COMPANY RESULTS

CDL Hospitality Trusts (CDREIT SP)

1Q24: Positive Growth With Upward Momentum

CDREIT's volume strategy generated growth in RevPAR of 16.6% yoy to S$205 for Singapore hotels in 1Q24, driven by a higher occupancy of 82.1%. Chinese tourists contributed and accounted for 18% of visitor arrivals to Singapore. 2Q24 is likely to be seasonally softer but the positive momentum is expected to pick up again in July. Residential build-to-rent project The Castings in the UK will start contributing in 2H24. Maintain BUY for 2024 with a distribution yield of 6.6%. Target price: S$1.48.

1Q24 RESULTS

Year to 31 Dec (S$m)	1Q24	yoy % chg	Remarks
Total Revenue	65.3	+7.3	Driven by growth in Singapore, Japan and Maldives.
Net Property Income (NPI)	34.9	+6.8	Margin erosion for Australia and the UK.

Source: CDREIT, UOB Kay Hian

RESULTS

- **CDL Hospitality Trusts (CDREIT) announced its 1Q24 business update.** Total revenue and NPI increased 7.3% and 6.8% yoy respectively in 1Q24, which is in line with our expectation. It registered RevPAR growth across all geographical regions, driven mainly by higher occupancies.
- **Singapore: Benefitting from large-scale concerts and events.** CDREIT adopted a volume strategy to secure more corporate and leisure groups in 1Q24, which generated higher occupancy of 14.2ppt yoy to 82.1%. Demand was boosted by an active concert calendar and the 30-day mutual visa exemption agreement between China and Singapore that commenced on 9 Feb 24. Visitor arrivals to Singapore increased 49.6% yoy to 4.4m in 1Q24, of which 18% were from China. RevPAR increased 16.6% yoy to S$205. NPI from Singapore grew 12.8% yoy to S$20.5m in 1Q24.
- **Japan: Popular destination for holidaymakers.** Japan benefitted from robust inbound leisure demand. RevPAR expanded 32.6% yoy to a record ¥10,014 since the acquisition of the two hotels in Tokyo in 2014. NPI from Japan grew 46.2% yoy to S$1.1m in 1Q24 despite weakness of the Japanese yen against the Singapore dollar. The positive trend is likely to be sustained. Continued recovery in 2Q24 is supported by the cherry blossom season and Golden Week holidays. Recovery will be strengthened as airlines restore and increase their flight capacities.
- **Maldives: Holding its weight despite operational challenges.** Visitor arrivals to Maldives, including the Chinese and Europeans, increased 15.3% yoy in 1Q24. RevPAR jumped 11.8% yoy to US$517. NPI from Maldives grew 1.8% yoy to S$4.2m in 1Q24 despite Raffles Maldives Meradhoo incurring higher operating costs due to payroll and seaplane operations. The Maldives government targets 2m tourists in 2024, which is supported by the opening of new terminal at Velana International Airport by end-24.

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)	15.8	68.6	18.9	18.6	18.6
P/B (x)	0.7	0.6	0.7	0.7	0.7
DPU Yld (%)	5.8	5.8	6.6	6.7	6.7
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.	6.1	6.7	6.9
UOBKH/Consensus (x)	-	-	1.06	0.97	0.95

Source: CDL Hospitality Trusts, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S$0.975
Target Price	S$1.48
Upside	+51.8%

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 and one build-to-rent project with 352 apartment units across eight countries with portfolio valuation of S$3.3b. 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):	1,247.3
Market cap (S$m):	1,216.1
Market cap (US$m):	893.6
3-mth avg daily t'over (US$m):	1.4

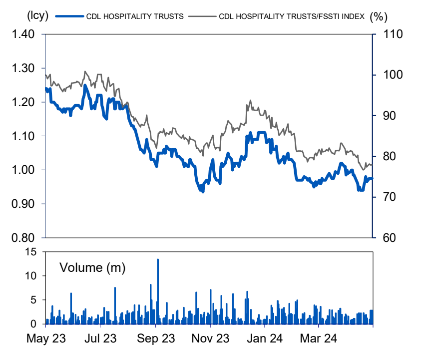
Price Performance (%)

52-week high/low S$1.25/S$0.935

1mth	3mth	6mth	1yr	YTD
(4.4)	(5.3)	0.5	(22.6)	(12.2)

Major Shareholders	%
Kwek Hldgs	33.9
-	-
-	-
FY24 NAV/Share (S$)	1.48
FY24 Net Debt/Share (S$)	0.90

PRICE CHART



Source: Bloomberg

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- **Stable cost of debt in FY24.** Aggregate leverage was stable at 37.8% as of Mar 24. Management expects interest rates to have peaked or already near their peak. 51% of its borrowings are hedged to fixed rates. Average cost of debt edged marginally higher by 0.1ppt qoq to 4.3% in 1Q24. Management expects cost of debt to be largely unchanged in FY24 as the bulk of its loans to be refinanced matures in Dec 24.

STOCK IMPACT

- **Positive outlook for Singapore hotels.** The outlook is positive due to an active event calendar with FHA-Food & Beverage, Asia Tech x and Rotary International Convention in 2Q24. Chinese tourists have regained their stature as the top source market in 1Q24, boosted by the 30-day mutual visa exemption. 2Q24 is likely to be seasonally softer but the positive momentum is expected to pick up again in July.

- **Repositioning GCW as a leading conference hotel.** Grand Copthorne Waterfront (GCW) completed extensive refurbishment for its 549 rooms in Jun 23. Its conference facilities reopened in Jul 23. The hotel also benefits from improved connectivity with the opening of Havelock MRT station in Nov 22. Room rates have increased by double digits, while the pace of bookings for corporate events have picked up. GCW is expected contribute meaningfully to growth in 2H24.

- **Enhancing hotels in Perth and Auckland.** CDREIT plans to commence refurbishment of bedrooms for Grand Millennium Auckland and Ibis Perth in 2Q24. Works on the public area works, including meeting rooms, will be carried out for Grand Millennium Auckland. CDREIT is expected to incur capex of S$23m to refurbish Grand Millennium Auckland (NZ$20m) and Ibis Perth (A$8m).

- **Diversifying into rental housing in the UK.** The Castings, CDREIT's 352-unit residential build-to-rent project in the UK, is scheduled to open in mid-24 after practical completion. Three showflat apartments were opened in March to facilitate viewing and pre-leasing activities. There is strong demand due to a supply shortage for rental housing in Manchester. Rents have grown at a CAGR of 11.2% over the past three years. It takes about 12 months for occupancy to stabilise. The NPI yield of The Castings could be higher than 5.1% due to a higher stabilised rental rate.

EARNINGS REVISION/RISK

- We maintained our existing DPU forecast.

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.

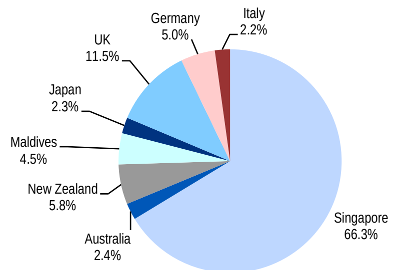
- Contributions from yield-accretive acquisitions, including hotels and rental housing.

KEY OPERATING METRICS

	1Q23	2Q23	3Q23	4Q23	1Q24	yoy % chg	qoq % chg*
DPU (S cents)	n.a.	2.51	n.a.	3.19	n.a.	n.a.	n.a.
Aggregate Leverage	37.5%	37.9%	38.4%	36.7%	37.8%	0.3ppt	1.1ppt
Weighted All-in-Financing Cost	3.8%	4.1%	4.2%	4.2%	4.3%	0.5ppt	0.1ppt
% Borrowings in Fixed Rate	55.5%	47.9%	50.2%	52.3%	51.0%	-8.1ppt	-2.5ppt
Weighted Debt Maturity (years)	1.9	2.1	2.2	2.2	2.0	0.1yrs	-0.2yrs
Singapore Hotels							
Average Occupancy Rate (%)	67.9%	69.2%	86.9%	83.1%	82.1%	14.2ppt	-1ppt
Average Room Rate (%)	259	258	274	261	250	-3.5%	-4.2%
RevPAR	176	179	238	217	205	16.5%	-5.5%

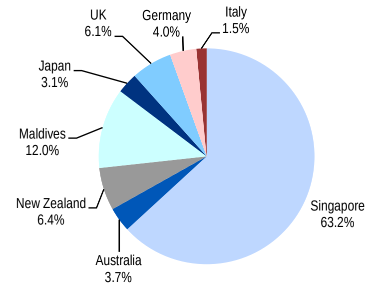
Source: CDREIT, UOB Kay Hian   ** hoh % chg for DPU*

PORTFOLIO VALUATION BY COUNTRY (DEC 23)



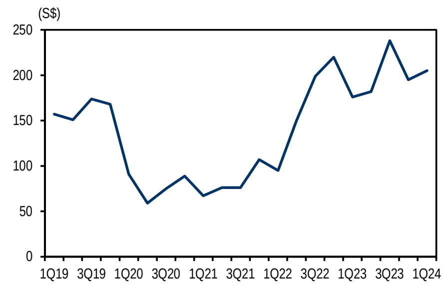
Source: CDREIT

NPI BY COUNTRY (1Q24)



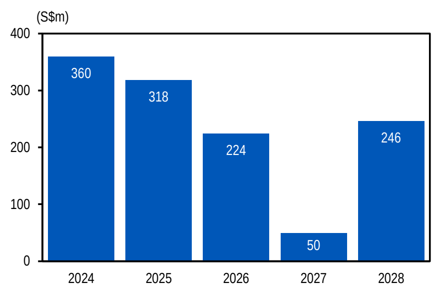
Source: CDREIT

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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