

COMPANY UPDATE

CapitaLand Ascott Trust (CLAS SP)

Growing Through Accretive Acquisitions And Asset Enhancements

The acquisition of The Cavendish in London, Temple Bar Hotel in Dublin and Ascott Kuningan in Jakarta is accretive to pro forma DPU by 1.8% (excluding milestone payment of S\$94.6m and positive impact from AEI for The Cavendish and Novotel Sydney Central). CLAS will rebrand The Cavendish under the luxurious The Crest Collection and build a 72-room extension at Novotel Sydney Central. CLAS provides 2023 distribution yield of 6.1%. Maintain BUY. Target price: S\$1.35.

WHAT'S NEW

- Tapping on sponsor pipeline.** CapitaLand Ascott Trust (CLAS) has signed an MOU with its sponsor, The Ascott Limited, to acquire three lodging assets, namely The Cavendish in London (230 units), Temple Bar Hotel in Dublin (136 units) and Ascott Kuningan in Jakarta (185 units), at an agreed property value of S\$530.8m.
- Prime locations in key capital cities.** The Cavendish is located in Mayfair shopping district of central London. Temple Bar Hotel is within the Temple Bar district, the centre of Dublin's nightlife. Both hotels are high-traffic areas near iconic attractions. Ascott Kuningan is within the CBD and close to embassies and commercial offices.
- Yield accretion.** The Cavendish, Temple Bar Hotel and Ascott Kuningan provide EBITDA yield of 4.1%, 7.6% and 6.7% respectively. CLAS is expected to increase its total distribution by S\$13.5m and its DPS by 1.8% on a pro forma basis for 2022.
- Adding value to The Cavendish.** The Cavendish will be renovated (4Q24 to 4Q25) and rebranded under The Crest Collection brand, a luxury brand managed by Ascott. Average daily rate (ADR) is expected to increase from £250 to above £500 given The Cavendish's positioning as an entry-level luxury hotel. The property's valuation is expected to increase by £101m to £316m after renovation and stabilisation in 2027. EBITDA yield on total capitalised cost is expected to improve by 2.4ppt to 6.5% at stabilisation.
- Enhancement to properties in Sydney and London.** CLAS plans to enhance 255-room Novotel Sydney Central (4Q24 to 1Q26) and 192-unit Citadines Holborn-Covent Garden London (3Q23 to 1Q24). The number of rooms at Novotel Sydney Central will increase by 72 or 28% by building an eight-storey extension above the car park podium. Development approval for the additional GFA of 2,400sqm was already obtained. Yield on AEI cost is 11.3%. Valuation is expected to increase by A\$173.3m to A\$339.8m in 2028. Yield on AEI cost for Citadines Holborn-Covent Garden London is 10.6%. Valuation is expected to increase by £29.5m to £125.3m in 2025.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	394	621	675	731	736
EBITDA	146	254	298	364	368
Operating profit	114	218	259	323	328
Net profit (rep./act.)	296	210	132	175	178
Net profit (adj.)	(1)	106	128	175	178
EPU (S\$ cent)	(0.0)	3.2	3.6	4.6	4.7
DPU (S\$ cent)	4.3	5.7	5.6	6.2	6.3
PE (x)	n.m.	31.0	27.3	21.3	21.2
P/B (x)	0.8	0.9	0.9	0.9	0.9
DPU Yld (%)	4.4	5.8	5.7	6.3	6.4
Net margin (%)	75.0	33.8	19.5	24.0	24.1
Net debt/(cash) to equity (%)	55.6	57.6	59.4	63.4	68.0
Interest cover (x)	2.8	3.8	3.7	4.3	4.1
ROE (%)	7.2	4.9	2.9	3.8	3.9
Consensus DPU (S\$ cent)	n.a.	n.a.	6.1	6.9	7.1
UOBKH/Consensus (x)	-	-	0.92	0.90	0.89

Source: Ascott Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.985
Target Price	S\$1.35
Upside	+37.1%
(Previous TP)	S\$1.39

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):	3,658.6
Market cap (S\$m):	3,603.7
Market cap (US\$m):	2,654.9
3-mth avg daily t'over (US\$m):	5.1

Price Performance (%)

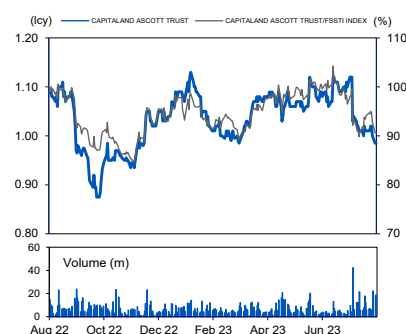
52-week high/low S\$1.13/S\$0.875

1mth	3mth	6mth	1yr	YTD
(10.5)	(7.1)	(2.5)	(11.3)	(6.2)

Major Shareholders

Temasek Hldgs	32.7
FY23 NAV/Share (S\$)	1.12
FY23 Net Debt/Share (S\$)	0.73

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Portfolio RevPAU grew 20% yoy to S\$149 in 2Q23** (98% of pre-pandemic levels). The increase was largely driven by room rates. There is room to improve portfolio occupancy, which currently hovers at about 75%. RevPAU for key markets in Australia, Japan, Singapore, the UK and US was above pre-pandemic levels based on same-store basis. China and Vietnam outperformed with RevPAU growth of 78% and 83% yoy respectively.
- **RevPAU is expected to trend higher in 3Q23.** 2H is usually seasonally stronger. Growth is supported by markets that recently reopened, such as Japan and China, and large-scale events, such as FIFA Women's World Cup and F1 Singapore Grand Prix. International arrivals are projected to further recover to 80-95% of pre-pandemic levels by end-23. Management also expects international travel to pick up pace as flight capacities increase.
- **Upgrading RHRQ in Singapore.** In Singapore, renovation for 336-room Riverside Hotel Robertson Quay (RHRQ) commenced in Mar 23 and would be completed in 4Q23. RHRQ will be rebranded as The Robertson House under the luxurious The Crest Collection brand. Construction of the new 192-unit Somerset serviced residence at Clarke Quay is on track for completion in 2H25.
- **Target allocation of 25-30% for longer-stay accommodation.** Longer-stay properties, such as student accommodation and rental housing properties, maintained a strong occupancy of over 95%. Student accommodation properties were 98% leased for 2022-23 and rent growth of 6% yoy is expected for 2023-24. Longer-stay properties contributed 17% of gross profit in 1H23 and accounted for 19% of portfolio valuations.
- **Standard at Columbia receiving its first batch of students.** 678-bed Standard at Columbia in South Carolina, has received its temporary certificate of occupancy on 30 Jun 23. The property has a pre-leased occupancy of 90% and will receive its first batch of students for 2023-24 starting Aug 23. It will be revalued as investment property at end-23.

1H23 RESULTS

Year to 31 Dec (S\$m)	1H23	yoy % chg	Remarks
Gross Revenue	346.9	+30	14 operating assets were acquired in 2022 and 2Q23.
Gross Profit	154.4	+31	Gross profit grew 25% yoy on a same-store basis.
Distributable Income	96.3	+26	Interest expense increased 33% yoy.
DPU (S cents)	2.78	+19	

Source: CLAS, UOB Kay Hian

EARNINGS REVISION/RISK

- We trimmed our 2024 DPU forecast by 3% as positive impact from acquisition of The Cavendish, Temple Bar Hotel and Ascott Kuningan was negated by depreciation of foreign currencies against the Singapore dollar (AUD: -6.1% yoy, CNY: -10.1% yoy and JPY: -8.5% yoy).

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.35 is based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

SHARE PRICE CATALYST

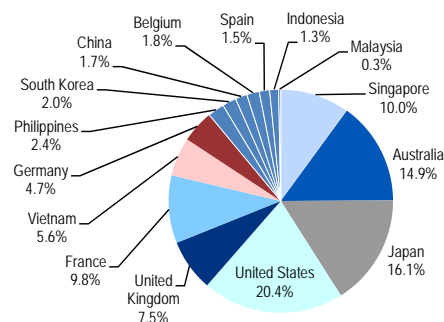
- Recovery of international arrivals and continued recovery in corporate demand as airlines increase flight capacities.
- Yield-accretive acquisitions for student accommodation and rental housing.

KEY OPERATING METRICS

	2022	3Q22	4Q22	1Q22	2Q23	yoy % Chg	qoq % Chg*
DPU (S cents)	2.332	n.a.	3.330	n.a.	2.778	19.1%	-16.6%
Aggregate Leverage	37.5%	35.8%	38.0%	38.7%	38.6%	1.1ppt	-0.1ppt
Weighted All-in-Financing Cost	1.70%	1.7%	1.80%	2.3%	2.30%	0.6ppt	0ppt
% Borrowings in Fixed Rate	79%	76%	78.0%	75.0%	80.0%	1ppt	5ppt
Weighted Debt Maturity (years)	3.1	3.5	4.0	3.9	3.6	0.5yrs	-0.3yrs

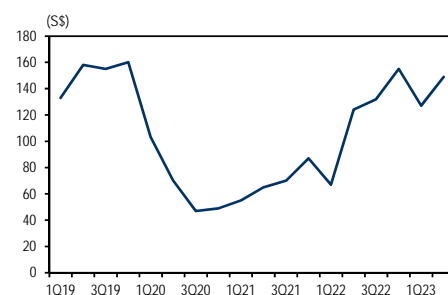
Source: CLAS, UOB Kay Hian * hoh % chg for DPU

GROSS PROFIT BY COUNTRY (1H23)



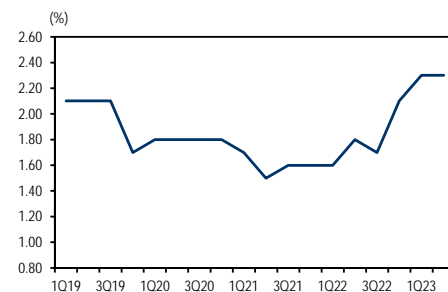
Source: CLAS

PORTFOLIO REVPAU



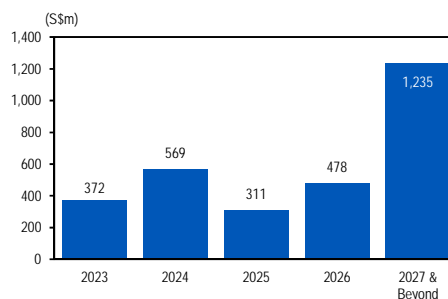
Source: CLAS

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	675.0	730.9	736.1
EBITDA	253.9	298.2	363.7	368.1
Deprec. & amort.	35.8	39.0	40.3	40.5
EBIT	218.2	259.2	323.3	327.6
Total other non-operating income	1.3	1.2	1.2	1.2
Associate contributions	3.9	(0.0)	0.0	0.0
Net interest income/(expense)	(67.5)	(80.3)	(84.3)	(89.0)
Pre-tax profit	259.8	183.2	240.2	239.8
Tax	(33.6)	(33.6)	(48.0)	(48.0)
Minorities	(2.9)	(4.5)	(3.6)	(0.6)
Preferred dividends	(13.5)	(13.4)	(13.5)	(13.5)
Net profit	209.8	131.6	175.1	177.8
Net profit (adj.)	105.8	128.5	175.1	177.8

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	7,434.2	7,916.3	8,011.5	8,106.7
Other LT assets	87.9	102.1	102.1	102.1
Cash/ST investment	363.6	349.1	434.4	336.4
Other current assets	138.0	130.1	145.3	146.1
Total assets	8,023.7	8,497.6	8,693.3	8,691.3
ST debt	401.7	685.7	685.7	685.7
Other current liabilities	269.6	253.5	285.2	286.9
LT debt	2,472.9	2,420.0	2,650.0	2,720.0
Other LT liabilities	434.7	413.0	404.3	394.3
Shareholders' equity	4,361.7	4,639.9	4,579.0	4,514.6
Minority interest	83.1	85.6	89.2	89.8
Total liabilities & equity	8,023.7	8,497.6	8,693.3	8,691.3

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	282.3	298.1	278.8	266.4
Pre-tax profit	259.8	183.2	240.2	239.8
Tax	(31.5)	(38.9)	(48.0)	(48.0)
Deprec. & amort.	35.8	39.0	40.3	40.5
Associates	(3.9)	0.0	0.0	0.0
Working capital changes	7.2	(13.1)	17.8	0.9
Non-cash items	(105.4)	14.2	28.4	28.7
Other operating cashflows	120.4	113.9	0.2	4.5
Investing	(308.8)	(545.0)	(95.0)	(95.0)
Capex (growth)	(286.7)	(563.8)	0.0	0.0
Capex (maintenance)	(23.3)	(45.0)	(95.0)	(95.0)
Proceeds from sale of assets	0.0	63.8	0.0	0.0
Others	1.2	0.0	0.0	0.0
Financing	71.2	232.4	(98.6)	(269.5)
Distribution to unitholders	(168.7)	(196.9)	(236.0)	(242.1)
Issue of shares	170.0	305.3	0.0	0.0
Proceeds from borrowings	1,646.8	231.1	230.0	70.0
Loan repayment	(1,481.0)	0.0	0.0	0.0
Others/interest paid	(96.0)	(107.0)	(92.6)	(97.3)
Net cash inflow (outflow)	44.7	(14.5)	85.3	(98.0)
Beginning cash & cash equivalent	346.3	363.6	349.1	434.4
Changes due to forex impact	(27.4)	0.0	0.0	0.0
Ending cash & cash equivalent	363.6	349.1	434.4	336.4

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	40.9	44.2	49.8	50.0
Pre-tax margin	41.8	27.1	32.9	32.6
Net margin	33.8	19.5	24.0	24.1
ROA	2.7	1.6	2.0	2.0
ROE	4.9	2.9	3.8	3.9
Growth				
Turnover	57.5	8.7	8.3	0.7
EBITDA	73.6	17.4	22.0	1.2
Pre-tax profit	(30.7)	(29.5)	31.1	(0.2)
Net profit	(29.1)	(37.3)	33.0	1.5
Net profit (adj.)	n.a.	21.4	36.3	1.5
EPU	n.a.	13.7	28.1	0.8
Leverage				
Debt to total capital	39.3	39.7	41.7	42.5
Debt to equity	65.9	66.9	72.8	75.4
Net debt/(cash) to equity	57.6	59.4	63.4	68.0
Interest cover (x)	3.8	3.7	4.3	4.1

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