

## ASX RELEASE

27 November 2024

### AGM 2024 CHAIR AND CEO ADDRESS AND TRADING UPDATE

HMC Capital Limited (ASX: HMC) provides the attached Chair and CEO address to the Annual General Meeting 2024.

The AGM will be held at Level 7, Gateway, 1 Macquarie Place, Sydney at 11.00am today.

This announcement is approved for release by the Board of Directors.

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#### **About HMC Capital**

*HMC Capital is a leading ASX-listed diversified alternative asset manager focused on real estate, private equity, energy transition, digital infrastructure and private credit. We manage over ~\$17.5bn on behalf of institutional, high net worth and retail investors. We have a highly experienced and aligned team with deep investment and operational expertise. Our point of difference is our ability to execute large, complex transactions. This has underpinned our rapid FUM growth and track record of generating outsized returns for our investors.*

Wednesday, 27 November 2024

## Chair and CEO's Address to 2024 Annual General Meeting of HMC Capital Shareholders

### Welcome and Introduction

Good morning ladies and gentlemen and welcome to our 2024 Annual General Meeting. My name is Chris Saxon, and I am the Chair of HMC Capital Limited.

As a quorum of shareholders is present and it is now 11:00am, I declare the meeting open.

In the spirit of reconciliation we would like to begin by acknowledging the Traditional Custodians of country throughout Australia and celebrate their diverse culture and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Before I proceed to the formal aspects of the meeting, I would like to introduce my fellow directors – Zac Fried, Greg Hayes, Brendon Gale (who is also Chair of the Sustainability Committee), Kelly O'Dwyer, Susan Roberts (who is also Chair of the Audit and Risk Committee) and David Di Pilla, the Managing Director and Group Chief Executive Officer. A number of our executive team are also seated in the audience this morning.

I would also like to acknowledge Zac Fried and Brendon Gale who will be stepping down as directors of the Board at the conclusion of the meeting. I would like to thank Zac and Brendon for their contributions to the Board and to HMC Capital during their tenure as directors and wish them all the best for the future.

On behalf of the Board, it is my pleasure to welcome you here today.

### Agenda

In terms of the agenda today, I will provide a brief overview of key aspects of our 2024 result. I will then ask David to address you and provide a more detailed business update. We will then move to the formal business of the day.

In addition to considering the 2024 Annual Report, shareholders will be asked to support 8 resolutions as set out in the Notice of Meeting, namely:

- the adoption of the Remuneration Report;
- the re-election of Chris Saxon as Director;
- the election of Chris Roberts AO as Director;
- the election of Fiona Pak-Poy as Director;
- the grant of performance rights to the Managing Director and Chief Executive Officer;
- the approval of the increase to the maximum total fees payable to non-executive Directors;
- the ratification of the prior issue of the May/July Placement Shares; and
- the ratification of the prior issue of the October Placement Shares.

Voting on all resolutions will occur by way of poll. I now declare that poll open.

Once the votes are counted following closure of the meeting, the results will be released to the ASX.

I intend to vote any undirected proxies held by me as Chair of the meeting in favour of all resolutions.

## **2024 Result**

Before I hand over to David for the CEO's address, I would like to provide a brief overview of key aspects of our 2024 result as well as our position in the current operating environment.

### FY24 Review

HMC delivered a record financial result in FY24 underpinned by new revenue streams and significant growth in recurring earnings.

Assets under management grew to \$12.7bn which was up 30% on FY23. Total revenue of \$189.5m was up 42%. Pleasingly, over 50% of our revenue came from high quality recurring funds management income.

Our operating margin increased to 68% which was aided by a \$15.6m performance fee from HMC Capital Partners which reflected two years of accumulated performance fees.

Pre-tax operating earnings of 37 cents per share was up 40% on FY23 and continues the strong growth trajectory since HMC Capital listed over five years ago.

Importantly, HMC remains well capitalised to support its future growth initiatives with \$1.4bn of balance sheet liquidity and over \$2.5bn of investable dry powder across our funds management platform.

FY24 was also a landmark year from a strategic standpoint with HMC establishing three major growth platforms in the form of private credit, energy transition and digital infrastructure.

Our move into these high growth sectors follows years of screening potential opportunities and comprehensive due-diligence. Importantly, we've had great success attracting some of the highest quality professionals to lead these platforms.

I would now like to hand over to David Di Pilla, Managing Director and Group Chief Executive Officer for his address.

## Managing Director and Group CEO Address

### Introduction

Thanks Chris and good morning, everyone.

Firstly, I would like to welcome and thank our shareholders for their ongoing support and for entrusting us with your capital.

We take the responsibility of managing our shareholders' capital very seriously.

October of this year marked the five-year anniversary of HMC Capital as an ASX-listed group. Since listing, HMC has delivered total shareholder returns of 401%, which compares with 55% for the S&P/ASX 200.

This is a testament to HMC's highly energised and elite management team which supports our high velocity and high return on equity business model.

Our business model is illustrated on slide 7 of the presentation where you can see HMC's economic flywheel which has become significantly larger and more diversified over the past 12 months. Our economic flywheel underpins our business strategy and our march to become Australia's leading alternative asset manager.

While we are proud of our achievements over the last 5 years, we are not resting.

The last year has been an extraordinary time for our organisation. Since our AGM last year, we have grown assets under management by 73% to \$17.5bn, with the following key highlights:

- **In December 2023**, our private equity portfolio company Sigma Healthcare announced a landmark transaction with its proposed merger with Chemist Warehouse Group. The strong returns generated by Sigma have underpinned our private equity fund which has delivered its investors a ~110% return since inception, outpacing the S&P/ASX 300 index by 79% over the same period. The fund has now grown to over \$1bn of AUM;
- **In February 2024**, we established our Energy Transition platform by onboarding a high calibre team led by Angela Karl. In May 2024, we announced the appointment of former Australian Prime Minister Julia Gillard as Chair of HMC's energy transition platform. We have since announced our first seed investment in battery storage development platform Stor-Energy;
- **In July 2024**, we established our \$1.8bn Private Credit platform with the acquisition of commercial real estate lender Payton Capital. In recent months, we have expanded into Corporate & Asset-based lending with the appointment of a highly experienced team to build an institutional scale private credit platform; and
- **In September 2024**, we established our digital infrastructure platform with the acquisition of a North American asset manager called StratCap. Last week, HMC announced a fully underwritten \$2.7bn IPO to establish DigiCo REIT which will own a \$4.3bn portfolio of data centre assets in Australia and the United States.

HMC is now a much larger scale, profitable and more diversified alternative asset manager with five high growth platforms across real estate, private equity, private credit, energy transition and digital infrastructure.

We are now on-track to achieve our previously stated \$20bn medium-term AUM target in FY25.

We are now targeting much more ambitious growth with our sights now set on growing AUM to \$50bn+ over the next 3-5 years. To put this into context, this target implies a 23% per annum AUM growth over five years or 42% over three years, which is materially below HMC's track record.

We believe this target is highly achievable with each of platforms exposed to high growth megatrends in sectors with deep and broad investment opportunities. Each of our platforms can be scaled to at least \$10bn each over the next 3-5 years.

I'll now provide an update on each of our operating platforms.

## Real Estate

Our real estate strategies continue to be focused on sectors with favourable thematic trends which are attracting strong investor demand.

Pleasingly, we are seeing increased momentum in this business with multiple growth initiatives underway to expand our unlisted institutional funds management platform. This includes:

- Last Mile Logistics Fund I: we expect our \$800m partnership with Funds SA will be fully deployed before financial year end, following settlement of 2 recent acquisitions.
- Last Mile Logistics Fund II: we have a new institutional partner that is investment committee approved on a \$180m seed asset, with this strategy expected to grow to \$1bn over time. We anticipate this fund will reach first close before year end.
- Greenfield Last Mile Logistics Fund: three institutional investors are in advanced due diligence on a new strategy which will target a \$1bn+ portfolio of greenfield development opportunities. Four seed assets have already been identified and the fund is on-track to be launched in FY25.
- Our team is also engaging with institutional investors on other exciting and complementary strategies which, we look forward to updating you on in the future.

Based on the pipeline in front of us, we are confident that our real estate platform can grow beyond \$12bn of committed AUM in this financial year.

## Private Equity

Our \$1bn HMC Capital Partners Fund I or HMCCP continues to deliver market leading investment performance.

Since inception, HMCCP has delivered an annualised return of 38.6%, net of fees. The fund has outperformed the S&P/ASX 300 accumulated index by 25.8% per annum, over the same period.

To put this into perspective, a dollar invested in the fund at inception is now worth \$2.08.

This is a testament to the fund's unique investment strategy and our team's ability to leverage the relationships, skills and capability of the broader HMC group. We are playing a very active role, where possible, in each of our portfolio companies on strategic initiatives to improve shareholder returns.

The largest contributor to the fund's strong performance since inception has been the investment in Sigma Healthcare which has generated an IRR of over 100% for our investors. The announced merger with Chemist Warehouse Group represents a landmark Australian transaction, and we as an organisation are proud of our involvement.

HMCCP has deployed into six other high conviction portfolio companies where we have identified material value creation strategies which we are confident can maintain the fund's strong investment performance.

We are now focused on leveraging the funds strong track record to achieve additional research ratings and accelerate fundraising through our growing wholesale distribution team.

## Private Credit

We launched our private credit platform in July 2024 with the acquisition of Payton Capital.

Payton is a leading Australian private credit manager focused on mid-market commercial real estate lending activities.

This was a highly strategic acquisition which provides HMC the foundations to build Australia's leading diversified private credit platform.

Since completing the acquisition, we have completed the following initiatives:

- The Payton platform has now been fully integrated within HMC Capital's risk management, legal & compliance, investment committee and IT framework.
- We've invested in additional fundraising and origination capability to accelerate Payton's business plan, particularly in NSW and QLD where we believe Payton can grow its market share.
- Additional funding sources have been secured to support Payton's growth with \$500m of fund financing facilities from UBS and Goldman Sachs now documented and committed.
- In addition to Payton Capital, we have now established a Corporate and Asset Based Private Credit platform. This team will be led by Adam Roberts-Thomson and Dane Weiss who will report to Matt Lancaster as Chair of HMC's private credit platform.

In FY25, we are aiming to double our AUM in private credit to over \$3bn. This will be underpinned by strong growth in Payton's CRE lending book and the commencement of corporate and asset-based lending activities.

In addition, in the new year we are targeting to launch a listed private credit fund which will provide exposure to a diversified portfolio of institutional grade loans across CRE and corporate and asset based private credit. We believe the scalability of this opportunity is significant and are aiming to grow the listed fund beyond \$1bn over the medium-term.

## Energy Transition

We recently announced a strategic investment in Stor-Energy, a specialist developer of utility scale battery energy storage systems. HMC committed to invest up to \$50m over three years to enable Stor-Energy to progress its 1.4GW development portfolio.

Our move into this sector reflects the significant level of investment required both in Australia and globally to achieve decarbonisation targets.

Our key focus for this strategy is to raise institutional capital from Australian superannuation funds and offshore investors.

We are confident that based on the identified pipeline for our energy transition strategy, we will build this business vertical into a substantial platform during FY25.

As we have demonstrated with our other verticals, we can grow this strategy organically into a large and highly scalable platform.

## Digital Infrastructure

Our entry into digital infrastructure started with the strategic acquisition of StratCap in February 2024. StratCap is a North American asset manager specialising in data centres and digital assets.

Importantly, this acquisition provided HMC with immediate capability and presence in a deep and growing asset class with global opportunities.

Last week's announcement validated this acquisition with HMC announcing a fully underwritten \$2.7bn IPO to establish DigiCo REIT. The establishment of DigiCo adds \$4.3bn of AUM which will meaningfully contribute to HMC's earnings in 2H FY25.

This is a landmark Australian IPO transaction which demonstrates HMC's ability to organically build new growth platforms via large-scale transactions.

The establishment of DigiCo also means HMC is now a global asset manager with a significant portion of DigiCo's portfolio and development pipeline located in the United States.

I am confident DigiCo will be a major contributor to HMC's growth over the coming years as we look to capitalise on the highly attractive global thematic trends supporting this asset class.

## Sustainability

HMC Group's sustainability framework was designed around our objective to create healthy communities. I am pleased to report on the following initiatives which demonstrate the progress we are driving across our entire business:

1. **Environment:** HMC's real estate platforms has achieved its Net Zero Energy Roadmap FY24 target, with a 30% net reduction in scope 1 and scope 2 carbon emissions achieved.
2. **Social:** The HMC Capital Foundation has made grants to three organisations in FY24. Our "Reflect" Reconciliation Action Plan was endorsed by Reconciliation Australia earlier this year, with RAP initiatives underway across the Group. These initiatives are centred around taking active steps towards advancing reconciliation through 4 core areas: raising awareness...supporting partnerships...employment...and education.
3. **Governance:** We always strive to implement best practices in everything we do and are proud of the progress we are making. In FY24, HMC received a rating of AA in the MSCI ESG Ratings assessment, for a second consecutive year. Furthermore, HMC maintained its 50% gender diversity target across the entire organisation... ahead of our FY25 targets. HMC also became a signatory of 40:40 Vision, an organisation working towards gender balance within executive teams by 2030.

We continue to make great strides and tangible progress on our sustainability strategy and practical initiatives.



## Trading Update

Today I am pleased to provide a trading update in relation to our FY25 financial performance.

Based on HMC's year-to-date performance, annualised pre-tax Operating Earnings are currently tracking at 70 cents per share. This is 52% above the trading update provided on 24 October 2024 and 89% above HMC's record FY24 result.

This major step up in earnings has been driven by the continued outperformance of HMCCP in addition to the establishment of DigiCo REIT which will generate significant recurring and transaction income in FY25.

Following the establishment of DigiCo, HMC will target approximately two thirds of its earnings base generated from recurring sources.

Following the recent successful \$300m equity raising and upsize in the corporate credit facility to \$600m, HMC remains well capitalised with \$1.9bn of liquidity and tangible assets.

## Closing Remarks

In closing, I would like to thank our Board, our investors and all our stakeholders for their ongoing support.

I also want to personally acknowledge the significant contribution from Zac Fried and Brendon Gale who will be stepping down as directors of the Board at the conclusion of the meeting.

Zac's involvement with HMC goes back to the original Masters acquisition by Home Consortium back in 2016. As one of the best retailers in the country, he played a huge role in helping us execute the initial turnaround which gave rise to the establishment of HDN, today Australia's leading daily needs focused REIT.

I thank Zac for his huge personal contribution to HMC and the broader group over the past eight years. Pleasingly, Zac has agreed to remain involved in the group and is expected to join the board of the HomeCo Daily Needs REIT in the coming months, where he will help drive its strategic growth.

I was honoured when Brendon Gale agreed to join the board when we listed in October 2019. As a highly accomplished CEO, Brendon's experience and leadership skills have been invaluable over the past five years. I wish him the best of luck in his new role as the inaugural CEO of the Tasmania Football Club.

Both Brendan and Zac leave the board with the business in strong shape with a bright future ahead. It's been a great journey and I won't forget the support and leadership they provided over the years including during the onset of Covid-19 in early 2020 which was an extremely difficult period in our short history as a listed group.

I will now hand back to our Chair, Chris Saxon to conduct the formal business of the meeting.