

ASX Announcement

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**Hotel Property Investments (ASX Code: HPI)
Financial results for the half year ended 31 December 2016**

Hotel Property Investments (HPI) today lodged its interim report, and declares an interim distribution of 9.7 cents per stapled security from trading operations and a capital distribution of 12.5 cents per stapled security for the half year ended 31 December 2016.

1. Highlights of the Half Year

- **Statutory Profit:** Statutory Profit up 135% on the prior corresponding period to \$71.2 million, including a fair value gain on investment property of \$56.0 million
- **Interim Distribution:** Interim Distribution from trading operations up 7.8% to 9.7 cents (2015: 9.0 cents), plus a capital distribution of 12.5 cents for a total interim distribution of 22.2 cents per stapled security
- **Distribution Growth for full year:** Final distribution guidance of 9.9 cents from trading operations represents an increase of 7.1%
- **Loan Refinancing:** Refinanced Loan Facilities, extending weighted average tenor to 4.2 years at 31 December 2016
- **Property Valuation:** Portfolio independently valued at \$644.8 million
- **Cap Rate:** average Cap Rate 6.5%, down from 7.3% in June 2016

2. Profit after tax and Distributable Earnings

Profit after Tax for the half year ended 31 December 2016 was \$71.2 million. Operating revenues and expenses included rental income from investment properties of \$22.3 million, property cost recoveries of \$2.3 million, gain on sale of \$1.5 million, operating costs of \$5.2 million, financing costs of \$5.6 million, and a realised loss on cancellation of hedging of \$0.7 million. Additionally, there was a fair value gain on investment property of \$56.0 million..

Adjusting Profit after tax for fair value adjustments, amortisation of derivatives, maintenance capex and other minor items, Adjusted Funds from Operations ("AFFO") were \$14.2 million. The HPI Group intends to distribute 100% of its AFFO for the full year.

3. Key Metrics

- **Statutory Profit:** \$71.2 million
- **Fair value gain:** \$56.0 million
- **Investment Property Value:** \$644.8 million
- **Average cap rate:** 6.5%
- **Cash on Hand:** \$6.3 million
- **Loans Drawn:** \$243.3 million
- **Gearing:** 36.6%
- **WALE:** 6.8 years
- **Occupancy:** Hotels 100% leased as at 31 December 2016
- **Net Assets per Security:** \$2.56

4. Portfolio Valuation

The investment property portfolio has been valued at \$644.8 million compared to \$588.3 million at 30 June 2016, an increase of \$56.5 million including fair value gain of \$56.0 million and capital works of \$0.5 million.

During the period independent valuations were obtained for all investment properties in the portfolio. Cap Rates contracted by an average 77 basis points.

End.

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