

## ASX RELEASE

7 May 2024

### MACQUARIE CONFERENCE PRESENTATION

HMC Capital (ASX: HMC) provides the attached presentation which will be delivered to the 2024 Macquarie Australia Conference today.

This announcement is authorised for release by the Board.

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#### **About HMC Capital**

*HMC Capital is a leading ASX-listed diversified alternative asset manager focused on real estate, private equity, energy transition and digital infrastructure. We manage over \$11bn on behalf of institutional, high net worth and retail investors. We have a highly experienced and aligned team with deep investment and operational expertise. Our point of difference is our ability to execute large, complex transactions. This has underpinned our rapid growth in funds under management since listing in October 2019 and track record of generating outsized returns for our investors. We are well positioned to grow our funds under management to over \$20bn in the medium term.*



# Macquarie Conference Presentation

07 May 2024

# 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*

# Trading Update

Underlying business performing ahead of expectations and launching new \$2bn energy transition fund

## Launching Energy Transition Fund

- HMC Capital (ASX: **HMC**) is excited to announce The Hon. Julia Gillard AC to Chair HMC Energy Transition Fund
- On-track to launch \$2bn Energy Transition Fund in 2H 2024 with multiple seed investment opportunities currently in due-diligence
- Team of 4 experienced investment professionals plus strategic advisers, led by Angela Karl, now onboarded – Angela was previously a Partner at QIC Global Infrastructure and led the growth of their energy & utilities portfolio, including establishing Australia's largest utility-scale renewable energy business
- Investment opportunity of a generation – Australia's decarbonisation is behind schedule and requires \$600bn – \$1.3tn of investment by 2030<sup>1</sup>

## Private Equity Fund Outperforming

- HMC Capital Partners (**HMCCP**) performing strongly with fund NAV of \$1.49/unit<sup>2</sup>
  - Fund has outperformed the ASX 300 accumulation index by 10% p.a since inception<sup>2</sup>
  - First performance fee payable on 30 June 2024
  - HMC's investment in HMCCP (including fees) has delivered a 35% IRR since inception<sup>3</sup>
- HMCCP is now deployed in 5 high-conviction strategic investments

## Private Credit Under Evaluation

- Evaluating opportunities to establish **diversified private credit platform** spanning corporate lending, real estate, private equity/ LBOs, infrastructure / renewable and structured lending
- Private credit is experiencing a 'golden age' with attractive risk adjusted returns, strong investor demand and increased opportunity for non-traditional lenders due to regulatory constraints on traditional bank lenders
  - The Australian private credit market is expected to double over the next 5 years to ~\$350bn<sup>4</sup>

## Tracking Ahead of FY24 Earnings Guidance

- In Feb-24, HMC guided to FY24 Operating EPS (pre-tax) of no less than 33 cents which included realised & unrealised HMCCP investment gains
- Due to continued HMCCP outperformance, FY24 Operating EPS (pre-tax) is currently tracking 21% higher at 40 cents<sup>2</sup> based on the same methodology outlined in Feb-24<sup>5</sup>
- FY24 DPS guidance of 12 cents reaffirmed

# Growing & Diversified Alternative Asset Manager

On-track to grow AUM beyond \$20bn and achieve 20% ROE target

		FUM TODAY		MEDIUM-TERM
1	Real Estate 	\$9.5bn <sup>1</sup>	<ul style="list-style-type: none"> <li>Multiple high quality and scalable real estate strategies backed by structural and demographic megatrends</li> <li>Assuming 20% p.a. organic growth and continuing to explore new strategies (including new unlisted institutional fund focused on Global Healthcare)</li> </ul>	~\$14bn+
2	Private Equity 	\$0.8bn <sup>2</sup>	<ul style="list-style-type: none"> <li>Targeting to grow HMCCP strategy to \$1bn+ over time including new institutional mandates</li> <li>Assessing corporate Private Equity opportunities with institutional &amp; wholesale investors</li> <li>35% IRR since inception on HMC Capital</li> </ul>	~\$2bn+
3	Digital Infrastructure <sup>3</sup> 	\$0.7bn	<ul style="list-style-type: none"> <li>Acquired highly strategic digital infrastructure platform in North America with ~\$1bn development pipeline<sup>3</sup> (\$0.7bn committed capital)</li> </ul>	~\$2bn+
4	Energy Transition 	\$0bn	<ul style="list-style-type: none"> <li>On-track to launch \$2bn inaugural Energy Transition fund in 2H 2024</li> </ul>	~\$2bn+
5	Private Credit 	Under evaluation	<ul style="list-style-type: none"> <li>Evaluating opportunity to establish diversified private credit platform spanning corporate lending, real estate, private equity/ LBOs, infrastructure / renewable and structured lending</li> </ul>	~\$2bn+
		<b>\$11bn</b>		<b>\$20bn+</b>

Notes: 1. As at 31-Dec-23 and includes undrawn equity plus debt for Last Mile Logistics Fund and property development pipelines across HDN, HCW, LML and UHF 2. As at 6-May-24. The StratCap transaction is expected to close in Q2 CY24 and is conditional on customary regulatory approvals.

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# ENERGY TRANSITION UPDATE

# Energy Transition – Strategy

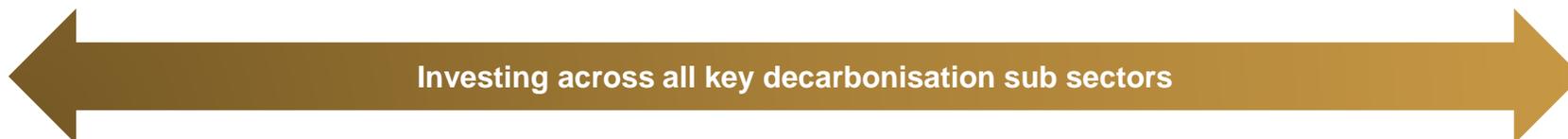
HMC has a unique Australian-focused, Energy Transition dedicated strategy anchored on building the assets needed for decarbonisation combined with an innovation sleeve

HMC Capital’s Energy Transition Fund will be a **national champion** for accelerating Australia’s decarbonisation



**HMC VALUE-ADD STRATEGY**

- ✓ Control positions
- ✓ Access to offtake and renewable credits
- ✓ Diversified across geography, technology, asset class and industry
- ✓ Deep sector and governance expertise to work with management teams to grow greenfield platforms



Pipeline is well developed and **on-track to launch new \$2bn energy transition fund in 2H 2024** with multiple seed investment opportunities currently in advanced due-diligence

# Energy Transition – Chair Appointment

The Hon. Julia Gillard AC to Chair HMC Capital Energy Transition Fund

HMC Capital is pleased to announce that the Hon. Julia Gillard AC has agreed to Chair HMC's Energy Transition Fund.

The Energy Transition Fund will be launched in the coming months and will focus on investing in a portfolio of assets across the energy value chain, including wind, solar, battery, bio-fuels and emerging technologies.

Fund raising will commence in 2H 2024 and seek to raise up to \$2.0 billion from institutional and wholesale investors.

**The Hon. Julia Gillard AC, said:** *"I am excited and honoured to be appointed Chair of HMC's Energy Transition Fund. Its design and HMC's investment management capabilities will position the Fund to be a genuine driver of Australia's transition to zero net carbon by 2050.*

*"It is in our nation's interests to better harness our abundant opportunities in solar, wind and other renewable sources of energy. In addition, our nation has made commitments to the world on combatting climate change, which we need to honour. To create a clean energy future we must urgently unlock the full potential of private investment and business acumen. Based on HMC's significant achievements to date, I have great confidence that the Fund I will chair has the ability to make a genuine impact, while delivering for investors at the same time."*

*"As Prime Minister, I devoted a great deal of my and my government's energy into fighting climate change and this new role is a continuation of that commitment," she said.*



# Energy Transition

## The Opportunity

**1**

**Global decarbonisation is significantly behind schedule to limit warming to ~1.5°C<sup>1</sup>**

- Emissions need to decrease by 50% by 2030 to achieve the target of no more than ~1.5°C of global warming<sup>1</sup>
- Capital investment in clean energy and decarbonisation needs to increase 5x to >US\$9 trillion per annum<sup>2</sup>

**2**

**Australian decarbonisation is also behind schedule and requires significant capital**

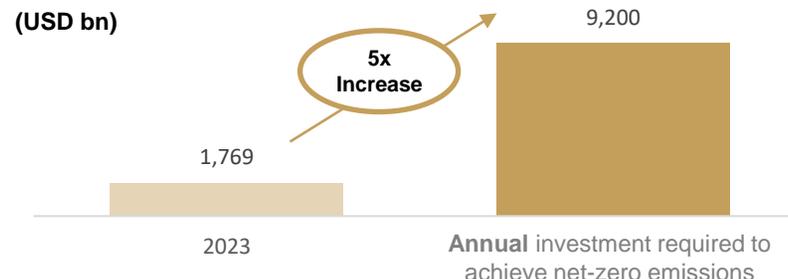
- **Australia's decarbonisation requires significant capital investment to achieve net zero emissions by 2050**
  - \$600 – 1,300bn investment by 2030<sup>3</sup>
  - \$5,000 – 9,000bn investment by 2050<sup>4</sup>
- Primary focus of investment is to significantly expand grid-connected renewables in the National Energy Market (NEM), with a 9x<sup>5</sup> increase required by 2050 in NEM variable renewable energy generation capacity and 3x<sup>5</sup> increase in the NEM's current firming capacity

**3**

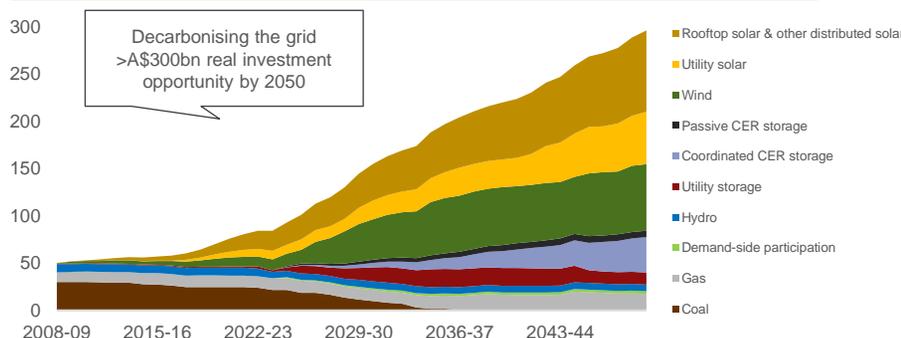
**Australia has a leading position in the global shift to clean energy**

- Abundant supply of excess renewable energy vs onshore energy demand, at 400x<sup>6</sup>
- One of the lowest population densities globally, leaving significant land and shoreline for renewables<sup>7</sup>
- Low sovereign risk – a key differentiator versus other countries with abundant renewables
- Leading reserves of critical minerals required to build the infrastructure for the energy transition<sup>8</sup>

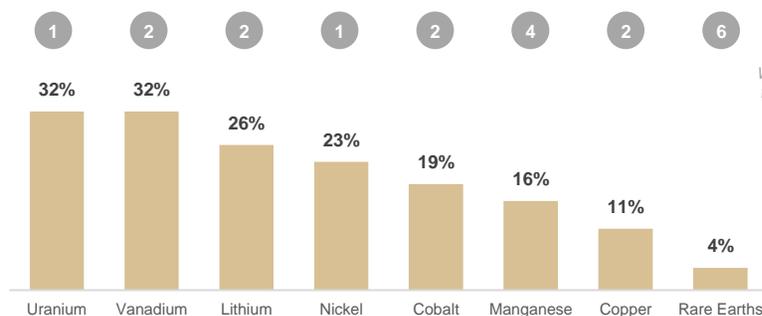
### Increase in investment by 2050 for Net Zero<sup>9,10</sup>



### Forecast NEM-wide capacity (GW)<sup>11</sup>



### AUS global share of critical minerals for energy transition<sup>8</sup>



Notes: 1. Production Gap Report 2023, UN Environment Programme. 2. Green Hydrogen: Energizing the Path to Net Zero, Deloitte's 2023 Global Green Hydrogen Outlook. 3. FINSIA YFP Analysis April 2024. 4. <https://www.netzeroaustralia.net.au>. 5. <https://carbontracker.org/reports/the-skys-the-limit-solar-wind/>. 6. <https://carbontracker.org/reports/the-skys-the-limit-solar-wind/>. 7. Analysis of Land Use by Variable Renewable Energy Production by 2050, Institute of Public Affairs. 8. <https://www.ga.gov.au/aimr2023/world-rankings>. 9. McKinsey report (2022). 10. Bloomberg NEF Energy Transition Investment Trends 2024. 11. AEMO (ISP 2022), Clean Energy Council, Climate Council, Energy Transition Initiative, NAB, EY.

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# PRIVATE EQUITY UPDATE

# Private Equity Update

## HMC Capital Partners fund outperforming performance fee benchmark

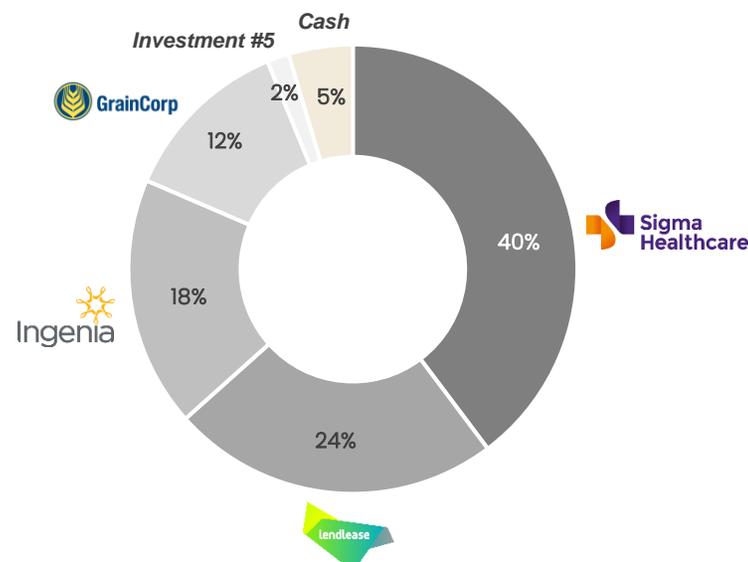
### HMC Capital Partners (HMCCP) Fund update

- HMC's private equity fund HMC Capital Partners (**HMCCP**) has continued to perform strongly
- As at 6 May 2024, the fund's NAV was \$1.49<sup>3</sup>
- Since inception, the fund has outperformed the ASX 300 accumulation index by 10% p.a<sup>1</sup>. The fund is also materially outperforming its performance fee threshold of 7% p.a<sup>1</sup>
- The fund is now deployed in 5 high-conviction strategic investments with additional potential investments currently under review
  - The fund recently disclosed a substantial holding in Graincorp (**ASX: GNC**)
  - 5<sup>th</sup> investment remains confidential at this stage
- The fund recently reduced its strategic stake in Sigma Healthcare (**ASX: SIG**) from 19% to 15%.
  - The sell-down has reduced the fund's concentration risk following the significant increase in Sigma's share price. The sell-down has also freed up investment capacity which is currently being redeployed into both existing and new investments

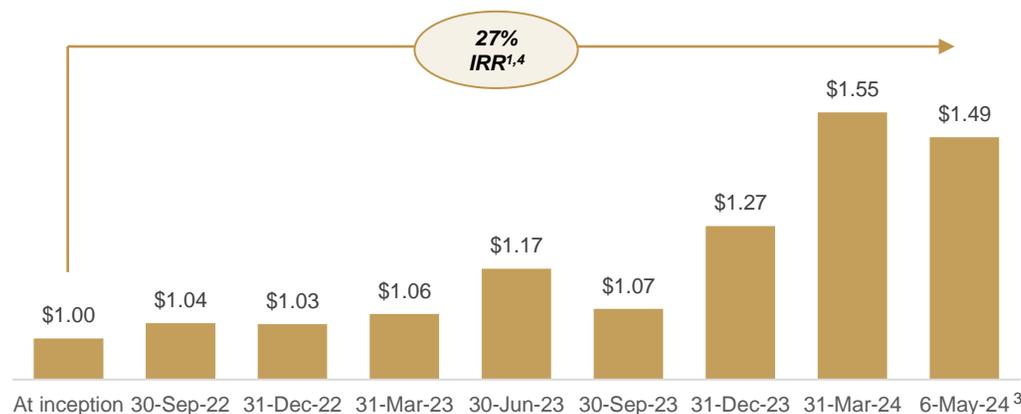
**HMCCP is currently accruing a performance fee which is payable on 30 June 2024**

**HMC IRR = 35% since inception<sup>1,5</sup>**

### Portfolio Composition<sup>2</sup>



### HMCCP NAV \$/unit



Notes: 1. Past performance is not a reliable indicator of future performance. 2. As at 30-Apr-24. 3. Unaudited NAV as at 6-May-24. 4. Investor IRR. 35% IRR referenced on slide 2 is HMC's return and including management and performance fees. 5. IRR assumes current performance is maintained until 30 June 2024 when performance fee is payable.

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# PRIVATE CREDIT

# Private credit is experiencing a 'golden age'

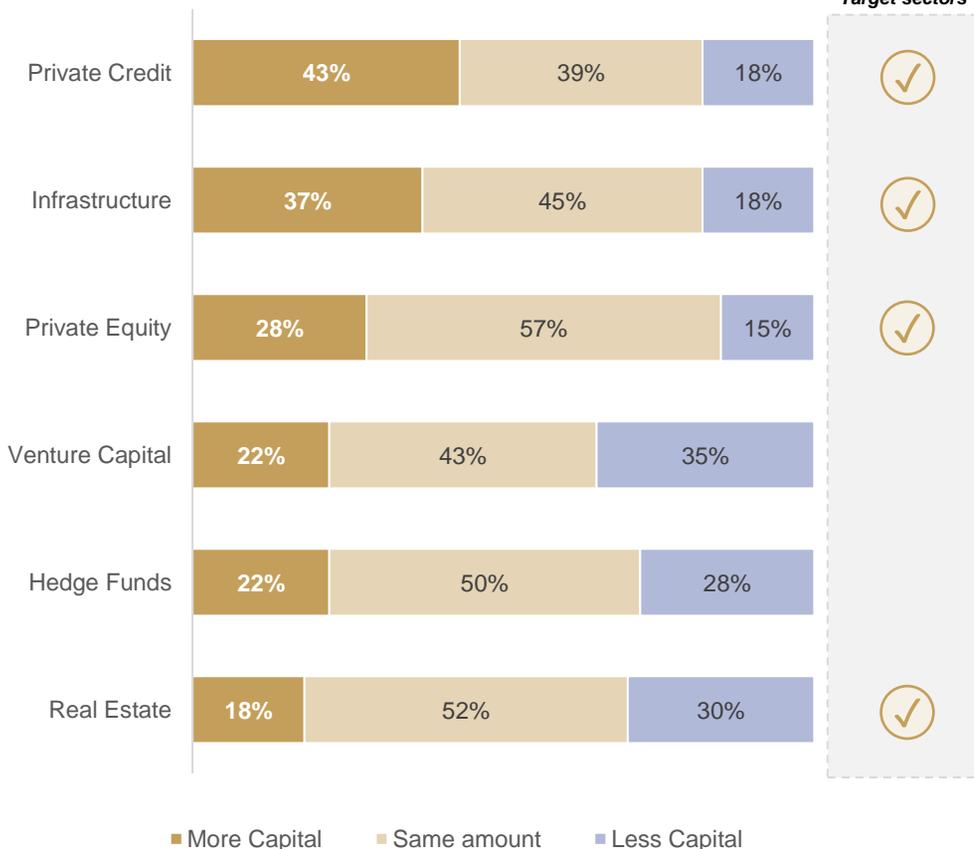
HMC evaluating opportunities to expand into private credit which is attracting strong capital inflows & growing rapidly

## Investor allocation intentions by sector<sup>1</sup>

Private Credit is expected to attract the largest wallet share from global institutional investors over the next 12 months<sup>1</sup>

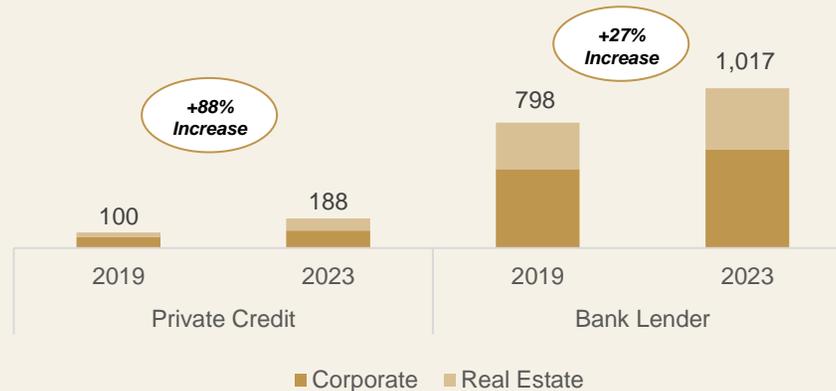


Target sectors



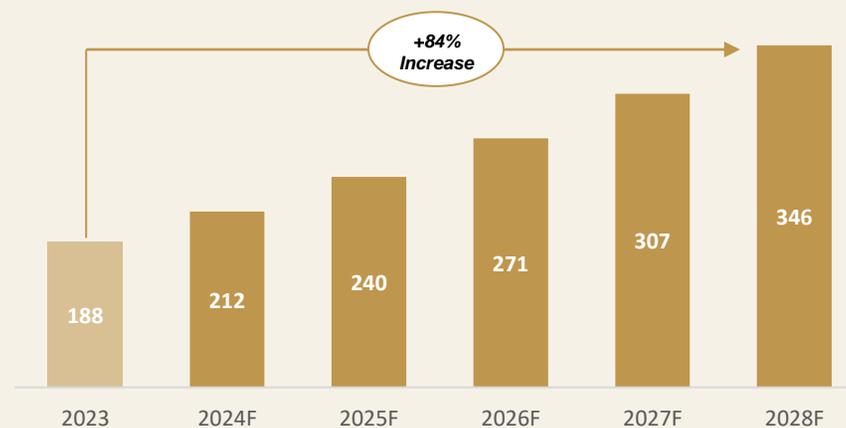
## Australian Corporate & CRE<sup>2</sup> Lending (\$bn)<sup>3</sup>

The Australian private credit market is growing faster than the broader banking sector



## Australian Private Credit Potential Market Growth (\$bn)<sup>3</sup>

The private credit market in Australia is expected to reach in excess of A\$300bn by 2028 based on forecasts from Prequin and Blackrock



Notes: 1. Prequin investor survey as of November 2022. 2. Commercial Real Estate. 3. EY.

# Australian Credit Landscape

Evaluating opportunities to establish diversified private credit platform

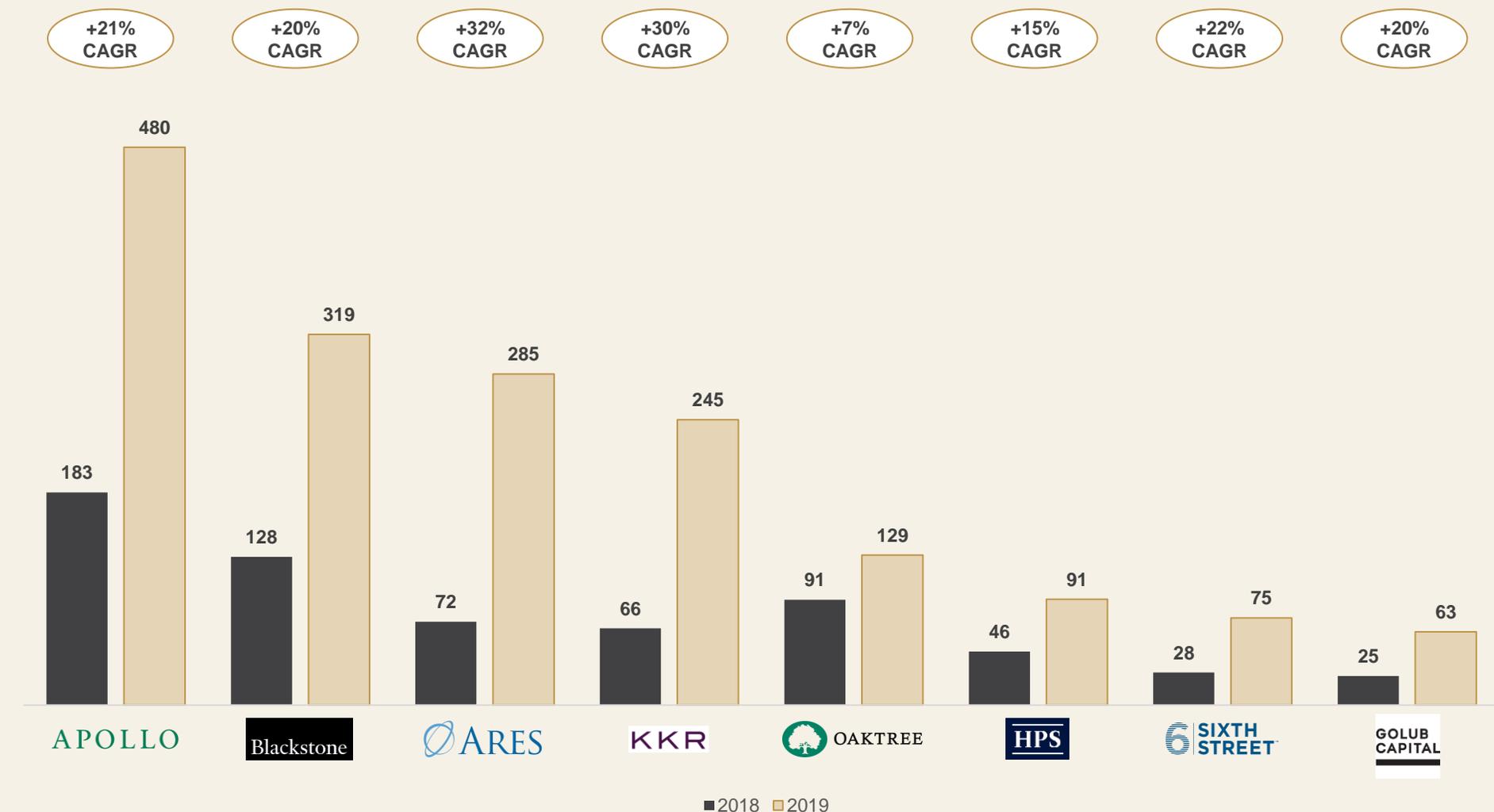
	Traditional Lenders		Alternative Lenders			
	Large Domestic & Offshore Banks	Non-bank mortgage lenders	CRE lenders	Domestic Non-Bank Lenders	Offshore Credit Funds	Opportunistic
Lender examples						
Funding source	Balance sheet / Direct investment		Funds management / third party capital			
Investment focus	Senior secured loans for core assets	Retail mortgages, asset and consumer finance	CRE lending (senior secured and mezzanine loans)	Corporate lending CRE lending Structured Finance	Corporate lending Structured Finance Convertibles	Distressed / special situations deals
Target portfolio LVR	<50%	<60%	55-75%	55-65%	55-75%	Flexible
Target investor return	6-8% p.a.	6-8%	8-12% p.a.	8-10% p.a.	8-15% p.a.	15-20%+ p.a.
Target deal size	\$10m-\$1bn+	<\$5m	\$10-\$200m+	Up to \$1bn	\$10m-\$1bn+	\$10m-\$1bn+



# Global asset managers are taking advantage of the opportunity

Strong AUM growth is being driven by the retreat of traditional lending groups

Growth in private credit assets under management (USD\$bn)



Source: Company Filings. AUM numbers based on closing balances as at 31-Dec-2018 and 31-Dec-2023.

# Further Information

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