

ASX Announcement

P: +61 3 9038 1774
F: +61 3 8526 7430
www.hpitrust.com.au

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Address
Suite 2, L17, IBM Centre
60 City Road,
Southbank, VIC, 3006

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

**Hotel Property Investments (ASX Code: HPI)
Financial results for the year ended 30 June 2018, distributions and asset divestment**

Hotel Property Investments (HPI) today lodged its annual report and has declared a final distribution of 9.8 cents per stapled security for the year ended 30 June 2018.

1. Highlights

- **Total revenue:** Total revenue up 3.2% to \$50.3 million (2017: \$48.7 million) due to annual rent increases averaging 3.5% across the pub portfolio and the acquisition of Quest Griffith in March 2018.
- **Adjusted Funds From Operations (AFFO) and Distributions:** AFFO is consistent with the prior year at \$28.6 million. The final distribution of 9.8 cents (2017: 9.9 cents), for a total distribution of 19.6 cents for the year (2017: 19.6 cents) from trading operations, despite increased financing costs associated with refinancing.
- **Refinancing:** Completed refinancing of HPI's loan facilities including HPI's inaugural issuance into the USPP market, enhancing HPI's debt platform by diversifying funding sources, increasing the average debt tenor by 4.4 years and moving from secured to unsecured borrowing. HPI's weighted average debt tenor is now longer than its weighted average lease expiry. Bank facilities were further increased by \$23.1 million in March 2018.

As at 30 June 2018 the weighted average debt expiry is 6.8 years.

- **Property Valuation and Cap Rates:** Portfolio valued at \$700.2 million reflecting an average Cap Rate of 6.5%, consistent with June 2017.
- **The Wickham Hotel divestment:** On 2 August 2018 the Group exchanged an unconditional contract to divest The Wickham Hotel for \$14 million, representing a yield of 5.62% on net passing income. The sale is scheduled to settle on 17 September 2018.

2. Profit after tax and Distributable Earnings

Profit after Tax for the year ended 30 June 2018 was \$48.4 million. Operating revenues and expenses included rental income from investment properties of \$46.1 million, property cost recoveries of \$4.1 million, property outgoing costs of \$6.7 million, management fees and other trust costs of \$3.1 million, and financing costs of \$13.2 million. Additionally, there was a fair value gain on investment property of \$21.2 million.

Adjusting profit after tax for fair value adjustments, non cash finance costs and other minor items, the distributable earnings of the HPI Group was \$29.0 million. Adjusting further for maintenance capex of \$0.4 million the Adjusted Funds from Operations (AFFO) was \$28.6 million, 100% of which is distributed to security holders.

3. Key Metrics

- **Statutory Profit:** \$48.4 million
- **Fair value gain:** \$21.1 million
- **Investment Property Value:** \$700.2 million
- **Average cap rate:** 6.5%
- **Cash on Hand:** \$1.2 million
- **Loans Drawn:** \$277.5 million
- **Weighted average debt expiry:** 6.8 years
- **Gearing:** 39.4%
- **WALE:** 5.3 years
- **Average Option Period:** 24.3 years
- **Occupancy:** Hotels 100% leased as at 30 June 2018
- **Net Assets per Security:** \$2.79

4. Distribution Guidance for FY19

Distribution guidance of 19.7 cents per security.

End.

Contact:
Blair Strik
Hotel Property Investments Limited
03 9038 1774
Website: www.hpitrust.com.au