

COMPANY RESULTS

CapitaLand Ascott Trust (CLAS SP)

2H22: Continued Recovery With Strong Sequential Momentum

Portfolio RevPAU recovered 78% yoy and 17% qoq to S\$155 in 4Q22, reaching pre-pandemic pro forma RevPAU on continued improvement in occupancy (78%) and ADR. Japan, Australia and the US had the largest sequential improvement of 98%, 29% and 21% qoq respectively. Aggregate leverage is healthy at 38.0%, while cost of debts was stable at 1.8%. 2023 distribution yield is attractive at 5.7%. Maintain BUY. Target price: S\$1.39.

2H22 RESULTS

Year to 31 Dec (\$m)	2H22	yoy % chg	Remarks
Gross Revenue	353.8	+69	Strong sequential recovery from Japan, Australia and the US.
Gross Profit	164.6	+80	
Distributable Income	113.2	+54	
DPU (S cents)	3.33	+47	
Adjusted DPU (S cents)	3.00	+99	Excluding divestment gains in 2H21 and realised exchange gain in 2H22.

Source: CLAS, UOB Kay Hian

RESULTS

- **CapitaLand Ascott Trust (CLAS)** reported 2H22 DPU of 3.33 S cents (+47% yoy). Adjusted 2H22 DPU is 3.00 S cents (+99% yoy) after excluding one-off items, such as divestment gains of S\$25m distributed in 2H21 and realised exchange gain of S\$7.1m in 2H22. The results were above expectations.
- **Strong organic growth augmented by contributions from new acquisitions.** Revenue and gross profit rose 69% and 80% yoy respectively in 2H22. On a same-store basis, gross profit grew 67% yoy. 4Q22 RevPAU rose 78% yoy and 17% qoq to S\$155, reaching pre-pandemic pro forma RevPAU on continued improvement in occupancy (78% in 4Q22) and average daily rates (ADR). Japan, Australia and the US had the largest sequential improvement of 98%, 29% and 21% qoq respectively. Australia, Singapore, the UK and the US performed at pre-pandemic RevPAU levels.
- **Singapore: growth driven by international travel and events.** Gross profit increased 460% yoy in 2H22 due to contribution from Iyf one-north, which commenced operations in phases from Nov 21, and full 6-month contribution from Riverside Hotel Robertson Quay. RevPAU for Citadines Mount Sophia grew 178% yoy and 8% qoq to S\$192 in 4Q22, which is 13% above pre-pandemic levels, while occupancy was above 90%.
- **Australia: growth sustained by domestic travel.** RevPAU increased 134% yoy and 29% qoq to A\$166 in 4Q22, which is 14% above pre-pandemic levels, driven by higher ADR. CLAS benefitted from recovery in domestic travel from both leisure and corporate segments with uplift from conferences and corporate events. Outlook is positive with more large-scale events and concerts organised in 1Q23. Quest Cannon Hill was acquired in Nov 22 and will provide full-year contribution in 2023.

KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	394	621	668	707	717
EBITDA	146	254	330	345	347
Operating profit	114	218	297	316	322
Net profit (rep./act.)	296	210	164	176	182
Net profit (adj.)	(1)	106	164	176	182
EPU (S\$ cent)	(0.0)	3.2	4.7	5.0	5.2
DPU (S\$ cent)	4.3	5.7	6.2	6.4	6.6
PE (x)	n.m.	34.4	23.0	21.7	21.0
P/B (x)	0.9	0.9	1.0	1.0	1.0
DPU Yld (%)	4.0	5.2	5.7	5.9	6.0
Net margin (%)	75.0	33.8	24.5	24.8	25.4
Net debt/(cash) to equity (%)	55.6	57.6	61.6	64.0	66.6
Interest cover (x)	2.8	3.8	4.7	4.6	4.5
ROE (%)	7.2	4.9	3.8	4.1	4.3
Consensus DPU (S\$ cent)	n.a.	n.a.	6.0	6.6	7.4
UOBKH/Consensus (x)	-	-	1.04	0.97	0.89

Source: Ascott Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.09
Target Price	S\$1.39
Upside	+27.5%
(Previous TP)	S\$1.37

COMPANY DESCRIPTION

ART 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):	3,445.6
Market cap (S\$m):	3,755.7
Market cap (US\$m):	2,860.9
3-mth avg daily t'over (US\$m):	4.8

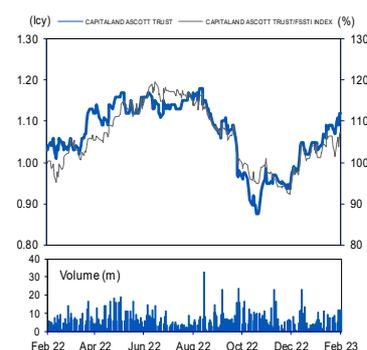
Price Performance (%)

52-week high/low	S\$1.18/S\$0.875
1mth	3.8
3mth	13.5
6mth	(6.0)
1yr	6.9
YTD	3.8

Major Shareholders

Temasek Hldgs	38.0
FY23 NAV/Share (S\$)	1.13
FY23 Net Debt/Share (S\$)	0.76

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- US: domestic and international travellers drive recovery.** RevPAU recovered 73% yoy and 21% qoq to US\$252 in 4Q22, which is 3% above pre-pandemic levels. There was growth from both domestic and international guests. There was steady contribution from corporate and long-stay segments. The positive momentum is expected to be sustained in 1Q23 due to corporate travellers.
- UK: boost from leisure travellers.** RevPAU recovered 80% yoy and 13% qoq to £167 in 4Q22, which is 22% above pre-pandemic levels. There was strong leisure demand from both domestic and international guests. Newly acquired student accommodation properties have also contributed meaningfully.
- Portfolio valuation was stable.** CLAS recognised gains in fair value of investment properties of S\$128m driven by stronger operating performance. The increase was mainly driven by Australia, Singapore and the US.
- Resilient balance sheet.** Aggregate leverage edged higher by 2.2ppt qoq to 38.0% in 4Q22. Cost of debt was stable at 1.8%. 78% of its borrowings are on fixed rates. The average term to maturity was extended by half a year to 4.0 years in 4Q22. Management estimated that every 50bps change in benchmark rates is estimated to reduce DPU by 0.1 S cents per year.

STOCK IMPACT

- Chinese travellers boost demand.** Management expects continued recovery of corporate demand, encompassing long-stay and short-stay, in 2023. Although there is no visible pick-up in Chinese guests, enquiries were strong. Chinese guests accounted for 9% of its pre-pandemic guest count (in 2019). Management expects its properties in Singapore, Australia and Vietnam, which accounted 17.1%, 12.7% and 2.9% of total assets respectively, to benefit from the return of Chinese travellers. CLAS is able to generate profitable growth by raising room rates to cover rising utilities and labour costs.
- CLAS will be enhancing four properties in 2023.** In Singapore, (Riverside Hotel Robertson Quay will be rebranded as The Robertson House by The Crest Collection), France – (Citadines Les Halles Paris), Germany – (Citadines Kurfürstendamm Berlin) and the UK – (Citadines Holborn-Covent Garden London).
- Strengthen resiliency with longer-stay properties.** CLAS invested S\$420m in 15 accretive acquisitions in 2022, comprising 12 longer-stay properties and three serviced residences. The allocation to longer-stay properties increased from 16% to 19%. Student accommodation properties in the USA are 99% leased for the 2022-23 academic year (AY 2021-22: 95%) with rent growth at 6% yoy. Standard at Columbia in South Carolina has topped out in 2Q22 and is on track for completion in 2Q23.
- Setting sights on a higher goal.** Management has raised the asset allocation target for longer-stay assets by 10ppt from 15-20% to 25-30% in the medium term.

EARNINGS REVISION/RISK

- We raised our 2023 DPU forecast by 1.5% due to continued recovery for hospitality.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$1.39 is based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

SHARE PRICE CATALYST

- Reopening of China's international borders and continued recovery in corporate demand as airlines add flight capacity.
- Yield-accretive acquisitions for student accommodation and rental housing.

KEY OPERATING METRICS – CLAS

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	yoy % Chg	qoq % Chg*
DPU (S cents)	n.a.	2.045	n.a.	2.270	n.a.	2.332	n.a.	3.33	46.7%	42.8%
Aggregate Leverage	36.1%	35.9%	35.3%	37.1%	37.8%	37.5%	35.8%	38.0%	0.9ppt	2.2ppt
Weighted All-in-Financing Cost	1.7%	1.6%	1.6%	1.6%	1.60%	1.70%	1.7%	1.80%	0.2ppt	0.1ppt
% Borrowings in Fixed Rate	78%	80%	79%	74%	70%	79%	76%	78.0%	4ppt	2ppt
Weighted Debt Maturity (years)	3.0	3.2	2.9	2.7	2.6	3.1	3.5	4.0	1.3yrs	0.5yrs

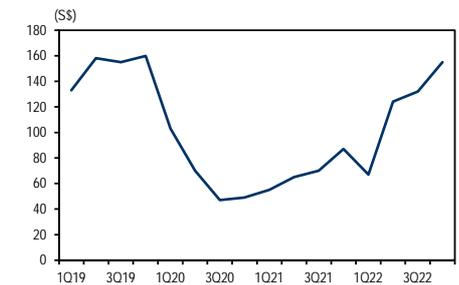
Source: CLAS, UOB Kay Hian * hoh % chg for DPU

TOTAL ASSETS BY GEOGRAPHICAL REGION



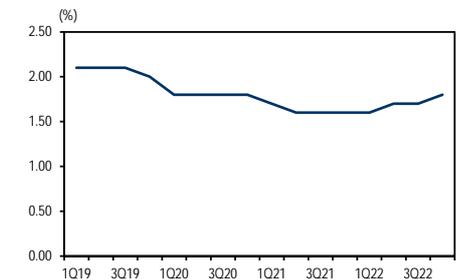
Source: CLAS

PORTFOLIO REVPAU



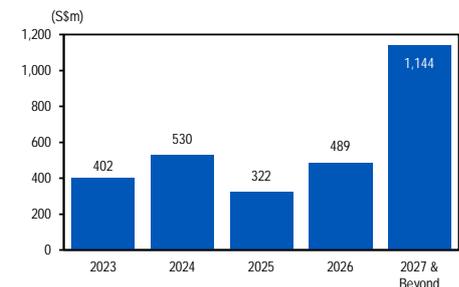
Source: CLAS

AVERAGE COST OF DEBTS



Source: CLAS

DEBT MATURITY PROFILE



Source: CLAS

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	621.2	667.8	707.2	717.4
EBITDA	253.9	329.6	344.7	346.8
Deprec. & amort.	35.8	33.0	29.0	25.0
EBIT	218.2	296.6	315.7	321.8
Total other non-operating income	1.3	0.4	0.4	0.4
Associate contributions	3.9	0.0	0.0	0.0
Net interest income/(expense)	(67.5)	(70.8)	(75.2)	(76.7)
Pre-tax profit	259.8	226.2	240.9	245.5
Tax	(33.6)	(45.2)	(48.2)	(49.1)
Minorities	(2.9)	(3.6)	(3.6)	(0.6)
Preferred dividends	(13.5)	(13.5)	(13.5)	(13.5)
Net profit	209.8	163.9	175.6	182.3
Net profit (adj.)	105.8	163.9	175.6	182.3

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	7,434.2	7,512.2	7,532.2	7,552.2
Other LT assets	87.9	87.9	87.9	87.9
Cash/ST investment	363.6	326.6	325.1	296.0
Other current assets	138.0	139.3	143.5	146.9
Total assets	8,023.7	8,065.9	8,088.6	8,083.0
ST debt	401.7	401.7	401.7	401.7
Other current liabilities	269.6	263.5	272.2	275.2
LT debt	2,472.9	2,580.0	2,650.0	2,700.0
Other LT liabilities	434.7	424.6	413.9	403.1
Shareholders' equity	4,361.7	4,309.5	4,260.5	4,212.2
Minority interest	83.1	86.7	90.3	90.9
Total liabilities & equity	8,023.7	8,065.9	8,088.6	8,083.0

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	282.3	228.0	255.6	255.5
Pre-tax profit	259.8	226.2	240.9	245.5
Tax	(31.5)	(45.2)	(48.2)	(49.1)
Deprec. & amort.	35.8	33.0	29.0	25.0
Associates	(3.9)	0.0	0.0	0.0
Working capital changes	7.2	(7.4)	4.9	1.7
Non-cash items	(105.4)	25.6	26.4	26.7
Other operating cashflows	120.4	(4.2)	2.6	5.8
Investing	(308.8)	(78.0)	(20.0)	(20.0)
Capex (growth)	(286.7)	(33.0)	0.0	0.0
Capex (maintenance)	(23.3)	(45.0)	(20.0)	(20.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	1.2	0.0	0.0	0.0
Financing	71.2	(187.0)	(237.1)	(264.6)
Distribution to unitholders	(168.7)	(216.1)	(224.6)	(230.6)
Issue of shares	170.0	0.0	0.0	0.0
Proceeds from borrowings	1,646.8	107.1	70.0	50.0
Loan repayment	(1,481.0)	0.0	0.0	0.0
Others/interest paid	(96.0)	(78.1)	(82.5)	(84.0)
Net cash inflow (outflow)	44.7	(37.1)	(1.5)	(29.0)
Beginning cash & cash equivalent	346.3	363.6	326.6	325.1
Changes due to forex impact	(27.4)	0.0	0.0	0.0
Ending cash & cash equivalent	363.6	326.6	325.1	296.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	40.9	49.3	48.7	48.3
Pre-tax margin	41.8	33.9	34.1	34.2
Net margin	33.8	24.5	24.8	25.4
ROA	2.7	2.0	2.2	2.3
ROE	4.9	3.8	4.1	4.3
Growth				
Turnover	57.5	7.5	5.9	1.4
EBITDA	73.6	29.8	4.6	0.6
Pre-tax profit	(30.7)	(12.9)	6.5	1.9
Net profit	(29.1)	(21.9)	7.2	3.8
Net profit (adj.)	n.a.	54.8	7.2	3.8
EPU	n.a.	49.2	6.4	3.0
Leverage				
Debt to total capital	39.3	40.4	41.2	41.9
Debt to equity	65.9	69.2	71.6	73.6
Net debt/(cash) to equity	57.6	61.6	64.0	66.6
Interest cover (x)	3.8	4.7	4.6	4.5

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