

## ASX RELEASE

2 May 2023

### MACQUARIE CONFERENCE PRESENTATION

HMC Capital (ASX: HMC) provides the attached presentation which will be delivered to the Macquarie Australia Conference 2023 today.

This announcement is authorised for release by the Board.

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#### ***About HMC Capital***

*HMC Capital is an ASX-listed diversified alternative asset manager which invests in high conviction and scalable real asset strategies on behalf of individuals, large institutions, and super funds. HMC Capital manages approximately \$7.5bn of assets under management across real estate and private equity.*

*In August 2022, HMC established HMC Capital Partners Fund I, an open-ended unlisted fund providing exposure to a high-conviction investment strategy seeking to generate superior risk-adjusted returns. HMC Capital Partners Fund I targets public and private companies in Australia and New Zealand with real asset backing.*



# Macquarie Conference Presentation

*PROGRESSING EVOLUTION INTO A HIGH RETURN ON EQUITY ALTERNATIVE ASSET MANAGER*

02 May 2023



# ACKNOWLEDGEMENT OF COUNTRY



*HMC Capital acknowledges the Traditional Custodians of country throughout Australia and celebrates their diverse culture and 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*



# Agenda

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- Page 11** A-REIT Trading Update



**David Di Pilla**  
Group Managing  
Director & CEO

# Introduction

# HMC Capital Overview

ASX-listed alternative asset manager led by experienced and aligned management team

## Overview of HMC Capital

**\$7.5bn**

External AUM<sup>1</sup>

**53%**

TSR  
(since IPO)<sup>2</sup>

**83%**

AUM CAGR  
(since IPO)<sup>3</sup>

1

**S&P/ASX 200 diversified alternative asset manager** investing for retail, high net worth (HNW) and domestic and global institutional investors

2

**Established in 2017 and listed on the ASX in 2019** – Outperformed the S&P/ASX 200 index by 27% since listing<sup>2</sup>

3

**Investment track record** of generating outsized returns from successful business transformations and complex situations

4

**High conviction investment approach** targeting opportunities exposed to powerful structural megatrends

5

**Experienced and aligned management team** – management team and directors collectively own a significant share of equity in HMC Capital and its managed entities

## Funds Management Platform



### Leading ASX-listed alternative asset manager

REAL ESTATE

**Listed REITs: \$6.0bn FUM**

- Daily Needs REIT (est. 2020)
- HealthCo REIT (est. 2021)

**Unlisted: \$1.2bn FUM**

- Last Mile Logistics (est. 2023)
- Health & Life Sciences (est. 2023)

PRIVATE EQUITY

**HMC Capital Partners (est. 2022): \$0.3bn FUM**

- Unlisted open-ended fund which takes high conviction stakes in listed entities where we can influence positive change to unlock value

FUTURE GROWTH

Energy Transition

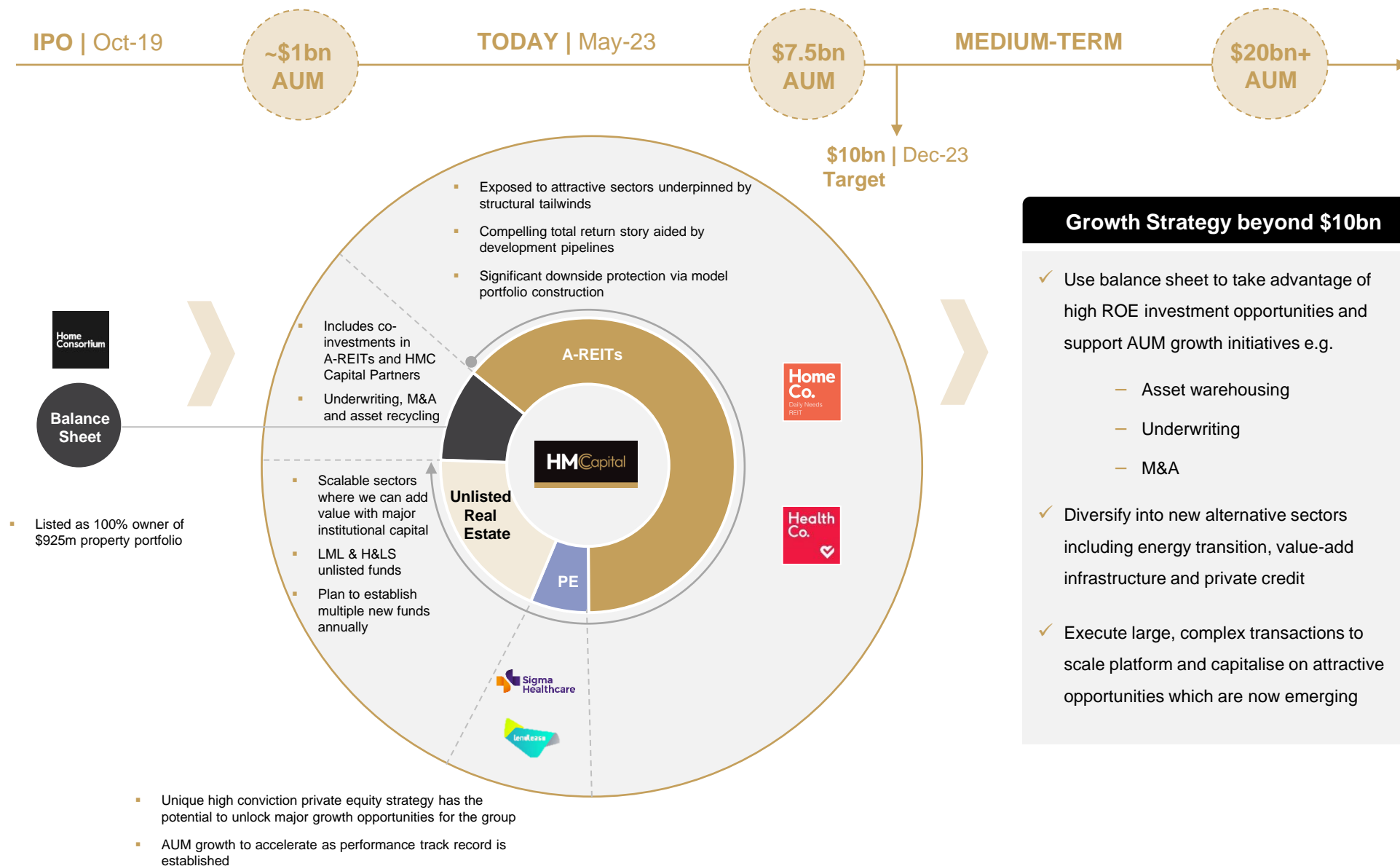
Value Add Infrastructure

Private / Structured Credit

**HMC Capital is evolving into a high return on equity alternative asset manager**

# HMC Capital – a high ROE alternative manager

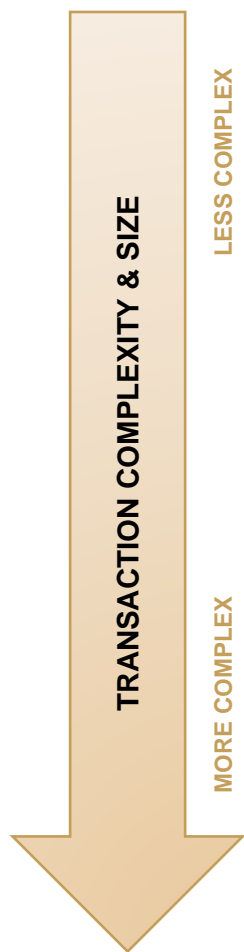
Our economic flywheel driven by ability to execute large, complex transactions



# HMC Capital – Investment track record

Transaction capability and track record underpins strategy to meaningfully grow AUM to \$20bn+

## HMC Capital Transaction Capability



### SUCCESS FACTORS

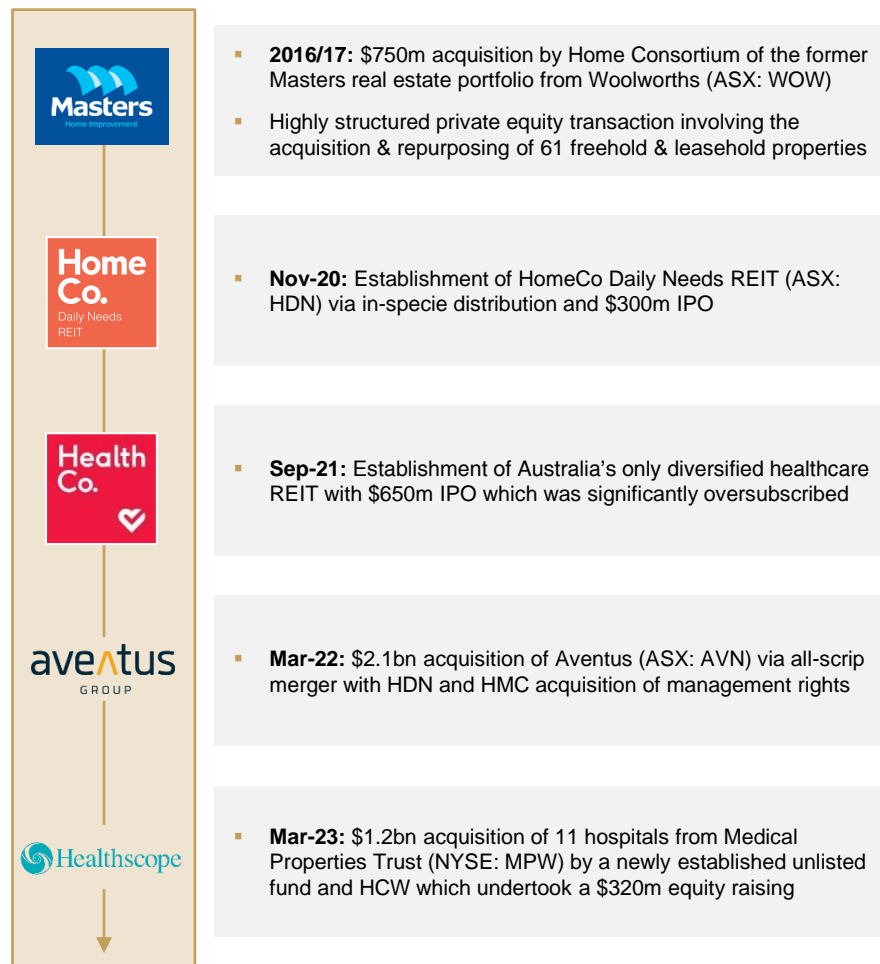
- ✗ Cost of capital
- ✗ Limited conditionality

**HMC can capitalise on situations where buyer competition is lower, and cost of capital is a less critical success factor**

### HMC Capital Point of Difference

- ✓ Ability to form strategic relationships
- ✓ Structure innovative solutions
- ✓ Transact in expedient manner
- ✓ Underwrite and syndicate risk

## Major Transactions – Track Record





# Case study: Healthscope Hospital Portfolio Acquisition

Transformational acquisition which positions HMC as a major Australian healthcare landlord

## Healthscope Hospital Portfolio Acquisition

### OVERVIEW

**\$1.2bn Transaction**  
 HCW Direct: \$256m  
 Unlisted Fund: \$944m

**11 Hospitals**  
 100% Occupancy

**Inflation Protection**  
 CPI-linked  
 escalations

**16yr WALE**  
 8x10 year options

**Absolute Net Lease**  
 Zero landlord costs

**5.8% acquisition  
 yield**  
 >9% unlevered IRR

### HMC SUPPORT

#### HMC provided significant transaction support:

- ✓ \$48m sub-underwriting commitment in the institutional entitlement offer
- ✓ \$75m sub-underwriting commitment in the retail entitlement offer
- ✓ \$259m equity commitment to backstop tranche 3 settlement (unlisted fund)
- ✓ Improved HCW cost structure via accelerated management fee step down

### TRANSACTION HIGHLIGHTS

- ✓ Capitalised on rare opportunity to acquire large scale private hospital portfolio in Australia leased to leading national hospital operator
- ✓ Strategic partnership with Healthscope was a major factor behind our success in securing the portfolio
- ✓ Negotiated with Healthscope major enhancements to the income security and embedded growth opportunities in the portfolio.
- ✓ High return on equity transaction for HMC with no incremental cost to manage portfolio and minimal additional capital investment
- ✓ Transformative acquisition for HCW which increases AUM to \$1.5bn with over \$1bn of value enhancing development opportunities

### RETURN ON EQUITY

#### Transaction is consistent with HMC's high ROE investment strategy

Fees		Comment
<b>Acquisition</b>	~\$12m	\$1.2bn transaction
<b>Underwriting</b>	~\$1m	1% of \$75m of retail sub underwriting
<b>Base management</b>	~\$7m	Listed and unlisted fund
<b>Development</b>	~\$3m	~\$100m of run rate development capex
<b>Total</b>	<b>~\$23m</b>	<b>All-in fee income</b>
<b>Capital</b>	\$32m	HMC take-up in entitlement offer <sup>1</sup>
<b>ROE (%)</b>	<b>~70%</b>	<b>30%+ excluding transactional fees</b>

Notes: 1. Excludes additional units in HCW acquired by HMC as part of the retail entitlement offer which HMC partially sub-underwrote.

# HMC Capital Trading Update

# Progress on New Growth Initiatives

HMC has established 3 new scalable growth initiatives in the past 12 months which are taking advantage of compelling opportunities in the current environment

## Update on recently established unlisted fund strategies

### DAILY NEEDS

- ✓ **Last Mile Logistics** unlisted institutional fund established in Feb-23 targets core plus returns from repositioning retail property assets into daily needs focused last mile infrastructure
- ✓ First institutional investor awaiting final board approval major equity commitment in H2 FY23
- ✓ Assessing >\$1bn of potential acquisition opportunities



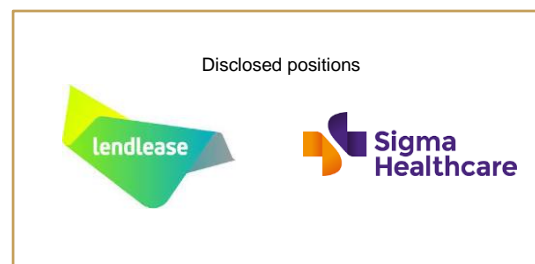
### HEALTHCARE

- ✓ **Healthcare & Life Sciences** unlisted institutional fund established in April-23 and seeded with \$1bn of Healthscope hospitals and \$1bn+ of greenfield hospital developments<sup>1</sup>
- ✓ Targeting 12%+ IRR with enhanced returns from private hospitals & life sciences developments
- ✓ Commenced EOI process to identify a preferred capital partner(s) with a target first close raising of \$325m by Sep-23



### PRIVATE EQUITY

- ✓ **HMC Capital Partners** unlisted fund established in Aug-22 which takes high conviction stakes in real asset backed listed entities where we can influence positive change to unlock value
- ✓ ~\$360m deployed in 3 investments including Sigma & Lendlease
- ✓ Performance remains strong with the fund outperforming the S&P/ASX300 index and its performance fee threshold since inception



# Outlook and Guidance

Well positioned to maintain strong AUM growth trajectory and scale existing cost base

## Compelling growth outlook

- Positioned for growth with 5 scalable platforms<sup>1</sup> underpinned by diversified capital sources which can leverage HMC's existing cost base
- Currently exploring opportunities in scalable alternative sectors such as energy transition, infrastructure and private credit

## Reaffirming guidance

- On-track to achieve \$10bn AUM target by year-end 2023 (12 months ahead of previous target) following \$1.2bn Healthscope Hospital Portfolio transaction
- Reaffirming FY23 DPS guidance of 12 cents per share which supports high return on equity growth strategy

**HMC is well placed to take advantage of opportunities which are emerging across its growing & more diversified platform**



# A-REIT Trading Update

# HDN Trading Update

Strong operating fundamentals maintained with >6% leasing spreads and significant leasing activity focused on defensive daily needs and services tenants



3QFY23 Operational Highlights	>99% cash collections <sup>1,2</sup> (vs. >99% at Dec-22)	>99% occupancy <sup>1</sup> (vs. 99% at Dec-22)
	>6% Re-leasing spreads <sup>2</sup> (vs. +5.9% at Dec-22)	>70,000 sqm leasing across 123 deals over FY23 YTD <sup>2</sup> (low incentives maintained at ~5%)
	FY23 development projects on track and ahead of budget <sup>1</sup> (>\$80m at ~7% ROIC)	South Nowra development opened Fully leased

**Outlook & Guidance**

*“We have maintained strong operating momentum into the third quarter with over 99% portfolio occupancy and cash collection. Leasing demand has remained robust with 123 deals completed year to date at >6% leasing spreads. Importantly, we are achieving strong rental growth whilst also improving income security through proactive tenant remixing. Our high exposure to national tenants focused on daily needs and services in predominantly metro locations remains a key advantage.”*

Sid Sharma, HDN CEO

**FY23 FFO/unit and DPU guidance of 8.6c and 8.3c reaffirmed**

## HomeCo South Nowra – Development Completion



HomeCo Nowra opened on-time and on-budget in March-23, with the development underpinned by leading national leisure & lifestyle retailers

Notes: 1. As at 31-Mar-23. 2. FY23 year to date as at 31-Mar-23. 3. By income. 4. Return on Invested Capital (ROIC) represents cash yield on cost. Estimated ROIC is based on assumptions relating to future income, valuation, capex and is calculated on a fully stabilised basis.

# HCW Trading Update

The Healthscope hospital portfolio acquisition has transformed HCW into a major Australian healthcare landlord with significantly improved portfolio scale, income security and inflation protection



3QFY23 Operational Highlights	<b>100% cash collections<sup>1</sup></b> (consistent with 1H FY23)	<b>99% occupancy<sup>2</sup></b> (vs. 99% at Dec-22)
	<b>WALE extended to 12.5 years<sup>3</sup></b> (vs. 9.7 years at Dec-22)	<b>60% CPI-linked leases across portfolio<sup>3</sup></b> (vs. 32% at Dec-22)
	<b>Hedging increased to 76%<sup>2</sup></b> (vs. 27% at Dec-22)	<b>S&amp;P/ASX300 Index inclusion</b> Well positioned for index inclusion at next index rebalance
	<b>Asset recycling program on track</b> Strong indicative interest received to date	<b>Reduced base management fee</b> Accelerated fee step down from 0.65% to 0.55% for GAV >\$800m



Knox Private Hospital

**Outlook & Guidance**

*“This quarter we announced the transformational Healthscope hospital portfolio acquisition which will see HCW acquire ~\$730m of established private hospitals leased to Healthscope on long-term inflation linked leases. In addition, HCW now has exposure to over \$1bn of value enhancing development opportunities which can be unlocked in partnership with the newly established unlisted healthcare and life sciences fund.”*

**Sam Morris, HCW Senior Portfolio Manager**

**DPU guidance of 7.6c and 4Q FY23 run rate FFO/unit of 8.0c<sup>4</sup> reaffirmed**

**\$1.2bn Healthscope Hospital Portfolio**  
(\$730m HCW share)  
11 high quality metro located hospitals

<b>100% occupancy</b> Australia's second largest private hospital operator	<b>&gt;16 year WALE</b> Security of income with 8 x 10 year options	<b>Absolute net lease<sup>5</sup></b> Landlord bears zero operating costs associated with the properties	<b>CPI-linked leases<sup>6</sup></b> Exposure to CPI-linked rental escalations increased to 60%
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Notes: 1. FY23 year to date as at 31-Mar-23. 2. As at 31-Mar-23. 3. Pro-forma following the acquisition of the Healthscope portfolio and reflects HCW's 100% interest in Tranches 1 & 2. 4. Statutory FFO guidance is 6.9cpu due to the impact of the timing of the capital raise and the Healthscope portfolio acquisition. 5. An absolute net lease is a lease basis under which the landlord bears zero costs associated with the property. The tenant pays property outgoings, repairs and maintenance, maintenance and replacement capital including structural repairs. 6. Healthscope CPI escalation - subject to 4.0% cap and 1.5% collar per annum.

# Further Information

## Investors and analysts

## Media



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