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2024 Annual General Meeting Chairman's address

Good morning everyone, my name is Giselle Collins, Chair of Hotel Property Investments.

I'd like to begin by acknowledging the Traditional Custodians of the land on which we meet today, the Wurundjeri Woi-wurrung and Bunurong Boon Wurrung Peoples of the Eastern Kulin Nation, and to pay my respects to their Elders, past and present.

Introduction

Firstly, I'd like to acknowledge the contribution of our former CEO and Managing Director, Don Smith, who passed away in February after a period of illness. Don joined HPI in 2018 and was a key force behind our growth, fostering exceptional relationships and demonstrating unparalleled commitment to HPI. While there are several examples of this, the value generated for Securityholders through the efficient negotiation of our lease extensions clearly demonstrates the strength of his stakeholder relationships and his commitment to creating value for HPI.

Beyond his professional achievements, Don embodied qualities of humour, warmth, and mentorship, which endeared him to all who worked with him. We again extend our deepest sympathies to Don's family.

In early September, we welcomed John White as HPI's new Chief Executive Officer and Managing Director. John is an experienced executive, board, and committee member with over 30 years in various roles in the Australian and global property sectors, including investment, development, finance, and funds management. His previous executive experience includes leadership positions with Heitman LLC, Challenger Limited, and HSBC. John's strategic insight, deep capital markets expertise, and extensive network are already having a substantial impact, as shown in the strategy update within his presentation.

I would also like to recognise the outstanding contributions of the entire HPI team, in particular our Chief Financial Officer and Company Secretary, Blair Strik, for his leadership and dedication during this period of significant transition. Blair served as acting CEO for nine months following Don's passing, effectively managing both CEO and CFO roles with discipline and focus. During this period, the company completed substantial transactions, including rentalised funding for our assets, a refinancing with a new lender, and a complex hedging transaction. His leadership was instrumental in navigating these critical financial undertakings.

Before I provide a review of FY24, I'd like to make a few comments regarding the election of our two independent non-executive Directors, Chris Judd and Lachlan Edwards.

Chris was appointed to the HPI Board effective 17 June 2024. He is a highly experienced Director and past Executive with over 35 years in property and funds management, holding senior executive and governance roles in both public and private capital real estate markets across Australia and New Zealand. Chris is also a non-executive Director of Precinct Properties NZ Limited, an independent member of the Richmond Bridge and RF Corval Investment Committees and Executive Chairman of 151 Property.

Lachlan has been a non-executive Director of HPI since November 2013. Lachlan is the Founder of advisory business Faraday Associates and previously served as Co-Head of advisory businesses at Lazard Australia. He was a Managing Director at Goldman Sachs from 2006 to 2013 and spent 15 years at Rothschild in both Sydney and London. Lachlan currently serves on several Boards, including as Deputy Chair of the Bell Shakespeare Company and Chair of Matilda Nepean Private Hospital. He is also a Trustee of the Art Gallery of NSW and serves as Chair of HPI's Human Resources and Nominations Committee, Board Audit and Risk Committee, and Responsible Entity Compliance Committee.

Along with the appointment of John White to the Board as CEO, 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 continue to deliver value for HPI Securityholders through a combination of portfolio management and growth initiatives.

FY24 Review

FY24 continued to reflect the economic challenges of recent years. During this period, the Reserve Bank of Australia increased the cash rate from 4.1% to 4.35%, where it currently stands. Higher interest rates have negatively impacted the broader commercial property sector, leading to pressure on earnings and property valuations. However, HPI's portfolio performed better than many other A-REITs in terms of cash flow, distributions, and valuations. The quality of the portfolio and proactive asset management ensured sustained returns to Securityholders. Pubs remain an attractive and resilient asset class amid broader property market volatility, with relatively resilient capitalisation rates, partly due to the attractiveness of the pub asset class reflecting the ongoing consumer demand and substantial barriers to new entrants due to strict town planning, liquor and gaming license regulations.

Turning now to a more detailed overview of the 2024 financial year, which included the following key highlights:

- \$73.2m rental revenue, up 3.3% vs. FY23
- AFFO of 19 cents per security (cps), up 2.2% vs. FY23
- Distributions totalling 19.0 cps, up 2.2% vs. FY23
- Weighted average capitalisation rate of 5.53% as at 30 June 2024 vs 5.42% as at 30 June 2023
- 100% hotel occupancy and a 9.1-year WALE, with further average option period extensions of 19.3 years likely due to the quality of the pubs
- Stable Net Tangible Assets of \$4.01 has been maintained, underpinned by 59 properties valued at \$1.28 billion as at 30 June 2024

- Prudent balance sheet management with gearing of 37%, with 65% of drawn debt fixed. Pro forma post balance date gearing drops further to approximately 35% following the sale of Hotel HQ.

The Group continued to optimise the portfolio with a number of acquisitions, divestments and refurbishments. The Group divested Hotel HQ for \$34.0 million (representing a passing yield of 5.5%), settlement was completed on 1 July 2024. In November 2023, the Group also acquired the Strand Hotel in Yeppoon, Queensland for \$9.3 million, representing a yield of 6.2% which has just undergone a substantial refurbishment.

As part of portfolio renewal, the Group sold four assets at book value, recycling the proceeds into a new \$50 million refurbishment program. The program is staged over two tranches. Tranche 1 settled in March 2024 and the proceeds of \$23.7 million were immediately reinvested into the existing portfolio. Tranche 2 is expected to settle in March 2025 and the sale proceeds of \$24.9 million, together with an additional \$1.4 million, will be reinvested at that time. All refurbishment proceeds are rentalised at 7.5% and embedded into the lease with the benefit of yearly rent reviews of around 4% which also assists in supporting valuations and providing a framework for assurance of lease extensions across the portfolio.

Capital Management

Capital management remains a key focus for the Group amid the higher interest rate environment. We continue to actively manage our interest rate exposure by increasing our hedging during FY24 and into FY25. Currently, the Group is approximately 90% hedged, up from 65% as at 30 June 2024 which with recent events and continuing pressure on inflation is with hindsight a prudent move. We also recently refinanced several debt facilities, leading to an upgrade in FY25 distribution guidance from 19.5 cps to 19.7 cps. The refinancing provided an additional \$100 million in debt capacity, which will be utilised to repay a USPP Note maturing in August 2025. We managed to negotiate a reduction in overall financing costs across all Common Terms Deed facilities, with forecast savings of around \$1.1 million per annum, and we also further diversified our financing partners.

Looking ahead, HPI will continue to pursue accretive transactions provided they meet our key investment criteria, namely that target properties be in good condition, in key regional or metropolitan locations with the potential for long term growth and leased to experienced tenants on favourable lease terms. The Group will also continue to build on the strong relationship with our principal tenant and highly regarded pub operator Australian Venue Co (AVC) to identify opportunities that lead to mutually beneficial outcomes.

Charter Hall Retail REIT and Hostplus Takeover Offer

The Group holds a unique and strategically valuable portfolio of land-rich properties in a sector that has demonstrated resilience through multiple economic cycles. Our tenants are experienced operators who provide secure, growing rental income for the Group. We are confident that HPI's market position and relationships with key operators will offer attractive growth opportunities and add further value for Securityholders.

Reflecting the strategic importance of our portfolio, the Group received an unsolicited, opportunistic, all-cash, off-market takeover offer from Charter Hall Retail REIT and Hostplus at \$3.65 per security in September. Following the Board's rejection of this initial offer, a subsequent offer of

\$3.85¹ was received in October, which was also rejected as it materially undervalued HPI's assets and growth potential. This decision is particularly underscored by HPI's strong relationship with AVC, and the positive outlook of the pub sector, where assets continue to trade robustly with high liquidity in the transaction markets. HPI's high-quality management team and board, investor alignment through its internal management structure and unique position as the only "pure play" pub REIT in the S&P/ASX 300 index distinguishes it from other listed A-REIT's.

We have engaged extensively with Securityholders regarding the offer, and the overwhelming feedback we have received to date indicates that the offer materially undervalues HPI. The Board firmly believes that HPI's unique portfolio of pub assets, strong growth profile, refreshed strategy, and new leadership present the potential for superior long-term value for Securityholders compared to the current takeover offer. At this point, we urge Securityholders to refrain from taking any action in relation to the offer.

HPI Outlook

The outlook for the Group remains positive.

HPI is a long-term owner of pubs that deliver stable income streams to investors. With a refreshed leadership team and strategic vision, a uniquely positioned asset base, and disciplined financial management, the Group is well placed to deliver considerable value for Securityholders.

The Group actively monitors the pub market and focuses on enhancing its portfolio through targeted acquisitions and divestments. Our ongoing refurbishment program represents an opportunity to create further value and resilience of its valuations and highlights our commitment to active asset management and positive tenant engagement.

Accordingly, our upgraded FY25 distribution guidance of 19.7 cps, assuming no unforeseen events and stable market conditions, represents a 3.7% increase on FY24, and reflects the strong cash generation of the HPI asset base.

Our CEO, John White, will now provide further details on the future plans for the Company.

Thank you for your attendance today and your continued support of HPI.

Giselle Collins
Chair of Hotel Property Investments Limited

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

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¹ On 18 October 2024, HPI's Directors declared a distribution for the 4 months ending 31 October 2024 of 6.5 cents per security. Accordingly, the Revised Offer price will reduce to \$3.785 per security, on or after the Record Date for the distribution of 31 October 2024.