

Frasers Hospitality Trust

2Q FY2018 Financial Review for 1 January to 31 March 2018

26 April 2018



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Any discrepancies in the figures included herein between the listed amounts and total thereof are due to rounding.

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Key Highlights



Novotel Melbourne on Collins

Financial Review for 2Q FY2018

S\$m	2Q FY2018	2Q FY2017	Variance
Gross Revenue (GR)	37.5	38.7	▼ 3.1%
Net Property Income (NPI)	27.8	28.9	▼ 4.0%
Distribution Income (DI)	20.9	22.3	▼ 6.5%
Distribution Per Stapled Security (DPS)	1.1126 cents	1.2063 cents	▼ 7.8%

- ◆ GR and NPI decreased yoy by 3.1% and 4.0% respectively due to weaker overall portfolio performance except for the Japan and Singapore portfolios.
- ◆ The performance of the Australia portfolio was mainly affected by the more competitive trading environment in Sydney and Novotel Sydney Darling Square's renovation.
- ◆ The softer trading performance of the UK and Malaysia portfolios was due to weaker corporate demand, with adverse weather conditions this winter also affecting leisure demand in the UK.
- ◆ With lower NPI and higher finance costs incurred due mainly to the refinancing of existing term loans with longer tenure bonds, DI declined 6.5% yoy while DPS was lower at 1.1126 cents in this quarter.

Financial Review for 1H FY2018

S\$m	1H FY2018	1H FY2017	Variance
Gross Revenue (GR)	78.9	78.2	▲ 0.9%
Net Property Income (NPI)	59.2	59.4	▼ 0.4%
Distribution Income (DI)	45.3	46.7	▼ 3.0%
Distribution Per Stapled Security (DPS)	2.4233 cents	2.5321 cents	▼ 4.3%

- ◆ GR improved by 0.9% while NPI and DI declined by 0.4% and 3.0% respectively due to weaker performance of all country portfolios except for Japan and Singapore, as well as higher finance costs.
- ◆ DPS was lower at 2.4233 cents.

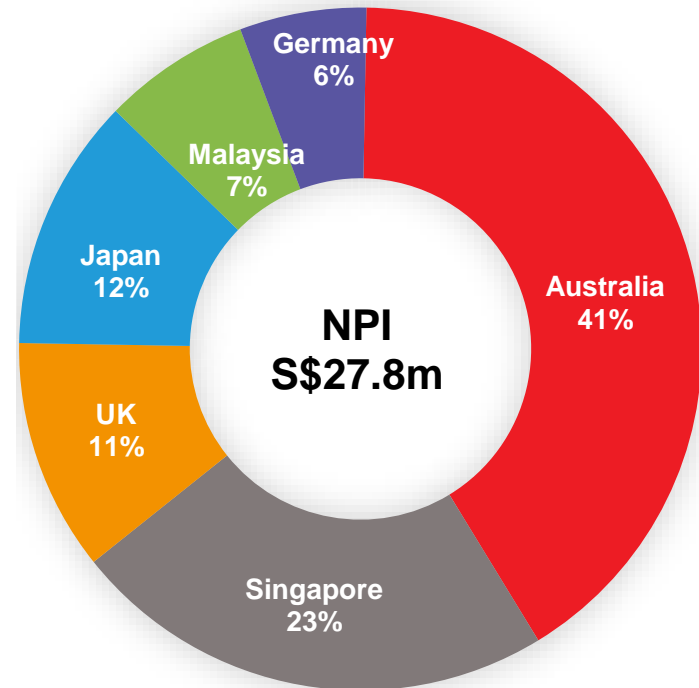
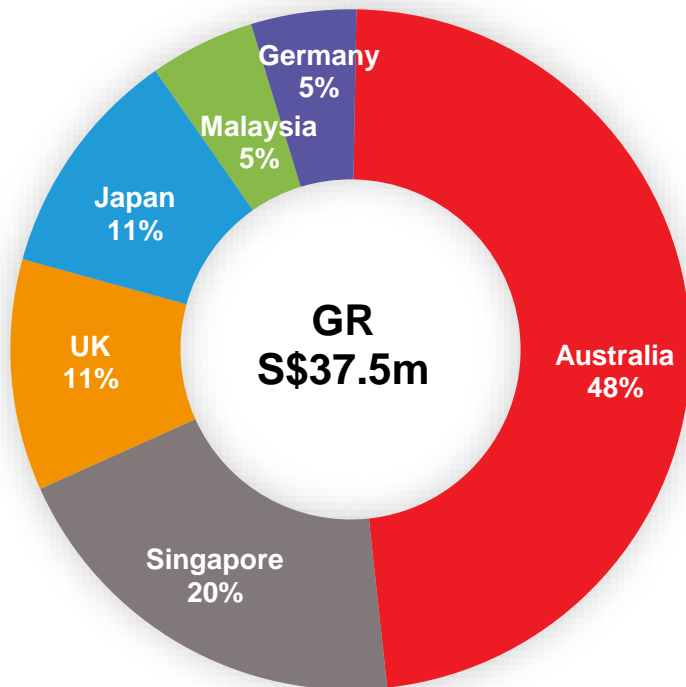
1H FY2018 Distribution Details

	1 Oct 2017 to 31 Mar 2018
Distribution Rate	2.4233 cents per Stapled Security
Last Day of Trading on “Cum” Basis	2 May 2018
First Day of Trading on “Ex” Basis	3 May 2018
Book Closure Date	7 May 2018
Distribution Payment Date	29 Jun 2018

Portfolio Performance

InterContinental Singapore

Portfolio Contribution by Country for 2Q FY2018



Portfolio Highlights By Country for 2Q FY2018

Country	2Q FY2018			
	Gross Operating Revenue (GOR)		Gross Operating Profit (GOP)	
	Local Currency (m)	Variance (yoy)	Local Currency (m)	Variance (yoy)
Australia	32.4	▼ 1.0%	14.3	▼ 12.0%
Singapore	21.4	▼ 2.9%	8.9	-
UK	4.8	▼ 3.4%	2.2	▼ 7.5%
Japan	1,380.3	▼ 3.2%	336.5	▲ 3.5%
Malaysia	22.5	▼ 6.1%	7.5	▼ 8.9%
Germany	2.1	▲ 19.1%	0.7	▲ 65.6%

Portfolio Highlights By Country for 1H FY2018

Country	1H FY2018			
	Gross Operating Revenue (GOR)		Gross Operating Profit (GOP)	
	Local Currency (m)	Variance (yoy)	Local Currency (m)	Variance (yoy)
Australia	66.6	▲ 1.3%	30.0	▼ 3.9%
Singapore	43.5	▼ 0.6%	17.9	▲ 2.2%
UK	10.8	▼ 2.1%	5.4	▼ 5.4%
Japan	3,193.2	▲ 0.2%	921.8	▲ 5.2%
Malaysia	47.3	▼ 2.1%	15.4	▼ 3.4%
Germany	5.2	▲ 9.6%	2.0	▲ 12.6%

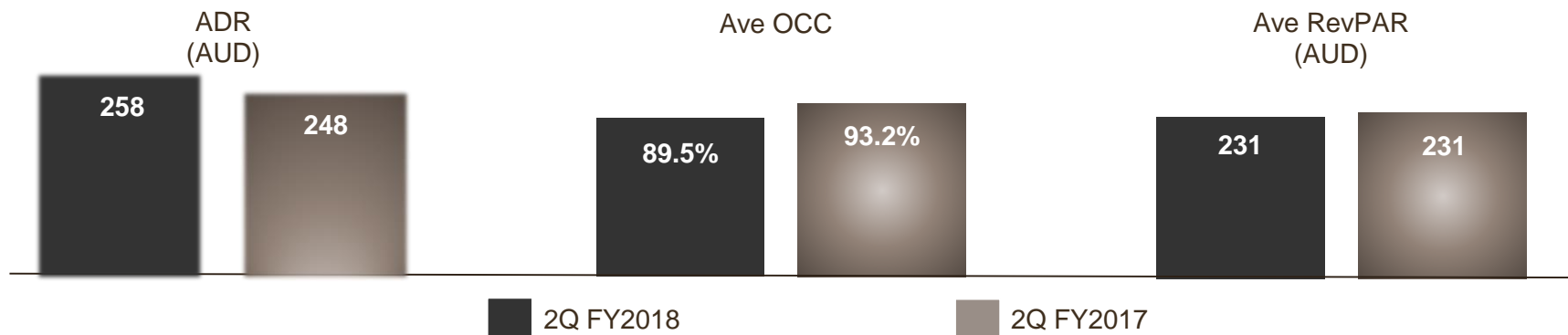
Australia Portfolio Performance

AUD (m)	2Q FY2018	2Q FY2017	Variance
GOR	32.4	32.7	▼ 1.0%
GOP	14.3	16.3	▼ 12.0%

- **Novotel Melbourne on Collins (NMOC)**
- **Sofitel Sydney Wentworth (SSW)**

- **Novotel Sydney Darling Square (NSDS)**
- **Fraser Suites Sydney (FSS)**

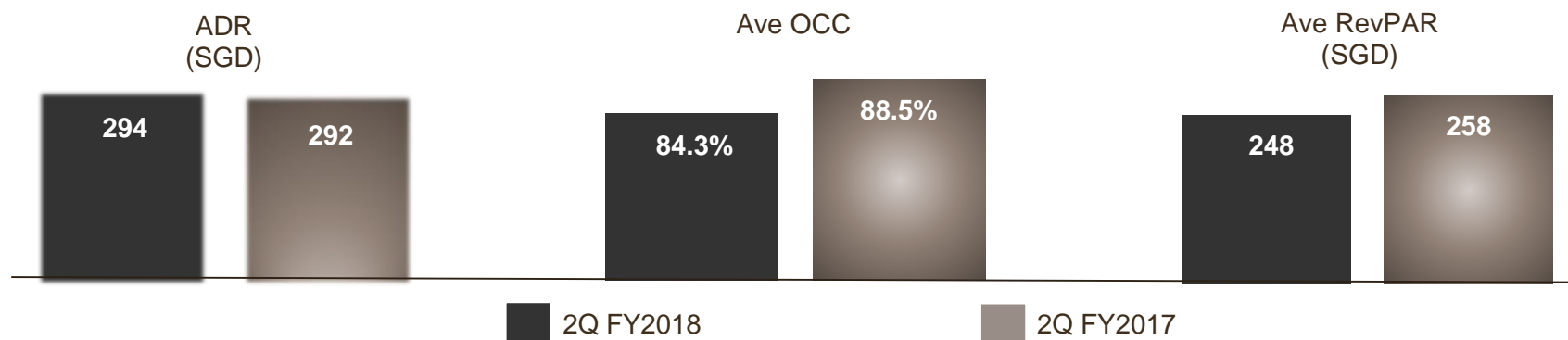
- ◆ While NMOC continued to perform well in this quarter, the trading environment in Sydney has been more competitive due to softer corporate demand and NSDS was still affected by renovation.
- ◆ The decline in GOP would be lower at 7.1% disregarding the absence of a AUD0.9m write-back of consultancy fees for SSW's asset enhancement initiative in 2Q FY2017.
- ◆ RevPAR for the portfolio was on par with last year, on the back of higher ADR achieved (+4.1% yoy) but offset by lower occupancy.



Singapore Portfolio Performance

SGD (m)	2Q FY2018	2Q FY2017	Variance
GOR	21.4	22.1	▼ 2.9%
GOP	8.9	8.9	-

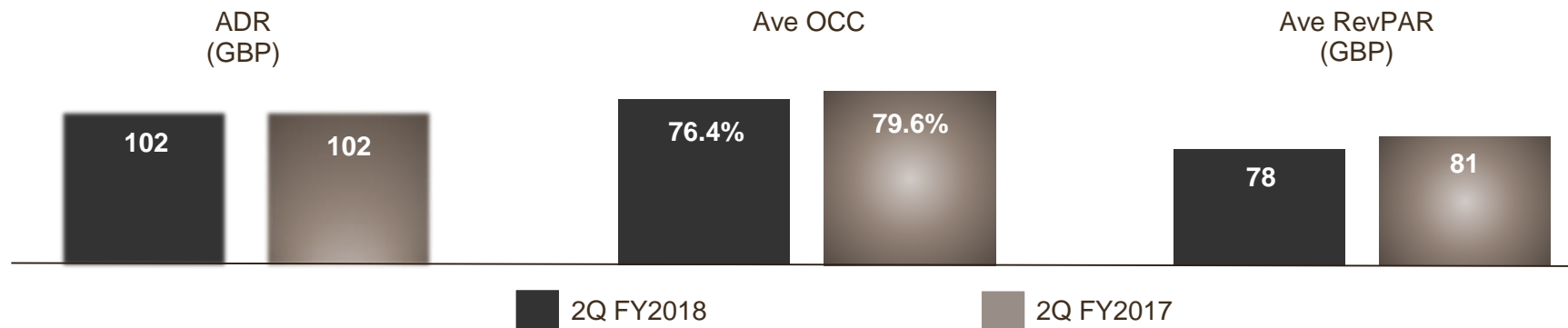
- **InterContinental Singapore (ICSG)**
- **Fraser Suites Singapore (FSSG)**
- ♦ The Singapore portfolio recorded stable performance in 2Q FY2018. While GOR declined 2.9%, GOP was flat yoy.
- ♦ ICSG achieved higher RevPAR on the back of healthy ADR gains. However, the portfolio RevPAR was 4.1% lower yoy due to lower ADR and occupancy at FSSG.



UK Portfolio Performance

GBP (m)	2Q FY2018	2Q FY2017	Variance
GOR	4.8	5.0	▼ 3.4%
GOP	2.2	2.4	▼ 7.5%

- **ibis Styles London Gloucester Road (ISLG)**
 - **Fraser Place Canary Wharf (FPCW)**
 - **Fraser Suites Glasgow (FSG)**
 - **Park International London (PIL)**
 - **Fraser Suites Edinburgh (FSE)**
 - **Fraser Suites Queens Gate (FSQG)**
- ♦ GOR and GOP of the UK portfolio declined 3.4% and 7.5% respectively. This was due to overall weaker room revenue as a result of continued soft corporate demand and adverse winter weather conditions affecting leisure demand, as well as higher staff costs arising from the increase in minimum wage rates.
 - ♦ Pressure on GOP remains as further increase in minimum wage rates is anticipated in Apr 2018.

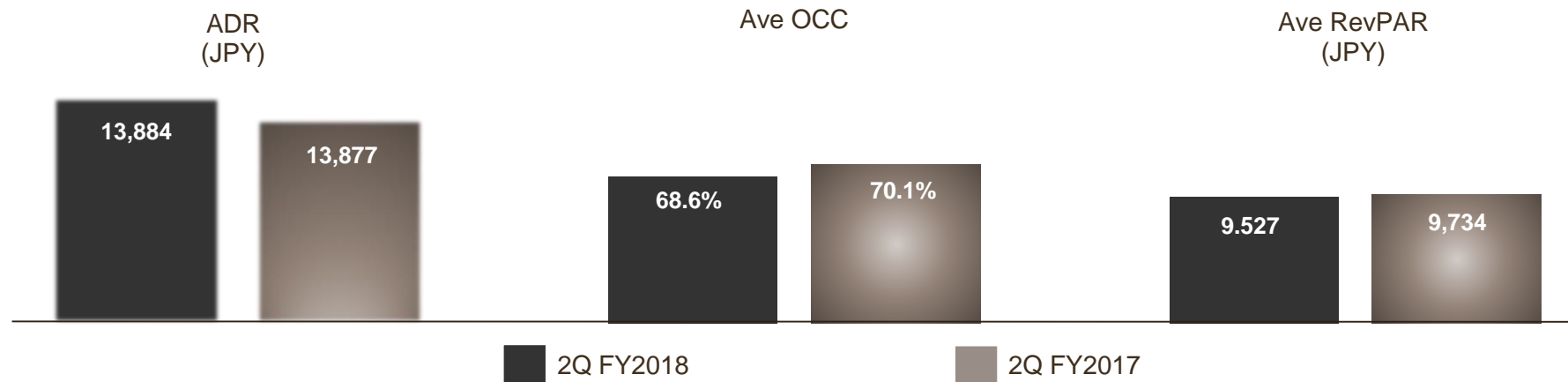


Japan Portfolio Performance

JPY (m)	2Q FY2018	2Q FY2017	Variance
GOR	1,380.3	1,425.4	▼ 3.2%
GOP	336.5	325.1	▲ 3.5%

- ANA Crowne Plaza Kobe (CPK)**

- ◆ In 2Q FY2018, CPK's GOR declined 3.2% yoy due to softer room and banquet performance.
- ◆ However, GOP was 3.5% higher yoy due to tighter cost controls to drive higher efficiency, particularly in the F&B areas.

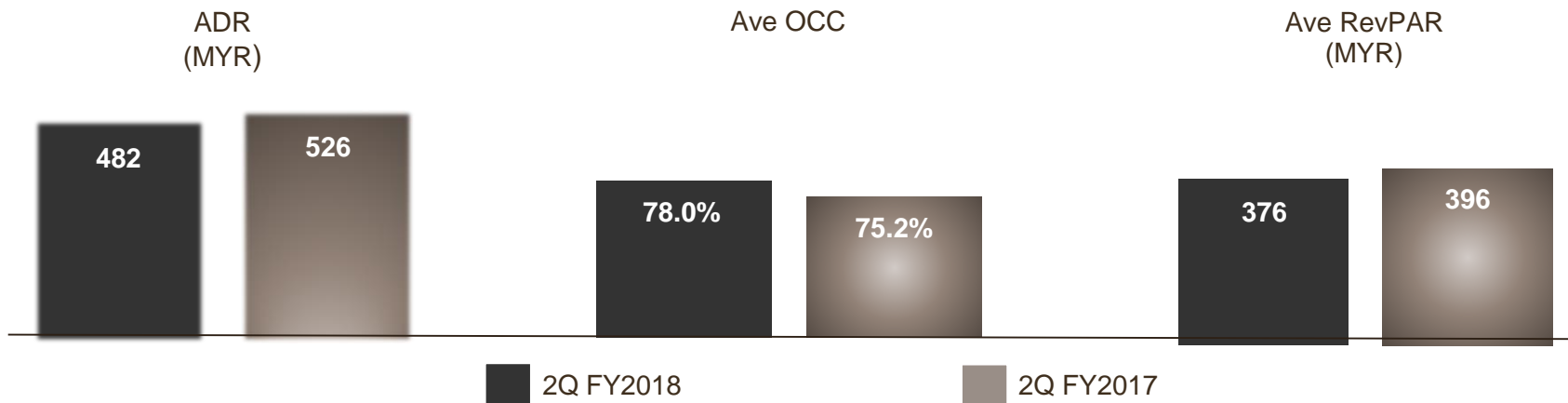


Malaysia Portfolio Performance

MYR (m)	2Q FY2018	2Q FY2017	Variance
GOR	22.5	24.0	▼ 6.1%
GOP	7.5	8.2	▼ 8.9%

- The Westin Kuala Lumpur (TWKL)**

- ◆ TWKL's GOR and GOP declined yoy by 6.1% and 8.9% respectively due to weaker room and F&B revenue.
- ◆ The hotel's RevPAR decreased by 4.9% yoy as a result of softer corporate demand.



Risk and Capital Management

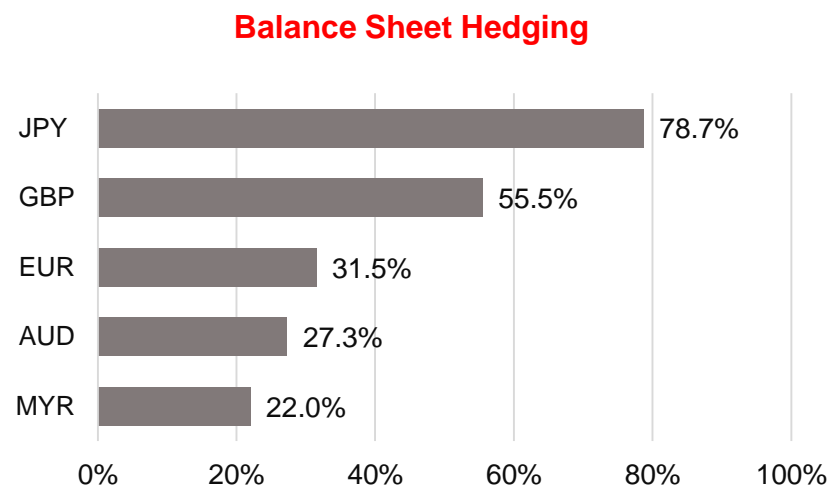
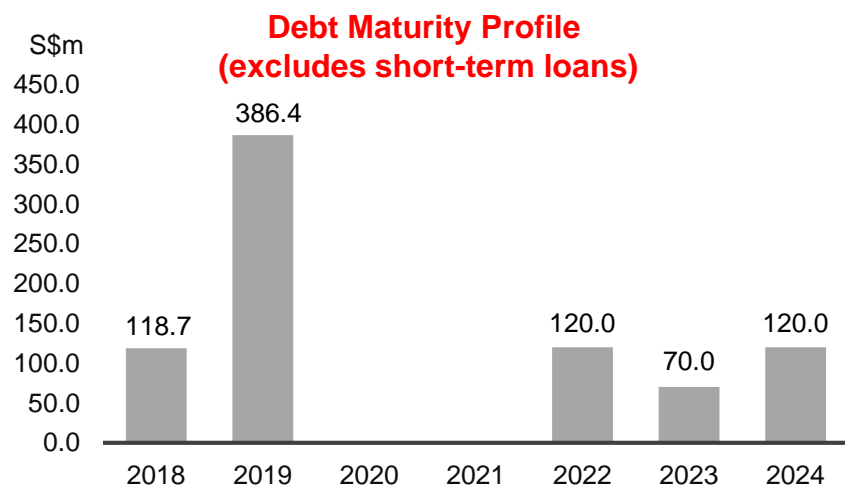


Park International London

Risk and Capital Management

As at 31 Mar 2018	
Investment Properties	S\$2,171.4m
Property, Plant and Equipment	S\$252.5m
Total Assets	S\$2,537.7m
Total Borrowings	S\$838.9m
Gearing	33.1%
Net Asset Value per Stapled Security	79.68 cents

As at 31 Mar 2018	
Weighted Average Years to Maturity	2.68 years
Unsecured Debt	96.1%
Effective Cost of Borrowing	2.7% ¹
Borrowings on Fixed Rates	87.8%
Interest Cover	5.2 times
FHT's Issuer Rating by Moody's	Baa2



¹ Effective cost of borrowing includes full amortisation of the debt upfront cost which relates to the partial prepayment of term loan facility (please refer to SGX announcement dated 14 Mar 2018). Excluding the effect of this one-time amortisation cost, the effective cost of borrowing is 2.5% per annum.

Market Outlook

The Westin Kuala Lumpur

Australia

- ◆ Tourism Australia reported an increase in international arrivals of 6.5% yoy for 2017, with Chinese visitors growing 12.2%. For the first two months of 2018, international arrivals rose 7.0% yoy.
- ◆ Sydney's hotel trading metrics is expected to continue to thrive. Stable occupancy and anticipated increase in ADR are likely to push RevPAR upwards. Although a relatively large number of new rooms is anticipated to enter the market over the next three years, continued strong demand is expected to offset the supply increase¹.
- ◆ Melbourne has recorded higher international visitor growth but the hotels have struggled to raise rates without impacting occupancy. With an influx of new supply in 2018 and 2019, the challenge to increase room rates is anticipated to persist in the near to medium term².



Pictures from Novotel Sydney Darling Square and Sofitel Sydney Wentworth

1 Source: JLL – Asia Pacific Property Digest, Q4 2017

2 Source: CBRE – 2018 Asia Pacific Real Estate Market Outlook – Australia, Feb 2018

Singapore

- ◆ Singapore Tourism Board (STB) reported a yoy growth of 6.2% in visitor arrivals for 2017. China and Indonesia were the top source markets for tourism, accounting for 35.5% of total visitor arrivals. For Jan 2018, visitor arrivals rose 5.4% yoy.
- ◆ In the near term, hotel demand is expected to continue rising on the back of strong visitor arrivals growth. Limited hotel supply in 2018 should provide some respite for the market and reduce pressure on ADR and occupancy rates¹.
- ◆ Under the STB Hotel Industry Transformation Map, initiatives in 2018 will be centred on future-proofing the industry, equipping the workforce with necessary skills and promoting 'smart' hotels that leverage on the latest technologies. These government-led initiatives are expected to lend greater support to the industry's continued drive for innovation and transformation, enhancing its overall competitiveness¹.

Pictures from Gardens by the Bay, InterContinental Singapore and Fraser Suites Singapore

1 Source: <http://www.jllapsites.com/research/appd-market-report/q4-2017-hotels-singapore/>



UK

- ◆ According to Visit Britain, the UK received 38.9 million overseas visitors in 2017, up 3.0% yoy. But there were 5.0% fewer business visits yoy.
- ◆ While the softening of the British pound has boosted hotel trading performance in 2017, modest growth is expected in 2018, albeit at a slower rate than last year¹.
- ◆ The headwinds of rising costs in operational expenses, payroll and business rates highlight the challenges ahead for the industry, at a time of heightened concerns with Brexit casting a shadow over the future of the UK economy and the free movement of labour¹.



Pictures from Visit London, Fraser Place Canary Wharf and Fraser Suites Queens Gate

1 Source: Knight Frank – Spring Market Overview, UK Hotel & Leisure Property 2018

Japan

- ◆ In 2017, Japan National Tourism Organization recorded 19.3% growth in foreign visitors, with the number of Korean and Chinese visitors growing yoy by 40.3% and 15.4% respectively. For Jan to Feb 2018, the number of foreign visitors increased by 15.7% yoy.
- ◆ While growth of inbound tourism continues, supported by major events such as Rugby World Cup 2019 and 2020 Tokyo Olympic Games, high supply levels may concern hoteliers. But new regulations on minpaku (home-sharing type of accommodation) and strong demand fundamentals could mitigate the negative impact of heightened competition¹.



Pictures from IHG ANA Crowne Plaza Kobe

1 Source: Savills – Spotlight: Japan Hospitality, Feb 2018

Malaysia

- ◆ According to Tourism Malaysia, tourist arrivals in 2017 declined 3.0% yoy to 25.9 million. However, Chinese tourists continued to increase, with a yoy growth of 7.4% for the same period.
- ◆ While the hotel trading performance in Kuala Lumpur improved in 2017, the significant supply pipeline over the next few years may add downward pressure on occupancy and ADR amid an increasingly competitive market. This is particularly so in light of moderating growth in international visitor arrivals as well as the recent appreciation of the Malaysian Ringgit¹.



Pictures from Tourism Malaysia and The Westin Kuala Lumpur

1 Source: JLL – Asia Pacific Property Digest Q4 2017

Germany

- ◆ The Federal Statistical Office of Germany recorded a 3.0% yoy increase in the number of domestic and foreign overnight stays in 2017. For Jan to Feb 2018, the yoy increase was 6.0%¹.
- ◆ Dresden, the capital city of the Free State of Saxony, continues to grow its pipeline of MICE events for 2018 including Graphene Conference, Lab Supply, Bauen Kaufen Wohnen, Florian, Borsentag Tag Dresden, International Symposium Additive Manufacturing and Sachsenback.



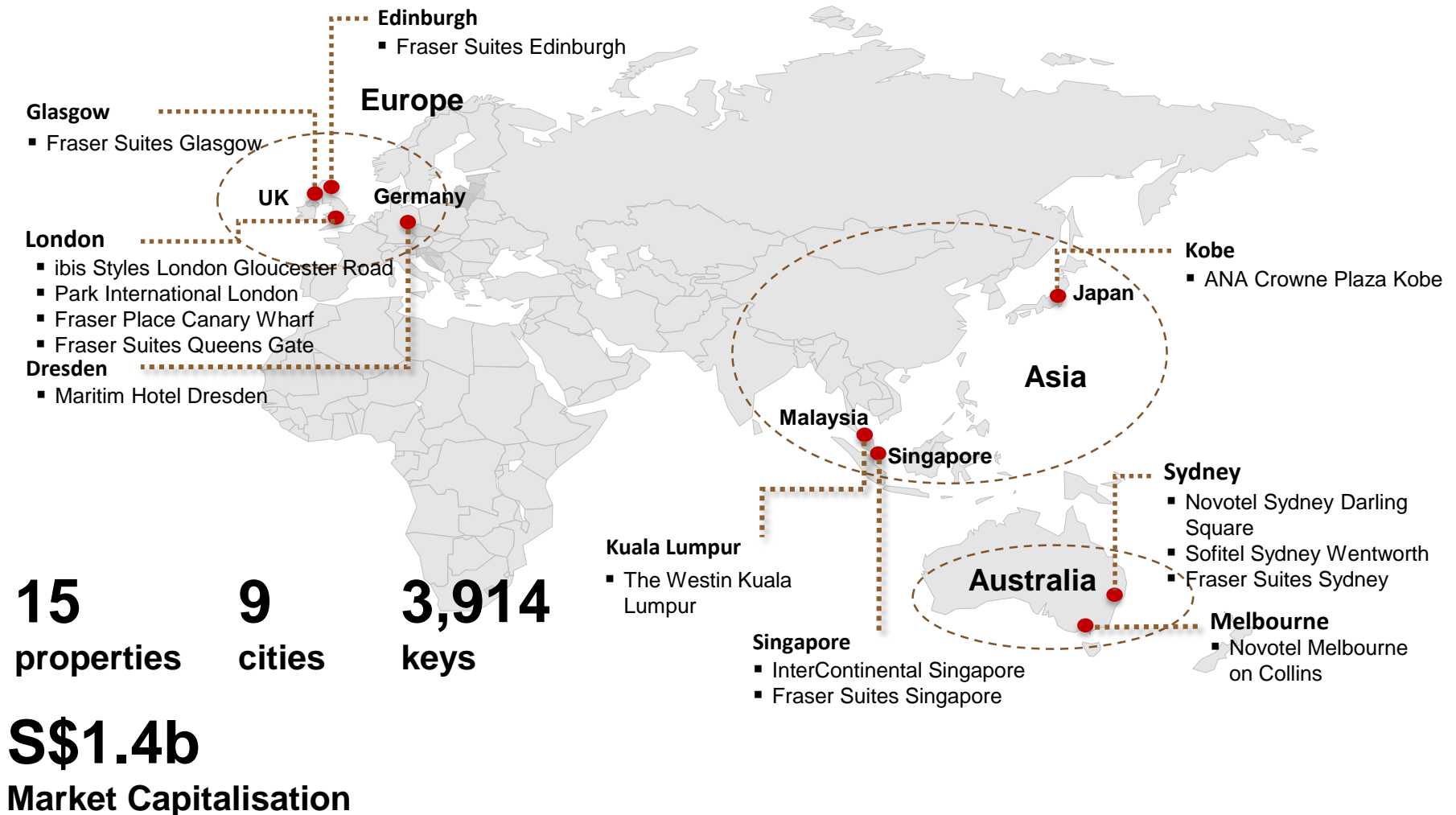
Pictures from Semperoper Dresden and Maritim Hotel Dresden

1 Source: www.destatis.de






**Experience
matters.**



Resilient and Diversified Portfolio Across Geography



Hotel Properties Managed by Third-Party Operators

	Property	Country	Description	Tenure	Class	Rooms
	Novotel Melbourne on Collins	Australia	Strategically located within Melbourne's core CBD area along Collins Street	Freehold	Upscale	380
	Novotel Sydney Darling Square	Australia	4.5-star hotel located within close proximity of Sydney's Darling Harbour and Chinatown	84 years ¹	Mid-scale	230
	Sofitel Sydney Wentworth	Australia	Iconic 5-star hotel in Sydney's core CBD; within a short walk to major office buildings, tourist attractions and transport hubs	75 years ²	Luxury	436
	InterContinental Singapore	Singapore	Only 5-star luxury hotel in Singapore to preserve Peranakan heritage in a shop house style setting	75 years ¹	Luxury	406
	ibis Styles London Gloucester Road	United Kingdom	Distinctive white Victorian façade located in the heart of London	75 years ¹	Mid-scale	85

¹ Commencing from 14 July 2014 (listing date)







² Commencing from 5 July 2015

Hotel Properties Managed by Third-Party Operators

	Property	Country	Description	Tenure	Class	Rooms
	Park International London	UK	Elegant hotel ideally located in the heart of Kensington and Chelsea	75 years ¹	Mid-scale	171
	ANA Crowne Plaza Kobe	Japan	Unique panoramic view of Kobe city from Rokko mountain	Freehold	Upper Upscale	593
	The Westin Kuala Lumpur	Malaysia	5-star luxury hotel located in the centre of Kuala Lumpur's bustling Golden Triangle area	Freehold	Upper Upscale	443
	Maritim Hotel Dresden	Germany	Heritage-listed and located in the historical city centre of Dresden, the capital city of the eastern German state of Saxony	Freehold	Upscale	328

¹ Commencing from 14 July 2014 (listing date)

Serviced Residences **Managed by Frasers Hospitality**

	Property	Country	Description	Tenure	Class	Rooms
	Fraser Suites Sydney	Australia	First luxury apartments in Sydney designed by internationally renowned architects	75 years ¹	Upper Upscale	201
	Fraser Suites Singapore	Singapore	Luxurious serviced residences in the prime residential district of River Valley	75 years ¹	Upper Upscale	255
	Fraser Suites Edinburgh	UK	Rustic 1750s sandstone building located in the heart of Edinburgh's Old Town	75 years ¹	Upper Upscale	75
	Fraser Suites Glasgow	UK	Stunningly restored 1850s building which was formerly the city bank of Glasgow	75 years ¹	Upper Upscale	98
	Fraser Suites Queens Gate	UK	Beautiful Victorian apartment hotel in Kensington	75 years ¹	Upper Upscale	105
	Fraser Place Canary Wharf	UK	Stunning apartments located by the River Thames, showcasing chic contemporary design	75 years ¹	Upper Upscale	108

¹ Commencing from 14 July 2014 (listing date)