

COMPANY RESULTS

Far East Hospitality Trust (FEHT SP)

2H24: Continued Recovery Driven By New Attractions And MICE Events

RevPAR for FEHT's hotels grew 7.7% yoy to S\$140 in 4Q24, driven by higher ADR as hotels that exited government contracts ramped up. Revenue from commercial premises grew 4.8% yoy. Visitor arrivals to Singapore are expected to increase 3-12% to reach 17.0m-18.5m in 2025, underpinned by new attractions and MICE events. A low aggregate leverage of 30.8% provides ample debt headroom to pursue acquisitions. FEHT provides a 2025 distribution yield of 6.4%. Maintain BUY. Target price: S\$0.76.

2H24 RESULTS

Year to 31 Dec (\$m)	2H24	yoy % chg	Remarks
Gross Revenue	54.9	+0.2	
- Hotels	40.6	-0.9	Hotels RevPAR: +7.7% yoy to S\$140 in 4Q24.
- Serviced Residence	5.6	-1.6	Affected by lift upgrading at Village Residence Clark Quay.
- Commercial Premises	8.7	+7.4	Retail space achieved higher rents and higher occupancies.
Net Property Income (NPI)	49.9	+0.2	
Distributable Income	41.9	-3.6	Capital distribution of S\$9.9m.
DPU (S cents)	2.08	-4.1	

Source: FEHT, UOB Kay Hian

RESULTS

- Far East Hospitality Trust (FEHT) reported DPU of 2.08 S cents for 2H24 (-4.1% yoy), which is in line with our expectation. 2H24 DPU included capital distribution of S\$9.9m, comprising: a) S\$2.9m to cushion against higher finance cost, b) S\$3.0m to offset the change in the proportion of fees paid with new units, and c) S\$4.0m in gains from the divestment of Central Square.
- Hotels: Benefitting from higher ADR.** Average daily rate (ADR) increased 6.5% yoy to S\$180 in 4Q24. Occupancy was stable yoy at 81.5% in 2H24. Oasia Hotel Novena and Village Hotel Albert Court exited government contracts in Oct 23 and Dec 23 respectively. Smooth ramp-up at the two hotels contributed to improvements in the hotels' overall operating performance. RevPAR for FEHT's hotels grew 7.7% yoy to S\$140 in 4Q24.
- Hotels generated organic growth.** Revenue from hotels declined 0.9% yoy in 2H24 due to the absence of one-off revenue from government contracts for isolation purposes in 3Q23. Excluding one-off revenue, gross revenue from hotels grew 9.4% yoy in 2H24.
- Benefitting from return of Chinese tourists.** FEHT's upscale and mid-tier hotels captured a bigger slice of the surge in Chinese tourists to Singapore. Chinese guests accounted for 19% of FEHT's hotel guests in 2024, which is double pre-pandemic levels. Management expects demand from Chinese tourists to remain healthy due to the increase in the number of flights to Singapore and the 30-day mutual visa-free arrangement between Singapore and China.

KEY FINANCIALS

Year to 31 Dec (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	107	109	114	118	120
EBITDA	87	88	92	96	97
Operating profit	87	88	92	96	97
Net profit (rep./act.)	130	47	66	70	70
Net profit (adj.)	84	57	66	70	70
EPU (S\$ cent)	4.2	2.8	3.3	3.4	3.4
DPU (S\$ cent)	4.1	4.0	3.9	3.7	3.8
PE (x)	14.3	21.3	18.3	17.6	17.5
P/B (x)	0.6	0.7	0.7	0.7	0.7
DPU Yld (%)	6.8	6.7	6.4	6.2	6.3
Net margin (%)	122.0	43.0	58.4	58.9	58.8
Net debt/(cash) to equity (%)	36.1	37.6	38.3	39.1	39.9
Interest cover (x)	4.1	3.2	3.3	3.3	3.3
ROE (%)	7.1	2.5	3.6	3.8	3.8
Consensus DPU (S\$ cent)	-	-	4.0	3.9	4.2
UOBKH/Consensus (x)	-	-	0.97	0.95	0.90

Source: Far East Hospitality Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.60
Target Price	S\$0.76
Upside	+27.6%
(Previous TP)	S\$0.82)

COMPANY DESCRIPTION

FEHT is a Singapore-focused hotel and serviced residences hospitality trust. It has a portfolio of 12 hospitality properties, comprising nine hotels and three serviced residences with 3,015 rooms.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	FEHT SP
Shares issued (m):	2,016.5
Market cap (S\$m):	1,209.9
Market cap (US\$m):	902.8
3-mth avg daily t'over (US\$m):	0.5

Price Performance (%)

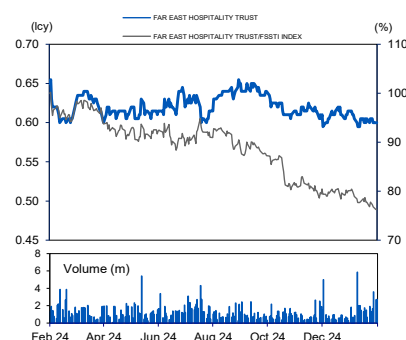
52-week high/low S\$0.655/S\$0.59

1mth	3mth	6mth	1yr	YTD
(2.4)	(1.6)	(2.4)	(7.7)	(1.6)

Major Shareholders

	%
Golden Development	22.4
Far East Organization	16.7
Golden Landmark	10.3
FY25 NAV/Share (S\$)	0.91
FY25 Net Debt/Share (S\$)	0.35

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **SRs: Higher ADR from more short-stay guests.** ADR for serviced residences (SR) increased 3.4% yoy to S\$274 in 4Q24. FEHT was able to secure a greater mix of higher paying short-stay guests. Average occupancy slipped 9.6ppt qoq to 78.4% due to lift upgrading works for an apartment block at Village Residence Clark Quay. Thus, RevPAU declined 5.7% yoy to S\$215. Demand was predominantly derived from the services, banking & finance, electronics & manufacturing and oil & gas industries.
- **Increased contributions from commercial premises.** Gross revenue from commercial premises grew 4.8% yoy to S\$4.4m in 4Q24 due to higher retail occupancies and rental rates. Rendezvous Hotel Singapore and Village Hotel Changi have secured new F&B operators for their retail space since exiting from government contracts.
- **Completed early refinancing.** Aggregate leverage was stable at 30.8% as of Dec 24, one of the lowest among S-REITs. Interest coverage ratio is healthy at 3.0x. FEHT completed early refinancing for two term loans of S\$157m in Dec 24, ahead of their respective maturities in Apr and Nov 25. The two new sustainability-linked term loans of S\$75m and S\$82m mature in 2028 and 2029 respectively and provide savings of 20-30bp. The average cost of debt was stable at 4.1% in 4Q24. The proportion of total debt hedged to fixed interest rates was 58%.

STOCK IMPACT

- **STB projects continued growth in 2025.** Singapore Tourism Board (STB) expects international visitor arrivals to reach 17.0m-18.5m in 2025 (2024: 16.5m), representing a growth of 3-12%. Visitor arrivals to Singapore increased 13.9% yoy to 3.9m in 4Q24, accounting for 82% of pre-pandemic levels. The average length of stay increased to 3.6 days in 2024, compared with 3.4 days in 2019. The industry is expected to rake in tourism receipts of S\$29.0b-30.5b (9M24: S\$22.4b, +10.3% yoy), overshooting the pre-pandemic high of S\$27.7b seen in 2019.
- **Recovery underpinned by new attractions and MICE events.** Singapore continues to strengthen its tourism infrastructure with wildlife park Rainforest Wild scheduled to open in Mar 25. At Universal Studios on Sentosa, Minion Land has opened in Feb 25 while Singapore Oceanarium is scheduled to open in 1H25. Major events lined up for 2025 include LIV Golf Singapore (March), Singapore Ruby Sevens (April) and World Aquatics Championship (July). Many global companies have set up their regional headquarters and Asian hubs in Singapore, which will lead to more corporate travellers staying at hotels in Singapore.
- **Growing via acquisitions.** FEHT has debt headroom of S\$412m based on aggregate leverage of 40% for acquisitions locally and overseas. Locally, it could consider acquiring The Clan Hotel and Village Residence West Coast from its sponsor Far East Organisation (FEO). Other assets in the sponsor pipeline include the balance 70% stake in Village Hotel, Outpost Hotel and The Barracks on Sentosa. FEHT is also scouting for opportunities to invest in limited-service, midscale and upscale hotels at gateway cities in developed overseas markets, including Japan.

EARNINGS REVISION/RISK

- We trim our 2025 DPU forecast by 3%. We expect capital distribution to moderate from S\$16m in 2024 to S\$7m in 2025 as management focuses on deploying capital for yield-accretive acquisitions. Management has reduced the proportion of management fees paid in units from 90% to 60% since 2024.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$0.76 is based on DDM (cost of equity: 7.5% (previous: 7.25%), terminal growth: 2.8%).

SHARE PRICE CATALYST

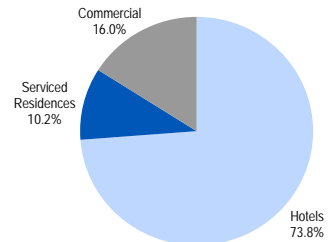
- Continued recovery in occupancy, ADR and RevPAR in 2025 and 2026.
- Acquiring The Clan Hotel, Village Residence West Coast and the remaining 70% stake of three Sentosa hotels from sponsor FEO.
- Pursuing acquisitions in developed overseas markets, including Japan.

KEY OPERATING METRICS

	4Q23	1Q24	2Q24	3Q24	4Q24	yoy % Chg	qoq % Chg*
DPU (S cents)	2.17	n.a.	1.96	n.a.	2.08	-4.1%	6.1%
Aggregate Leverage	31.3%	31.5%	30.8%	30.8%	30.8%	-0.5ppt	0ppt
Average Cost of Debt	3.3%	3.7%	4.1%	4.1%	4.1%	0.8ppt	0ppt
Weighted Debt Maturity (years)	3.8	3.5	3.3	3.1	3.7	-0.1yrs	0.6yrs
% Borrowings in Fixed Rate	42.6%	42.6%	35.9%	40.1%	57.9%	15.3ppt	17.8ppt

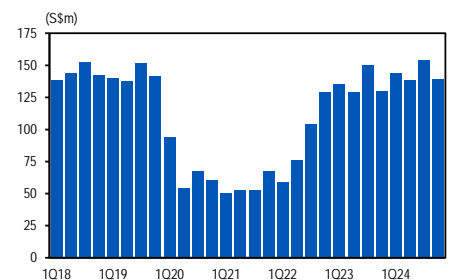
Source: FEHT, UOB Kay Hian * hoh % chg for DPU

BREAKDOWN OF GROSS REVENUE (2024)



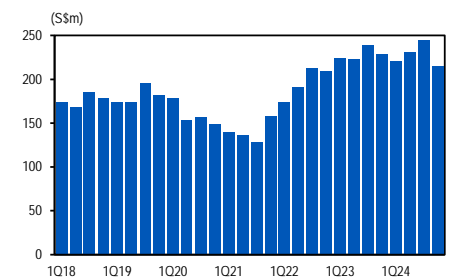
Source: FEHT

REVPAR – HOTELS



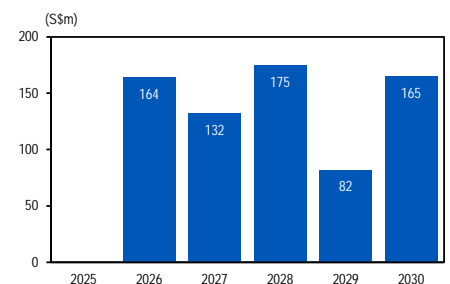
Source: FEHT

REVPAR – SERVICED RESIDENCES



Source: FEHT

DEBT MATURITY PROFILE



Source: FEHT

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	108.7	113.8	118.3	119.9
EBITDA	87.6	92.2	95.9	97.3
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	87.6	92.2	95.9	97.3
Total other non-operating income	(13.2)	0.0	0.0	0.0
Associate contributions	0.0	2.4	2.4	2.4
Net interest income/(expense)	(27.4)	(28.1)	(28.7)	(29.2)
Pre-tax profit	47.0	66.4	69.6	70.5
Tax	(0.3)	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	46.7	66.4	69.6	70.5
Net profit (adj.)	56.8	66.4	69.6	70.5

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	2,515.5	2,519.5	2,523.5	2,527.5
Other LT assets	0.0	2.2	3.6	4.2
Cash/ST investment	19.7	22.1	24.5	22.5
Other current assets	51.4	52.4	54.2	54.9
Total assets	2,586.5	2,596.2	2,605.8	2,609.2
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	9.6	9.9	10.1	10.2
LT debt	716.5	730.0	745.0	755.0
Other LT liabilities	8.6	9.3	9.6	9.7
Shareholders' equity	1,851.8	1,846.9	1,841.0	1,834.2
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	2,586.5	2,596.2	2,605.8	2,609.2

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	93.6	93.2	96.4	99.4
Pre-tax profit	47.0	66.4	69.6	70.5
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	(2.4)	(2.4)	(2.4)
Working capital changes	(0.4)	(2.4)	(2.3)	2.0
Non-cash items	16.4	6.4	6.6	6.7
Other operating cashflows	30.7	25.2	24.9	22.6
Investing	(0.3)	(4.0)	(4.0)	(4.0)
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(3.5)	(4.0)	(4.0)	(4.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	3.1	0.0	0.0	0.0
Financing	(136.7)	(86.7)	(90.0)	(97.3)
Distribution to unitholders	(83.0)	(71.3)	(75.5)	(77.3)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	159.4	13.5	15.0	10.0
Loan repayment	(183.0)	0.0	0.0	0.0
Others/interest paid	(30.2)	(28.9)	(29.5)	(30.0)
Net cash inflow (outflow)	(43.4)	2.4	2.4	(1.9)
Beginning cash & cash equivalent	63.1	19.7	22.1	24.5
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	19.7	22.1	24.5	22.5

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	80.6	81.0	81.1	81.2
Pre-tax margin	43.2	58.4	58.9	58.8
Net margin	43.0	58.4	58.9	58.8
ROA	1.8	2.6	2.7	2.7
ROE	2.5	3.6	3.8	3.8
Growth				
Turnover	1.8	4.7	3.9	1.4
EBITDA	0.7	5.2	4.1	1.4
Pre-tax profit	(64.0)	41.5	4.8	1.2
Net profit	(64.2)	42.3	4.8	1.2
Net profit (adj.)	(32.5)	17.0	4.8	1.2
EPU	(32.9)	16.5	4.2	0.7
Leverage				
Debt to total capital	27.9	28.3	28.8	29.2
Debt to equity	38.7	39.5	40.5	41.2
Net debt/(cash) to equity	37.6	38.3	39.1	39.9
Interest cover (x)	3.2	3.3	3.3	3.3

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