

For personal use only



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

Suite 2, Level 17
IBM Centre
60 City Road
Southbank VIC 3006
(03) 9038 1774

14 September 2021

Hotel Property Investments (ASX Code: HPI) Acquisitions and Equity Raising

HPI is pleased to announce that it:

- has entered into agreements to acquire the Edwardes Lake Hotel for a consideration of \$28.0 million¹ and is in advanced stages on a second acquisition, subject to final contract approvals, which is expected to be acquired for \$7.9 million¹ (the “**Asset Acquisitions**”);
- is also undertaking a lease harmonisation program involving a \$38.8 million payment to its major tenant, Queensland Venue Company (“**QVC**”), to standardise leases across HPI’s portfolio (the “**Lease Harmonisation**”) with the investment to be rentalised (together with the Asset Acquisitions, the “**Acquisitions**”);
- will undertake a fully underwritten institutional placement to raise \$50.0 million (“**Placement**”) to partially fund the Acquisitions and associated transaction costs in conjunction with existing debt facilities;
- will undertake a non-underwritten Security Purchase Plan (“**SPP**”) to eligible securityholders² to raise up to \$10.0 million³; and
- is pleased to maintain its FY22 distribution guidance of 20.5 cents per security, barring any unforeseen events and no material change in market conditions.

The new securities issued as part of the Placement and SPP will rank equally with existing HPI securities and will be entitled to the distribution for the six months ending 31 December 2021.

The Acquisitions

- HPI has entered into agreements to acquire a 100% freehold interest in Edwardes Lake Hotel, a mixed-use complex in Melbourne’s northern corridor, comprising a sports bar,

¹ Excluding transaction costs.

² Eligible securityholders are holders of existing HPI securities as at 7:00pm (AEST) on 13 September 2021 with a registered address in Australia or New Zealand.

³ The SPP is targeted to raise \$10m and will not be underwritten. If total demand for the SPP exceeds \$10m, HPI may accept applications (in whole or in part) that results in the SPP raising more than this amount at its absolute discretion.

gaming room, family bistro, bottle shop, kids zone and car parking, for consideration of \$28.0 million⁴

- 5.0% yield
 - Long-term (expiry in March 2041 with 2x20 year options), triple net lease with fixed rental reviews of 2.5%
 - Major tenant of the property is The Francis Group, an industry leading family-run hotel operator in Victoria with over 30 years' experience and an existing tenant in the HPI portfolio
- HPI is in advanced stages on a second potential acquisition, subject to final contract approvals, which is expected to be acquired for \$7.9 million⁵
 - The Lease Harmonisation involves a payment to QVC of \$38.8 million⁴ to further standardise lease agreements across HPI's portfolio resulting in a greater majority of gaming entitlements reverting to HPI at lease expiry
 - After the Lease Harmonisation, HPI will earn \$1.7 million of incremental rental income growing in accordance with the underlying lease review mechanism, predominantly the lower of 2x CPI or 4% (63% of additional rent).

HPI's Chief Executive Officer, Don Smith commented: *"Edwardes Lake Hotel is a well-known pub located 12km from the Melbourne CBD on a large site of approximately 49,000sqm. The property has a 19.4 year WALE, a triple net lease structure and favourable 2.5% fixed rental reviews which is consistent with our stated strategy of acquiring high quality properties in attractive markets.*

We are also pleased to have agreed terms with QVC to harmonise lease structures across our portfolio so that HPI retains gaming entitlements upon lease expiry across almost all of the QVC tenanted properties. This seeks to improve the attractiveness of our venues to both existing and new tenants."

Portfolio impact

	Current ⁶	Acquisitions	Pro forma
Investment properties value	\$952.6m	\$74.7m	\$1,027.3m
Number of properties	54	2	56
Weighted average capitalisation rate	5.9%	4.8%	5.9%
Weighted average hotel lease expiry ⁷	10.9 years	19.4 years	11.3 years
Hotel occupancy ⁸	100%	100%	100%

⁴ Excluding transaction costs.

⁵ Excluding transaction costs. If this Acquisition does not complete, HPI intends to use the proposed purchase price to repay existing debt.

⁶ Balance as at 30 June 2021.

⁷ WALE metrics are as at 31 December 2021.

⁸ Excludes specialties.

Placement

To partially fund the Acquisitions and associated transaction costs, HPI is undertaking a fully underwritten institutional placement to raise \$50.0m.

The Placement will be issued at a fixed price of \$3.40 per security ("**Issue Price**"), which represents a:

- 4.0% discount to the last close of \$3.54 on 13 September 2021;
- 4.9% discount to the 5-day VWAP of \$3.58 on 13 September 2021; and
- 6.0% forecast FY22 distribution yield.⁹

New securities issued as part of the Placement will rank equally with existing HPI securities and will be entitled to the distribution for the six months ending 31 December 2021.

The Placement is fully underwritten by E&P Corporate Advisory Pty Ltd and J.P. Morgan Securities Australia Limited.

Security Purchase Plan

Eligible securityholders in Australia and New Zealand¹⁰ will be invited to subscribe for up to \$30,000 in additional securities¹¹, free of any brokerage or transaction costs, at the Issue Price of \$3.40 per security, which is the same as the Placement price.

New securities issued as part of the SPP will rank equally with existing HPI securities and will be entitled to the distribution for the six months ending 31 December 2021.

The SPP is targeted to raise \$10m and will not be underwritten. If total demand for the SPP exceeds \$10m, HPI may accept applications (in whole or in part) that results in the SPP raising more than this amount at its absolute discretion.

Further information on the SPP will be set out in the SPP offer booklet which is expected to be lodged with the ASX and sent to eligible securityholders on or around 22 September 2021.

Financial Impact

Including the impact of the Acquisitions and Placement, and barring any unforeseen events and no material change in market conditions, HPI is pleased to reaffirm its FY22 distribution guidance of 20.5 cents per security.

Following the Acquisitions and Placement, HPI's pro forma metrics at 30 June 2021 are:

- Balance sheet gearing of 37.8%
- NTA per security of \$3.28

⁹ Based on FY22 distribution guidance of 20.5 cents per security.

¹⁰ Eligible securityholders are holders of existing HPI securities as at 7:00pm (AEST) on 13 September 2021 with a registered address in Australia or New Zealand.

¹¹ Securityholders who participated in the HPI SPP in November 2020 may only participate in the new SPP to the extent that their aggregate participation in both SPPs does not exceed \$30,000. Applications which exceed this amount will be subject to scale-back.

Timetable

Event	Date ¹²
Record date for SPP	7pm Monday, 13 September 2021
Trading halt and announcement of the Placement, SPP and Acquisitions	Tuesday, 14 September 2021
Trading halt lifted – trading of securities recommences on ASX	Wednesday, 15 September 2021
Settlement of new securities issued under the Placement	Friday, 17 September 2021
Allotment and normal trading of new securities issued under the Placement	Monday, 20 September 2021
SPP offer opens and booklet is dispatched	Wednesday, 22 September 2021
SPP offer closing date	5pm Wednesday, 13 October 2021
SPP allotment date	Wednesday, 20 October 2021
Despatch of holding statements and normal trading of new securities issued under the SPP	Thursday, 21 October 2021

All dates and times are indicative only and subject to change. Subject to the requirements of the *Corporations Act 2001* (Cth), ASX Listing Rules and any other applicable laws, HPI, in consultation with the underwriters, reserves the right to amend this timetable at any time.

Additional Information

Additional information about the Acquisitions and Equity Raising, including key risks, is contained in the HPI investor presentation released to the ASX today.

Analyst and Investor Briefing

HPI will conduct a conference call in relation to the announcement today at 10.30am AEST. Please pre-register for the call at the link below:

<https://s1.c-conf.com/diamondpass/10016570-sh5nfm.html>

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

Contact:

Blair Strik

Hotel Property Investments Limited

03 9038 1774

Website: www.hpitrust.com.au

¹² Unless otherwise specified, all times and dates refer to Melbourne time.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO US PERSONS

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

IMPORTANT NOTICE

This announcement is not financial product or investment advice, a recommendation to acquire securities or accounting, legal or tax advice. It does not constitute an invitation or offer to apply for securities. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. HPI is not licensed to provide financial product advice in respect of an investment in securities.

The joint lead managers, together with their related bodies corporate, shareholders and affiliates, and each of their respective officers, directors, employees, affiliates, agents and advisers (each a Limited Party) have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this announcement and there is no statement in this announcement which is based on any statement made by the joint lead managers or any other Limited Party. To the maximum extent permitted by law, each joint lead manager and each other Limited Party expressly disclaim all liabilities (including for negligence) in respect of, and take no responsibility for, any part of this announcement, and make no representation or warranty (whether express or implied) regarding any part of this announcement, including as to the currency, accuracy, reliability or completeness of any information in this announcement.

Neither of the joint lead managers nor any other Limited Party makes any recommendation as to whether any potential investor should participate in the Placement or Securities Purchase Plan (together, the **Offer**). Further, neither of the joint lead managers nor any other Limited Party accepts any fiduciary obligations to or relationship with any investor or potential investor in connection with the Offer or otherwise, and by accessing this announcement each recipient expressly disclaims any such fiduciary relationship and agrees that it is responsible for making its own independent judgements with respect to the Offer and any other transaction or other matter arising in connection with this announcement.

The lead manager and other Limited Parties may have interests in the securities of HPI. Further, they may act as market maker or buy or sell those securities or associated derivatives as principal or agent. Such persons may receive fees or other benefits for engaging in these activities.

The joint lead managers may rely on information provided by or on behalf of institutional investors in connection with managing, conducting or underwriting the Placement without having independently verified that information and the joint lead managers do not assume responsibility for the accuracy or completeness of the information.

FUTURE PERFORMANCE

This announcement contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target”, “outlook”, “guidance” and other similar expressions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of HPI, the outcome and effects of the Offer, and the use of proceeds from the Offer. The forward looking statements contained in this announcement are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of HPI, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Neither HPI, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this announcement will actually occur.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. Forward-looking statements may also assume the success of HPI’s business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond HPI’s control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statements may have been prepared or otherwise.

Refer to the key risks set out in the investor presentation for a non-exhaustive summary of certain key business, offer and general risk factors that may affect HPI. Actual operations, results, performance, production targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. To the maximum extent permitted by law, HPI and its Limited Parties disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.