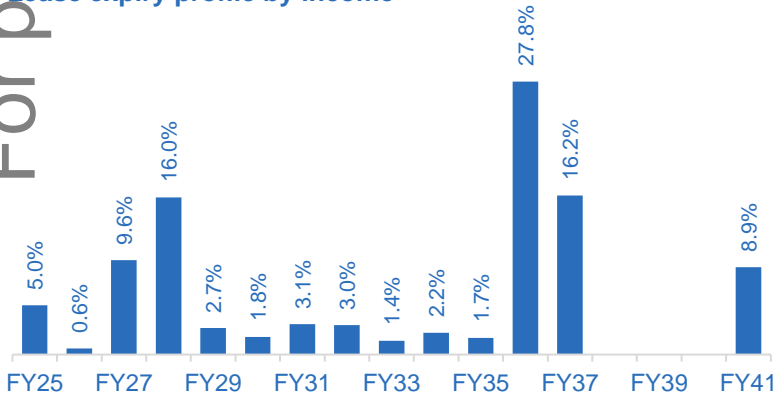
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State	# of assets ¹	Value (\$m) ^{1,2}	% of total portfolio
QLD	43	485	77.8%
SA	10	71	11.5%
NSW	2	32	5.2%
VIC	2	32	5.2%
WA	1	2	0.3%
Total	58	623	100.0%

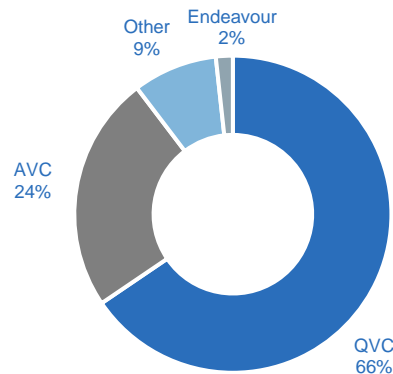


- Queensland**
 - Cairns**
 - Dunwoody's Tavern
 - Empire Alternacade & Events
 - Grafton Hotel
 - Palm Cove Tavern
 - Trinity Beach Tavern
 - Sunshine Coast**
 - Bribie Island Hotel
 - Chancellor's Tavern
 - Kings Beach Tavern
 - Surfair Beach Hotel
 - Townsville**
 - Tom's Tavern
 - Airlie Beach**
 - Magnum's Hotel
 - Jubilee Tavern
 - Mackay**
 - Boomerang Hotel
 - Kooyong Hotel
 - Rockhampton and surrounds**
 - Berserker Tavern
 - Leichhardt Hotel
 - Strand Hotel Motel
- Gladstone**
 - Club Hotel
- Brisbane and suburbs**
 - Beenleigh Tavern
 - Bonny View Hotel
 - Brighton Hotel
 - Crown Hotel
 - Cleveland Sands Hotel
 - Cleveland Tavern
 - Everton Park Hotel
 - 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
- South Australia**
 - Adelaide and suburbs**
 - Avenues Café Bar
 - Brighton Metro Hotel
 - Grand Junction Hotel
 - Mick O'Shea's Hotel
 - The Duck Inn
 - The Mile End Hotel
 - The Unley Hotel
 - The West End Tavern
 - Victoria Hotel
 - Waterloo Hotel
- New South Wales**
 - Griffith**
 - Quest Griffith
 - Sydney and suburbs**
 - Gregory Hills
 - Victoria**
 - Melbourne and suburbs**
 - Summerhill Hotel
 - Edwardes Lake Hotel
 - Western Australia**
 - Perth and suburbs**
 - Cornerstone Ale House

Lease expiry profile by income



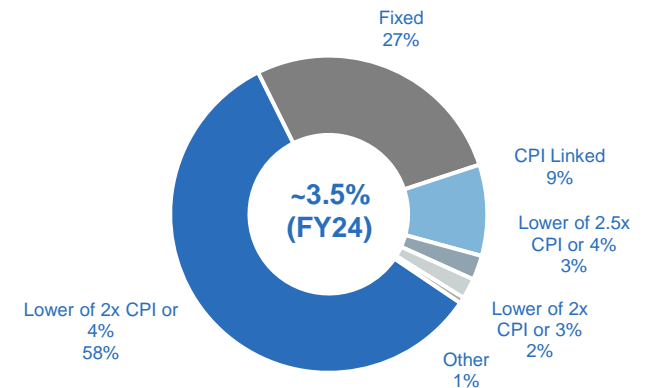
Tenant profile by number of assets



52 out of 58 assets leased to QVC or AVC

- 38 leased to QVC
- 14 leased to AVC¹
- 1 leased to Endeavour
- 5 assets leased to other experienced operators

Annual rent review profile by income



1. Excludes Hotel HQ, which was sold and settled on 1 July 2024.
 2. Represents a 50% interest in HPI's portfolio.

Strategic rationale for CQR Unitholders (continued)

Proposed acquisition cap rate is more than 20% higher than CQR's current net lease retail cap rates, providing accretion to the CQR portfolio and furthering its strategic up-weighting to higher rent growth, lower capex retail assets

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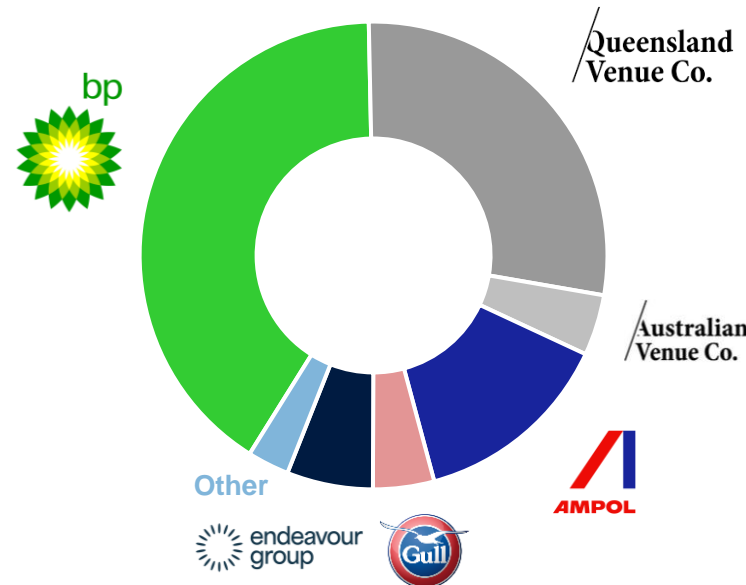
Enhanced Convenience Net Lease Portfolio

Following a successful acquisition, convenience net lease retail would increase from **29% to 39% of CQR's total portfolio by value** and **22% to 32% of total portfolio income**

High quality portfolio with a strong tenant covenant

Favourable CPI-linked rent review structure that benefits from fixed collars, enhancing CQR's rent growth profile

Portfolios as at 30 June 2024	Value \$'m	Number of assets	Cap rate	WALE (years)	Rent review
bp Australia	537	220	4.8%	15.5	CPI (>0%)
bp New Zealand	168	70	5.0%	16.5	CPI (>0%)
Ampol ¹	240	276	5.0%	14.5	CPI (2%-5%)
Gull	73	18	5.4%	13.1	CPI (2%-5%)
Endeavour (LWIP2)	88	12	5.1%	10.7	CPI (>0%)
Total (pre transaction)	1,106	596	4.9%	14.7	4.4% (FY24)
HPI portfolio (50% share) ³	623	58	6.0% ²	9.1	2x CPI or 3-4%
Total (post transaction)³	1,729	654	5.3%	12.7	~4.1% (FY24)



- ✓ HPI's largest tenant by value is Queensland Venue Co (QVC), a joint venture established between Coles Limited and Australian Venue Co. (AVC) in March 2019
- ✓ There is a strong look through exposure to Coles Limited who is heavily reliant on the joint venture's licensed pubs and bottle shops in Queensland
- ✓ Queensland State Government regulation links the hotels and pubs to liquor sales through attached bottle shops, providing strong links to convenience retail

1. Includes Ampol Australia and Z Energy New Zealand.
 2. Implied cap rate (pre costs) based on the estimated 31 December 2024 net passing income and Bidder's Offer Price of \$3.65 per HPI Security.
 3. Based on 50% of HPI's stated 30 June 2024 investment properties adjusted for Hotel HQ, which was sold and settled on 1 July 2024. Assumes the Bidder acquires 100% of the HPI securities it does not currently own.

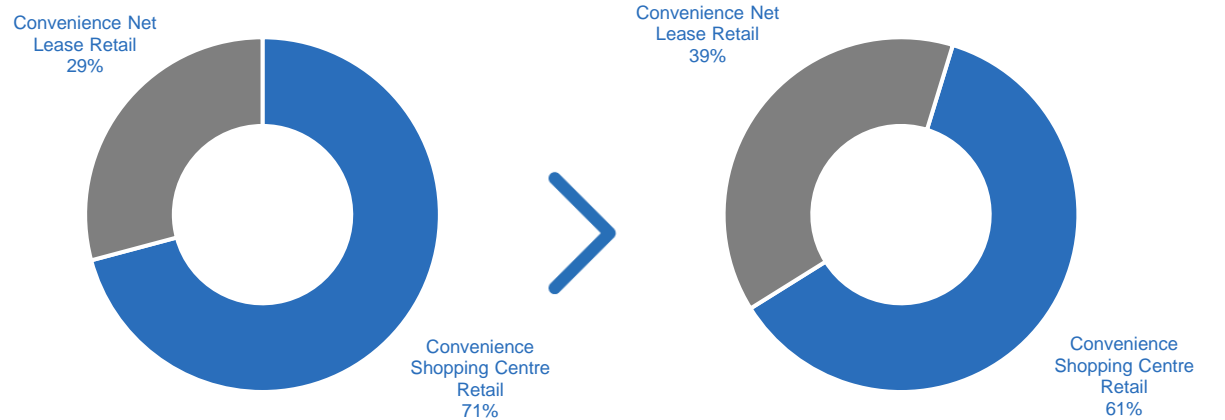
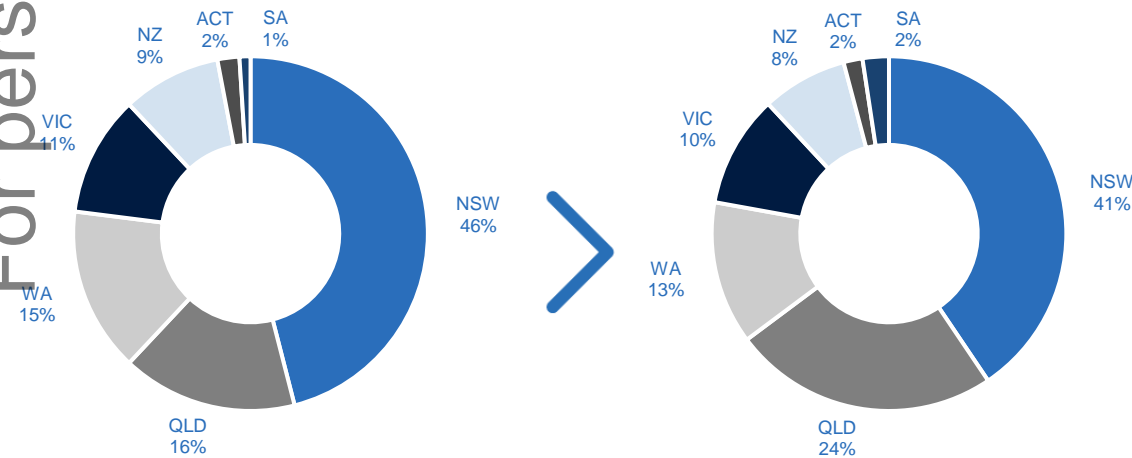
CQR portfolio impact

The proposed transaction would be accretive to CQR's WARR, occupancy and WALE

Property metrics as at 30 June 2024	CQR pre transaction	HPI portfolio (50% interest) ¹	CQR post transaction ²	Variance
Number of properties	641	58	699	+9.0%
Portfolio value	\$4,048m	\$623m	\$4,671m	+15.4%
Portfolio WACR	5.79%	5.52% (book)	5.75%	(0.04%)
Convenience net lease WACR	4.90%	5.52% (book)	5.31%	+0.41%
WARR (FY24)	3.2%	3.5%	3.3%	+0.1%
Occupancy (by income)	99.0%	100.0%	99.1%	+0.1%
WALE	7.2 years	9.1 years	7.5 years	+0.3 years
Eastern seaboard exposure (% of portfolio value)	73.0%	88.2%	75.0%	+2.0%

Portfolio value by region (CQR pre transaction and post transaction)

Portfolio value by asset class (CQR pre transaction and post transaction)



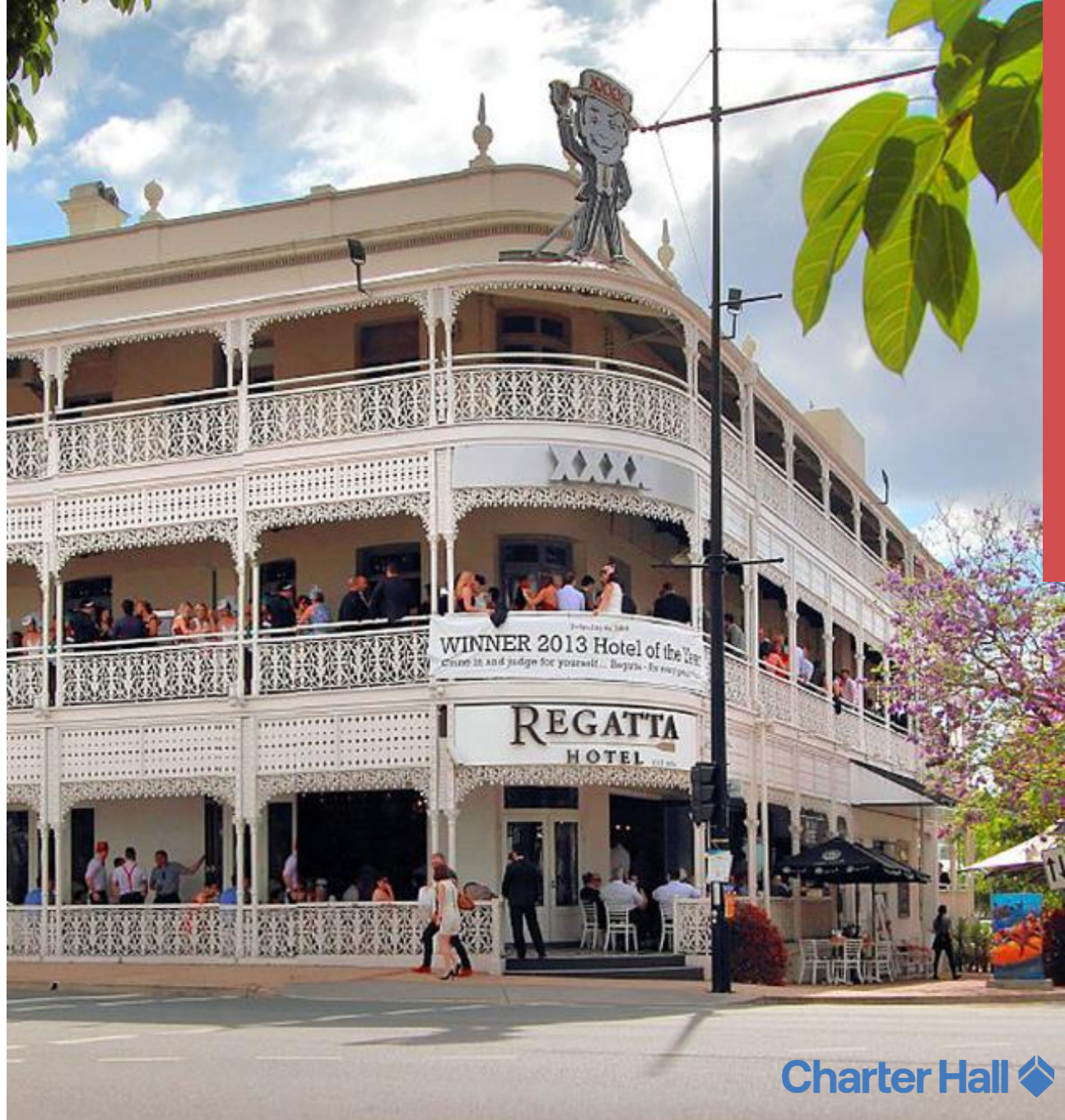
1. Excludes Hotel HQ, which was sold and settled on 1 July 2024.
 2. Prior to continued disposal of non core assets and assuming the Bidder acquires 100% of the HPI securities it does not currently own.

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Offer details

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Offer details

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Offer consideration

— The Bidder is offering to acquire all of the securities in HPI by way of an off-market takeover for cash consideration of \$3.65 per HPI Security¹

Conditions of the Offer

— The Offer is subject to conditions including the following:

1. Minimum acceptance: the HPI Securities the Bidder holds or has received valid acceptances in respect of, represents at least 50.1% of HPI Securities;
2. Prescribed occurrence: no specific prescribed events occur, including HPI undertaking a securities issuance, buy-back, capital reduction or insolvency event (being the events articulated in section 652c of the Corporation Act and listed in Annexure A of the Bidder's Statement);
3. Material adverse change: no event occurs which, alone or with other events, has to or could reasonably be expected to have the effect of a diminution of HPI's net assets or operating profit by at least 15%, excluding events resulting from the Offer, that were disclosed by HPI prior to today, arising from economic or business conditions that effect competitors in a similar manner;
4. Market fall: the S&P / ASX 200 A-REIT Index not closing at a level that is 10% below the level of that index at 5.00pm (Sydney time) on the trading day immediately prior to the Announcement Date; and
5. Material acquisition or disposal: no member of the HPI group (a) acquires or disposes, or agrees to acquire or dispose of any asset(s); or (b) makes or commits to any new incremental capital expenditure program or obligation; or (c) enters into a transaction with substantially the same effect as (a) or (b), with a combined value of more than \$50 million (where the combined value is defined as the aggregate amount of the gross sale price for all disposals, the gross purchase price for all acquisitions, the total value of all capital expenditure programs or obligations, and the total equivalent amounts of all transactions in (c)), other than as Fairly Disclosed by HPI in its public filings with the ASX prior to the Announcement Date.

1. The cash consideration payable will be reduced by the amount or value of any distributions or other Rights to which relevant HPI Securityholders receive or become entitled to receive on and from the Announcement Date, which the Bidder does not receive.

Indicative timetable

Key Dates

Date

Announcement Date

Monday, 9 September 2024

Date of Bidder's Statement

Monday, 9 September 2024

Date of Offer

Monday, 23 September 2024

Offer closes (unless extended or withdrawn)*

7.00pm (Sydney time)
Monday, 4 November 2024

Note that these dates may change as permitted by the Corporations Act and ASIC relief.

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Additional information

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Glossary

ASX	Australian Securities Exchange
Bidder	Charter Hall Wholesale Management Limited as trustee for the CH Investment Trusts, as defined in the Bidder's Statement, the ultimate unitholders of which are Charter Hall Retail REIT and Host-Plus Pty Limited, together with Charter Hall Group (with Charter Hall Group's ownership limited to the HPI trustee company)
Charter Hall Group or CHC	A stapled group comprising Charter Hall Limited and Charter Hall Property Trust and each of their controlled entities
Charter Hall Retail REIT or CQR or the REIT	Charter Hall Retail Management Limited in its capacity as the responsible entity of Charter Hall Retail REIT or Charter Hall REIT and each of its sub-trusts
Hostplus	Host-Plus Pty Limited ABN 79 008 634 704 AFSL 244392 as trustee for the Hostplus Pooled Superannuation Trust (PST) ABN 13 140 019 340
HPI	Hotel Property Investments Limited (ABN 25 010 330 515) (the HPI company) and Hotel Property Investments Trust (ARSN 166 484 377) (the HPI trust)
HPI Security	A stapled security comprising one fully paid unit in HPI trust and a fully paid ordinary share in HPI company
Offer	Charter Hall Retail REIT and Host-Plus Pty Limited acquiring all of the HPI Securities on issue via an off-market takeover arrangement
REIT	Real estate investment trust
Rights	All accretions, rights or benefits of whatever kind attaching to or arising from HPI Securities directly or indirectly on or after the Announcement Date (including all dividends and distributions and all rights to receive them and rights to receive or subscribe for HPI Securities, notes, bonds, options or other shares declared, paid or issued by any HPI Group Member). Rights do not include any franking credits attached to any dividend.
WACR	Weighted Average Capitalisation Rate across the portfolio or a property or group of property, weight by net property income
WALE	Weighted Average Lease Expiry calculated based on net property income
WARR	The average rent review across the portfolio or a property or group of properties, weighted by net property income

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Important notice and disclaimer

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