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22 October 2024

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: Supplementary Target’s Statement**

We attach, by way of service pursuant to section 647(3)(b) of the *Corporations Act 2001* (Cth) (as inserted by ASIC Corporations (Replacement Bidder’s and Target’s Statements) Instrument 2023/688), a copy of the supplementary 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 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 made on behalf of Charter Hall Retail REIT and Hostplus, including this supplementary target’s statement, will be posted on HPI’s website (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

Supplementary target's statement

This document is a supplementary target's statement issued by Hotel Property Investments Limited (ASX: HPI) (ABN 25 010 330 515) as responsible entity for the Hotel Property Investments Trust (together, **HPI**) in relation to the off-market takeover bid by Charter Hall Wholesale Management Limited (ACN 006 765 206), acting on behalf of Charter Hall Retail REIT and Hostplus, for all the securities in HPI (collectively, the **Bidders**).

This document supplements, and should be read together with, HPI's target's statement dated 2 October 2024.

A copy of this document has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

1 HPI's response to best and final takeover offer from Charter Hall Retail REIT and Hostplus

Attached is a letter from HPI to its securityholders in response to the best and final takeover offer for all HPI securities from the Bidders announced on 18 October 2024 and set out in the Bidders' first supplementary bidder's statement dated 18 October 2024.

2 Consents

Australian Venue Co. has given, and not withdrawn before the lodgement of this document with ASIC, its written consent to be named in this document in the form and context in which it is named and to statements attributable to them being included in this document in the form and context in which they appear.

In addition, as permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this document contains trading data sourced from IRESS and Bloomberg provided without their consent.

3 Authorisation

This supplementary target's statement has been approved by a resolution passed by HPI's directors.

Signed for and on behalf of HPI:



Giselle Collins
Chairman

Dated: 22 October 2024

Attachment 1 – Letter from the Chairman



Supplementary Target's Statement

issued in response to the off-market
best and final 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
best and final 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).

Letter from the Chairman

Dear fellow securityholder,

You should have recently received a First Supplementary Bidder's Statement dated 18 October 2024 from Charter Hall Wholesale Management Limited, acting on behalf of Charter Hall Retail REIT (ASX: CQR) and Hostplus (collectively the "Bidders"), where the Bidders increased the offer price to \$3.85 per security, reduced by the amount or value of distributions or rights to which HPI securityholders receive or become entitled to receive on and from 9 September 2024 (the "Revised Offer"). The Revised Offer price is **best and final** and will not be increased in the absence of a competing proposal.

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.

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

The Board has unanimously concluded that the Revised Offer is not compelling, materially undervalues HPI's portfolio and does not compensate HPI Securityholders for the value of our unique portfolio, or the strength and outlook for our business.

In forming this view, the Board reviewed the Supplementary Bidder's Statement, including the Bidders' comments on the Target's Statement. The Board of HPI does not agree with the arguments advanced by the Bidders, nor does it consider that the Revised Offer provides appropriate value to HPI securityholders.

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

HPI has a unique, difficult to replicate portfolio of pub assets with long term strategic value. Our portfolio is well positioned to benefit from strong ongoing rental growth given our attractive lease terms.

HPI enjoys an excellent relationship with its major tenant, Australian Venue Co, that provides HPI securityholders with attractive organic growth opportunities and a strong acquisition pipeline. Through this partnership, HPI has successfully grown its investment portfolio, as well as investing in existing assets to improve operational performance and future rental sustainability, delivering returns in excess of its cost of capital.

Paul Waterson, CEO of Australian Venue Co says *"We have a strong history in partnering with Hotel Property Investments in both acquisitions and developments. As partners we have a systematised and well-defined process for undertaking due diligence on hotels that are available for sale on a freehold going concern basis that has resulted in a substantial growth in our respective portfolios.*

The seamless nature of this partnership makes Hotel Property Investments a preferred partner for Australian Venue Co when assessing acquisition opportunities. From a venue development perspective we have had substantial success through our venue refurbishment programme. We have undertaken major refurbishments and land intensification projects across 23 HPI venues to

date. In aggregate those venues have delivered an EBITDAR uplift of 73%. We continue to plan for further investments across a range of venues in the HPI portfolio.”

Our disciplined and active internal management structure provides alignment with HPI Securityholders. The recent appointments of John White as CEO and Manager Director and Chris Judd as a non-executive director provide additional property and capital markets expertise that will assist in maximising the long-term value of HPI’s assets. HPI’s high-quality management team, 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 as an independent investment vehicle for ongoing distributions and valuation growth.

HPI’s business is in a strong position and delivering growing returns

HPI’s business is financially strong and has a robust balance sheet. Contracted revenue growth allows HPI to provide consistent, reliable and growing distributions. HPI has provided distributions growth guidance for FY25 of 3.7% (which was increased from 2.5% on 10 October 2024, following our refinancing initiative).

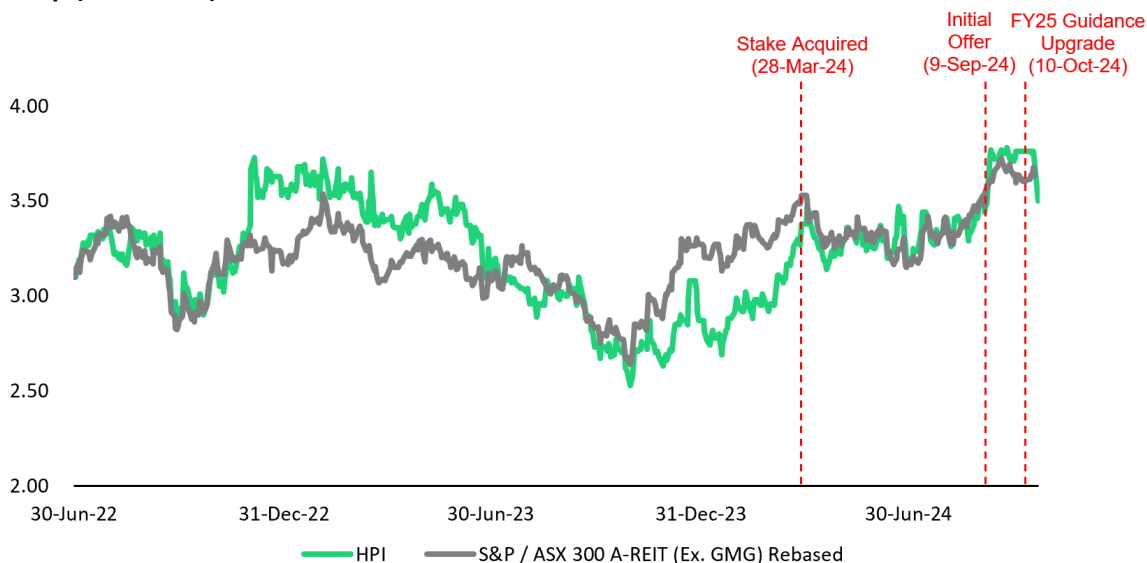
The Revised Offer, which is best and final, is not compelling and materially undervalues HPI

- The Revised 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 Revised Offer less the declared distribution represents a c.6% discount to NTA as at 30 June 2024);
- The Revised Offer fails to reflect the value to security holders of our growth in distributions which contractually committed pursuant to our long WALE (average 9.1 years) and option periods (average of an incremental 19.3 years);
- The Revised Offer implies a valuation for HPI’s portfolio that reflects a material discount to comparable pub portfolios;
- The Revised Offer provides a negligible premium for control relative to the recent trading prices of HPI Securities prior to the initial offer (the Revised Offer less the declared distribution represents an 8.8% premium to the closing price of the HPI Securities on 6 September 2024, the last trading day before the initial offer was announced); and
- The qualification to the Bidders’ best and final statement - that it is best and final in the absence of a competing proposal - carries a clear implication that the Bidders could justify a higher price.

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

The outlook for REITs is improving (as depicted in Figure 1), due to a strengthening view that global official interest rates are expected to reduce and the appetite for long-weighted average lease expiry assets is expected to increase as the interest rate cycle peaks and expectations of falling inflation. HPI is well placed to benefit given its attractive lease structures, the majority of which have a rent review mechanism based on the lower of 2 x CPI or 4%.

Figure 1: Security Price Performance of HPI vs S&P / ASX 300 A-REIT Index excluding Goodman Group (ASX: GMG) from 30 June 2022



Source: IRESS, Bloomberg as at 21 October 2024.

Charter Hall and Hostplus have highlighted in their Supplementary Bidder’s Statement a risk that HPI’s trading price may fall in circumstances where the Revised Offer lapses or if they were to dispose of their 14.7% stake on market. The HPI Board acknowledges that there could be some price volatility associated with event driven investors and / or Charter Hall and Hostplus selling HPI securities. However, the HPI Board does not consider that this impacts the long-term value of HPI.

The HPI Board believes that its existing portfolio and strategy offers significantly greater value to HPI securityholders. Our new CEO and Managing Director will elaborate further on our strategy at our AGM on 13 November 2024.

Finally, HPI securityholders should also note that the Revised Offer remains conditional on a number of matters, including a minimum 50.1% acceptance condition. This means that, even if you have accepted the Revised Offer, you will not receive any payment from the Bidders unless the conditions of the Offer are satisfied or waived before the Revised Offer closes (currently scheduled to occur at 7.00pm (Sydney time) on 4 November 2024).

Should you need further assistance, please refer to HPI’s Target’s Statement or contact your financial or professional adviser. If you have any questions about the Revised Offer, 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