

COMPANY RESULTS

CapitaLand Ascott Trust (CLAS SP)

2H24: Portfolio Reconstitution Starting To Bear Fruit

REVPAU grew 9% yoy to S\$176 in 4Q24, exceeding pre-pandemic levels by 13%, driven by Japan (+37% yoy), Singapore (+15% yoy), Australia (+11% yoy) and the UK (+10% yoy). Average occupancy improved 4ppt yoy to 81%. CLAS clocked cumulative divestment gains of S\$74m in 2024. Management sees a positive outlook for Australia, France, Japan and the US in 1Q25. CLAS provides a 2025 distribution yield of 6.9%. Maintain BUY. Target price: S\$1.38.

2H24 RESULTS

Year to 31 Dec (\$m)	2H24	yoy % chg	Remarks
Revenue	423.2	+6	Higher RevPAU from Japan, Singapore, Australia and the UK.
Gross Profit	198.0	+8	
Distributable Income	134.8	-4	Finance costs increased 15% yoy.
DPU (S cents)	3.55	-7	DPU is 3% higher if adjusted for non-periodic items.

Source: CLAS, UOB Kay Hian

RESULTS

- CapitaLand Ascott Trust (CLAS) reported DPU of 3.55 S cents (-7% yoy) for 2H24, which is slightly above our expectations. Excluding realised exchange gains from cross currency interest rate swaps and repayment of foreign currency borrowings, adjusted DPU increased 3% yoy to 3.08 S cents.
- Sustained growth with higher occupancies and room rates.** Revenue and gross profit increased 6% and 8% yoy respectively in 2H24, driven by a stronger operating performance and completions of asset enhancement initiatives (AEI). On a same-store basis, both gross profit and revenue increased 4% yoy. REVPAU grew 9% yoy to S\$176 in 4Q24, exceeding pre-pandemic levels by 13%. Average occupancy improved 4ppt yoy to 81%. Among its six key markets, Japan registered the strongest REVPAU growth of 37% yoy, followed by Singapore (+15% yoy), Australia (+11% yoy) and the UK (+10% yoy).
- Japan: Boosted by year-end holiday season.** RevPAU for serviced residences under management contracts increased 19% yoy on a same-store basis in 4Q24, which exceeded pre-pandemic levels by 79%. The weak yen triggered strong demand from international leisure travellers during the year-end holiday season. Occupancy for rental housing was above 95%. Gross profit from master leases for hotels increased 14% yoy in 2H24 due to a strong operating performance, which contributed variable rents. The outlook is positive for 1Q25 due to continued strong international demand.
- Singapore: Uplift from The Robertson House.** RevPAU for properties under management contracts increased 18% yoy on a same-store basis in 4Q24. Gross profit increased 13% yoy due to an increased contribution from The Robertson House after completing renovations in 1Q24. Demand is expected to be softer in 1Q25 without Taylor Swift concerts and the biennial Singapore Airshow. CLAS completed the acquisition of Iyf Funan on 31 Dec 24, which would start contributing in 1Q25.

KEY FINANCIALS

Year to 31 Dec (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	745	810	743	768	784
EBITDA	302	331	347	359	367
Operating profit	263	293	307	318	327
Net profit (rep./act.)	218	227	159	168	172
Net profit (adj.)	99	140	159	168	172
EPU (S\$ cent)	2.8	3.7	4.2	4.4	4.4
DPU (S\$ cent)	6.6	6.1	6.1	6.4	6.5
PE (x)	31.7	23.8	21.2	20.2	19.8
P/B (x)	0.8	0.8	0.8	0.8	0.8
DPU Yld (%)	7.5	6.9	6.9	7.3	7.4
Net margin (%)	29.2	28.0	21.3	21.8	21.9
Net debt/(cash) to equity (%)	55.0	53.0	57.3	60.4	63.8
Interest cover (x)	3.7	3.3	3.4	3.5	3.4
ROE (%)	4.8	4.8	3.3	3.6	3.7
Consensus DPU (S\$ cent)	-	-	6.2	6.5	7.0
UOBKH/Consensus (x)	-	-	0.98	0.98	0.93

Source: Ascott Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.88
Target Price	S\$1.38
Upside	56.8%

COMPANY DESCRIPTION

CLAS invests in income-producing real estate predominantly used as serviced residences, rental housing, student accommodation and other hospitality assets on a global basis.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CLAS SP
Shares issued (m):	3,796.2
Market cap (S\$m):	3,340.6
Market cap (US\$m):	2,481.7
3-mth avg daily t'over (US\$m):	5.5

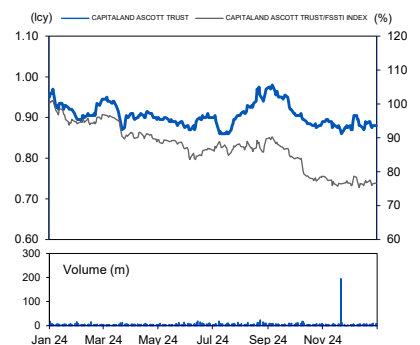
Price Performance (%)

52-week high/low	S\$0.985/S\$0.85			
1mth	3mth	6mth	1yr	YTD
0.6	(4.3)	(2.2)	(5.4)	1.1

Major Shareholders

Temasek Hldgs	33.6%
FY25 NAV/Share (S\$)	1.12
FY25 Net Debt/Share (S\$)	0.70

PRICE CHART



Source: Bloomberg

ANALYST(S)

Jonathan Koh, CFA, MSc Econ
 +65 6590 6620
 jonathankoh@uobkayhian.com

- Australia: Growth from large-scale events.** RevPAU for two serviced residences and four hotels under management contract grew 10% yoy to A\$182 on a same-store basis in 4Q24, which exceeded pre-pandemic levels by 21%. CLAS benefitted from strong demand from domestic travellers driven by concerts and sports events. Revenue from master leases for five serviced residences increased 2% yoy in 2H24. The outlook is positive for 1Q25 due to the Australian Open in Jan 25 and F1 Grand Prix in Mar 25. Sydney Central Hotel will undergo AEI in 2025-26.
- UK: AEI for CHCG was completed in 3Q24.** RevPAU increased 10% yoy to £183 on a same-store basis in 4Q24, which exceeded pre-pandemic levels by 19%, due to the completion of refurbishment at Citadines Holborn-Covent Garden (CHCG). Demand was driven by the year-end holiday season and short-stay corporate travellers. The newly-acquired The Cavendish London will undergo renovation and rebranding in 2025-26.
- Higher capital values through portfolio reconstitution and AEIs.** CLAS registered a revaluation gain of S\$72m due to a stronger operating performance and compression of cap rates. It saw higher valuations for Europe (including the UK), Japan and Singapore. Valuations for renovated properties have also increased.
- Resilient balance sheet.** Aggregate leverage was healthy at 38.3% as of Dec 24. Interest coverage ratio was healthy at 3.1x. Average cost of debt was stable at 3.0% in 4Q24. Cost of debt is expected to be stable in 2025 as 77% of CLAS' debt is on fixed interest rates.

STOCK IMPACT

- Valuation creation through portfolio reconstitution.** Management sees a positive outlook for Australia, France, Japan and the US in 1Q25. CLAS will invest S\$130m in AEIs for The Cavendish London and Sydney Central Hotel in 2025-26. As CLAS executes its portfolio reconstitution strategy, there may be some unevenness in operating income caused by divestments and AEIs. However, CLAS could distribute non-periodic divestment gains to ensure it delivers stable distributions.
- Excellent track record in capital recycling.** CLAS completed the divestment of the 124-unit Citadines Karasuma-Gojo serviced residence in Kyoto for ¥6.2b (S\$53.1m) and the 389-unit Infiniti Garden rental housing in Fukuoka for ¥12.7b (S\$108.0m) in Oct 24. The properties were transacted at 40% and 55% above book value respectively. In total, CLAS divested S\$505m of assets and clocked cumulative divestment gains of S\$74m in 2024. The divestment of Somerset Olympic Tower, its serviced residence in Tianjin, China, is expected to complete in 2Q25. The series of divestments demonstrated CLAS' uncanny ability to create value through capital recycling.

EARNINGS REVISION/RISK

- We raised our DPU forecasts by 3% for 2025 and 4% for 2026 due to growth in Australia, France, Japan and the US. We have assumed distribution of divestment gains of S\$10m for both 2025 and 2026.

VALUATION/RECOMMENDATION

- Maintain BUY.** We raised our assumption for risk-free rate from 2.75% to 3.00% due to the elevated Singapore government yield. Our target price of S\$1.38 is based on DDM (cost of equity: 7.25% (previous: 7.0%), terminal growth: 2.8%).

SHARE PRICE CATALYST

- Continued recovery in leisure travel and corporate demand as airlines increase flight capacities.
- Yield-accretive acquisitions for student accommodation and rental housing.

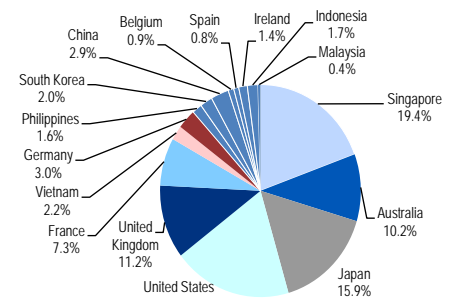
KEY OPERATING METRICS

	4Q23	1Q24	2Q24	3Q24	4Q24	yoy % Chg	qoq % Chg*
DPU (S cents)	3.80	n.a.	2.55	n.a.	3.55	-6.5%	39.4%
Aggregate Leverage	37.9%	37.7%	37.2%	38.3%	38.3%	0.4ppt	0ppt
Weighted All-in-Financing Cost	2.4%	3.0%	3.0%	3.0%	3.00%	0.6ppt	0ppt
% Borrowings in Fixed Rate	81%	82%	82%	79.0%	77.0%	-4ppt	-2ppt
Weighted Debt Maturity (years)	3.7	3.9	3.6	3.40	3.70	0yrs	0.3yrs

* hoh % chg for DPU

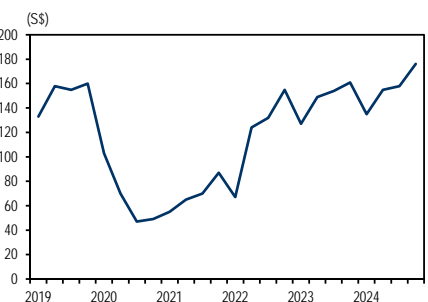
Source: CLAS, UOB Kay Hian

PORTFOLIO VALUATION BY COUNTRY



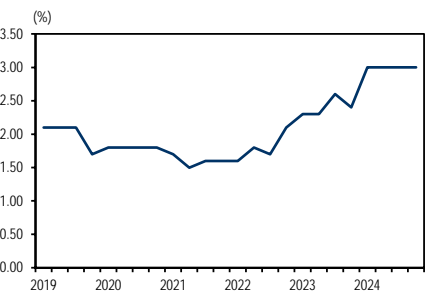
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PORTFOLIO REVPAU



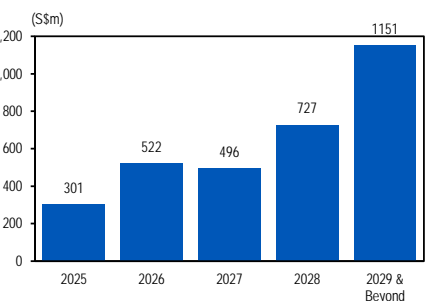
Source: CLAS

AVERAGE COST OF DEBTS



Source: CLAS

DEBT MATURITY PROFILE



Source: CLAS

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	809.5	742.8	768.1	784.2
EBITDA	331.1	346.7	358.6	367.1
Deprec. & amort.	38.2	39.6	40.1	40.5
EBIT	292.8	307.1	318.4	326.6
Total other non-operating income	95.5	1.2	1.2	1.2
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(99.2)	(103.2)	(103.4)	(106.5)
Pre-tax profit	289.2	205.1	216.2	221.3
Tax	(44.9)	(36.9)	(38.9)	(39.8)
Minorities	(3.1)	(2.0)	(2.0)	(2.0)
Perpetual Securities	(14.4)	(7.7)	(7.7)	(7.7)
Net profit	226.8	158.5	167.6	171.8
Net profit (adj.)	140.0	158.5	167.6	171.8

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	317.2	270.4	271.1	274.4
Pre-tax profit	289.2	205.1	216.2	221.3
Tax	(23.1)	(41.0)	(43.2)	(44.3)
Deprec. & amort.	38.2	39.6	40.1	40.5
Associates	(0.0)	0.0	0.0	0.0
Working capital changes	(54.1)	(29.2)	5.3	3.4
Non-cash items	(91.3)	28.3	28.8	29.2
Other operating cashflows	158.2	67.7	23.8	24.3
Investing	176.4	(95.0)	(20.0)	(20.0)
Capex (growth)	(285.7)	0.0	0.0	0.0
Capex (maintenance)	(26.0)	(95.0)	(20.0)	(20.0)
Proceeds from sale of assets	154.6	0.0	0.0	0.0
Others	333.5	0.0	0.0	0.0
Financing	(260.3)	(360.9)	(251.9)	(260.9)
Distribution to unitholders	(198.2)	(231.6)	(245.8)	(251.7)
Issue of shares	303.1	0.0	0.0	0.0
Proceeds from borrowings	755.4	(23.4)	100.0	100.0
Loan repayment	(674.5)	0.0	0.0	0.0
Others/interest paid	(446.0)	(105.9)	(106.1)	(109.2)
Net cash inflow (outflow)	233.3	(185.5)	(0.8)	(6.5)
Beginning cash & cash equivalent	432.8	644.1	458.6	457.8
Changes due to forex impact	(22.1)	0.0	0.0	0.0
Ending cash & cash equivalent	644.1	458.6	457.8	451.3

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	7,847.9	7,943.1	7,963.1	7,983.1
Other LT assets	113.4	113.4	113.4	113.4
Cash/ST investment	644.1	458.6	457.8	451.3
Other current assets	214.8	142.3	145.9	150.1
Total assets	8,820.1	8,657.4	8,680.1	8,697.8
ST debt	300.1	300.1	300.1	300.1
Other current liabilities	258.2	283.4	291.9	297.3
LT debt	2,873.4	2,850.0	2,950.0	3,050.0
Other LT liabilities	523.1	453.6	444.0	434.2
Shareholders' equity	4,773.2	4,700.0	4,621.9	4,542.0
Minority interest	68.2	70.2	72.2	74.2
Total liabilities & equity	8,796.1	8,657.4	8,680.1	8,697.8

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	40.9	46.7	46.7	46.8
Pre-tax margin	35.7	27.6	28.1	28.2
Net margin	28.0	21.3	21.8	21.9
ROA	2.6	1.8	1.9	2.0
ROE	4.8	3.3	3.6	3.7
Growth				
Turnover	8.7	(8.2)	3.4	2.1
EBITDA	9.7	4.7	3.4	2.4
Pre-tax profit	(4.3)	(29.1)	5.4	2.4
Net profit	4.1	(30.1)	5.8	2.5
Net profit (adj.)	41.4	13.2	5.8	2.5
EPU	33.0	12.4	5.0	1.7
Leverage				
Debt to total capital	39.6	39.8	40.9	42.1
Debt to equity	66.5	67.0	70.3	73.8
Net debt/(cash) to equity	53.0	57.3	60.4	63.8
Interest cover (x)	3.3	3.4	3.5	3.4

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