COMPANY RESULTS

CDL Hospitality Trusts (CDREIT SP)

2H23: Trajectory For Gradual Recovery Remains Intact

While CDREIT's room rates remain elevated in Singapore, demand moderated and occupancy eased 6.2ppt yoy to 79.3% in 4Q23. Recovery in 2024 remains intact with a pick-up in MICE events, a strong line-up of concerts, and Singapore's 30-day visa-exemption arrangement with China. GCWH had completed full renovation of its 549 rooms in Jun 23. Residential build-to-rent project The Castings in the UK will start contributing in 2H24. Maintain BUY for a 2024 distribution yield of 6.3%. Target price: S$1.48.

2H23 RESULTS

Year to 31 Dec (S$m)	2H23	yoy % chg	Remarks
Total Revenue	138.3	+5.8	Driven by growth in UK, Japan and Germany.
Net Property Income (NPI)	75.5	+3.7	
Distributable Income	39.8	-10.7	Finance costs increased 40% yoy.
DPU (S cents)	3.19	-11.1	

Source: CDREIT, UOB Kay Hian

RESULTS

- CDL Hospitality Trusts (CDREIT) reported 2H23 DPU of 3.19 S cents (-11.1% yoy), which is below our expectations of 3.61 S cents.
- **Singapore: Occupancy moderation in 4Q23.** CDREIT's Singapore hotels saw a moderation in demand in 4Q23, which pared down RevPAR growth to just 3.5% yoy in 2H23. Pent-up demand has started to normalise, while a resurgence of COVID-19 cases during November and December negatively affected leisure demand. Occupancy declined 6.2ppt yoy to 79.3% in 4Q23. Average daily rate (ADR) maintained growth at 8.1% to S$261 in 2H23. On a same-store basis (excluding W Hotel), RevPAR was still 12% above pre-pandemic levels in 4Q23. CDREIT benefitted from an industry-wide increase in average length of stay by 0.4 days to 3.8 days in 9M23, which is 12% above pre-pandemic levels. NPI from Singapore dropped 4.7% yoy in 2H23.
- **UK: Maintains steady growth.** Hilton Cambridge City Centre and The Lowry Hotel both achieved RevPAR growth of 4.1% yoy in 2H23 and recorded RevPAR of £185 and £135 respectively in 2023. Fixed rent for Hotel Brooklyn increased 5.0% to £2.5m starting May 23 after the annual inflation-linked adjustment. NPI from the UK increased 15.4% yoy in 2H23. VisitBritain forecasts inbound visits to increase 5% to 39.5m in 2024.
- **Japan: Return of international leisure travellers.** Japan achieved triple-digit NPI growth of 115% yoy in 2H23, driven by the country's full reopening to foreign visitors since Oct 22. RevPAR increased 75% yoy to ¥9,369 in 2H23 and was 12.6% above pre-pandemic levels despite the slower return of Chinese tourists. Visitor arrivals have exceeded pre-pandemic levels by 8.2% in Dec 23. The outlook for 1H24 is positive due to the cherry blossom season in March-April. The strong recovery is anticipated to persist in 2024.

KEY FINANCIALS

Year to 31 Dec (S$m)	2022	2023	2024F	2025F	2026F
Net turnover	229	258	286	295	298
EBITDA	105	118	137	142	144
Operating profit	84	96	117	121	124
Net profit (rep./act.)	220	126	64	66	67
Net profit (adj.)	76	18	64	66	67
EPU (S$ cent)	6.2	1.4	5.1	5.2	5.2
DPU (S$ cent)	5.6	5.7	6.4	6.5	6.5
PE (x)	16.7	72.5	20.0	19.7	19.6
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU Yld (%)	5.5	5.5	6.3	6.3	6.4
Net margin (%)	95.8	48.8	22.5	22.4	22.3
Net debt/(cash) to equity (%)	55.1	57.5	60.8	63.7	66.7
Interest cover (x)	n.a.	2.0	3.0	3.0	2.9
ROE (%)	12.8	6.9	3.5	3.6	3.6
Consensus DPU (S$ cent)	n.a.	n.a.	6.6	7.2	6.9
UOBKH/Consensus (x)	-	-	0.98	0.91	0.95

Source: CDL Hospitality Trusts, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S$1.03
Target Price	S$1.48
Upside	+43.7%
(Previous TP	*S$1.57)*

COMPANY DESCRIPTION

CDREIT is a stapled group compromising CDL Hospitality REIT and CDL Hospitality Business Trust. It owns 19 operational properties with 4,820 rooms across eight countries with portfolio valuation of S$3.0b as of Dec 23. It is the first hospitality REIT listed on the Main Board of the SGX on 19 Jul 06.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CDREIT SP
Shares issued (m):	1,245.8
Market cap (S$m):	1,283.2
Market cap (US$m):	958.1
3-mth avg daily t'over (US$m):	1.7

Price Performance (%)

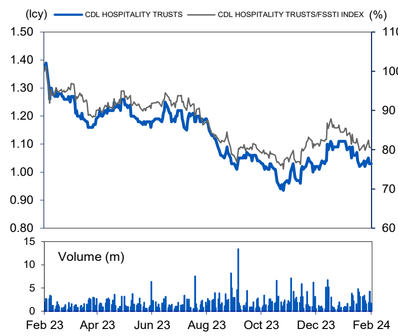
52-week high/low S$1.39/S$0.935

1mth	3mth	6mth	1yr	YTD
(7.2)	6.2	(13.4)	(23.7)	(7.2)

Major Shareholders	%
Kwek Hldgs	33.5

FY24 NAV/Share (S$)	1.48
FY24 Net Debt/Share (S$)	0.90

PRICE CHART



Source: Bloomberg

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- **Recovery enhances valuation.** Portfolio valuation increased 7.8% or S$231.4m, driven mainly by Singapore properties. The improvement in cash flow generated by tourism recovery more than offset the negative impact from cap rate expansion.
- **Guiding for stable cost of debts.** Aggregate leverage improved 1.7ppt qoq to 36.7% as of Dec 23. Average cost of debt was stable at 4.2%. Management expects average cost of debt to be stable in 2024 despite refinancing S$348m or 30% of its total borrowings. About 52% of its borrowings are on fixed interest rates.

STOCK IMPACT

- **More good years.** The outlook is positive due to an active event calendar with Singapore Airshow in February, followed by FHA-Food & Beverage, Asia Tech x and Rotary International Convention in 2Q24. Management expects the 30-day visa exemption arrangement to have a positive impact on visitor arrivals from China starting Apr 24. Tourists will also be attracted by the strong line-up of concerts, such as Coldplay in January, Taylor Swift in March and Bruno Mars in April.
- **Repositioning GCWH as a leading conference hotel.** Grand Copthorne Waterfront Hotel (GCWH) has just completed extensive refurbishment and will contribute more meaningfully in 2024. The full renovation of its 549 rooms was completed in Jun 23. The bedroom refurbishment removed 34,000 room nights (34% of total room nights) from its inventory in 1H23. Conference facilities that were closed since Apr 23 were reopened in Jul 23. Room rates have increased by double digits, while the pace of bookings for corporate events has picked up. GCWH also benefits from the opening of Havelock MRT station in Nov 22.
- **Expansion in rental housing.** The Castings, CDREIT's 352-unit residential build-to-rent project under development in the UK, is expected to open in a strong leasing market. It has completed structural works. Works on the apartments, building façade and amenities are ongoing. It is on track for practical completion by mid-24. There is strong demand but a supply shortage for rental housing in Manchester. Rents have grown at CAGR of 11% over the past three years.

EARNINGS REVISION/RISK

- We cut our 2024 DPU forecast by 7% to factor in the more gradual pace of recovery from Singapore and New Zealand.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S$1.48 is based on DDM (cost of equity: 7.0%, terminal growth: 2.8%).

SHARE PRICE CATALYST

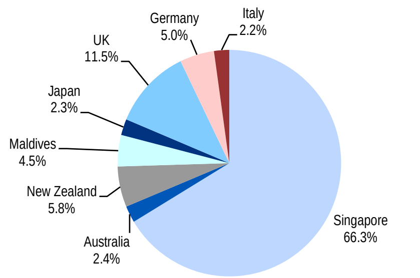
- Recovery of MICE events in Singapore.
- Return of corporate and leisure travellers to Australia, Germany, Italy, Japan, Maldives, New Zealand and the UK.
- Contributions from yield-accretive acquisitions, including hotels and rental housing.

KEY OPERATING METRICS

	4Q22	1Q23	2Q23	3Q23	4Q23	yoy % Chg	qoq % Chg*
DPU (S cents)	3.59	n.a.	2.51	n.a.	3.19	-11.1%	27.1%
Aggregate Leverage	36.6%	37.5%	37.9%	38.4%	36.7%	0.1ppt	-1.7ppt
Weighted All-in-Financing Cost	3.5%	3.8%	4.1%	4.2%	4.2%	0.7ppt	0ppt
% Borrowings in Fixed Rate	55.9%	55.5%	47.9%	50.2%	52.3%	-6.4ppt	4.2ppt
Weighted Debt Maturity (years)	2.0	1.9	2.1	2.2	2.2	0.2yrs	0yrs
Singapore Hotels							
Average Occupancy Rate (%)	86.8%	67.9%	69.2%	86.9%	83.1%	-3.7ppt	-3.8ppt
Average Room Rate (%)	241	259	258	274	261	8.3ppt	-4.7ppt
RevPAR	209	176	179	238	217	3.8ppt	-8.8ppt

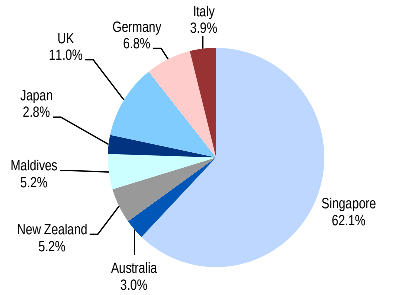
Source: CDREIT, UOB Kay Hian * hoh % chg for DPU

PORTFOLIO VALUATION BY COUNTRY (DEC 23)



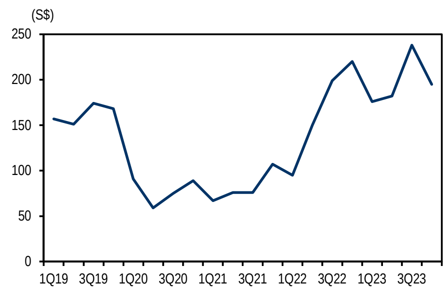
Source: CDREIT

NPI BY COUNTRY (2H23)



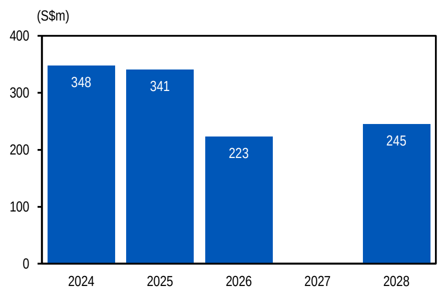
Source: CDREIT

SINGAPORE HOTELS – REVPAR



Source: CDREIT

DEBT MATURITY PROFILE



Source: CDREIT

PROFIT & LOSS

Year to 31 Dec (S$m)	2023	2024F	2025F	2026F
Net turnover	257.6	286.3	294.6	298.4
EBITDA	118.2	137.2	141.7	144.0
Deprec. & amort.	21.9	20.4	20.4	20.4
EBIT	96.3	116.8	121.3	123.6
Net interest income/(expense)	(60.1)	(45.2)	(48.0)	(49.6)
Pre-tax profit	144.2	71.7	73.3	74.0
Tax	(17.8)	(7.2)	(7.3)	(7.4)
Minorities	(0.8)	0.0	0.0	0.0
Net profit	125.6	64.5	66.0	66.6
Net profit (adj.)	17.7	64.5	66.0	66.6

BALANCE SHEET

Year to 31 Dec (S$m)	2023	2024F	2025F	2026F
Fixed assets	3,047.5	3,205.6	3,225.6	3,245.6
Other LT assets	137.9	6.5	6.5	6.5
Cash/ST investment	72.0	97.3	97.0	96.6
Other current assets	45.2	51.6	52.0	52.5
Total assets	3,302.6	3,361.0	3,381.1	3,401.2
ST debt	347.2	347.2	347.2	347.2
Other current liabilities	71.1	75.1	75.9	76.8
LT debt	805.1	880.0	920.0	960.0
Other LT liabilities	193.0	193.0	193.0	193.0
Shareholders' equity	1,878.4	1,857.9	1,837.2	1,816.4
Minority interest	7.8	7.8	7.8	7.8
Total liabilities & equity	3,302.6	3,361.0	3,381.1	3,401.2

CASH FLOW

Year to 31 Dec (S$m)	2023	2024F	2025F	2026F
Operating	123.8	96.4	110.2	112.4
Pre-tax profit	141.8	67.5	69.1	69.8
Tax	(17.8)	(7.2)	(7.3)	(7.4)
Deprec. & amort.	21.9	20.4	20.4	20.4
Working capital changes	1.2	(2.4)	0.4	0.4
Non-cash items	11.8	12.6	13.0	13.2
Other operating cashflows	(35.1)	5.5	14.5	16.1
Investing	(87.3)	(20.0)	(20.0)	(20.0)
Capex (growth)	(74.9)	0.0	0.0	0.0
Capex (maintenance)	(13.9)	(20.0)	(20.0)	(20.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	1.5	0.0	0.0	0.0
Financing	(61.5)	(51.1)	(90.5)	(92.8)
Distribution to unitholders	(61.9)	(80.8)	(82.5)	(83.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	417.6	74.9	40.0	40.0
Loan repayment	(352.3)	0.0	0.0	0.0
Others/interest paid	(64.9)	(45.2)	(48.0)	(49.6)
Net cash inflow (outflow)	(25.1)	25.3	(0.3)	(0.4)
Beginning cash & cash equivalent	96.9	72.0	97.3	97.0
Changes due to forex impact	0.1	0.0	0.0	0.0
Ending cash & cash equivalent	72.0	97.3	97.0	96.6

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	45.9	47.9	48.1	48.3
Pre-tax margin	56.0	25.0	24.9	24.8
Net margin	48.8	22.5	22.4	22.3
ROA	3.9	1.9	2.0	2.0
ROE	6.9	3.5	3.6	3.6
Growth				
Turnover	12.3	11.1	2.9	1.3
EBITDA	12.5	16.1	3.2	1.6
Pre-tax profit	(36.7)	(50.3)	2.3	0.9
Net profit	(42.8)	(48.7)	2.3	0.9
Net profit (adj.)	(76.8)	264.5	2.3	0.9
EPU	(76.9)	262.2	1.7	0.2
Leverage				
Debt to total capital	37.9	39.7	40.7	41.7
Debt to equity	61.3	66.1	69.0	72.0
Net debt/(cash) to equity	57.5	60.8	63.7	66.7
Interest cover (x)	2.0	3.0	3.0	2.9

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