

2 October 2024



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

Suite 2, Level 17  
IBM Centre  
60 City Road  
Southbank VIC 3006  
(03) 9038 1774

ABN 25 010 330 515

Dear Sir/Madam

**Hotel Property Investments (ASX: HPI) – Takeover bid made on behalf of  
Charter Hall Retail REIT and Hostplus: Target’s Statement**

We attach, by way of service pursuant to item 14 of section 633(1) of the *Corporations Act 2001* (Cth), a copy of the target’s statement of Hotel Property Investments (**HPI**) in response to the off-market takeover bid by Charter Hall Wholesale Management Limited, acting on behalf of Charter Hall Retail REIT and Hostplus, for all of the securities in HPI.

Yours sincerely

**Blair Strik**  
Chief Financial Officer and Company Secretary  
**Hotel Property Investments**

**Further information**

All HPI announcements in relation to the takeover bid by Charter Hall Wholesale Management Limited, acting on behalf of Charter Hall Retail REIT and Hostplus, and the target’s statement will be posted on HPI’s website ([www.hpitrust.com.au](http://www.hpitrust.com.au)).

**HPI securityholder information line**

T 1300 255 218 (within Australia)

T +61 2 9066 4084 (outside Australia)

Monday to Friday (excluding public holidays) between 9.00am and 5.00pm (Sydney time)

**This document was authorised by the Hotel Property Investments Limited Board**

For personal use only

## Target's Statement

issued in response to the off-market takeover offer made on behalf of Charter Hall Retail REIT and Hostplus for all of the stapled securities in Hotel Property Investments.

Your HPI Directors unanimously recommend that you

# REJECT

the opportunistic, unsolicited and conditional takeover offer from **Charter Hall Retail REIT** and **Hostplus**.

To reject the offer

**DO NOTHING** and **TAKE NO ACTION**

in relation to all correspondence from Charter Hall Retail REIT and Hostplus.

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser, legal adviser or other professional adviser.

If you have any questions in relation to this document, you should call the HPI securityholder information line on 1300 255 218 (within Australia) or +61 2 9066 4084 (outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding public holidays).

Financial advisers

**BofA SECURITIES** 

 Denison Partners

Legal adviser

 HERBERT SMITH FREEHILLS

# Important notices

## Nature of this document

This document is a Target's Statement issued by Hotel Property Investments Limited (ASX: HPI) (ABN 25 010 330 515) (**HPI Company**) as responsible entity for the Hotel Property Investments Trust (**HPI Trust**) (together, **HPI**) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Charter Hall Wholesale Management Limited (ACN 006 765 206) in its capacity as trustee of the CH Investment Trust and CH Investment Co Trust (**Bidder**). The units in the CH Investment Trust are owned in equal proportions indirectly by Charter Hall Retail REIT and Hostplus. The units in the CH Investment Co Trust are owned by Charter Hall Holdings, a subsidiary of Charter Hall Limited, one of the stapled entities that comprise the Charter Hall Group.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 2 October 2024. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

## HPI securityholder information

HPI has established a securityholder information line which HPI Securityholders may call if they have any queries in relation to the Bidder's Offer. The telephone number for the securityholder information line is 1300 255 218 (for calls made from within Australia) or +61 2 9066 4084 (for calls made from outside Australia). Calls to the securityholder information line may be recorded.

## Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 7 of this Target's Statement.

## Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, actual numbers may differ from those set out in this Target's Statement.

## No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. You should seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

## Disclaimer as to Bidder information

The information on the Bidder, the Charter Hall Group and Hostplus contained in this Target's Statement has been prepared by HPI using publicly available information. The information in the Target's Statement concerning CHWML and the CH Investment Trusts and their assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by HPI. Accordingly, HPI does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

## Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which HPI operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of HPI, the HPI Company's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

## Maps and diagrams

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available at the Last Practicable Date.

## Privacy

HPI has collected your information from the HPI register of securityholders for the purpose of providing you with this Target's Statement. The type of information HPI has collected about you includes your name, contact details and information on your securityholding in HPI. Without this information, HPI would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of securityholders to be held in a public register. Your information may be disclosed on a confidential basis to HPI Company's related bodies corporate and external service providers (such as the share registry of HPI and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by HPI, please contact Link Market Services Limited (MUFG Corporate Markets) at the address shown in the Corporate Directory. HPI's privacy policy is available at <https://www.hpitrust.com.au/privacy-policy/>. The registered address of HPI is Suite 2, Level 17, IBM Centre, 60 City Road, Southbank VIC 3006.

# Contents

|  |    |
|--|----|
| Letter from the Chairman                     | 2  |
| 1 Why you should REJECT the Offer            | 4  |
| 2 Frequently asked questions                 | 13 |
| 3 Overview of HPI                            | 18 |
| 4 Key features of the Offer                  | 21 |
| 5 Tax considerations for HPI Securityholders | 27 |
| 6 Additional information                     | 30 |
| 7 Glossary and interpretation                | 37 |
| 8 Authorisation                              | 41 |

## Key dates

|   |   |
|---|---|
| Announcement of Bidder's Offer                                    | 9 September 2024                          |
| Replacement Bidder's Statement lodged with HPI, ASIC and ASX      | 9 September 2024                          |
| Date of the Bidder's Offer  | 25 September 2024                         |
| Date of this Target's Statement                                   | 2 October 2024                            |
| Close of the Bidder's Offer Period (unless extended or withdrawn) | 7.00pm (Sydney time) on 4 November 2024   |
| Date of HPI's 2024 Annual General Meeting                         | 10.30am (Sydney time) on 13 November 2024 |

For personal use only

# Letter from the Chairman

For personal use only



Dear fellow securityholder,

You should have recently received a Bidder's Statement from Charter Hall Wholesale Management Limited, acting on behalf of Charter Hall Retail REIT and Hostplus, in relation to their unsolicited and conditional off-market takeover offer to acquire all of your securities in Hotel Property Investments (**HPI**) for \$3.65 cash per security, less the value of any rights (which includes any distributions or dividends) you become entitled to on or after 9 September 2024 (the **Offer**).

This document (the **Target's Statement**) contains the HPI Board's formal response to the Offer, including our unanimous recommendation that you **REJECT** the Offer and **TAKE NO ACTION** in relation to any correspondence from Charter Hall Retail REIT and Hostplus.

**The detailed reasons behind the Board's recommendation are contained in section 1 of this Target's Statement.**

As Chairman of HPI, I would like to set out the broader context regarding this opportunistic Offer. In short, HPI is in a strong position to create value for HPI Securityholders – operationally, financially, and with a new management team, particularly in the current environment with forecast inflation and interest rate reductions on the horizon. We have appointed additional Board members who add extensive development, property and funds management experience. We have a strong relationship with our major pub operator, who has an ambitious growth mandate from its new owner, and with whom we are undertaking and exploring further higher yielding investments.

For the following key reasons, the Offer materially undervalues HPI's portfolio, and does not factor in the expected distributions growth and future investment opportunities:

**1. HPI owns a high quality pub portfolio that is well positioned for future growth**

HPI's portfolio is the only "pure play" pub REIT in the S&P/ASX 300 index. Our portfolio is unique, difficult to replicate and has long term strategic value. Our portfolio is well positioned to benefit from strong ongoing rental growth via our attractive lease terms. Our major pub operator, Australian Venue Co (**AVC**), is an experienced operator managing over 200 venues throughout Australia with a track record of enhancing operating performance and the long term value of our pubs. Our ongoing partnership with AVC and its joint venture partner, Coles Group Limited, continues to provide acquisition opportunities for the benefit of all HPI Securityholders.

## 2. HPI's business is in a strong position and delivering growing returns

HPI's business is strong and growing. Our balance sheet is robust, with gearing at approximately 35% which is at the lower end of our target range. We have managed your capital prudently to protect against interest rate risk. Contracted revenue growth allows HPI to provide consistent, reliable and growing distributions to our securityholders. HPI has provided distributions growth guidance of 2.6% for the current financial year, with several initiatives underway that are expected to improve this outlook.

We have recently appointed John White as Chief Executive Officer (**CEO**) and Managing Director, whose significant real estate and capital markets experience is expected to benefit HPI Securityholders in the years ahead. John was offered the position of CEO and Managing Director because he has a clear vision for the potential of HPI, including asset growth, further curation of the portfolio and an active approach to prudent capital management.

We have also strengthened our Board with the addition of Chris Judd as a non-executive director, who has significant experience across the property industry. I am confident that the HPI Board has the necessary and complementary mix of skills, experience and perspectives to work with our management team to deliver value for HPI Securityholders through a combination of portfolio management and growth initiatives.

## 3. The Offer is not compelling and materially undervalues HPI

The Offer does not compensate HPI Securityholders for the value of our portfolio, or the strength and outlook for our business or the stamp duty savings which would accrue to Charter Hall Retail REIT and Hostplus. The Offer does not provide any premium to HPI's NTA, in contrast to ASX-listed REIT transaction precedents where control has typically passed at a substantial premium to NTA. The Offer implies a valuation for HPI's portfolio that reflects a material discount to comparable pub portfolios. The opportunistic nature of the Offer is further demonstrated in the negligible premium for control and reinforced through the HPI security price trading above the Offer Price since the announcement of the Offer.

## 4. The timing of the Charter Hall Retail REIT and Hostplus Offer is opportunistic

The Offer comes at a time when the outlook for REITs is improving, due to a strengthening view that interest rates have peaked and as official interest rate reductions by central banks around the world commence. As we enter an environment where interest rates are expected to decline, lower risk property assets such as HPI's pubs, with long term and attractive lease structures, are expected to perform strongly and deliver steady distributions growth. The Offer is opportunistically timed and does not compensate HPI Securityholders for the improved outlook.

Further reasons to REJECT the Offer are outlined in section 1 of this Target's Statement.

In assessing the Offer, the Board believes there is simply no reason to sell our unique portfolio in the absence of a compelling offer.

I would encourage you to read this Target's Statement carefully, including the detailed reasons the Board recommends that you REJECT the Offer.

Should you need further assistance or if you are in any doubt as to what you should do, please contact your financial or professional adviser, or call the HPI securityholder information line on 1300 255 218 (within Australia) or +61 2 9066 4084 (outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding public holidays).

Thank you for your ongoing support of, and investment in, HPI.

Yours faithfully



**Giselle Collins**

Chairman

Hotel Property Investments

For personal use only

1

# Why you should REJECT the Offer

# 1 Why you should REJECT the Offer

The Board has carefully assessed the Offer and firmly believes the Offer materially and fundamentally undervalues HPI.

The Board unanimously recommends that you **REJECT** the Offer by **TAKING NO ACTION** for the reasons set out below.

- 
- |    |  |             |
|----|--|-------------|
| 1. | HPI owns a unique high quality pub portfolio that is well positioned for future growth | Section 1.1 |
|----|--|-------------|
- 
- |    |   |             |
|----|---|-------------|
| 2. | HPI's business is in a strong position and delivering growing returns | Section 1.2 |
|----|---|-------------|
- 
- |    |  |             |
|----|--|-------------|
| 3. | The Offer is not compelling and materially undervalues HPI | Section 1.3 |
|----|--|-------------|
- 
- |    |  |             |
|----|--|-------------|
| 4. | The timing of the Charter Hall Retail REIT and Hostplus Offer is opportunistic | Section 1.4 |
|----|--|-------------|
- 
- |    |   |             |
|----|---|-------------|
| 5. | The Offer does not reflect the c.\$54 million stamp duty benefit to the Charter Hall Retail REIT and Hostplus | Section 1.5 |
|----|---|-------------|
- 
- |    |   |             |
|----|---|-------------|
| 6. | The Offer denies HPI Securityholders future distribution entitlements, if the Offer is successful | Section 1.6 |
|----|---|-------------|
- 
- |    |   |             |
|----|---|-------------|
| 7. | If you accept the Offer, you may be unable to accept a superior proposal if one emerges | Section 1.7 |
|----|---|-------------|
-



# 1 Why you should REJECT the Offer continued

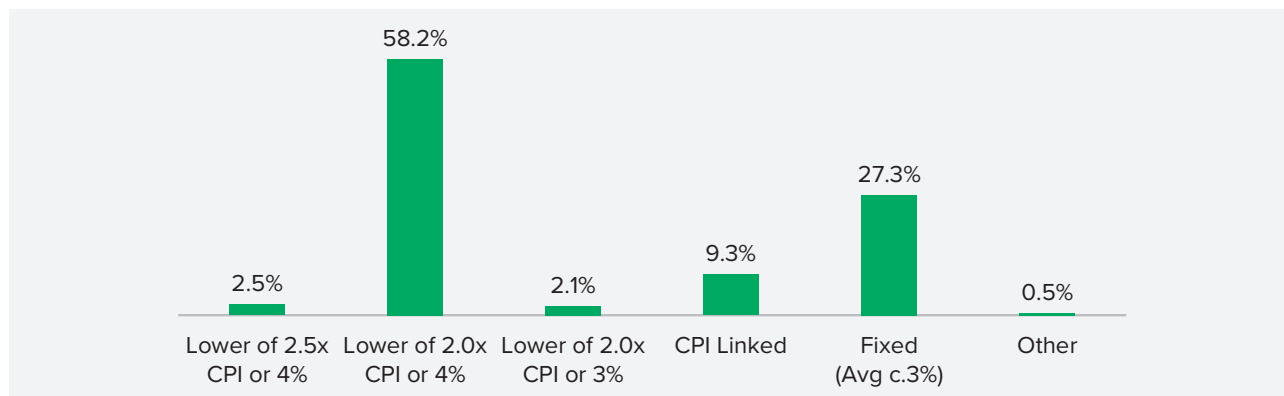
## 1.1 HPI owns a unique high quality pub portfolio that is well positioned for future growth

HPI's portfolio is the only "pure play" pub REIT in the S&P/ASX 300 index. Pubs have consistently proven to be an attractive and enduring asset class amid broader sector volatility and disruption. Pubs are viewed as defensive assets with resilient cash flows and strong inflation protection.

HPI owns a unique high quality and difficult to replicate portfolio of freehold pub assets, characterised by long term leases – 9.1 year WALE with a further average option period of 19.3 years. HPI's portfolio has high quality tenants, with strong investment fundamentals and embedded value within the lease. HPI is positioned to benefit from strong ongoing rental growth given the attractive lease structure, with the majority of lease rent review mechanisms based on the lower of 2x CPI or 4% (see Figure 1 below for HPI's lease review mechanism by income). This is particularly relevant in the current environment, given the outlook for a reduction in inflation.

As a point of difference to many other property leases, the operating business of the pubs and bottle shops (under the majority of leases), including the liquor and gaming licences reverts to the landlord at lease expiry, providing protection and strategic value upside.

**Figure 1: HPI Lease Rent Review Mechanism by Income**



Source: HPI FY24 Investor Presentation.

Our 58 properties are leased to experienced operators, with our major tenant, the Queensland Venue Co (**QVC**) joint venture, the tenant across more than 70% of the portfolio (by income in FY24). Coles Group Limited is a high quality covenant that is strategically aligned to the portfolio through its retail liquor business. Our major pub operator, AVC is an experienced operator managing over 200 venues throughout Australia with a track record of optimising operating performance of HPI assets. HPI is progressing its third capital expenditure programme with the capital contributed by HPI rentalised at 7.5%, embedded in the lease. The ongoing partnership with AVC continues to deliver opportunities for HPI to enhance existing assets, increasing the likelihood of the tenant taking up the options when due. We are also continuously evaluating new acquisition opportunities with AVC for the benefit of all HPI Securityholders.

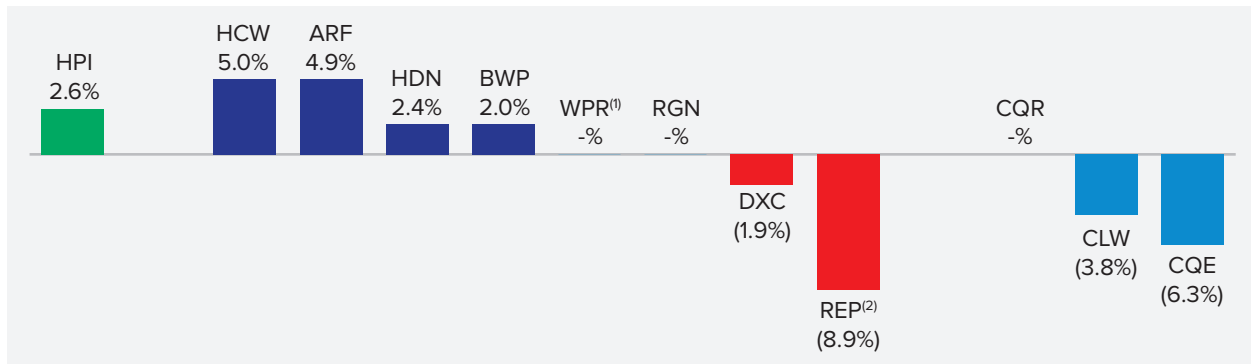
## 1.2 HPI's business is in a strong position and delivering growing returns

HPI's business is financially strong, with a robust balance sheet and growing distributions outlook for HPI Securityholders. HPI's disciplined and active internal management structure provides alignment with HPI Securityholders. HPI's gearing is at approximately 35% (post the sale of Hotel HQ) which is at the lower end of HPI's target gearing range, across diversified funding sources including the USPP. The business has managed capital prudently to protect against interest rate risk.

Contracted revenue growth allows HPI to provide consistent, reliable and growing distributions to HPI Securityholders. For FY25E, HPI has provided distributions growth guidance of 2.6%, with several initiatives underway that are expected to improve this outlook. Figure 2 below highlights that the FY25E distribution growth for HPI exceeds that of other ASX listed comparable REITs,<sup>1</sup> in particular the three Charter Hall group entities (CQR, CLW and CQE).

1. Comparable REITs includes REITs with long WALE or convenience retail exposure.

**Figure 2: FY25E Distribution Growth of HPI vs Other ASX Listed Comparable REITs**



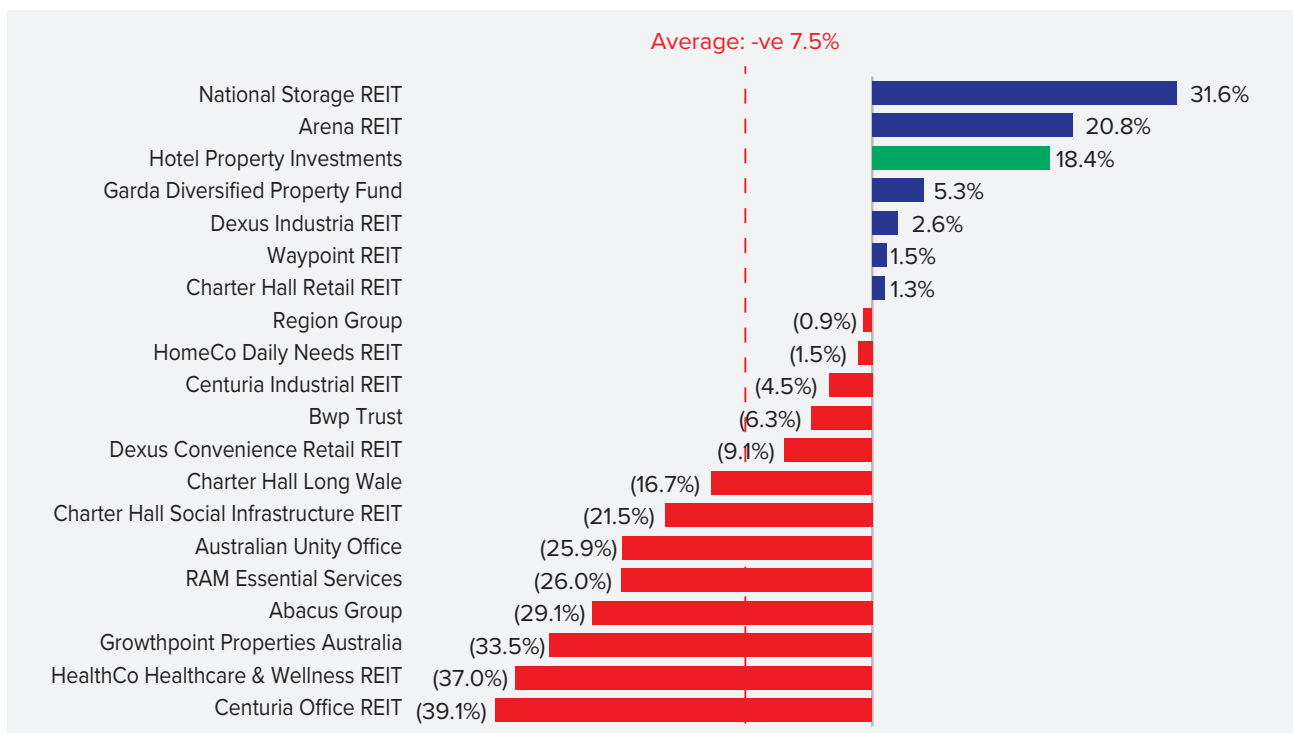
Source: Company guidance, per ASX announcements.  
 Note: Comparable REITs includes REITs with long WALE or convenient retail exposure.  
 1. WPR guidance is for CY23-24.  
 2. REP guidance for FY25 is midpoint of range.

John White has recently been appointed as CEO and Managing Director of HPI, working alongside Blair Strik as Chief Financial Officer. John has significant real estate and capital markets experience and is expected to drive the growth of HPI, including asset growth, further curation of the portfolio and an active approach to prudent capital management. In addition, Chris Judd has recently been appointed as a Non-Executive Director of HPI, with significant property industry experience.

John White, CEO and Managing Director of HPI says “I am looking forward to actively managing the existing portfolio, optimising it across locations, responding to the communities that the pubs serve and investigating new income streams; working more closely with our key tenant and operating partners in refurbishing and redeveloping the existing portfolio; and for external growth, providing we exceed our cost of capital, exploring new partnerships, amplifying our relationship with AVC through pipeline and capex programs. As the only “pure play” pub REIT listed in S&P/ASX 300 index, we have a unique competitive advantage to execute on these initiatives.”

HPI has delivered total securityholder returns (TSR) amongst the top quartile of ASX listed REIT peers over the last three years (1 July 2021 to 30 June 2024). As shown in Figure 3 below, HPI’s TSR over the period is c.18%, which is c.25% above the average of the peers.

**Figure 3: ASX listed REIT Peers TSR (1 July 2021 - 30 June 2024)**



Source: Bloomberg.  
 Note: TSR (1 July 2021 – 30 June 2024) with distributions / dividends reinvested.

# 1 Why you should REJECT the Offer continued

## 1.3 The Offer is not compelling and materially undervalues HPI

The Offer does not compensate HPI Securityholders for the value of HPI's portfolio, the strength and outlook for the business or the stamp duty costs Charter Hall Retail REIT and Hostplus are expected to save as a result of indirectly acquiring the properties in HPI's portfolio via the Offer (estimated to be approximately \$0.27 per HPI Security, and further detailed in section 1.5).

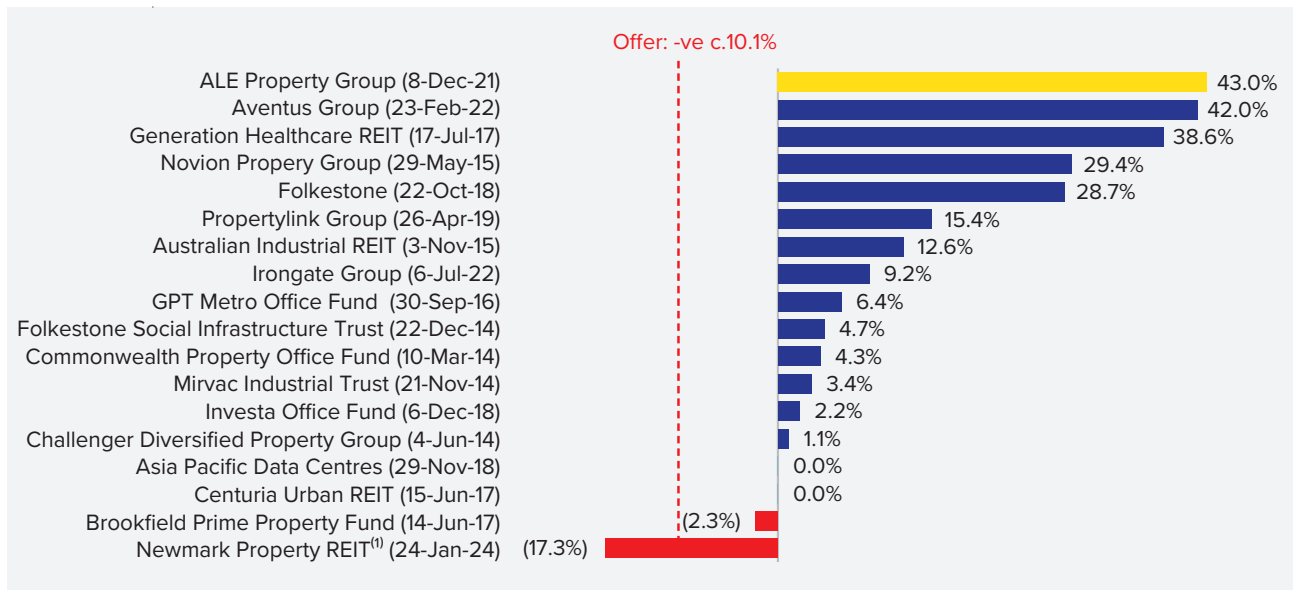
**The Offer does not provide any premium to HPI's NTA, in contrast to ASX-listed REIT merger and acquisition transaction precedents since 2014 where control has typically passed at a substantial premium to NTA**

The Offer reflects a c.10% discount to NTA as at 30 June 2024 (adjusting for current accrued distributions), which does not provide appropriate fair value for:

- the consistency and strength of HPI's NTA;
- HPI's contracted revenue stream, attractive lease structure and growing distributions; and
- the strategic value of the reversionary rights and value that accrue at the end of the tenants' leases for the properties in HPI's portfolio.

The Offer also reflects a material discount to ASX-listed REIT merger and acquisition transaction precedents since 2014 (set out in Figure 4 below), where control has typically passed at a substantial premium to NTA, consistent with a portfolio premium being attributable to scale, listed portfolios, and the stamp duty savings that flow from the acquisition of listed securities.

**Figure 4: Offer premia to NTA in historical Australian REIT transactions**



Source: Transaction documentation per publicly available ASX company announcements.

1. The Newmark transaction was a scrip merger involving a target (Newmark Property REIT) trading at a significant discount to NTA with high gearing at the date the relevant transaction was announced. The Board does not consider that this transaction is relevant to HPI Securityholders in assessing the Offer.

For personal use only

The Offer is at a significant discount to the c.43%<sup>2</sup> premium to NTA offered by Charter Hall Long WALE REIT (ASX: CLW) and Hostplus in 2021, in acquiring ALE Property Group (ASX: LEP), a portfolio of pub assets. At the time, ALE Property Group owned a portfolio of 78 properties across Australia, valued at approximately A\$1.2 billion. The properties had a WALE of 7.5 years with a passing yield of 4.58%<sup>3</sup>.

Charter Hall Long WALE REIT and Hostplus undertook the ALE acquisition by way of a Scheme of Arrangement, following access to due diligence, with the consideration in that transaction representing a premium to NTA for the ALE Property Group securityholders.

HPI has recently disposed of assets (Hotel Allen, QLD; Ball Court Hotel, VIC; and Hotel HQ, QLD), at or around the current book value, providing transaction evidence supporting its book values. HPI has redeployed the sale proceeds from Hotel Allen and Ball Court at an attractive yield of 7.5%, which reflects a premium to other investment opportunities available to HPI and is expected to increase NTA for HPI over time.

**The Offer implies a valuation for HPI's portfolio that reflects a material discount to comparable pub portfolios**

In its announcements regarding the Offer, Charter Hall Retail REIT has stated that the Offer reflects:

- an implied capitalisation rate for HPI's pub portfolio of 6.0%; and
- an acquisition capitalisation rate "more than 20% higher than CQR's current net lease retail cap rates".<sup>4</sup>

Whilst these statements suggest an attractive deal for Charter Hall Retail REIT, they also highlight that the Offer does not appropriately value HPI's portfolio.

Charter Hall entities, in partnership with Hostplus, own three other pub portfolios. These portfolios were valued, as at 30 June 2024, at capitalisation rates between 4.9 – 5.1% (excluding any control premium). Figure 5 below outlines the WALE, cap rate and predominant annual rent review structures of these portfolios.

**Figure 5: Pub Portfolios Within ASX listed REITs**

| Portfolio                                    | Ownership           | Size (A\$bn) | WALE (years) | Cap Rate (%)   | Predominant annual rent review |
|--|---------------------|--------------|--------------|----------------|--------------------------------|
| <b>Charter Hall pub portfolios</b>           |                     |              |              |                |                                |
| ALE  | CLW and Hostplus    | 1,590.4      | 4.5          | 4.9%           | CPI                            |
| Endeavour (LWIP1)                            | CLW and Hostplus    | 1,253.5      | 10.3         | 5.0%           | CPI                            |
| Endeavour (LWIP2)                            | CQR and Hostplus    | 304.5        | 10.7         | 5.1%           | CPI                            |
| <b>HPI portfolio – Implied Offer pricing</b> |                     |              |              |                |                                |
| HPI  | HPI Securityholders | 1,278.4      | 9.1          | 6.0% (implied) | Lower of 2xCPI or 4%           |

Source: FY24 Investor Presentations; Charter Hall Retail REIT Takeover offer for Hotel Property Investments (ASX:HPI) with institutional partner released by Charter Hall Retail REIT (ASX: CQR) to ASX on 9 September 2024.

There is no justification for the capitalisation rate discount of 90-110bps applied to HPI by Charter Hall Retail REIT as compared to these portfolios. Accordingly, the HPI Board believes that the Offer materially undervalues HPI's pub portfolio.

2. Source: Page 1 of ALE's recommendation to securityholders released on 20 September 2021.

3. Source: ALE scheme booklet released on 28 October 2021.

4. Charter Hall Retail REIT takeover offer for Hotel Property Investments (ASX:HPI) with institutional partner released by Charter Hall Retail REIT (ASX: CQR) to ASX on 9 September 2024.

# 1 Why you should REJECT the Offer continued

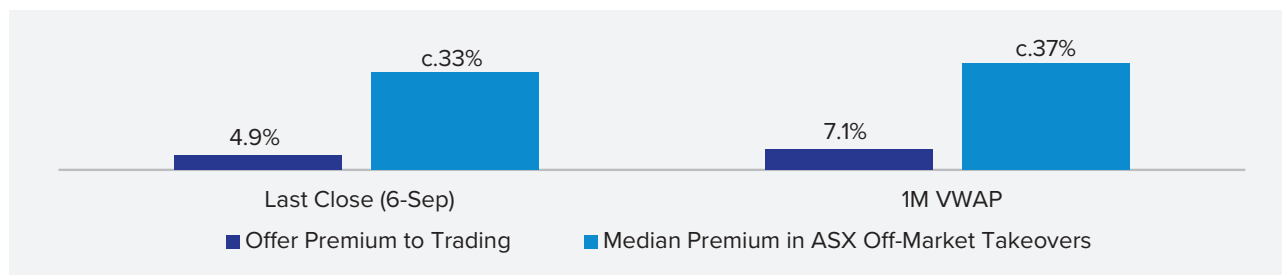
## Negligible control premium relative to the recent trading prices of HPI Securities

The Offer reflects a premium of 4.9% to the closing price of the HPI Securities on 6 September 2024, the last trading day before the Offer was announced.

The Offer provides no appropriate premium for control, with traditional premiums in the Australian market typically exceeding 30% for ASX off-market takeover offers, yet Charter Hall Retail REIT and Hostplus intend to exert both management and board control over HPI if the Offer were successful in achieving the 50.1% minimum acceptance condition.

Figure 6 below sets out a comparison of the Offer Price to premia at the point the Offer was announced, contrasted with premiums in off-market takeovers of ASX-listed target companies greater than \$100 million since 2020.

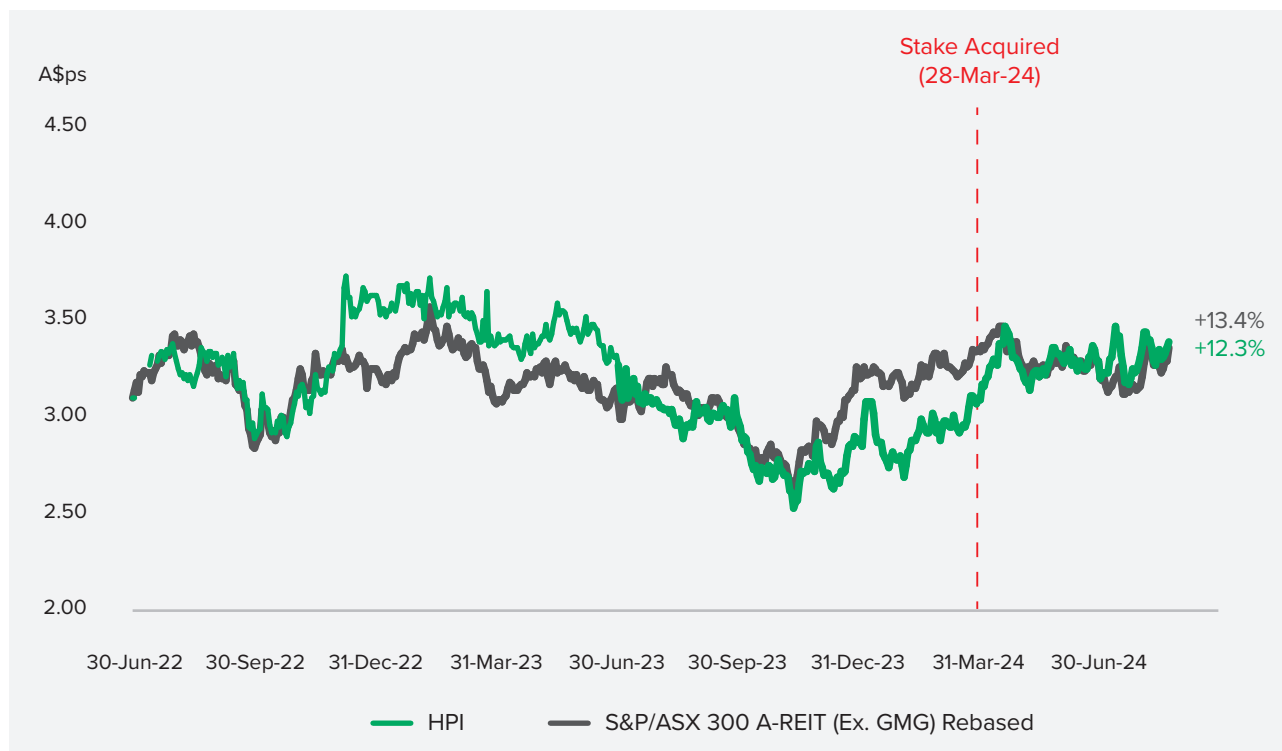
**Figure 6: Implied offer premia based on pre-announcement price and 1 month Volume Weighted Average Price (VWAP) for HPI**



Source: IRESS and FactSet market data as at 6 September 2024 (market close prior to the date on which the Offer was announced), publicly available ASX company announcements.

In addition, the Charter Hall Retail REIT and Hostplus Bidder’s Statement states that the Offer Price equates to a premium to the “undisturbed” closing price of HPI Securities as at 27 March 2024, being the trading day prior to the announcement of Charter Hall Group’s acquisition of the 14.8% stake in HPI. However, the graph in Figure 7 below demonstrates HPI has continued to track the S&P/ASX 300 A-REIT index (excluding Goodman Group due to its relative weight in the index) since that stake acquisition.

**Figure 7: Security price performance of HPI vs. the S&P / ASX 300 A-REIT Index excluding Goodman Group (ASX:GMG) from 30 June 2022 to 6 September 2024**



Source: IRESS and Bloomberg market data as at 6 September 2024.

Note: GMG excluded from the S&P / ASX300 A-REIT Index by creating an equivalent market cap weighted index in Bloomberg with GMG removed.

As the Offer is opportunistically timed, the Board considers that investors should have regard to the premium to HPI's recent trading prices, which is clearly inadequate. Given the expected outlook for interest rates to decline, real estate portfolios with HPI's attributes are expected to perform strongly and, accordingly, the Board considers that you should not accept the Offer.

**HPI Securities have traded above the Offer Price since the Offer was announced**

As at the Last Practicable Date, HPI Securities have consistently traded above the Offer Price since the Offer was announced on 9 September 2024, closing at \$3.74 (on 27 September 2024) and reaching an intraday high of \$3.80 (on 19 September 2024). Figure 8 below sets out a comparison of the Offer Price to the closing price of HPI on the ASX since the Offer was announced up to the Last Practicable Date.

**Figure 8: Closing Price of HPI vs. Offer Price since Announcement of the Offer**



Source: FactSet market data as at 27 September 2024.

The HPI Board cannot guarantee that HPI will continue to trade at the current level should the Offer be unsuccessful. The future price of HPI is dependent on both HPI's performance and external macroeconomic and market factors.

**1.4 The timing of the Charter Hall Retail REIT and Hostplus Offer is opportunistic**

The Offer comes at a time when the outlook for REITs is improving, due to a strengthening view that interest rates have peaked and as official interest rate reductions by central banks around the world commence. In an environment where interest rates are expected to decline, low risk assets such as HPI's pubs, with long term leases and attractive lease structures, are expected to perform strongly and deliver distributions growth. The Offer is opportunistically timed and does not compensate HPI Securityholders for the improved outlook.

**1.5 The Offer does not reflect the c.\$54 million stamp duty benefit to the Charter Hall Retail REIT and Hostplus**

The Charter Hall Retail REIT and Hostplus will benefit from c.\$54 million in stamp duty savings as a result of acquiring the HPI listed entity compared to acquiring the portfolio by way of 58 individual property purchases.<sup>5</sup>

This benefit is material and equates to just over \$0.27 per HPI Security, which is not reflected in the Offer Price. In addition, it would take a considerable amount of time to acquire a portfolio of the scale and quality of HPI's portfolio.

5. Based on fair values of the properties as at 30 June 2024.

## 1 Why you should REJECT the Offer continued

### 1.6 The Offer denies HPI Securityholders future distribution entitlements, if the Offer is successful

HPI has announced FY25E distributions guidance of 19.5 cents per HPI Security, paid as interim and final distributions.

Over the six-month period from 1 July 2024, HPI's tenants are expected to meet their contractual lease payments to HPI, resulting in AFFO of approximately 9.7 cents per HPI Security. HPI has a policy of paying out 100% of AFFO as distributions to HPI Securityholders. Accordingly, if the Offer is successful none of this expected benefit will accrue to HPI Securityholders.

For example, if the Offer is successful and completes at the end of November 2024, HPI Securityholders will receive \$3.65 per HPI Security, and thus, will forgo approximately 8 cents per HPI Security in distributions accrued, reflecting the return for owning HPI Securities during the period from 1 July to 30 November 2024.<sup>6</sup> Rather, Charter Hall Retail REIT and Hostplus will benefit from the expected foregone distribution.

### 1.7 If you accept the Offer, you may be unable to accept a superior proposal if one emerges

The Board believes that the Offer fundamentally undervalues HPI Securities. Given HPI is a scarce and unique ASX-listed "pure play" portfolio of high quality and diverse pub assets in a highly attractive sector, it may be strategically attractive to parties interested in obtaining or increasing their exposure to the real estate sector.

If you accept the Offer, you may not be able to obtain the benefit of any subsequent superior proposal by another party, should one emerge during the Offer Period, unless in limited circumstances you are eligible to withdraw your acceptance or the Offer lapses.

HPI Securityholders should, however, be aware that HPI is not currently in discussions with any third parties in relation to a competing proposal being made for HPI and there is no certainty that a competing proposal will emerge or that a competing proposal will be at a price that the Board view as appropriately reflecting the underlying value of HPI.

6. This assumes an illustrative equal split between interim and final distributions.

For personal use only

# 2

## Frequently asked questions



## 2 Frequently asked questions

This section answers some questions you may have about the Offer. It is not intended to address all relevant issues for HPI Securityholders. This section should be read together with all other parts of this Target's Statement.

| Question   | Answer   |
|--|--|
| <b>1. What is this Target's Statement and why have I received this document?</b> | <p>This Target's Statement is the formal response of the HPI Directors to the Offer as required by the Corporations Act. This document contains important information regarding the Offer and should be read in its entirety.</p> <p>You have received this Target's Statement because you are an HPI Securityholder.</p> <p>This Target's Statement includes the unanimous recommendation of the HPI Directors to <b>REJECT</b> the Offer.</p> <p>To <b>REJECT</b> the Offer, simply do nothing. You should take no action in relation to all correspondence from the Bidder regarding the Offer.</p>   |
| <b>2. Who is making the Offer?</b>   | <p>The bidder under the Offer is Charter Hall Wholesale Management Limited (ACN 006 765 206) in its capacity as trustee of the CH Investment Trust and the CH Investment Co Trust.</p> <p>The units in the CH Investment Trust are owned in equal proportions indirectly by Charter Hall Retail REIT and Hostplus. The units in the CH Investment Co Trust are owned by Charter Hall Holdings, a subsidiary of Charter Hall Limited, one of the stapled entities that comprise the Charter Hall Group.</p> <p>The CH Investment Co Trust will be externally managed by the Charter Hall Group (ASX: CHC).</p> <p>See section 3 of the Bidder's Statement for more information on the Bidder.</p> |
| <b>3. Who is Charter Hall Retail REIT?</b>                                       | <p>Charter Hall Retail REIT (ASX: CQR) is an ASX-listed real estate investment trust, investing in and managing convenience retail shopping centres and long WALE convenience assets across Australia and New Zealand.</p> <p>Charter Hall Retail REIT is a fund externally managed by the Charter Hall Group (ASX: CHC).</p> <p>See section 4.1 of the Bidder's Statement for more information on Charter Hall Retail REIT.</p>   |
| <b>4. Who is Hostplus?</b>   | <p>Hostplus Superannuation Fund is one of the largest industry superannuation funds in Australia. Based on the Bidder's Statement, Hostplus has approximately 1.8 million members and approximately \$119 billion in funds under management (including funds under management for the Host-Plus PST).</p> <p>See section 4.3 of the Bidder's Statement for more information on Hostplus.</p>   |
| <b>5. How do I reject the Offer?</b>   | <p>To reject the Offer, simply do nothing.</p> <p>You should take no action in relation to all correspondence from the Bidder regarding the Offer.</p>   |

For personal use only

## Question

## Answer

|     |  |   |
|-----|--|---|
| 6.  | <b>What is the Bidder offering for my HPI Securities?</b>    | <p>The Bidder is offering \$3.65 cash for each HPI Security.</p> <p>As set out in the Bidder's Statement, the cash consideration payable under the Offer will be reduced by the amount or value of any distributions or other rights to which you or a previous holder of your HPI Securities receive or become entitled to receive on and from the Announcement Date of 9 September 2024, which the Bidder does not receive in respect of your HPI Securities. For the avoidance of doubt, the cash consideration will not be reduced by the value of the distributions paid by HPI on 6 September 2024.</p>   |
| 7.  | <b>What choices do I have as a HPI Securityholder?</b>       | <p>As a HPI Securityholder, you have the following choices in respect of your HPI Securities:</p> <ul style="list-style-type: none"><li>• do nothing and reject the Offer; or</li><li>• sell your HPI Securities on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or</li><li>• accept the Offer (subject to the Conditions of the Offer).</li></ul> <p>If you are in any doubt or need advice about what you should do given your particular circumstances, you should contact your broker, financial adviser, legal adviser or other professional adviser.</p>   |
| 8.  | <b>What are the HPI Directors recommending?</b>              | <p>Each HPI Director recommends that you <b>REJECT</b> the Offer (and intends to do so in respect of their own HPI Securities).</p> <p>To REJECT the Offer, simply do nothing. You should take no action in relation to all correspondence from the Bidder regarding the Offer.</p>   |
| 9.  | <b>Has an independent expert report been prepared?</b>       | <p>An independent expert's report is not required to be included in a target's statement unless the bidder's voting power in the target is 30% or more, or a director of the target company is the bidder or a director of the bidder company. This requirement does not apply to the Offer.</p> <p>The HPI Directors consider that the information in this Target's Statement, the Bidder's Statement and other publicly available information (noting HPI's status as an ASX listed entity) include all the information that HPI Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer.</p> |
| 10. | <b>What are the consequences of accepting the Offer now?</b> | <p>If you accept the Offer, unless withdrawal rights become available (see below), you will give up your right to sell your HPI Securities on the ASX or otherwise deal with your HPI Securities while the Offer remains open and conditional.</p>  |
| 11. | <b>If I accept the Offer, can I withdraw my acceptance?</b>  | <p>No. You may only withdraw your acceptance if, while the Offer remains conditional, the Bidder varies the Offer in a way that postpones the time when the Bidder is required to meet its obligations under the Offer by more than one month.</p>  |
| 12. | <b>When does the Offer close?</b>                            | <p>The Offer is scheduled to close at 7.00pm (Sydney time) on 4 November 2024, unless extended as required or permitted by the Corporations Act.</p>  |

## 2 Frequently asked questions *continued*

For personal use only

| Question  | Answer   |
|---|--|
| <b>13. What are the conditions of the Offer?</b>                                    | <p>The Offer is conditional upon a number of matters contemplated by the terms of the Offer outlined in Annexure A to the Bidder's Statement, being:</p> <ul style="list-style-type: none"><li>• a minimum 50.1% acceptance condition;</li><li>• no restraints in relation to HPI;</li><li>• no 'prescribed occurrence' in relation to HPI;</li><li>• no material adverse change in relation to HPI;</li><li>• no market fall of more than 10% in the S&amp;P / ASX 200 A-REIT Index; and</li><li>• no acquisitions, disposals or new capital expenditure with a combined value of more than \$50 million by HPI.</li></ul> <p>Please refer to section 4.1 for further details.</p> <p>Subject to the Corporations Act, the Bidder may choose to waive any of the conditions to the Offer in accordance with the terms of the Offer set out in the Bidder's Statement.</p> |
| <b>14. What happens if the conditions of the Offer are not satisfied or waived?</b> | <p>If the conditions of the Offer are not satisfied or waived before the Offer closes, the Offer will lapse. If you had accepted the Offer you will not receive the Offer Price, but once the Offer lapses, you will be free to deal with your HPI Securities.</p>   |
| <b>15. Can the Bidder withdraw the Offer?</b>                                       | <p>The Bidder may only withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. However, if the Offer closes and some or all of the conditions of the Offer are not satisfied (and have not been waived by the Bidder), then the Offer will lapse and your acceptance will be void.</p>   |
| <b>16. Does the Bidder already have an interest in HPI Securities?</b>              | <p>As set out in the Bidder's Statement, the Bidder holds approximately 14.72% of HPI Securities and is associated with related holders which hold a further 3.48% of HPI Securities.</p>  |
| <b>17. What are the prospects of a competing offer?</b>                             | <p>The Bidder has stated in the Bidder's Statement that it considers the likelihood of a competing proposal emerging to be low given the Bidder's current interest in HPI Securities.</p> <p>The HPI Directors do not share this view, given that the requisite majorities for an acquisition of HPI via a scheme of arrangement could be satisfied without the Bidder voting in favour of any such scheme. Equally, a rival bidder could make a bid for HPI with a 50.1% minimum acceptance condition or make a bid with no such condition.</p> <p>If a competing offer for HPI emerges, HPI Securityholders will be informed through an announcement to the ASX.</p> <p>Please note that if you have already accepted the Offer, you will be unable to accept any competing offer unless the Offer lapses first.</p>   |
| <b>18. What happens to my securities if I do nothing?</b>                           | <p>You will remain a securityholder of HPI.</p> <p>If the Bidder acquires 90% or more of HPI Securities, the Bidder states that it intends to compulsorily acquire your HPI Securities.</p>  |

| Question  | Answer  |
|---|---|
| 19. <b>Can I be forced to sell my HPI Securities?</b>   | <p>You cannot be forced to sell your HPI Securities unless the Bidder is legally allowed to proceed to compulsory acquisition of HPI Securities. This requires the Bidder and its associates to acquire at least 90% of all HPI Securities (under the Offer or otherwise).</p> <p>If the Bidder compulsorily acquires the outstanding HPI Securities, you will receive the same consideration for your HPI Securities that you would have received under the Offer, although it will take longer for you to receive the Offer Price.</p> <p>For more information about compulsory acquisition refer to section 4.7 of this Target's Statement.</p>                                  |
| 20. <b>Can I accept the Offer for only some of my HPI Securities?</b>                                       | <p>No. The terms of the Offer state that you may only accept the Offer in respect of all of your HPI Securities.</p> <p>However, if you hold one or more parcels of HPI Securities as trustee or nominee, you may accept the Offer as if a separate offer had been made in relation to each of those parcels and any parcel you hold in your own right. See section 11.1e of the Bidder's Statement for further details.</p>  |
| 21. <b>When will I be paid if I accept the Offer?</b>   | <p>If you accept the Offer, and the Offer becomes unconditional, you will be paid the Offer Price within one month after you accept the Offer or 21 days after the end of the Offer Period (7.00pm (Sydney time) on 4 November 2024), whichever is earlier.</p>   |
| 22. <b>What are the tax implications of accepting the Offer?</b>  | <p>A general outline of the tax implications of accepting the Offer is set out in section 5 of this Target's Statement.</p> <p>As the outline is general in nature and not intended to constitute tax advice to HPI Securityholders, you should seek your own independent advice on the tax implications applicable to your specific circumstances.</p>   |
| 23. <b>What happens to the distributions which would accrue to me during the Offer Period?</b>              | <p>If you accept the Offer, distributions which would arise from the AFFO realised from HPI operations from 1 July 2024 and which would normally be paid as interim and/or final distributions in accordance with HPI's distribution policy (to pay out 100% of AFFO as distributions to HPI Securityholders) would be for the benefit of Charter Hall Retail REIT and Hostplus. Current distributions guidance for FY25 is 19.5c per HPI Security.</p> <p>If any distribution was paid to HPI Securityholders during the Offer Period, the terms of the Offer provide that the cash consideration under the Offer will be reduced by the amount or value of such distribution.</p> |
| 24. <b>What happens to distributions payable per HPI Security to me if the Offer lapses for any reason?</b> | <p>HPI Securityholders would receive their interim and final distributions paid in accordance with HPI's distribution policy. HPI has provided distributions guidance of at least 19.5c for FY25, representing 100% of AFFO forecast at this time.</p>  |
| 25. <b>Who should I call if I have any questions?</b>   | <p>HPI Securityholders should call 1300 255 218 (for calls made from within Australia) or +61 2 9066 4084 (for calls made from outside Australia) if they have any queries. This securityholder information line is available Monday to Friday (excluding public holidays) between 9.00am and 5.00pm (Sydney time).</p>   |



For personal use only

# 3

## Overview of HPI

## 3 Overview of HPI

### 3.1 Overview

#### (a) Summary

HPI's principal activity is real estate investment in freehold pubs in Australia. HPI currently owns a portfolio of 58 freehold properties predominantly in Queensland, comprising pubs and attached bottle shops, an accommodation hotel and associated specialty stores located on the pub sites. HPI was listed on the ASX on 10 December 2013.

HPI comprises:

- Hotel Property Investments Trust (ARSN 166 484 377) (**HPI Trust**) and its controlled entities; and
- Hotel Property Investments Limited (ABN 25 010 330 515) (**HPI Company**) and its controlled entities.

The units in the HPI Trust and the shares in the HPI Company are stapled together and quoted jointly as stapled securities on the ASX and may only be traded together.

The HPI Company is the responsible entity for the HPI Trust.

#### (b) Strategy

HPI's operating strategy is:

- to pursue acquisition opportunities to acquire properties which are:
  - in good condition;
  - located in key regional or metropolitan areas with potential for long term growth; and
  - leased to experienced tenants on favourable lease terms;
- to work with HPI's tenants and fund the investment of capital expenditure to improve HPI's assets which is rentalised and then benefits from the annual increases in leases with long WALEs and option extensions;
- to curate HPI's portfolio so that its assets represent the best long term returns for HPI Securityholders; and
- to prudently fund HPI's portfolio with appropriate debt structures and interest rate risk management tools to maximise the long term sustainable returns to HPI Securityholders.

HPI's key financial goal is to improve cash distributions to HPI Securityholders whilst maintaining the key attributes of the HPI business.

#### (c) HPI portfolio

HPI owns a portfolio of freehold hotels and associated specialty tenancies located throughout Queensland, New South Wales, South Australia, Western Australia and Victoria.

As at 30 June 2024, HPI had 59 properties in its portfolio with a portfolio value of \$1.278 billion. Five of those properties were held for sale at that date with an aggregate value of approximately \$68 million. Of those five properties:

- one property was sold on 1 July 2024;
- two properties have been committed for sale in 2025; and
- two properties are currently on the market and no sale has been agreed.

The HPI Directors and management have actively managed the portfolio, settling on 18 properties and disposing 7 properties since December 2020.

### 3.2 Board of directors

The directors of HPI are:

- Giselle Collins (Independent Non-Executive Chairman);
- Lachlan Edwards (Independent Non-Executive Director);
- Chris Judd (Independent Non-Executive Director);
- Anne Michaels (Independent Non-Executive Director); and
- John White (Chief Executive Officer and Managing Director).

## 3 Overview of HPI *continued*

### 3.3 Management team

HPI's management team comprises:

(a) John White  
(Chief Executive Officer and Managing Director)



(b) Blair Strik  
(Chief Financial Officer and Company Secretary)



John White has over 30 years' experience across various aspects of the Australian and global property sector including in investment, development, finance and funds management. Prior to joining HPI in September 2024, John's executive experience includes leadership positions at organisations such as Heitman LLC, Challenger Limited and HSBC.

John is a graduate of INSEAD's Advanced Management Program, holds a Bachelor of Business in Land Economy from Western Sydney University and Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

The management team is supported by three additional employees.

### 3.4 Historical financial information

Comprehensive financial information about HPI can be found on the ASX website at [www.asx.com.au](http://www.asx.com.au) or HPI's website at [www.hpitrust.com.au](http://www.hpitrust.com.au). This includes copies of HPI's historical consolidated financial statements for FY24, FY23 and FY22 which can be found in:

- the 2024 HPI annual report (released to ASX on 21 August 2024);
- the 2023 HPI annual report (released to ASX on 17 August 2023); and
- the 2022 HPI annual report (released to ASX on 18 August 2022).

### 3.5 Risk factors

There are risks which are specific to HPI and other risks which apply to similar investments generally, which may materially and adversely affect the future operating and financial performance of HPI and the price or value of HPI Securities.

The key material risks to which HPI Securityholders will continue to be exposed to if they reject the Offer and retain their current investment in HPI are set out on pages 46 to 47 of HPI's 2024 Annual Report, which was released to the ASX on 21 August 2024.

The risks described in that section are not the only risks that HPI faces. That section does not purport to be, nor should it be construed as representing, an exhaustive summary of the risks associated with an investment in HPI.

Other risks may not be known to HPI and some currently believed to be immaterial may subsequently turn out to be material. One or more or a combination of these risks could materially impact HPI's businesses, its operating and financial performance, the price or value of HPI Securities or the distributions (if any) paid in respect of HPI Securities.

### 3.6 Publicly available information about HPI

HPI is a disclosing entity (as that term is defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Copies of documents lodged with ASX by HPI may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) or HPI's website at [www.hpitrust.com.au](http://www.hpitrust.com.au).

For personal use only



For personal use only

# 4

## Key features of the Offer



## 4 Key features of the Offer

### 4.1 Conditions to the Offer

The Offer is subject to a number of conditions. These are set out in full in Annexure A to the Bidder's Statement.

At any time when the Offer is open, the Bidder may choose to waive certain conditions of the Offer, declare the Offer unconditional and/or extend the Offer Period.

In summary, the conditions of the Offer which are yet to be satisfied or waived are the following:

- **(Minimum acceptance)** the Bidder holds or has received acceptances under the Offer for at least 50.1% of all HPI Securities;
- **(No restraints)** there is no temporary restraining order, injunction or other order issued by a court of competent jurisdiction in Australia in a proceeding brought by a government agency preventing or delaying the Offer;
- **(No prescribed occurrences)** no 'prescribed occurrence' occurs in relation to HPI between the Announcement Date and the end of the Offer Period;
- **(No material adverse change)** there is no material adverse change in relation to HPI between the Announcement Date and the end of the Offer Period;
- **(No market fall)** there is no market fall of more than 10% in the S&P / ASX 200 A-REIT Index that remains at or below that level for at least five consecutive trading days; and
- **(No material acquisitions, disposals or capital expenditure)** no acquisitions, disposals or new capital expenditure with a combined value of more than \$50 million occurring in relation to HPI between the Announcement Date and the end of the Offer Period.

### 4.2 Effect of non-satisfaction of conditions on the Offer

If any condition of the Offer is not satisfied or waived by the Bidder by the end of the Offer Period, then the Offer will lapse and not proceed, you will retain your HPI Securities and you will not receive the Offer Price, but you will receive any distributions (as interim and/or final distributions declared by HPI in the ordinary course) which relate to the Offer Period from 1 July 2024.

Even if the conditions of the Offer are not satisfied (or are triggered, as appropriate), the Bidder has reserved the right to waive the 50.1% minimum acceptance condition and any other conditions of the Offer.

If any condition of the Offer is not satisfied (or has been triggered) and has not been waived, the Bidder will have an option as to whether to waive the breach or allow the Offer to lapse with unsatisfied conditions. If the Offer lapses, all acceptances under the Offer will be void and of no effect.

### 4.3 Status of conditions of the Offer

Section 11.10 of the Bidder's Statement states that the Bidder will give a notice of status of conditions to ASX and HPI on 28 October 2024.

The Bidder is required to set out in its notice of status of conditions:

- whether the Offer is free of any conditions;
- whether, so far as the Bidder knows, any of the conditions have been satisfied or waived; and
- the Bidder's voting power in HPI.

If the Offer Period is extended by a period before the time by which the notice of status of conditions is to be given, the date for giving the notice will be taken to be postponed for the same period. In that case, the Bidder is required, as soon as practicable after the extension, to give a notice to ASX and HPI that states the new date for the giving of the notice of status of conditions.

If a condition is satisfied or waived (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the notice of status of conditions is required to be given, the Bidder must, as soon as practicable, give ASX and HPI a notice that states that the particular condition has been satisfied or waived.

#### 4.4 Variation of the Offer

The Bidder may increase the Offer Price or extend the Offer Period at any time up until the end of the Offer Period.

In addition, there will be automatic extension of the Offer Period if, within the last 7 days of the Offer Period, the Bidder improves the consideration offered under the Offer or the Bidder's voting power in HPI increase to more than 50%. In such circumstances, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

If the Bidder increases the Offer Price, any HPI Securityholder who has already accepted the Offer will be entitled to receive the amount of the increase on their HPI Securities.

#### 4.5 If you sell your HPI Securities on market, you will not receive any improved Offer Price

If you sell your HPI Securities on market and the Bidder subsequently improves the Offer Price, you will not be entitled to the benefit of that improved Offer Price. This differs from accepting the Offer, as explained above.

#### 4.6 Withdrawal of the Offer

The Bidder may only withdraw the Offer with ASIC's written consent and subject to the conditions (if any) specified in such consent. However, if the Offer closes and some or all of the conditions of the Offer are not satisfied (and have not been waived by the Bidder), then the Offer will lapse and all acceptances will be void.

Any withdrawal of the Offer must be announced by the Bidder to ASX.

#### 4.7 Effect of acceptance of the Offer

The effect of acceptance of the Offer is set out in Section 11.6 of the Bidder's Statement. You should read these provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your HPI Securities and the representations and warranties which you will be giving the Bidder by accepting the Offer. In particular, accepting the Offer will prevent you from selling your HPI Securities during the Offer Period unless your acceptance can be withdrawn (see below).

#### 4.8 Withdrawal of your acceptance of the Offer

If you accept the Offer, you will only be able to withdraw your acceptance in limited circumstances. You may only withdraw your acceptance of the Offer if the Bidder varies the Offer in a way that postpones, for more than one month, the time when the Bidder needs to meet its obligations under the Offer. This will occur if the Bidder extends the Offer Period by more than one month and the Offer is still subject to conditions.

#### 4.9 Compulsory acquisition

##### (a) Compulsory acquisition following the Offer

The Bidder states in section 6.3(a) of its Bidder's Statement that, if it becomes entitled to proceed to compulsory acquisition in accordance with the Corporations Act, it intends to compulsorily acquire any HPI Securities it does not already own.

If you choose to reject the Offer, the Bidder may be entitled to compulsorily acquire your HPI Securities on the same terms as the Offer if, during or at the end of the Offer Period, the Bidder and its associates have a relevant interest in at least 90% (by number) of HPI Securities.

HPI Securityholders have statutory rights to challenge any compulsory acquisition, but a successful challenge will require the relevant securityholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for the HPI Securities. If HPI Securities are compulsorily acquired, HPI Securityholders who have their HPI Securities compulsorily acquired are likely to become entitled to their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

##### (b) Future compulsory acquisition by the Bidder

Even if the Bidder does not satisfy the compulsory acquisition threshold referred to in section 4.9(a), it is possible that the Bidder will, at some time after the end of the Offer Period, become the beneficial holder of 90% of HPI Securities. The Bidder would then be able to compulsorily acquire HPI Securities not owned by it within six months of becoming the holder of 90% of HPI Securities. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert at the relevant time.

## 4 Key features of the Offer *continued*

### 4.10 Risks related to accepting or rejecting the Offer

In considering the Offer, HPI Securityholders should be aware that there are a number of risk factors associated with either accepting the Offer or rejecting the Offer and continuing to hold HPI Securities.

The risks set out in this section 4.10 do not take into account the individual investment objectives, financial situation, position or particular needs of HPI Securityholders.

In addition, these risks are general in nature only and do not cover every risk that may be associated with an investment in HPI now or in the future, or arising from the sale of your HPI Securities.

#### (a) Selected risks associated with accepting the Offer

##### (1) *Possible appreciation of HPI Securities in the future*

By accepting the Offer, you may forego any ability to sell your HPI Securities in the future for a higher price than the Offer Price, although the HPI Directors can give no assurances and make no forecast as to whether this will occur. Since the Offer was announced on 9 September 2024, HPI's security price has consistently traded above the Offer Price.

##### (2) *Possibility of acquisitions*

HPI is frequently assessing acquisitions opportunities that will meet its investment criteria. By accepting the Offer, you will not be able to benefit from any value creation that may arise from HPI successfully executing on these acquisition opportunities.

##### (3) *Possibility of superior proposal emerging*

A superior proposal may emerge (although the HPI Directors can give no assurances that this will occur).

By accepting the Offer, you will not be able to accept any superior proposal that may be made. As such, you may not be able to obtain any potential benefit associated with any such superior proposal.

##### (4) *Taxation consequences of accepting the Offer*

The taxation consequences of disposing of your HPI Securities pursuant to the Offer depend on a number of factors and your particular circumstances. You should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

##### (5) *Forgoing distributions attributable to your HPI Securities*

HPI's current distribution policy is to distribute 100% of AFFO in interim and final distributions. Disposing of your HPI Securities pursuant to the Offer will mean that you are not eligible to receive any AFFO attributable to your HPI Securities for the period from 1 July 2024 to the date of disposal of your HPI Securities.

#### (b) Selected risks associated with rejecting the Offer

Rejecting the Offer may have the following risks, depending on the outcome of the Offer, in addition to those general risks applicable to an investment in HPI (as described in section 3.5 above):

##### (1) *Compulsory acquisition*

If the Bidder and its associates become entitled to exercise compulsory acquisition rights, you may be compelled to sell your HPI Securities to the Bidder for the same price as under the Offer, but may not receive the consideration for some time. The Bidder would generally be entitled to exercise compulsory acquisition rights should the combined shareholding of the Bidder and its associates in HPI reach 90% or more. The Bidder has disclosed that, in that scenario, it intends to compulsorily acquire all remaining HPI Securities.

(2) *The Bidder's strategic priorities as a partially-owned controlled entity*

If the Bidder and its associates achieve a combined shareholding of 50.1% or more of HPI but less than 90%, the Bidder's intentions in relation to HPI are set out in section 6.4 of the Bidder's Statement. The Bidder's intentions have a number of possible implications (which may be positive or negative) for remaining minority HPI Securityholders and include:

- the Bidder intends to become actively involved in determining and controlling the strategic direction of HPI's business;
- the Bidder intends to replace all members of the HPI Board with the Bidder's own nominees (though it may invite one or more HPI Directors to remain as a director);
- the Bidder intends to consider the appointment of Charter Hall Group entities to manage HPI and HPI's assets as external managers, in which case there is the potential for a conflict to arise when, for example, there are new acquisition opportunities that could be taken by either HPI or other entities managed by Charter Hall Group;
- the Bidder intends to cause HPI to apply for removal from the official list of the ASX (see below);
- the Bidder intends to encourage HPI to conduct a broad-based review of HPI's portfolio and management; and
- the Bidder intends to review HPI's distribution and capital management policies, which may result in the Bidder forming a different view from the current policy on the payment of distributions by HPI.

There is no certainty as to whether the Bidder will effect the above intentions after achieving a combined shareholding with its associates of 50.1% or more of HPI. The ability of the Bidder to implement the above intentions is subject to the limitations set out in section 6.6 of the Bidder's Statement.

#### 4.11 The Bidder's intention to delist HPI

The Bidder will be able to delist HPI from the ASX if it reaches the 90% compulsory acquisition threshold. In addition, the Bidder has said that it intends to cause HPI to apply for removal from the official list of the ASX if the Offer closes with the Bidder and its associates holding more than 50.1% but less than 90%. If HPI is delisted, HPI Securities will not be able to be bought or sold on the ASX.

##### (a) Important legal protections concerning a delisting of HPI

HPI Securityholders should note the following important legal protections regarding any potential delisting of HPI:

- (1) Any decision to apply to ASX to delist HPI would need to be made by the HPI Board.
- (2) The HPI Board could only decide to seek a delisting if the HPI Board concludes that this action is in the best interests of HPI and HPI Securityholders as a whole at the relevant time.
- (3) ASX states<sup>1</sup> that it will use its discretion to ensure that the delisting of any entity is being sought for acceptable reasons. For example, ASX notes that a request to remove an entity from ASX that is primarily or solely aimed at denying minority securityholders a market for their securities, in order to coerce them into accepting an offer from a controlling securityholder to buy their securities at an undervalue, would be an unacceptable reason for requesting removal from the official list of ASX.
- (4) ASX applies a number of guidelines to safeguard the interests of minority securityholders in the context of any proposed delisting. A key ASX guideline provides that the approval of minority HPI Securityholders would most likely be needed for ASX to allow delisting following a takeover bid unless each of the following four conditions are met:
  - (A) the Bidder and its associates have attained ownership or control of at least 75% of HPI Securities;
  - (B) there are fewer than 150 HPI Securityholders (excluding the Bidder and its related bodies corporate) whose securityholding is worth at least \$500. As at 12 July 2024, there were 393 HPI Securityholders with a securityholding of at least \$500;
  - (C) the Offer remains open for at least an additional 2 weeks after the Bidder and its associates have attained ownership or control of at least 75% of HPI Securities; and
  - (D) HPI has applied for removal from the official list of ASX no later than one month after the close of the Offer.

1. See ASX Guidance Note 33, which sets out ASX's policy in relation to delisting of entities from the ASX official list.

## 4 Key features of the Offer continued

- (5) ASX states that it will usually require the following conditions to be satisfied before it will act on a request for delisting:
- (A) HPI send a letter or email to HPI Securityholders advising them of the nominated time and date at which HPI will be removed from the official list of the ASX and that, if they wish to sell their HPI Securities on ASX, they will need to do so before HPI is removed from the official list of ASX and, if they do not, that they will only be able to sell their HPI Securities off-market; and
  - (B) the removal of HPI from the official list of ASX not take place any earlier than 3 months after that statement has been sent to HPI Securityholders, so that they have at least that period to sell their HPI Securities on ASX should they wish to do so.

If the above conditions are not satisfied, the ASX may approve an application for HPI to be delisted from the ASX with HPI Securityholder approval. The Bidder and its associates would only be entitled to vote on the resolutions approving the delisting if the approval was sought later than 12 months after the Offer closes.

- (6) Even if the ASX requirements are satisfied, a minority securityholder may have rights under section 232 of the Corporations Act to prevent a delisting if they can show that delisting is contrary to the interests of securityholders as a whole or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, a securityholder or securityholders whether in that capacity or in any other capacity. That remedy may be available even where the board has acted in good faith for a purpose within the directors' power, but which reasonable directors would think to be unfair.

### **(b) Disadvantages to HPI Securityholders on delisting**

If, despite the above procedural protections, HPI is ultimately delisted at some point in the future, any remaining HPI Securityholders (i.e. those who did not accept the Offer) would be holders of unquoted securities. A delisting could result in a number of disadvantages for those HPI Securityholders, such as:

- (1) the absence of an orderly, transparent and timely mechanism for share trading;
- (2) restricted information compared to that currently provided, as HPI would no longer be subject to the continuous disclosure requirements of the Listing Rules. If HPI remains a public company after delisting and has at least 100 securityholders, HPI would still be required to disclose material information to ASIC and likely on its website. Nevertheless, the level of securityholder reporting in these circumstances could be diminished; and
- (3) the ceasing of various requirements and protections for minority securityholders under the Listing Rules. Examples of provisions that would cease to apply include:
  - (A) restrictions on the issue of new securities;
  - (B) a governance framework for related party transactions; and
  - (C) requirements to seek securityholder approval for significant changes in the nature or scale of HPI's activities.

For personal use only

# 5

## Tax considerations for HPI Securityholders

## 5 Tax considerations for HPI Securityholders

### 5.1 Introduction

The following is a general description of the Australian income tax and GST consequences for HPI Securityholders relating to the Offer. It is general in nature and is not intended to constitute tax advice to HPI Securityholders. Accordingly, each HPI Securityholder should seek independent professional advice in relation to their own particular circumstances.

The information below deals only with the taxation implications for HPI Securityholders who hold their HPI Securities on capital account. It does not address the taxation implications for HPI Securityholders who:

- hold their HPI Securities for the purposes of speculation or a business of dealing in securities (e.g. as trading stock) or who otherwise hold their HPI Securities on revenue account;
- have made any of the tax timing method elections pursuant to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their HPI Securities;
- are subject to the Investment Manager Regime under Division 842 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their HPI Securities; or
- acquired their HPI Securities pursuant to an employee share or option plan.

HPI Securityholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of accepting the Offer.

The information contained in this section is based on the Australian law and administrative practice in effect at the date of this Target's Statement.

### 5.2 Australian resident securityholders

#### (a) HPI Securityholders who accept the Offer

Acceptance of the Offer will involve the disposal by HPI Securityholders of their HPI Securities by way of transfer to the Bidder. This change in the ownership of the HPI Securities will constitute a CGT event for Australian CGT purposes.

The date of disposal for CGT purposes will be the date the contract to dispose of the HPI Securities is formed, which is the date of acceptance if you decide to accept the Offer.

#### (b) Compulsory acquisition

If a HPI Securityholder does not dispose of their HPI Securities under the Offer and their HPI Securities are subsequently compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, those HPI Securityholders will also be treated as having disposed of their HPI Securities for CGT purposes.

The date of disposal for CGT purposes will be the date when the Bidder becomes the owner of the HPI Securities.

#### (c) Calculation of capital gain or capital loss

HPI Securityholders will make a capital gain to the extent that their capital proceeds from the disposal of the HPI Securities are more than the cost base of those HPI Securities. Conversely, HPI Securityholders will make a capital loss to the extent that their capital proceeds are less than their cost base of those HPI Securities.

The cost base of the HPI Securities generally includes the cost of acquisition and certain non-deductible incidental costs of their acquisition and disposal.

The capital proceeds of the CGT event will equal the consideration price of \$3.65 cash per HPI Security received by the HPI Securityholder in respect of the disposal of their HPI Securities.

Individuals, complying superannuation entities or trustees that have held their HPI Securities for at least 12 months should be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of HPI Securities by 50% in the case of individuals and trusts or by 33 $\frac{1}{3}$ % for complying superannuation entities. For trusts, the ultimate availability of the discount may depend on a beneficiary's entitlement to the discount. Companies are not entitled to discount the amount of the capital gain.

Capital gains (prior to any CGT discount) and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

### 5.3 Non-resident securityholders

For an HPI Securityholder who:

- is not a resident of Australia for Australian tax purposes; and
- does not hold their HPI Securities in carrying on a business through a permanent establishment in Australia,

the disposal of HPI Securities will generally only result in Australian CGT implications if:

- (a) that HPI Securityholder together with its associates hold 10 percent or more of the HPI Securities at the time of disposal or have held 10 percent or more of the HPI Securities for any continuous 12 month period within 2 years preceding the disposal; and
- (b) more than 50% of the market value of the assets of HPI Trust or HPI Company (as relevant) value is due to direct or indirect interests in Australian real property (referred to as an 'Indirect Australian Real Property Interest').

A non-resident HPI Securityholder whose HPI Securities constitute an 'Indirect Australian Real Property Interest' should obtain independent advice as to the tax implications of sale.

A non-resident HPI Securityholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the HPI Securities as set out in section 5.2.

The Bidder is obligated to pay to the Australian Taxation Office (**ATO**) an amount equal to 12.5% of the consideration payable to a non-resident HPI Securityholder if the HPI Securities constitute an Indirect Australian Real Property Interest.

The Bidder has indicated that it does not anticipate having to withhold any amount under these provisions, but may seek a declaration from an HPI Securityholder that it is either a resident of Australia or that the HPI Securities are not Indirect Australian Real Property Interests to ensure it does not need to withhold and remit an amount to the ATO.

### 5.4 Goods and services tax

HPI Securityholders should not be liable to GST in respect of a disposal of their HPI Securities.

HPI Securityholders may be charged GST on costs (such as adviser fees) that relate to their participation in the Offer. HPI Securityholders may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.





For personal use only

# 6

## Additional information

## 6 Additional information

### 6.1 Interests and dealings in HPI Securities

The HPI Directors have the following relevant interests in HPI Securities:

| Director        | Number of HPI Securities |
|-----------------|--------------------------|
| Giselle Collins | 92,614                   |
| Lachlan Edwards | 500,000                  |
| Chris Judd      | Nil                      |
| Anne Michaels   | 13,421                   |
| John White      | 29,400                   |
| <b>Total</b>    | <b>635,435</b>           |

No HPI Director has acquired or disposed of a relevant interest in any HPI Securities in the 4 month period ending on the date immediately before the date of this Target's Statement, other than during the last and only trading window in this period:

- on 6 September 2024, Lachlan Edwards (via the Edwards Family Super Fund) acquired 6,041 HPI Securities for \$3.4815 each under an on-market purchase;
- on 6 September 2024:
  - Giselle Collins (via Giselle's joint holding with Luke Collins) acquired 1,788 HPI Securities for a price of \$3.2324 each under an issue of securities under HPI's distribution reinvestment plan;
  - Lachlan Edwards (via the Edwards Asset Trust and Edwards Family Super Fund) acquired 13,959 HPI Securities in aggregate for a price of \$3.2324 each under an issue of securities under HPI's distribution reinvestment plan; and
  - Anne Michaels (via the TAM Superannuation Fund) acquired 298 HPI Securities for a price of \$3.2324 each under an issue of securities under HPI's distribution reinvestment plan;
- on 5 September 2024, Anne Michaels (via the TAM Superannuation Fund) acquired 3,000 HPI Securities for \$3.47 each under an on-market trade;
- on 4 September 2024, John White (via Innaminka Investments Superannuation Fund) acquired 14,400 HPI Securities for \$3.47 each under an on-market trade;
- on 23 August 2024, Lachlan Edwards (via the Edwards Assets Trust) acquired 5,000 HPI Securities for \$3.305 each under an on-market trade; and
- on 22 August 2024, Giselle Collins (via Giselle's joint holding with Luke Collins) acquired 30,000 HPI Securities for \$3.3370 under an on-market trade.

### 6.2 Issued capital

As at the Last Practicable Date, HPI's issued capital consisted of:

- 196,582,693 HPI Securities; and
- 190,094 Performance Rights.

For further details in relation to the Performance Rights, including the effect of a change of control on those Performance Rights, refer to the remuneration report set out on pages 17 to 25 of HPI's 2024 Annual Report, which was released to the ASX on 21 August 2024. No Director holds any Performance Rights.

For personal use only

## 6 Additional information continued

### 6.3 Substantial holders

As at the Last Practicable Date, based on the substantial holder notices provided to ASX, the following persons have voting power in 5% or more of HPI Securities.

| Substantial holder  | Number of HPI Securities | Voting power        |
|---|--------------------------|---------------------|
| Charter Hall Wholesale Management Limited (ACN 006 765 206) in its capacity as trustee of the CH Investment Trust and the CH Investment Co Trust (the Bidder)<br>Host-Plus Pty Limited (ACN 008 634 704) in its capacity as trustee of the Hostplus Pooled Superannuation Trust and the Hostplus Superannuation Fund (and their associates) (Hostplus)                        | 36,479,622               | 18.56% <sup>1</sup> |
| The Vanguard Group, Inc and its controlled entities including those listed in Annexure A to the Form 604 as released to the ASX on 10 September 2019  | 13,690,374               | 9.37%               |
| Yarra Capital Management Limited (ACN 003 376 252);<br>Yarra Funds Management Limited (ACN 005 885 567);<br>Yarra Capital Management Holdings Pty Ltd (ACN 614 782 795);<br>Yarra Management Nominees Pty Ltd (ACN 616 681 068);<br>AA Australia Finco Pty Ltd (ACN 614 781 172);<br>TA SP Australia Topco Pty Ltd (ACN 612 486 452);<br>TA Universal Investment Holdings Ltd | 9,810,549                | 5.03%               |

1. As set out in the Bidder's Statement, the HPI Securities in the table shown alongside the Bidder and Hostplus are the same HPI Securities. On 28 March 2024, the Charter Hall Group provided a substantial holder notice to ASX disclosing its voting power of 17.91% in HPI Securities. Based on the Bidder's Statement, the HPI Securities in which the Charter Hall Group has voting power of 17.91% are substantially the same as the HPI Securities in which the Bidder and Hostplus have voting power of 18.56%.

### 6.4 Potential effect of the Offer on HPI's key contracts

HPI is a party to certain contracts containing 'change of control' provisions which may be triggered as a result of, or as a result of acceptances of, the Offer. Key contracts to which a member of the HPI Group is a party, and a summary of the relevant change of control provisions, is set out below.

#### (a) Leases

HPI or its wholly owned subsidiary (the **Lessor**) is party to 32 leases, which contain provisions to the effect that the relevant tenant has a first right of refusal upon a 'Change of Control'. In each case, the tenant is Queensland Venue Co Pty Ltd or its related body corporate (**QVC**).

Under each lease, a 'Change of Control' is defined as occurring (amongst other situations which are not relevant) where:

*a person other than a unitholder in the trust or a shareholder in the Lessor, who did not previously do so, acquires or holds directly or indirectly:*

- i. shares in the Lessor or units in the HPI Trust conferring 20% or more of the voting or economic interest in the Lessor or the HPI Trust (as applicable);*
- ii. the power to control the appointment or dismissal of the majority of the Lessor's directors; or*
- iii. the capacity to control the financial and operating policies or management of the Lessor or the HPI Trust; and*
- iv. the original Lessor or the sole unitholder at the date of this lease no longer holds units in the HPI Trust conferring more than 50% of the voting or economic interests in the HPI Trust, or the capacity to control the financial and operating policies or management of the HPI Trust.*

If a 'Change of Control' occurs, the Lessor must first offer the property to the lessee in accordance with the terms of the relevant leases.<sup>1</sup> That may lead to a sale of the property at market value.

In its Bidder's Statement (section 5.8), the Bidder has stated that, while the provisions are ambiguous, noting the Bidder's interest in HPI Securities, it considers that the Offer will not result in a 'Change of Control' under the relevant leases and that, even if the Offer is found to constitute a 'Change of Control', there is uncertainty as to whether the first rights of refusal are capable of being exercised in such circumstances and, if so, how they would operate.

1. The detailed terms are set out in section 13.11 of HPI's prospectus and product disclosure statement dated 27 November 2013, a copy of which is available on HPI's website and the ASX's website. The complete terms of each registered lease are also available for public inspection with the relevant State land authorities.

HPI considers that there is some uncertainty under the relevant leases and a risk that the Offer may result in a 'Change of Control' as defined if, as a result of the Offer, the Bidder acquires 20% or more of the HPI Securities or acquires or holds the power to control the appointment or dismissal of the majority of HPI Company's directors or the capacity to control the financial and operating policies or management of HPI Company or the HPI Trust.

If the Offer becomes unconditional and the Bidder acquires 20% or more of the HPI Securities, this could therefore trigger the change of control provisions which may potentially lead to a sale of some or all of the relevant properties to the lessee. That would mean that remaining securityholders in HPI would then be investors in a smaller and less attractive portfolio (although HPI will have received cash representing the market price for those properties sold).

The properties that are subject to leases with this provision and their fair values (as at 30 June 2024) are as follows (noting the Royal Mail Hotel and Woodpecker Tavern are held for sale):

| Property                                      | Location          | Fair value<br>(as at<br>30 June 2024) |
|---|-------------------|---------------------------------------|
| Berserker Tavern                              | Rockhampton QLD   | \$20,600,000                          |
| Bonny View Tavern                             | Bald Hills QLD    | \$15,400,000                          |
| Boomerang Motor Hotel                         | West Mackay QLD   | \$9,900,000                           |
| Bribie Island Hotel                           | Bellara QLD       | \$32,500,000                          |
| Brighton Hotel                                | Brighton QLD      | \$27,960,000                          |
| Caboolture Sundowner Hotel Motel              | Caboolture QLD    | \$21,290,000                          |
| Chancellors Tavern                            | Sippy Downs QLD   | \$26,200,000                          |
| Cleveland Sands Hotel                         | Cleveland QLD     | \$43,900,000                          |
| Club Hotel                                    | Gladstone QLD     | \$9,650,000                           |
| Coomera Lodge Hotel                           | Oxenford QLD      | \$14,050,000                          |
| Dunwoodys Tavern                              | Cairns QLD        | \$35,750,000                          |
| Everton Park Hotel                            | Everton Park QLD  | \$40,000,000                          |
| Ferry Rd Tavern                               | Southport QLD     | \$46,570,000                          |
| Cleveland Tavern                              | Cleveland QLD     | \$23,850,000                          |
| Diamonds Tavern                               | Kallangur QLD     | \$14,950,000                          |
| Fitzys Loganholme                             | Loganholme QLD    | \$38,400,000                          |
| Fitzys Waterford                              | Waterford QLD     | \$27,050,000                          |
| Grafton Hotel                                 | Edmonton QLD      | \$10,000,000                          |
| Kings Beach Tavern                            | Caloundra QLD     | \$33,170,000                          |
| Kooyong Motor Hotel                           | North Mackay QLD  | \$13,670,000                          |
| Leichhardt Hotel                              | Rockhampton QLD   | \$15,850,000                          |
| Mi Hi Tavern                                  | Brassal QLD       | \$27,200,000                          |
| Inala Hotel                                   | Inala QLD         | \$22,310,000                          |
| Palm Cove Tavern                              | Palm Cove QLD     | \$12,250,000                          |
| Sole on Sheridan/ Empire Alternacade & Events | Cairns QLD        | \$12,550,000                          |
| Tom's Tavern                                  | Aitkenvale QLD    | \$27,060,000                          |
| Trinity Beach Hotel                           | Trinity Beach QLD | \$22,900,000                          |
| Woodpecker Tavern                             | Burpengary QLD    | \$7,460,000                           |
| Royal Mail Hotel                              | Tewantin QLD      | \$17,450,000                          |
| Grand Junction Hotel                          | Pennington SA     | \$17,870,000                          |
| Brighton Metro Hotel                          | Brighton SA       | \$23,600,000                          |
| Waterloo Tavern                               | Paralowie SA      | \$32,400,000                          |
| <b>Total:</b>                                 |                   | <b>\$743,760,000</b>                  |

## 6 Additional information *continued*

### (b) Borrowing arrangements

Review event and/or event of default provisions in the HPI Group's borrowing arrangements may be triggered if the Offer becomes unconditional and the Bidder acquires a relevant interest in more than 50% of the HPI Securities.

The borrowing arrangements comprise:

- a. the following five tranches of unsecured, Australian dollar denominated US Private Placement notes totalling \$310 million:
  - i. A\$100 million fixed interest loan with an 8-year tenor, maturing in August 2025;
  - ii. A\$30 million fixed interest loan with a 10-year tenor, maturing in August 2027;
  - iii. A\$100 million floating interest loan with a 10-year tenor, maturing in August 2027;
  - iv. A\$40 million fixed interest loan with a 7-year tenor, maturing in August 2028; and
  - v. A\$40 million fixed interest loan with a 12-year tenor, maturing in August 2033; and
- b. three facilities bilaterally provided under the Common Terms Deed, totalling \$205.6 million as at 30 June 2024, (the **Debt Facilities**).

If the review event and/or event of default provisions are triggered under the Debt Facilities, amongst other things, HPI may be required to repay and/or refinance the relevant debt.

The Bidder has stated in the Bidder's Statement that, in anticipation of this circumstance, the CH Investment Trust has obtained a commitment letter for a 5 year revolving cash advance facility (**Backstop Facility**) to enable it to on loan funds to HPI so that HPI can refinance the relevant debt to the extent required. Please refer to sections 7.4 and 7.5 of the Bidder's Statement for further details.

The Bidder has stated (see section 7.6 of the Bidder's Statement) that:

- a. the Bidder does not consider that shareholder approval under section 260B of the Corporations Act is required for the grant of any security interest by HPI (or its subsidiaries) in connection with the Backstop Facility. However, the Bidder has stated that whether there is any financial assistance will need to be assessed by the HPI Board at the time and if the view is taken that approval is required, HPI will need to obtain the approval of the holders of HPI Securities by way of special resolution (whether the Bidder and its associates will not be entitled to vote) before the assistance is provided; and
- b. HPI will need to consider whether any future granting of a security interest as contemplated in the Backstop Facility constitutes a related party transaction requiring HPI Securityholder approval under Listing Rule 10 or Chapter 2E of the Corporations Act. If such an approval is required, it would also need to be approved by a simple majority of HPI Securityholders where the Bidder and its associates would be excluded from voting.

The Bidder has stated that if either of both of these shareholder approvals are required and cannot be obtained in accordance with the relevant provisions of the Corporations Act or Listing Rules, a review event will be triggered under the Backstop Facility, which may, in certain circumstances, result in the relevant debt becoming repayable. Please refer to section 7.6 of the Bidder's Statement for further details.

If such review event provisions are triggered under the Backstop Facility, HPI may be required to refinance the relevant debt to meet its current liability obligations and continue to effectively mitigate against interest rate risk.

For personal use only

## 6.5 Effect of the Offer on the employment arrangements of HPI's Managing Director and Chief Executive Officer

Under his employment contract, HPI's Managing Director and Chief Executive Officer, John White, will be entitled to receive from HPI a one-off cash payment equal to 12 months of his base salary if the Bidder acquires a relevant interest in more than 50% of HPI Securities and his role within HPI is materially reduced. For further details, refer to HPI's ASX announcement dated 21 August 2024.

Mr White is also eligible to participate in the HPI STI Plan under which cash awards may be paid to Mr White from a funding pool linked to HPI's completed projects. The HPI Board has a broad discretion under the HPI STI Plan to determine the treatment of these cash awards and the timing of such treatment in the context of the Offer. If the HPI Board does not exercise this discretion, on a change of control, all cash awards under the HPI STI Plan attributable to projects completed in the period since the prior 30 June will be determined and paid in full.

In addition, the HPI Board has agreed to increase the potential short-term incentives under the HPI STI Plan payable to Mr White by an additional \$135,000. Payment of these additional incentives is subject to Mr White successfully executing a strategy, which is to be determined by the HPI Board in its absolute discretion. If a determination is made that the additional incentives are payable to Mr White, the payment will be made in the form of HPI Securities and paid 12 months after the date the additional incentives are granted.

At this stage, the HPI Directors have not made any formal determination to exercise any discretion under the HPI STI Plan as a result of the Offer, but has reserved its right to do so. The HPI Directors will continue to monitor the progress of the Offer and consider whether to exercise its discretion depending on the level of acceptances.

## 6.6 Consents

The following persons have given, and not withdrawn before the lodgement of this Target's Statement with ASIC, their written consent to be named in this Target's Statement in the form and context in which it appears:

- BofA Securities, to being named as HPI's financial adviser;
- Denison Partners, to being named as HPI Board's financial adviser;
- Herbert Smith Freehills, to being named as HPI's legal adviser; and
- Link Market Services Limited (MUFG Corporate Markets), to being named as HPI's share registrar.

None of these persons have caused or authorised the issue of this Target's Statement, and does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based (other than a statement included in this Target's Statement with the consent of that party) and takes no responsibility for any part of this Target's Statement other than any reference to its name and the statements (if any) included in the Target's Statement with the consent of that party.

As permitted by ASIC Corporations (Takeover Bids) Instrument 2023/683, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX. Pursuant to ASIC Corporations (Takeover Bids) Instrument 2023/683, consent is not required for the inclusion of such statements in this Target's Statement. Any HPI Securityholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the HPI securityholder information line on 1300 255 218 (for calls made from within Australia) or +61 2 9066 4084 (for calls made from outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding public holidays).

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement:

- may include or be accompanied by certain statements:
  - fairly representing what purports to be a statement by an official person; or
  - that are a correct and fair copy of, or extract from, what purports to be a public official document; or
  - that are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication; and
- contains trading data sourced from IRESS, FactSet and Bloomberg provided without their consent.

## 6 Additional information continued

### 6.7 No other material information

This Target's Statement is required to include all the information that HPI Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any HPI Director.

The HPI Directors are of the opinion that, based on information known to them as at the close of business on 1 October 2024, the information that HPI Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is the information contained in:

- the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- HPI's releases to the ASX, and in the documents lodged by HPI with ASIC before the date of this Target's Statement; and
- this Target's Statement.

The HPI Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, they do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the HPI Directors have had regard to:

- the nature of the HPI Securities;
- the matters that HPI Securityholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to HPI Securityholders' professional advisers; and
- the time available to HPI to prepare this Target's Statement

For personal use only



For personal use only

# 7

## Glossary and interpretation



## 7 Glossary and interpretation

### 7.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

| Term                                   | Meaning  |
|--|--|
| <b>\$, A\$ or AUD</b>                  | Australian dollar.   |
| <b>ACN</b>                             | Australian company number.   |
| <b>AFFO</b>                            | adjusted funds from operations.  |
| <b>Announcement Date</b>               | the date of the announcement of the Offer to acquire all of the HPI Securities by the Bidder, being 9 September 2024.  |
| <b>A-REIT</b>                          | Australian Real Estate Investment Trust.   |
| <b>ASIC</b>                            | Australian Securities and Investments Commission.  |
| <b>ASX</b>                             | ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.   |
| <b>Bidder</b>                          | CHWML in its capacity as trustee for the CH Investment Trusts.   |
| <b>Bidder's Statement</b>              | the second replacement bidder's statement of the Bidder dated 25 September 2024.   |
| <b>BofA Securities</b>                 | Merrill Lynch Markets (Australia) Pty. Limited.  |
| <b>CGT</b>                             | capital gains tax.   |
| <b>Charter Hall Group or CHC</b>       | a stapled group comprising Charter Hall Limited and Charter Hall Property Trust and each of their controlled entities/the Bidder and each entity that is controlled, directly or indirectly by the Bidder. |
| <b>Charter Hall Retail REIT or CQR</b> | a convenience retail REIT listed on the ASX and externally managed by CHC.   |
| <b>CH Investment Co Trust</b>          | CHWML in its capacity as trustee of CH Investment Co Trust or CH Investment Co Trust, as the context requires.   |
| <b>CH Investment Trust</b>             | CHWML in its capacity as trustee of CH Investment Trust or CH Investment Trust, as the context requires.   |
| <b>CH Investment Trusts</b>            | CH Investment Trust and CH Investment Co Trust.  |
| <b>CHWML</b>                           | Charter Hall Wholesale Management Limited (ACN 006 765 206).   |
| <b>Corporations Act</b>                | <i>Corporations Act 2001</i> (Cth).  |
| <b>Denison Partners</b>                | Denison Partners Pty Ltd.  |

For personal use only

| Term                         | Meaning   |
|------------------------------|---|
| <b>FY22</b>                  | financial year ended 30 June 2022.  |
| <b>FY23</b>                  | financial year ended 30 June 2023.  |
| <b>FY24</b>                  | financial year ended 30 June 2024.  |
| <b>FY25</b>                  | financial year ending 30 June 2025.   |
| <b>GST</b>                   | goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.  |
| <b>GST Law</b>               | has the same meaning as in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).   |
| <b>Hostplus</b>              | Host-Plus Pty Ltd (ACN 008 634 704) in its capacity as trustee of the Hostplus Pooled Superannuation Trust and/or Host-Plus Pty Ltd (ACN 008 634 704) in its capacity as trustee of Hostplus Superannuation Fund (as applicable). |
| <b>HPI or HPI Group</b>      | HPI Trust and HPI Company and each of their controlled entities.  |
| <b>HPI Board</b>             | the board of directors of HPI Company.  |
| <b>HPI Company</b>           | Hotel Property Investments Limited (ABN 25 010 330 515).  |
| <b>HPI Directors</b>         | the directors of HPI Company.   |
| <b>HPI Security</b>          | a stapled security comprising one fully paid unit in HPI Trust and a fully paid ordinary share in HPI Company.  |
| <b>HPI Securityholder</b>    | a registered holder of HPI Securities.  |
| <b>HPI STI Plan</b>          | the short-term incentive plan adopted by the HPI Board on 1 July 2021.  |
| <b>HPI Trust</b>             | Hotel Property Investments Trust (ARSN 166 484 377).  |
| <b>Last Practicable Date</b> | 27 September 2024.  |
| <b>Listing Rules</b>         | listing rules of ASX (as amended or varied from time to time).  |
| <b>NTA</b>                   | net tangible assets.  |
| <b>Offer</b>                 | the offer by the Bidder for the HPI Securities, details of which are contained in section 11 of the Bidder's Statement.   |
| <b>Offer Period</b>          | the period during which the Offer will remain open for acceptance in accordance with section 11 of the Bidder's Statement.  |

## 7 Glossary and interpretation *continued*

| Term                           | Meaning  |
|--------------------------------|--|
| <b>Offer Price</b>             | \$3.65 per HPI Security, less the value of any rights (which includes any distributions or dividends) HPI Securityholders become entitled to on or after 9 September 2024.   |
| <b>Performance Rights</b>      | a performance right issued under the Performance Rights Plan.  |
| <b>Performance Rights Plan</b> | the rights plan adopted by the HPI Board on 29 July 2016, and amended on 20 June 2018.   |
| <b>REIT</b>                    | Real Estate Investment Trust.  |
| <b>Rights</b>                  | 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 member of the HPI Group). Rights do not include any franking credits attached to any dividend. |
| <b>Target's Statement</b>      | this document, being the statement of HPI under Part 6.5 Division 3 of the Corporations Act.   |
| <b>TSR</b>                     | total securityholder returns.  |
| <b>USPP</b>                    | US Private Placement.  |
| <b>VWAP</b>                    | volume weighted average price.   |
| <b>WALE</b>                    | weighted average lease expiry.   |

### 7.2 Interpretation

In this Target's Statement:

- (a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (b) Words of any gender include all genders.
- (c) Words importing the singular include the plural and vice versa.
- (d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (e) A reference to a Section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant, unless stated otherwise.
- (f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (h) A reference to time is a reference to Sydney time, unless otherwise stated.
- (i) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

For personal use only



For personal use only



# Authorisation

## 8 Authorisation

This Target's Statement has been approved by a resolution passed by the HPI Directors.

Signed for and on behalf of HPI:

*date*            2 October 2024

*sign here* ▶  \_\_\_\_\_

*print name*    Giselle Collins

*position*      Chairman

For personal use only

For personal use only

This page has been intentionally left blank.

For personal use only

This page has been intentionally left blank.

# Corporate directory

Hotel Property Investments Limited  
ABN 25 010 330 515

Hotel Property Investments Trust  
ARSN 166484377

Suite 2, Level 17 – IBM Centre  
60 City Road  
Southbank VIC 3006  
T (03) 9038 1774  
hpitrust.com.au

## Financial Advisers

Merrill Lynch Markets (Australia) Pty. Limited  
Level 34, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

Denison Partners Pty Ltd  
Level 24, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

## Legal Adviser

Herbert Smith Freehills  
Level 24, 80 Collins Street  
Melbourne VIC 3000

## Share Registry

Link Market Services Limited (MUFG Corporate Markets)  
Tower 4, Collins Square  
727 Collins Street  
Melbourne VIC 3008

## Securityholder information line

T 1300 255 218 (within Australia)  
T +61 2 9066 4084 (outside of Australia)

For personal use only



For personal use only

