

# Frasers Hospitality Trust

3Q FY2018 Financial Review for 1 April to 30 June 2018

26 July 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





# Financial Review for 3Q FY2018

S\$m	3Q FY2018	3Q FY2017	Variance
<b>Gross Revenue (GR)</b>	38.2	38.9	▼ 1.8%
<b>Net Property Income (NPI)</b>	28.5	29.3	▼ 2.8%
<b>Distribution Income (DI)</b>	21.1	23.0	▼ 8.1%
<b>Distribution Per Stapled Security (DPS)</b>	1.1226 cents	1.2374 cents	▼ 9.3%

- ◆ GR and NPI decreased year-on-year (yoy) by 1.8% and 2.8% respectively due mainly to weaker performance from the Australia and Malaysia properties.
- ◆ The soft performance of the Australia portfolio was attributed to the more competitive trading environment in Sydney. However, Novotel Sydney Darling Square performed better yoy with the return of its full room inventory compared to last year when the number of available rooms was affected by renovation.
- ◆ The Westin Kuala Lumpur turned in significantly lower room and food and beverage revenue as a result of consequential pullbacks in business and government spending leading up to and after the Malaysia general election, which saw the unexpected election results.
- ◆ With lower NPI and higher finance costs, DI declined 8.1% yoy while DPS was lower at 1.1226 cents.

# Financial Review for 9M FY2018

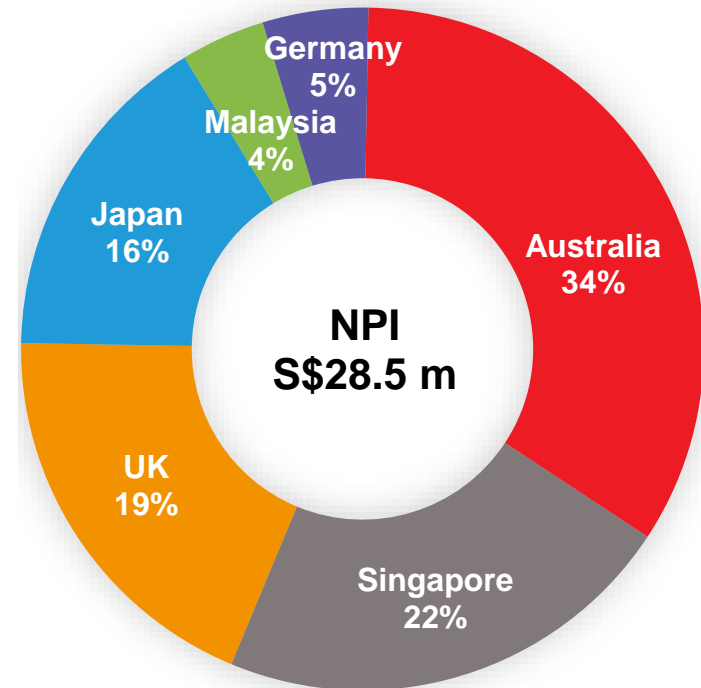
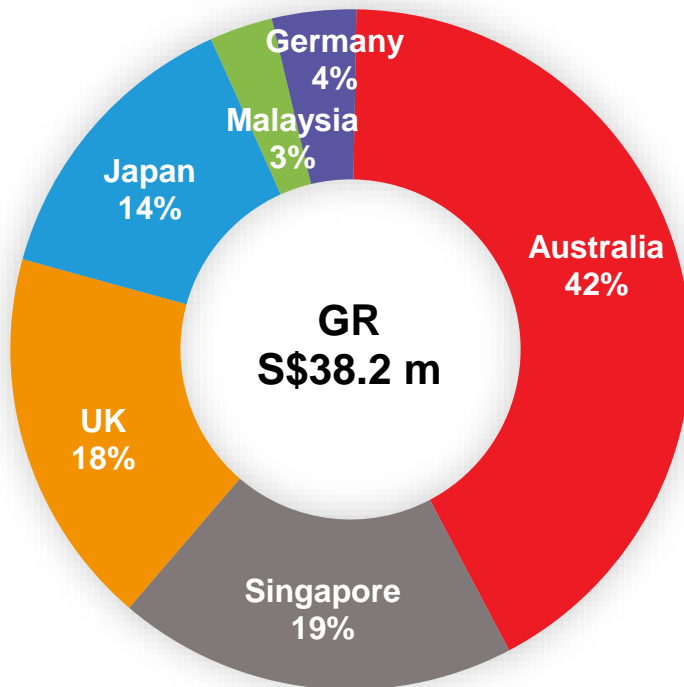
S\$m	9M FY2018	9M FY2017	Variance
Gross Revenue (GR)	117.2	117.1	-
Net Property Income (NPI)	87.7	88.7	▼ 1.2%
Distribution Income (DI)	66.4	69.7	▼ 4.7%
Distribution Per Stapled Security (DPS)	3.5459 cents	3.7695 cents	▼ 5.9%

- ♦ GR was stable while NPI and DI declined by 1.2% and 4.7% respectively due to weaker performance from the properties in Australia, Malaysia and the UK as well as higher finance costs.
- ♦ DPS was lower at 3.5459 cents.

# Portfolio Performance

*InterContinental Singapore*

# Portfolio Contribution by Country for 3Q FY2018





# Portfolio Highlights By Country for 3Q FY2018

Country	3Q FY2018			
	Gross Operating Revenue (GOR)		Gross Operating Profit (GOP)	
	Local Currency (m)	Variance (yoy)	Local Currency (m)	Variance (yoy)
Australia	30.6	▼ 2.8%	12.7	▼ 5.9%
Singapore	20.6	▼ 1.5%	8.6	▲ 4.2%
UK	6.8	▲ 3.1%	3.8	▲ 4.0%
Japan	1,577.5	▼ 4.9%	478.5	▼ 3.2%
Malaysia	19.1	▼ 13.5%	4.8	▼ 35.7%
Germany	3.1	▲ 9.6%	1.4	▲ 15.0%

# Portfolio Highlights By Country for 9M FY2018

Country	9M FY2018			
	Gross Operating Revenue (GOR)		Gross Operating Profit (GOP)	
	Local Currency (m)	Variance (yoy)	Local Currency (m)	Variance (yoy)
Australia	97.2	-	42.7	▼ 4.5%
Singapore	64.1	▼ 0.9%	26.5	▲ 2.8%
UK	17.6	▼ 0.2%	9.2	▼ 1.7%
Japan	4,770.7	▼ 1.6%	1,400.3	▲ 2.2%
Malaysia	66.4	▼ 5.7%	20.2	▼ 13.7%
Germany	8.3	▲ 9.6%	3.5	▲ 13.6%

# Australia Portfolio Performance

AUD (m)	3Q FY2018	3Q FY2017	Variance
<b>GOR</b>	30.6	31.5	▼ 2.8%
<b>GOP</b>	12.7	13.5	▼ 5.9%

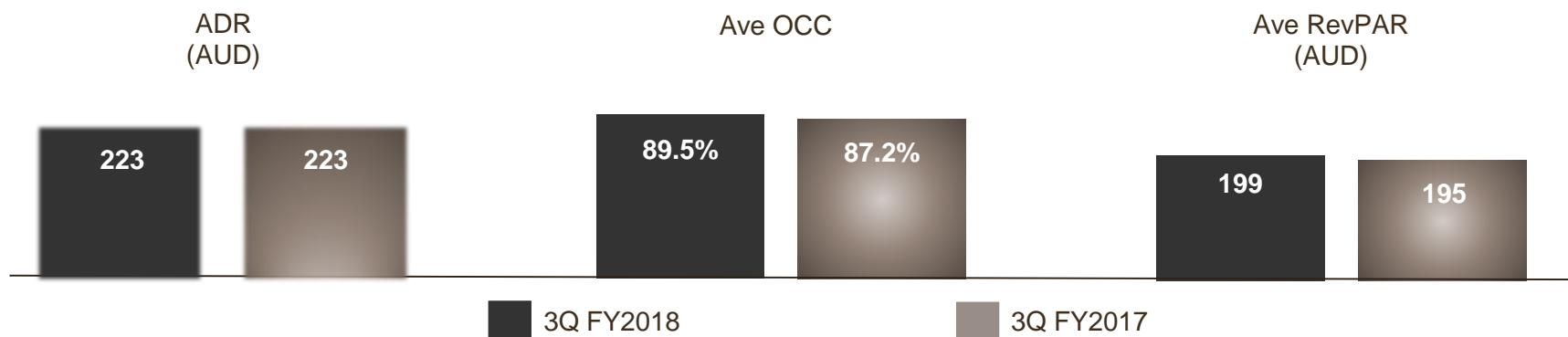
- **Novotel Melbourne on Collins (NMOC)**

- **Sofitel Sydney Wentworth (SSW)**

- ♦ The Australia properties reported lower GOR and GOP this quarter as the trading environment in Sydney has been more competitive due to softer corporate demand.
- ♦ However, NSDS performed better yoy as it benefited from having its full room inventory compared to last year when there was renovation.
- ♦ NMOC continued to perform well in this quarter, with strong RevPAR growth of 11.6% yoy.
- ♦ The portfolio RevPAR rose only by 2.0% yoy on the back of higher occupancy.

- **Novotel Sydney Darling Square (NSDS)**

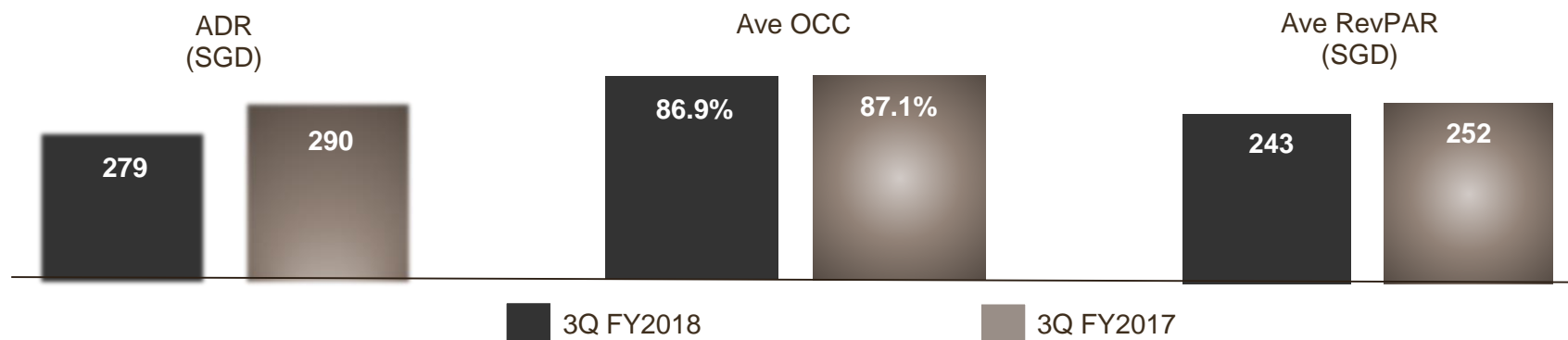
- **Fraser Suites Sydney (FSS)**



# Singapore Portfolio Performance

SGD (m)	3Q FY2018	3Q FY2017	Variance
GOR	20.6	20.9	▼ 1.5%
GOP	8.6	8.2	▲ 4.2%

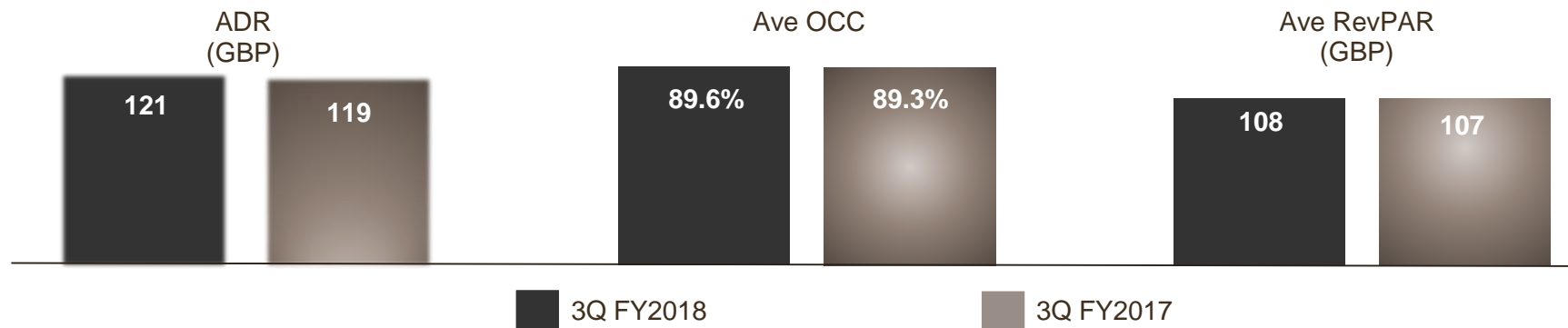
- **InterContinental Singapore (ICSG)**
- **Fraser Suites Singapore (FSSG)**
- ♦ In 3Q FY2018, the Singapore portfolio recorded stable performance, with GOP increasing 4.2% yoy despite a drop in GOR of 1.5%.
- ♦ The higher GOP was attributed to increased operating efficiencies at both properties and stronger food and beverage revenue at ICSG.
- ♦ The portfolio RevPAR declined 3.8% yoy as FSSG pursued a volume strategy by lowering its ADR.



# UK Portfolio Performance

GBP (m)	3Q FY2018	3Q FY2017	Variance
GOR	6.8	6.6	▲ 3.1%
GOP	3.8	3.7	▲ 4.0%

- 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 grew yoy by 3.1% and 4.0% respectively due to ADR and occupancy gains arising from increased leisure demand.



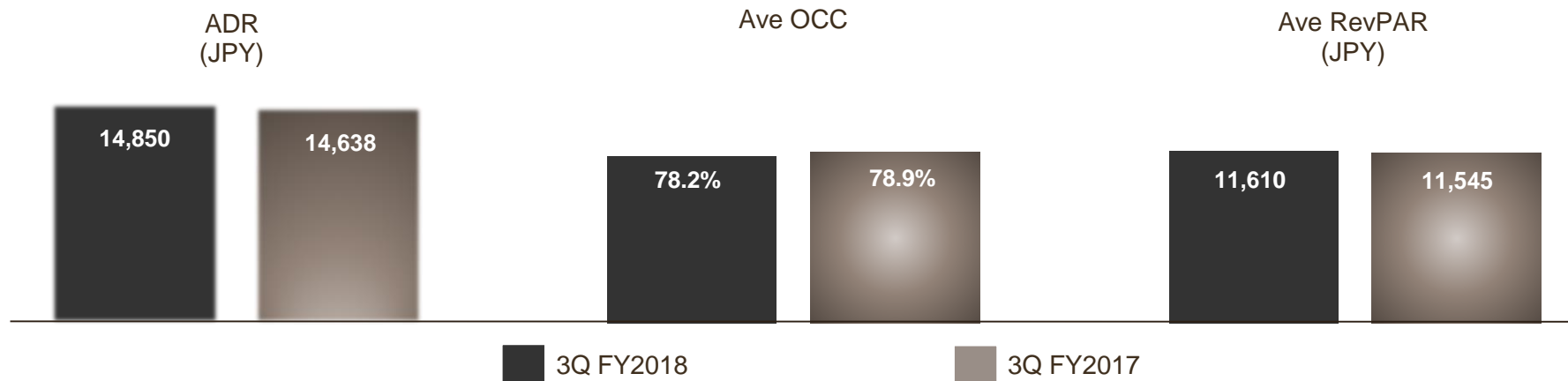


# Japan Portfolio Performance

JPY (m)	3Q FY2018	3Q FY2017	Variance
GOR	1,577.5	1,658.0	▼ 4.9%
GOP	478.5	494.2	▼ 3.2%

- **ANA Crowne Plaza Kobe (CPK)**

- ◆ CPK's GOR declined 4.9% yoy due to softer banquet performance.
- ◆ However, the decline in its GOP was lower at 3.2% due to productivity and efficiency gains achieved by its food and beverage division.

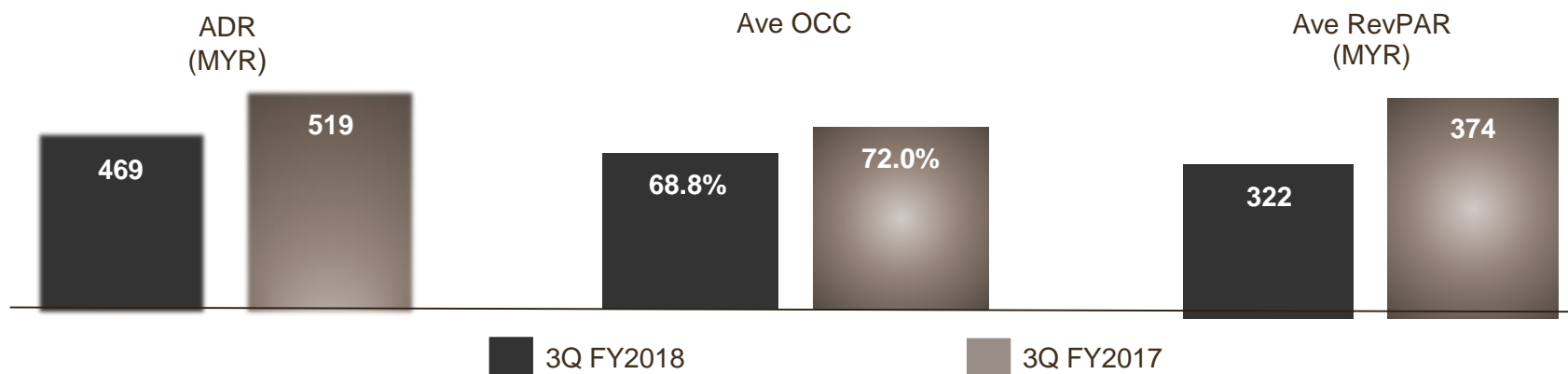


# Malaysia Portfolio Performance

MYR (m)	3Q FY2018	3Q FY2017	Variance
GOR	19.1	22.1	▼ 13.5%
GOP	4.8	7.5	▼ 35.7%

- **The Westin Kuala Lumpur (TWKL)**

- ♦ TWKL's GOR and GOP declined significantly by 13.5% and 35.7% yoy respectively as a result of consequential pullbacks in business and government spending leading up to and after the Malaysia general election which saw the unexpected election results.
- ♦ While the hotel maintained its market share vis-à-vis its peers, its revenue was affected by weak market demand, with corporate and government spending stalled on the back of uncertainty surrounding businesses and projects. Demand from the Middle East has also weakened for the quarter.



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# Risk and Capital Management

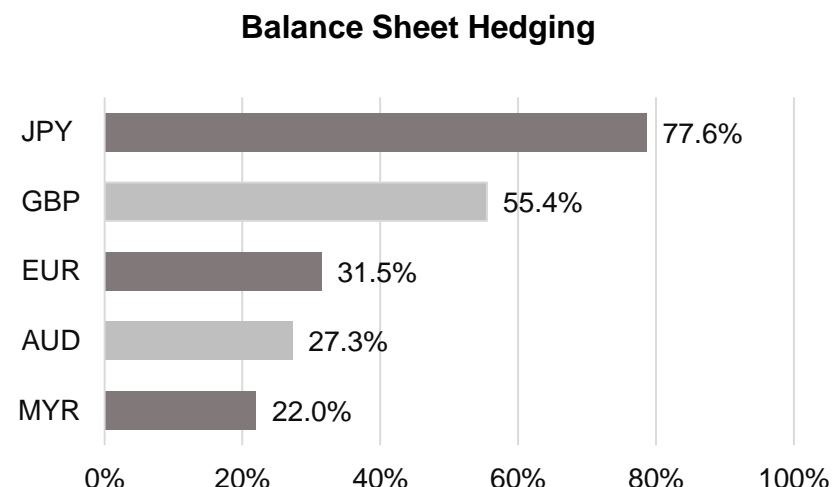
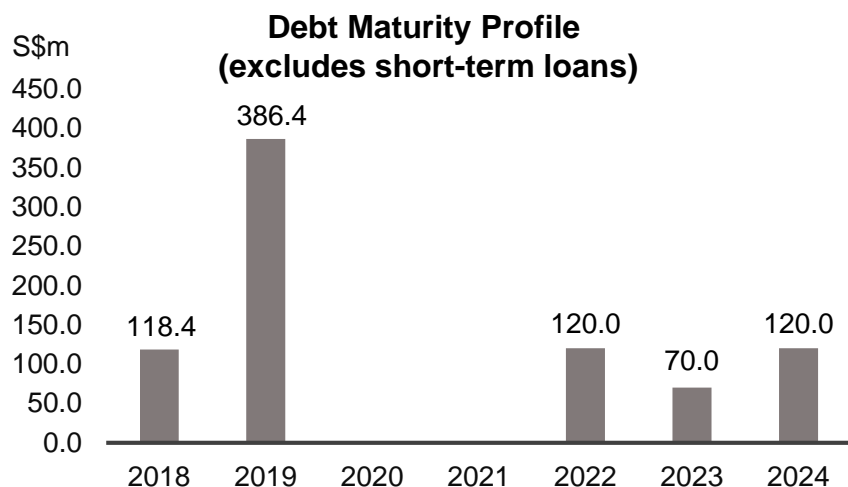


*Park International London*

# Risk and Capital Management

As at 30 Jun 2018	
Investment Properties	S\$2,164.2m
Property, Plant and Equipment	S\$251.0m
Total Assets	S\$2,517.7m
Total Borrowings	S\$854.8m
Gearing	34.0%
Net Asset Value per Stapled Security	77.52 cents

As at 30 Jun 2018	
Weighted Average Years to Maturity	2.43 years
Unsecured Debt	96.0%
Effective Cost of Borrowing	2.6% <sup>1</sup>
Borrowings on Fixed Rates	87.8%
Interest Cover	5.1 times
FHT's Issuer Rating by Moody's	Baa2



<sup>1</sup> 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 2.48% per annum.



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# Market Outlook

*The Westin Kuala Lumpur*



# Australia

- ◆ Tourism Australia reported a yoy increase in international arrivals of 6.1% for the first five months of 2018, with Chinese visitors growing by 10.5%.
- ◆ A relatively large number of new rooms is anticipated to enter the Sydney market over the next three years but continued growth in demand is expected to offset the supply increase. Stable occupancy and anticipated increases in ADR are likely to continue to support RevPAR growth in the city<sup>1</sup>.
- ◆ The Melbourne hotel market, on the other hand, is expected to stay muted. Room rate growth has been hard to come by and with a glut of new supply in 2018 and 2019, this is anticipated to remain the case for some time<sup>2</sup>.



Pictures from Novotel Sydney Darling Square and Sofitel Sydney Wentworth

1 Source: JLL – Asia Pacific Property Digest, Q1 2018

2 Source: CBRE – MarketView Australia Hotels, Q1 2018

# Singapore

- ◆ Singapore Tourism Board (STB) reported a yoy growth of 6.9% in visitor arrivals for the first five months of 2018. China and Indonesia were the top source markets for tourism, accounting for 35.3% of total visitor arrivals.
- ◆ In the near term, hotel demand is expected to remain strong due to continued arrivals growth while limited hotel supply should reduce supply-side pressure. Hotel trading performance is anticipated to pick up in 2H2018<sup>1</sup>.
- ◆ Increased marketing efforts by STB, coupled with the positive outlook in Asia-Pacific tourism, should continue to drive visitor arrivals growth<sup>1</sup>.



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

1 Source: JLL – Asia Pacific Property Digest Q1 2018

# UK

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- ◆ In the UK, weaker economic growth is expected to persist in 2018 as considerable uncertainty still relates to Brexit<sup>1</sup>.
- ◆ While stronger global growth could help cushion inbound business and leisure travel to the UK, the weaker economic growth of the country is likely to depress ADR growth. The weak British pound that has made the UK more affordable for inbound tourists may also 'fizzle out'<sup>1</sup>.



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

- ◆ For Jan to Jun 2018, Japan National Tourism Organization recorded 15.6% growth in foreign visitors.
- ◆ While growth of inbound tourism continues, 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 competition<sup>1</sup>.



Pictures from IHG ANA Crowne Plaza Kobe

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

# Malaysia

- ◆ Despite tourist arrivals declining 3.0% yoy to 25.9 million, tourist receipts still inched up 0.1% to RM82.2 billion last year. Tourism Malaysia targets to achieve 33.1 million tourist arrivals and RM134 billion in tourism receipts for 2018.
- ◆ It reported a yoy decline of 3.4% in tourist arrivals for Jan to Apr 2018.
- ◆ In Kuala Lumpur, hotel room rates are expected to remain stagnant in the near future, in view of the new room supply that has entered the market since last year. This would deter the existing hotels from raising their rates in order to stay competitive<sup>1</sup>.



Pictures from Tourism Malaysia and The Westin Kuala Lumpur

1 Source: The Edge Financial Daily – 25 May 2018



# Germany

- ◆ For Jan to May 2018, the Federal Statistical Office of Germany recorded a yoy increase of 5.0% in the number of domestic and foreign overnight stays<sup>1</sup>.
- ◆ In Dresden, the total number of domestic and foreign visitors rose 8.9% yoy for Jan to May 2018<sup>2</sup>.
- ◆ Dresden, the capital city of the Free State of Saxony, continues to grow its pipeline of MICE events for 2018 and 2019 including Bauen Kaufen Wohnen, Florian, Borsentag Tag Dresden, HAUS, Sachsenback and Green and Sustainable Chemistry Conference.



Pictures from Semperoper Dresden and Maritim Hotel Dresden

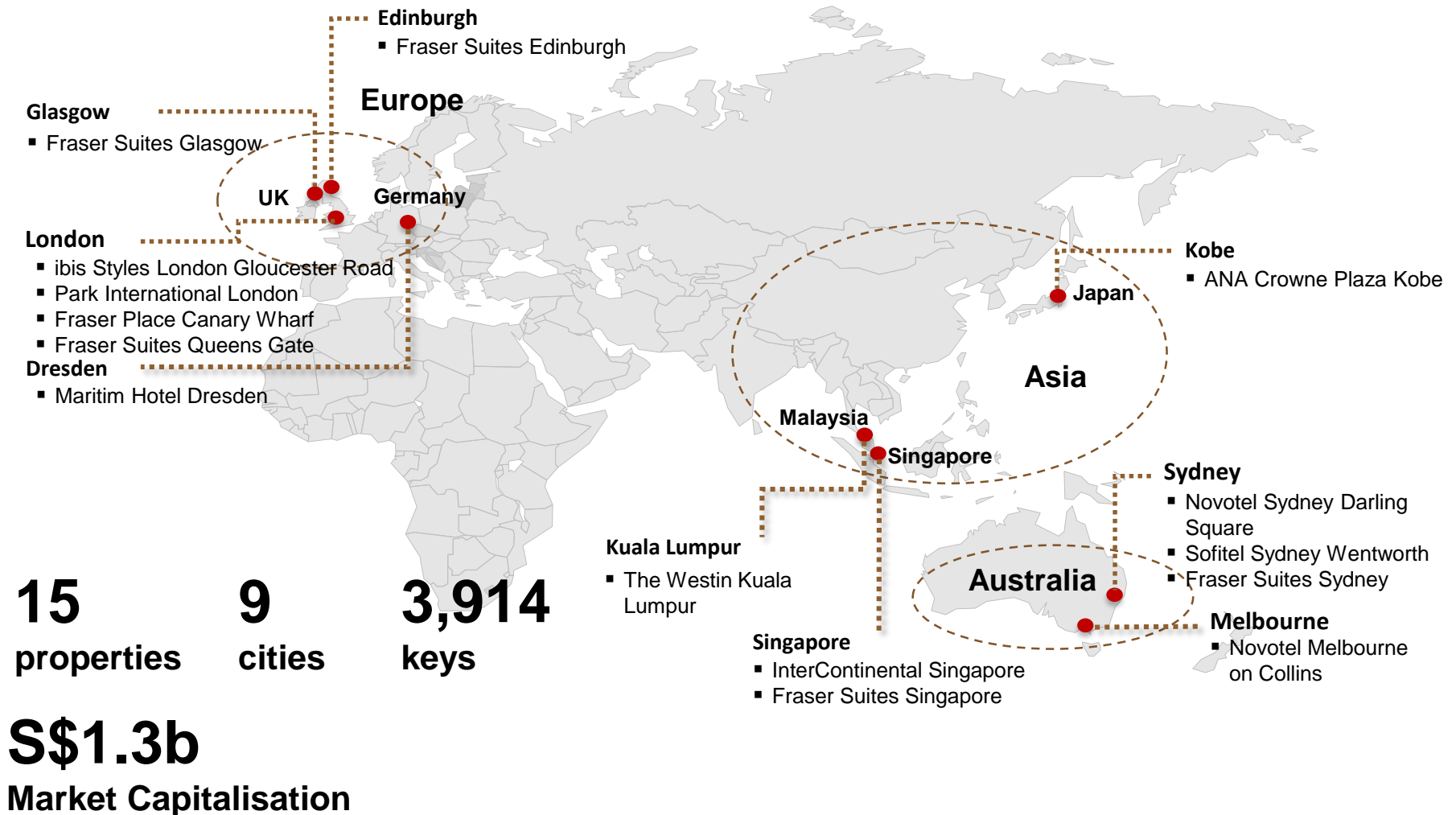
1 Source: [www.destatis.de](http://www.destatis.de)

2 Source: [www.dresden.de](http://www.dresden.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 <sup>1</sup>	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 <sup>2</sup>	Luxury	436
	InterContinental Singapore	Singapore	Only 5-star luxury hotel in Singapore to preserve Peranakan heritage in a shop house style setting	75 years <sup>1</sup>	Luxury	406
	ibis Styles London Gloucester Road	United Kingdom	Distinctive white Victorian façade located in the heart of London	75 years <sup>1</sup>	Mid-scale	85

<sup>1</sup> Commencing from 14 July 2014 (listing date)

<sup>2</sup> 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 <sup>1</sup>	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

<sup>1</sup> 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 <sup>1</sup>	Upper Upscale	201
	Fraser Suites Singapore	Singapore	Luxurious serviced residences in the prime residential district of River Valley	75 years <sup>1</sup>	Upper Upscale	255
	Fraser Suites Edinburgh	UK	Rustic 1750s sandstone building located in the heart of Edinburgh's Old Town	75 years <sup>1</sup>	Upper Upscale	75
	Fraser Suites Glasgow	UK	Stunningly restored 1850s building which was formerly the city bank of Glasgow	75 years <sup>1</sup>	Upper Upscale	98
	Fraser Suites Queens Gate	UK	Beautiful Victorian apartment hotel in Kensington	75 years <sup>1</sup>	Upper Upscale	105
	Fraser Place Canary Wharf	UK	Stunning apartments located by the River Thames, showcasing chic contemporary design	75 years <sup>1</sup>	Upper Upscale	108

<sup>1</sup> Commencing from 14 July 2014 (listing date)