

COMPANY RESULTS

CDL Hospitality Trusts (CDREIT SP)

1H22: Accelerate Recovery With Higher Room Rates

For Singapore hotels, RevPAR doubled yoy to S\$151 in 2Q22 with occupancy improving 5.3ppt yoy to 75.8% and ADR increasing 85% yoy to S\$200. NPI from Singapore, Maldives and the UK grew 60.3%, 90.9% and 354% yoy respectively. Outlook is positive. Singapore will benefit from full impact of the reopening of international borders with the F1 Singapore Grand Prix in September and more than 66 international events in 2H22. Maintain BUY. Target price: S\$1.54.

1H22 RESULTS

Year to 31 Dec (\$m)	1H22	yoy % chg	Remarks
Revenue	98.6	+49.0	Recovery accelerated in 2Q22 driven by Singapore, Maldives and the UK.
Net Property Income (NPI)	51.0	+37.8	Staff costs increased 89.4% yoy.
Distributable Income	25.2	+68.4	
DPU (S cents)	2.04	+67.2	

Source: ART, UOB Kay Hian

RESULTS

- CDL Hospitality Trusts (CDREIT) reported 1H22 DPU of 2.04 S cents (+67.2% yoy), which was slightly above our expectations. The pace of recovery had accelerated in 2Q22 and RevPAR for nine of its hotels have exceeded pre-pandemic levels in Jun 22.
- Singapore: Reopening triggered recovery.** RevPAR for Singapore doubled yoy and has rebounded 59% qoq to S\$151 in 2Q22. Occupancy improved 5.3ppt yoy to 75.8% and average daily rate (ADR) increased 85% yoy to S\$200 in 2Q22. Visitor arrivals surged to 35% of pre-pandemic levels in June after borders were fully reopened on 26 Apr 22. Three hotels exited from government contracts and were deployed for domestic leisure and corporate projects groups. Contribution from W Hotel grew 73.7% yoy in 1H22. RevPAR for five of its six hotels in Singapore exceeded pre-pandemic levels in Jun 22.
- Maldives: Luxury travel making a comeback.** RevPAR for Maldives increased 63.0% yoy to US\$246 in 2Q22. The two resorts Raffles Maldives Meradhoo and Angsana Velavaru generated NPI of S\$6.6m in 1H22, an increase of 90.9% yoy. Tourist arrivals have recovered to 94.3% of pre-pandemic levels in 1H22. NPI grew 90.9% yoy. Maldives is not affected by the Russia-Ukraine war as, according to the World Bank, Russians and Ukrainians accounted for only 16.8% and 2.7% of the 1.3m visitor arrivals in 2021. Maldives is able to attract a high volume of visitors from other source markets, such as Western Europe (the UK, Germany and Italy), Middle East and India.
- Coping with higher interest rates.** Interest expense went up 21.4% yoy. Cost of debt increased 0.2ppt qoq to 2.3%. 63.8% of its borrowings are hedged to fixed rates. Aggregate level was stable at 39.5%. Discussions with banks are underway on refinancing of loans of S\$238m due in 2H22.

KEY FINANCIALS

Year to 31 Dec (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	118	158	227	256	261
EBITDA	49	71	115	145	148
Operating profit	33	50	94	125	127
Net profit (rep./act.)	(185)	72	79	87	89
Net profit (adj.)	9	28	77	87	89
EPU (\$ cent)	0.7	2.3	6.2	7.0	7.1
DPU (\$ cent)	5.0	4.3	5.9	7.5	7.6
PE (x)	177.1	58.0	21.2	18.9	18.6
P/B (x)	1.0	1.0	1.0	1.0	1.0
DPU Yld (%)	3.8	3.2	4.5	5.7	5.7
Net margin (%)	(157.6)	45.5	35.0	33.9	33.9
Net debt/(cash) to equity (%)	55.4	58.7	57.1	59.2	61.5
Interest cover (x)	2.3	4.0	11.8	5.2	5.1
ROE (%)	n.a.	4.4	4.9	5.4	5.5
Consensus DPU (\$ cent)	n.a.	n.a.	5.5	7.1	8.0
UOBKH/Consensus (x)	-	-	1.08	1.05	0.95

Source: CDL Hospitality Trusts, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.32
Target Price	S\$1.54
Upside	+16.7%
(Previous TP)	S\$1.42)

COMPANY DESCRIPTION

CDREIT is a stapled group comprising CDL Hospitality REIT and CDL Hospitality Business Trust. It owns 19 operational properties across eight countries with AUM of S\$2.8b as of Jun 22. 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):	1,234.7
Market cap (\$m):	1,629.8
Market cap (US\$m):	1,181.3
GICS sector	Real Estate

Price Performance (%)

52-week high/low S\$1.39/S\$1.04

1mth	3mth	6mth	1yr	YTD
1.5	(1.5)	15.8	7.3	12.8

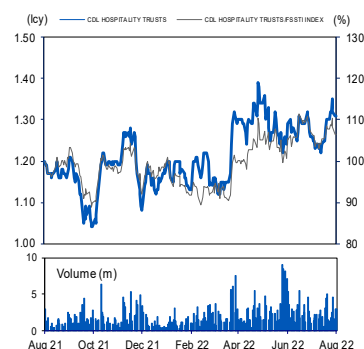
Major Shareholders

	%
Kwek Hldgs	27.0

FY22 NAV/Share (\$\$) 1.31

FY22 Net Debt/Share (\$\$) 0.75

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **UK: Recovery ignited by domestic tourism and intra-regional travel.** RevPAR for the UK has rebounded 48.8% qoq to £128 in 2Q22. The two hotels Hilton Cambridge and The Lowry Hotel generated NPI of S\$5.8m in 1H22, an increase of more than four folds. The UK lifted all travel restrictions on 18 Mar 22. Hilton Cambridge benefits from the recovery of business travel while The Lowry Hotel is popular with sports enthusiasts. The two hotels will be supported by domestic business, augmented by the return of events and international travellers. Newly-acquired Hotel Brooklyn registered NPI of S\$1.5m in 1H22. Fixed rents from Hotel Brooklyn increased 5% to £2.4m per year with effect from 7 May 22.

STOCK IMPACT

- **Benefitting from resurgence of inbound visitors.** The Vaccinated Travel Framework has replaced the existing Vaccinated Travel Lane scheme since 1 Apr 22. Subsequently, Singapore's international borders were fully reopened starting 26 Apr 22. Business travellers are returning in droves, followed by leisure travel by individuals and tour groups. Visitor arrivals have surged to 543,732 or 35% of pre-pandemic levels in Jun 22. Average length of stay was 5.7 days, compared with the pre-pandemic level of 3.6 days. Singapore will benefit from the F1 Singapore Grand Prix in September and more than 66 international events in 2H22. The full impact of the reopening of international borders is expected in 2H22.
- **Expanded scope of investment strategy.** CDREIT has revised its principal investment strategy to include adjacent accommodation/lodging assets, such as rental housing, co-living, student accommodation and senior housing. Rental housing includes residential apartment blocks and standalone houses targeting singles, couples and families. These adjacent assets provide stable income streams, which is less susceptible to economic cycles. They have a longer length of stay ranging from a few months to 1-2 years.
- **Further expansion of footprint in Manchester.** CDREIT has completed the acquisition of 189-room Hotel Brooklyn at 57 & 59 Portland Street, Manchester, UK for £22.8m (S\$41.5m) on 22 Feb 22. The 4-star upscale lifestyle hotel was recently opened in Feb 20 and is centrally located near Manchester's CBD. It is in close proximity to Canal Street, which has a variety of cafes, bars and restaurants.
- The hotel is leased to HLD (Manchester) Limited, which is part of Marshall Holdings Limited, from 7 May 21 to 6 May 81 on a full repairing and insuring basis (59 years unexpired). The tenant pays fixed rent of £2.3m per year subject to upward-only rent review based on inflation. NPI yield has improved by 0.4ppt to 7.8% from 7 May 22 due to rent review based on UK's Retail Price Index (RPI). The acquisition is accretive to pro forma 2021 DPU by 1.1%. Exposure to the UK has expanded by 1.6ppt to 10% of AUM.

EARNINGS REVISION/RISK

- We raised our DPU forecast by 17% for 2022 and 18% for 2023 due to the rapid recovery in international travel and RevPAR.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.54 is based on DDM (cost of equity: 7.25%, terminal growth: 2.6%).

SHARE PRICE CATALYST

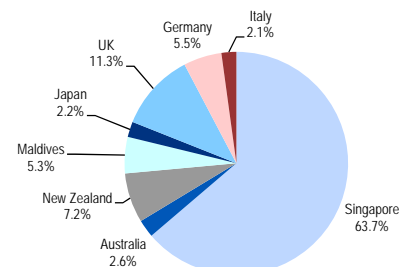
- Reopening of international borders in Singapore. Growth of corporate and leisure travel in Germany, Japan, Maldives, New Zealand and the UK.
- Contributions from yield-accretive acquisitions, including hotels and rental housing.

KEY OPERATING METRICS – CDREIT

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	yoy % Chg	qoq % Chg*
DPU (S cents)	n.a.	1.22	n.a.	3.06	n.a.	2.04	67.2%	-33.3%
Aggregate Leverage	39.1%	39.1%	40.1%	39.1%	39.8%	39.5%	0.4%	-0.3%
Weighted All-in-Financing Cost	1.9%	1.9%	1.9%	2.0%	2.1%	2.3%	0.4%	0.2%
% Borrowings in Fixed Rate	63.6%	63.3%	61.6%	61.3%	63.5%	63.8%	0.8%	0.5%
Weighted Debt Maturity (years)	2.1	1.8	2.0	2.1	2.1	1.9	0.1	-0.2

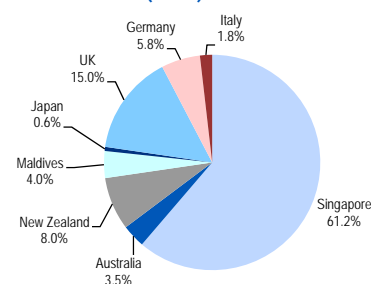
Source: ART, UOB Kay Hian * hoh % chg for DPU

AUM BY COUNTRY (JUN 22)



Source: CDREIT

NPI BY COUNTRY (2022)



Source: CDREIT

OVERVIEW OF HOTEL BROOKLYN

Description	<ul style="list-style-type: none"> • 4 star, upscale lifestyle hotel • Opened in February 2020 • BREEAM Certified with 'Very Good' rating
Location	57 & 59 Portland Street, Manchester, UK
Title	Leasehold (196 years remaining)
Rooms and Amenities	<ul style="list-style-type: none"> • 189 rooms (average room size: 26sqm) • Two food and beverage outlets. Three meeting rooms for up to 140 people. • Casino with restaurant and bar
Property Consideration	£22.8m (S\$41.5m)
Total Acquisition Cost	£24.1m (S\$43.8m)
Valuation	£25.3m (S\$46.1m)

Source: CDREIT

HOTEL BROOKLYN



Source: CDREIT

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	157.7	227.1	256.3	261.4
EBITDA	71.0	115.3	144.9	147.7
Deprec. & amort.	21.5	21.6	20.4	20.4
EBIT	49.6	93.8	124.5	127.3
Net interest income/(expense)	(17.9)	(9.8)	(27.9)	(28.8)
Pre-tax profit	75.5	86.4	96.7	98.6
Tax	(3.8)	(6.8)	(9.7)	(9.9)
Minorities	0.1	(0.1)	0.0	0.0
Net profit	71.8	79.5	87.0	88.7
Net profit (adj.)	28.0	77.1	87.0	88.7

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	2,714.4	2,724.4	2,744.4	2,764.4
Other LT assets	30.8	3.1	3.1	3.1
Cash/ST investment	139.5	161.4	162.2	162.2
Other current assets	36.4	60.7	63.0	63.7
Total assets	2,921.1	2,949.6	2,972.7	2,993.4
ST debt	421.8	421.8	421.8	421.8
Other current liabilities	54.7	95.2	98.8	100.0
LT debt	676.9	670.0	700.0	730.0
Other LT liabilities	125.0	125.0	125.0	125.0
Shareholders' equity	1,635.3	1,630.3	1,619.7	1,609.2
Minority interest	7.3	7.3	7.3	7.3
Total liabilities & equity	2,921.1	2,949.6	2,972.7	2,993.4

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	62.5	173.7	112.0	113.7
Pre-tax profit	71.6	82.1	92.5	94.4
Tax	(3.8)	(6.8)	(9.7)	(9.9)
Deprec. & amort.	21.5	21.6	20.4	20.4
Working capital changes	(7.8)	16.2	1.4	0.4
Non-cash items	8.9	10.5	11.0	11.2
Other operating cashflows	(27.8)	50.1	(3.6)	(2.9)
Investing	(43.9)	(61.5)	(20.0)	(20.0)
Capex (growth)	(23.1)	(41.5)	0.0	0.0
Capex (maintenance)	(21.5)	(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	(7.2)	(90.3)	(91.2)	(93.8)
Distribution to unitholders	(57.1)	(73.6)	(93.3)	(95.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	310.9	(6.9)	30.0	30.0
Loan repayment	(237.5)	0.0	0.0	0.0
Others/interest paid	(23.5)	(9.8)	(27.9)	(28.8)
Net cash inflow (outflow)	11.5	21.9	0.9	(0.0)
Beginning cash & cash equivalent	131.1	139.5	161.4	162.2
Changes due to forex impact	(3.1)	0.0	0.0	0.0
Ending cash & cash equivalent	139.5	161.4	162.2	162.2

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	45.0	50.8	56.5	56.5
Pre-tax margin	47.9	38.0	37.7	37.7
Net margin	45.5	35.0	33.9	33.9
ROA	2.5	2.7	2.9	3.0
ROE	4.4	4.9	5.4	5.5
Growth				
Turnover	34.2	44.0	12.9	2.0
EBITDA	43.8	62.4	25.7	1.9
Pre-tax profit	n.a.	14.4	11.9	2.0
Net profit	n.a.	10.7	9.4	2.0
Net profit (adj.)	207.4	175.8	12.8	2.0
EPU	205.3	173.8	12.1	1.3
Leverage				
Debt to total capital	40.1	40.0	40.8	41.6
Debt to equity	67.2	67.0	69.3	71.6
Net debt/(cash) to equity	58.7	57.1	59.2	61.5
Interest cover (x)	4.0	11.8	5.2	5.1

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