

COMPANY RESULTS

**CDL Hospitality Trusts (CDREIT SP)**

3Q23: Singapore And Europe Leading The Recovery

RevPAR for Singapore hotels increased 19.9% yoy to S\$238 in 3Q23, which is 32% above pre-pandemic levels. Four hotels in Singapore achieved record 3Q RevPAR. CDREIT will benefit from the continued recovery in Germany and Italy. Residential Build-to-Rent project The Casting in the UK will start contributing in 2H24. Maintain BUY for 2024 distribution yield of 7.2%. Target price: S\$1.41.

3Q23 RESULTS

Year to 31 Dec (\$m)	3Q23	yoy % chg	Remarks
Total Revenue	70.1	+19.7	
Net Property Income (NPI)	39.0	+23.3	Driven by strong growth in Singapore, Europe and the UK.

Source: CDREIT, UOB Kay Hian

RESULTS

- CDL Hospitality Trusts (CDREIT) provided 3Q23 business update with total revenue and NPI recovering 19.7% and 23.3% yoy respectively, which is in line with our expectations.
- Singapore: International visitors are staying longer.** RevPAR for Singapore hotels increased 19.9% yoy to S\$238 in 3Q23 driven by growth in average daily rate of 21.4%. Occupancy was stable at 86.9%. Four hotels in Singapore, namely Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel and W Hotel, achieved record 3Q RevPAR. On a same-store basis, RevPAR was 32% above pre-pandemic levels. CDREIT benefitted from an industry-wide increase in average length of stay by 0.4 days to 3.7 days, which is 12% above pre-pandemic levels. NPI from Singapore increased 11.6% yoy.
- Hotels in the UK and Europe performed well:
- The UK: Moderate pace of continued growth.** Hilton Cambridge City Centre and The Lowry Hotel achieved RevPAR growth of 6.5% yoy to £155 in 3Q23, which is 11% above pre-pandemic levels. Contribution from Hotel Brooklyn increased 10% qoq to S\$1.1m after inflation-adjusted increase in fixed rent from May 23. NPI from the UK jumped 8.3% yoy.
- Europe: Germany and Italy provided variable rents.** RevPAR for Pullman Hotel Munich grew 8.9% qoq to €122, which is 4% above pre-pandemic levels. NPI from Germany soared 222% yoy due to variable rent of €1.2m (no variable rent last year due to clawback on losses suffered during the COVID-19 pandemic). RevPAR for Hotel Cerretani Firenze grew 40.4% yoy to €273, which is 53% above pre-pandemic levels. The hotel benefitted from the strong recovery of Asian travellers. NPI from Italy increased 59% yoy due to higher variable rent of €0.9m (3Q22: €0.5m).

KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	158	229	266	288	294
EBITDA	71	105	128	149	153
Operating profit	50	84	107	128	132
Net profit (rep./act.)	72	220	48	71	72
Net profit (adj.)	28	76	48	71	72
EPU (S\$ cent)	2.3	6.2	3.8	5.7	5.7
DPU (S\$ cent)	4.3	5.6	6.1	7.0	7.0
PE (x)	42.6	15.7	25.4	17.0	16.9
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU Yld (%)	4.4	5.8	6.3	7.2	7.2
Net margin (%)	45.5	95.8	17.9	24.8	24.6
Net debt/(cash) to equity (%)	58.7	55.1	62.7	67.0	70.2
Interest cover (x)	4.0	n.a.	2.5	3.0	2.9
ROE (%)	4.4	12.8	2.7	4.1	4.2
Consensus DPU (S\$ cent)	n.a.	n.a.	6.3	7.1	7.8
UOBKH/Consensus (x)	-	-	0.97	0.98	0.90

Source: CDL Hospitality Trusts, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.97
Target Price	S\$1.41
Upside	+45.4%

COMPANY DESCRIPTION

CDREIT is a stapled group comprising 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\$2.8b as of Mar 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):	1,244.4
Market cap (S\$m):	1,207.0
Market cap (US\$m):	882.8
3-mth avg daily t'over (US\$m):	1.7

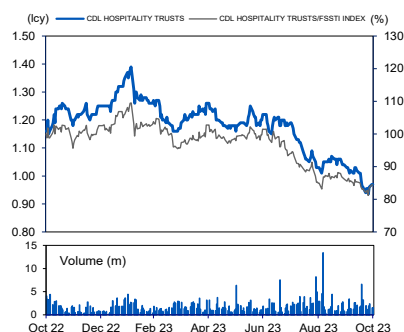
Price Performance (%)

52-week high/low	S\$1.39/S\$0.935			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(6.7)	(17.8)	(23.0)	(13.4)	(22.4)

Major Shareholders

Kwek Hldgs	33.5%
FY23 NAV/Share (S\$)	1.40
FY23 Net Debt/Share (S\$)	0.88

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Guiding for a slight increase in cost of debts.** Aggregate leverage edged slightly higher by 0.5ppt qoq to 38.4% as of Sep 23. Average cost of debt was slightly higher at 4.2%. Management expects average cost of debt to be slightly higher in 2024 despite refinancing S\$383m or 33% of its total borrowings next year. About 50% of its borrowings are on fixed interest rates. Interest coverage ratio was 2.9x.

### STOCK IMPACT

- Benefitting from rising visitor arrivals.** Visitor arrivals increased 44.6% yoy to 1.1m in Sep 23, representing 77% of pre-pandemic levels. Chinese tourists grew 9x yoy to 135,677 in Sep 23, reaching 55% of pre-pandemic levels. China has regained its stature as the largest source market for Singapore in 3Q23. There is room for further recovery as Chinese tourists accounted for a smaller 9.9% of total visitor arrivals during 9M23 compared with 19.0% in 2019. The volume of Chinese guests should have increased during the National Day Golden Week in Oct 23, which coincides with the Mid-Autumn Festival.
- Repositioning GCWH as a leading conference hotel.** GCWH has just completed extensive refurbishment and will contribute more meaningfully post-renovation in 2H23. Full renovation for 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 were closed since Apr 23 but reopened in Jul 23. Room rates have increased by double digits, while the pace of bookings for corporate events have picked up. The hotel also benefits from the opening of the Havelock MRT station in Nov 22.
- Expansion in rental housing.** Residential Build-to-Rent project The Castings with 352 units in Manchester, UK, has completed structural works and topped out in Jun 23. It is on track for practical completion around mid-24. There is strong demand but a supply shortage for rental housing in Manchester. Asking rents have increased 10-15% yoy for one-bed, two-bed and three-bed units. The average length of stay is one year or more. We estimate that The Casting will contribute 4.4% of NPI in 2H24.

### EARNINGS REVISION/RISK

- We maintained our existing DPU forecast.

### VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$1.41 is based on DDM (cost of equity: 7.5%, terminal growth: 2.8%).

### SHARE PRICE CATALYST

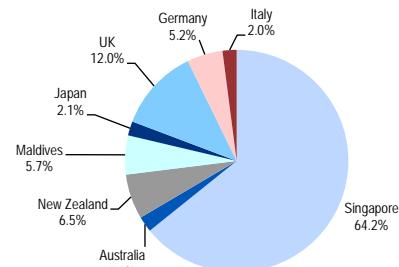
- Recovery of MICE events in Singapore. Return of corporate and leisure travellers to Australia, Germany, Italy, Japan, Maldives, New Zealand and the UK.
- Contributions from yield-accretive acquisitions, including hotels and rental housing.

### KEY OPERATING METRICS

	3Q22	4Q22	1Q23	2Q23	3Q23	yoy % Chg	qoq % Chg*
DPU (S cents)	n.a.	3.59	n.a.	2.51	n.a.	n.a.	n.a.
Aggregate Leverage	39.4%	36.6%	37.5%	37.9%	38.4%	-1ppt	0.5ppt
Weighted All-in-Financing Cost	2.5%	3.5%	3.8%	4.1%	4.2%	1.7ppt	0.1ppt
% Borrowings in Fixed Rate	64.4%	55.9%	55.5%	47.9%	50.2%	-22ppt	4.8ppt
Weighted Debt Maturity (years)	1.7	2.0	1.9	2.1	2.2	0.5yrs	0.1yrs
<b>Singapore Hotels</b>							
Average Occupancy Rate (%)	88.1%	86.8%	67.9%	69.2%	86.9%	-1.2ppt	17.7ppt
Average Room Rate (%)	226	241	259	258	274	21.2ppt	6.2ppt
RevPAR	199	209	176	179	238	19.6ppt	33ppt

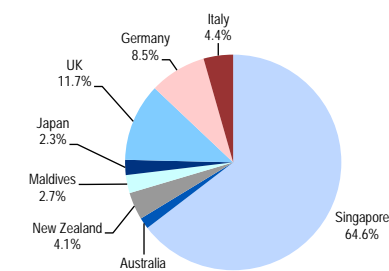
Source: CDREIT, UOB Kay Hian \* hoh % chg for DPU

### PORTFOLIO VALUATION BY COUNTRY (JUN 23)



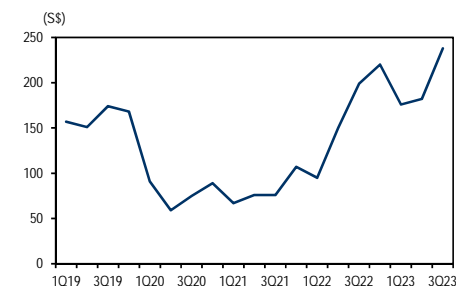
Source: CDREIT

### NPI BY COUNTRY (3Q23)



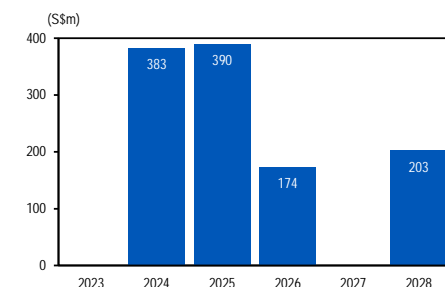
Source: CDREIT

### SINGAPORE HOTELS - REVPAR



Source: CDREIT

### DEBT MATURITY PROFILE



Source: CDREIT

### PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	229.4	265.9	287.7	293.6
EBITDA	105.1	128.1	148.8	152.9
Deprec. & amort.	21.0	21.4	20.4	20.4
EBIT	84.1	106.7	128.4	132.5
Net interest income/(expense)	0.1	(50.8)	(49.1)	(52.1)
Pre-tax profit	227.7	55.9	79.3	80.3
Tax	(7.8)	(8.2)	(7.9)	(8.0)
Minorities	(0.1)	(0.2)	0.0	0.0
Net profit	219.8	47.5	71.4	72.3
Net profit (adj.)	76.3	47.5	71.4	72.3

### BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	2,887.9	2,919.0	3,077.1	3,097.1
Other LT assets	62.8	119.3	3.3	3.3
Cash/ST investment	96.9	95.5	94.6	94.3
Other current assets	55.5	56.8	58.2	58.3
<b>Total assets</b>	<b>3,103.2</b>	<b>3,190.8</b>	<b>3,233.3</b>	<b>3,253.0</b>
ST debt	238.8	86.2	86.2	86.2
Other current liabilities	61.1	68.7	71.3	71.4
LT debt	842.0	1,105.0	1,165.0	1,205.0
Other LT liabilities	168.1	177.2	177.2	177.2
Shareholders' equity	1,786.2	1,746.3	1,726.2	1,705.8
Minority interest	6.9	7.3	7.3	7.3
<b>Total liabilities &amp; equity</b>	<b>3,103.2</b>	<b>3,190.8</b>	<b>3,233.3</b>	<b>3,253.0</b>

### CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	116.4	95.0	117.4	120.3
Pre-tax profit	223.2	51.4	75.1	76.1
Tax	(7.8)	(8.2)	(7.9)	(8.0)
Deprec. & amort.	21.0	21.4	20.4	20.4
Working capital changes	4.3	5.3	1.2	0.0
Non-cash items	10.8	12.0	12.9	13.3
Other operating cashflows	(135.1)	13.1	15.7	18.4
Investing	(98.2)	(79.7)	(42.0)	(20.0)
Capex (growth)	(77.0)	(59.7)	(22.0)	0.0
Capex (maintenance)	(22.0)	(20.0)	(20.0)	(20.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.8	0.0	0.0	0.0
Financing	(51.9)	(16.7)	(76.4)	(100.6)
Distribution to unitholders	(62.9)	(76.3)	(87.3)	(88.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	464.8	110.4	60.0	40.0
Loan repayment	(421.8)	0.0	0.0	0.0
Others/interest paid	(32.0)	(50.8)	(49.1)	(52.1)
Net cash inflow (outflow)	(33.7)	(1.4)	(0.9)	(0.3)
Beginning cash & cash equivalent	139.5	96.9	95.5	94.6
Changes due to forex impact	(8.8)	0.0	0.0	0.0
Ending cash & cash equivalent	96.9	95.5	94.6	94.3

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	45.8	48.2	51.7	52.1
Pre-tax margin	99.3	21.0	27.6	27.4
Net margin	95.8	17.9	24.8	24.6
ROA	7.3	1.5	2.2	2.2
ROE	12.8	2.7	4.1	4.2
Growth				
Turnover	45.4	15.9	8.2	2.1
EBITDA	48.0	21.9	16.1	2.7
Pre-tax profit	201.5	(75.5)	42.0	1.3
Net profit	206.1	(78.4)	50.2	1.3
Net profit (adj.)	172.8	(37.7)	50.2	1.3
EPU	170.8	(38.1)	49.2	0.6
Leverage				
Debt to total capital	37.6	40.5	41.9	43.0
Debt to equity	60.5	68.2	72.5	75.7
Net debt/(cash) to equity	55.1	62.7	67.0	70.2
Interest cover (x)	n.a.	2.5	3.0	2.9

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