

## COMPANY UPDATE

**CapitaLand Ascott Trust (CLAS SP)**

Benefitting From Proliferation Of Large-scale Events

**Portfolio RevPAU increased 6% yoy to S\$135 in 1Q24, in line with pre-pandemic levels. There is more upside as portfolio occupancy was 73% and remains below pre-pandemic levels of 88%. Taylor Swift's The Eras Tour boosted contributions from Singapore and Australia in 1Q24. The Eras Tour will be held in the UK (June and August) and France (May and June). Olympic Games is a catalyst for France in 3Q24. CLAS provides 2024 distribution yield of 6.7%. Maintain BUY. Target price: S\$1.40.**

## WHAT'S NEW

- CapitaLand Ascott Trust (CLAS) provided its 1Q24 business update.
- Organic growth augmented by acquisitions.** Gross profit grew 15% yoy in 1Q24 due to strong operating performance from existing properties and contributions from newly acquired properties. On a same-store basis, gross profit grew 7% yoy.
- Potential upside from optimising occupancy.** RevPAU increased 6% yoy but eased 16% qoq to S\$135 in 1Q24, in line with pre-pandemic levels on a pro forma basis in 1Q19, driven primarily by higher average daily rates (ADR). Average portfolio occupancy was stable yoy at 73% in 1Q24, which remains below pre-pandemic levels of 83%.
- Singapore: Uplift from megastars and concerts.** RevPAU grew 10% yoy to S\$189 in 1Q24 (excluding Citadines Mount Sophia) due to an uplift from concerts and stronger performance at The Robertson House by The Crest Collection (renovation completed in 1Q24). CLAS benefitted from a higher volume of Chinese travellers due to the Chinese New Year holidays and mutual visa-free travel arrangement between Singapore and China. RevPAU increased 82% yoy during the Taylor Swift's The Eras Tour in Mar 24.
- Australia: Growth from large-scale events.** RevPAU grew 10% yoy to A\$170 in 1Q24 (excluding Courtyard by Marriott Sydney-North Ryde), which exceeded pre-pandemic levels by 12%. Strong short-stay demand from the domestic leisure segment was driven by several high-profile events, such as concerts by Taylor Swift and Pink, Australian Open Juniors Championships and F1 Grand Prix. RevPAU doubled yoy during the Taylor Swift's The Eras Tour at Sydney and Melbourne in Feb 24. We expect continued strong demand from corporate and MICE segments in 2Q24 due to several events, such as the National Rugby League (March to September) and Vivid Sydney (May to June).
- Japan: Boost from international leisure demand.** Japan has fully reopened to independent travellers since Oct 22. RevPAU surged 31% yoy to JPY15,962 in 1Q24, which exceeded pre-pandemic levels by 38%. Demand was driven by an influx of international leisure guests during the New Year holidays and cherry blossom season.

## KEY FINANCIALS

| Year to 31 Dec (\$m)          | 2022 | 2023 | 2024F | 2025F | 2026F |
|-------------------------------|------|------|-------|-------|-------|
| Net turnover                  | 621  | 745  | 742   | 749   | 758   |
| EBITDA                        | 254  | 302  | 351   | 356   | 361   |
| Operating profit              | 218  | 263  | 311   | 315   | 320   |
| Net profit (rep./act.)        | 210  | 218  | 169   | 165   | 170   |
| Net profit (adj.)             | 106  | 99   | 169   | 165   | 170   |
| EPU (\$ cent)                 | 3.2  | 2.8  | 4.5   | 4.3   | 4.4   |
| DPU (\$ cent)                 | 5.7  | 6.6  | 6.1   | 6.0   | 6.2   |
| PE (x)                        | 28.5 | 32.6 | 20.3  | 20.9  | 20.5  |
| P/B (x)                       | 0.8  | 0.8  | 0.8   | 0.8   | 0.8   |
| DPU Yld (%)                   | 6.3  | 7.3  | 6.7   | 6.7   | 6.9   |
| Net margin (%)                | 33.8 | 29.2 | 22.7  | 22.0  | 22.4  |
| Net debt/(cash) to equity (%) | 57.6 | 55.0 | 54.8  | 59.2  | 62.3  |
| Interest cover (x)            | 3.8  | 3.7  | 4.4   | 3.8   | 3.7   |
| ROE (%)                       | 4.9  | 4.8  | 3.6   | 3.5   | 3.7   |
| Consensus DPU (\$ cent)       | n.a. | n.a. | 6.3   | 6.4   | 6.9   |
| UOBKH/Consensus (x)           | -    | -    | 0.96  | 0.94  | 0.90  |

Source: Ascott Trust, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

|               |          |
|---------------|----------|
| Share Price   | S\$0.905 |
| Target Price  | S\$1.40  |
| Upside        | +54.7%   |
| (Previous TP) | S\$1.45) |

## COMPANY DESCRIPTION

CLAS 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):              | 3,776.1     |
| Market cap (\$m):               | 3,417.3     |
| Market cap (US\$m):             | 2,510.9     |
| 3-mth avg daily t'over (US\$m): | 3.7         |

## Price Performance (%)

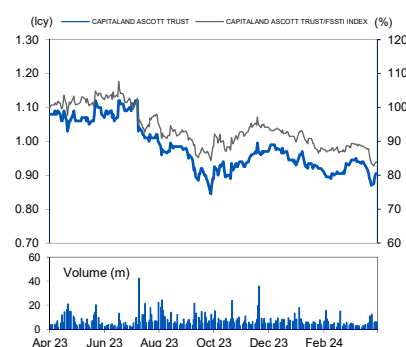
52-week high/low S\$1.12/S\$0.845

| 1mth  | 3mth  | 6mth | 1yr    | YTD   |
|-------|-------|------|--------|-------|
| (3.2) | (4.2) | 4.0  | (15.4) | (8.6) |

## Major Shareholders

|                          | %    |
|--------------------------|------|
| Temasek Hldgs            | 33.6 |
| FY24 NAV/Share (\$)      | 1.13 |
| FY24 Net Debt/Share (\$) | 0.68 |

## PRICE CHART



Source: Bloomberg

## ANALYST(S)

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- **Resilient balance sheet.** Aggregate leverage was healthy at 37.7% as of Mar 24. Average cost of debt rose to 3.0% in 1Q24 due to additional EUR and GBP debt to finance recent acquisitions. Interest coverage ratio was healthy at 3.7x. Average debt maturity is long at 3.9 years.

### STOCK IMPACT

- **Stability from geographical diversification.** The outlook is clouded by geopolitical uncertainties and a slowdown in global trade. CLAS' geographical diversification and balanced 36:64 mix of growth and stable income assets provide resiliency. On a brighter note, international travel is projected to fully recover to pre-pandemic levels in 2024. The pace of recovery is then expected to moderate and will be primarily driven by occupancy as ADR stabilises.

- **Strong events calendar in the UK.** The UK's 2Q24 and 3Q24 outlook is supported by corporate and group bookings and transient demand from several events, such as Taylor Swift's The Eras Tour (June and August), Chelsea Flower Show (May) and Wimbledon Championships (July).

- **Paris benefitting from Olympic Games.** France's 2Q24 outlook is supported by corporate and cultural group segments due to Taylor Swift's The Eras Tour in May (Paris) and June (Lyon) and several fashion events in June. The renovation of Citadines Les Halles Paris and La Clef Tour Eiffel Paris is expected to complete in 2Q24, ahead of the Olympic Games in Paris (26 July to 11 August).

- **Resiliency from longer-stay accommodation.** Student accommodation property Standard at Columbia (247 units with 678 beds) at University of South Carolina opened in Aug 23. Average occupancy for student accommodation properties in the US was stable at 92% and rent growth was 5.5% yoy (excluding Wildwood Lubbock undergoing AEI: 6.5% yoy) in 1Q24. CLAS added three new rental housing properties in 1Q24. The average occupancy for rental housing properties in Japan was stable at above 95%. In total, longer-stay properties accounted for 17% of portfolio valuation (student accommodation: 11%, rental housing: 6%). Management targets asset allocation of 25-30% for longer-stay accommodation in the medium to long term.

- **Portfolio reconstitution.** CLAS completed the acquisition Teriha Ocean Stage, a 258-unit rental housing property in Fukuoka, Japan for JPY8.0b (S\$82.6m) in Jan 24, which provided yield of 4.0% on a stabilised basis. It divested five hotels in 1Q24: a) Courtyard by Marriott Sydney-North Ryde and Novotel Sydney Parramatta in Australia, b) Hotel WBF Kitasemba East, Hotel WBF Kitasemba West and Hotel WBF Honmachi in Osaka, Japan, and c) Citadines Mount Sophia in Singapore. CLAS achieved an attractive average exit yield of 3.8%. The series of divestments generated proceeds of S\$343m and net gains of S\$37m.

### EARNINGS REVISION/RISK

- We trim our 2025 DPU forecast by 3.7% due to a higher cost of debt.

### VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.40 is based on DDM (cost of equity: 7.0%, terminal growth: 2.8%).

### SHARE PRICE CATALYST

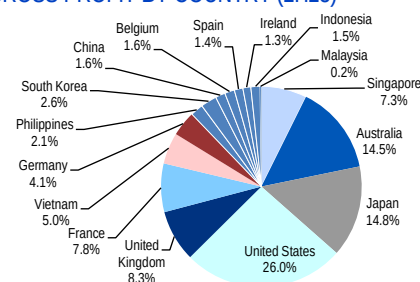
- Recovery of international arrivals and continued recovery in corporate demand as airlines increase flight capacities.
- Yield-accretive acquisitions for student accommodation and rental housing.

### KEY OPERATING METRICS – CLAS

|                                | 1Q23  | 2Q23  | 3Q23  | 4Q23  | 1Q24  | yoy % Chg | qoq % Chg* |
|--------------------------------|-------|-------|-------|-------|-------|-----------|------------|
| DPU (S cents)                  | n.a.  | 2.778 | n.a.  | 3.80  | n.a.  | n.a.      | n.a.       |
| Aggregate Leverage             | 38.7% | 38.6% | 35.2% | 37.9% | 37.7% | -1ppt     | -0.2ppt    |
| Weighted All-in-Financing Cost | 2.3%  | 2.3%  | 2.4%  | 2.4%  | 3.0%  | 0.7ppt    | 0.6ppt     |
| % Borrowings in Fixed Rate     | 75%   | 80%   | 83%   | 81%   | 82%   | 7ppt      | 1ppt       |
| Weighted Debt Maturity (years) | 3.9   | 3.6   | 3.7   | 3.7   | 3.9   | 0yrs      | 0.2yrs     |

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

### GROSS PROFIT BY COUNTRY (2H23)



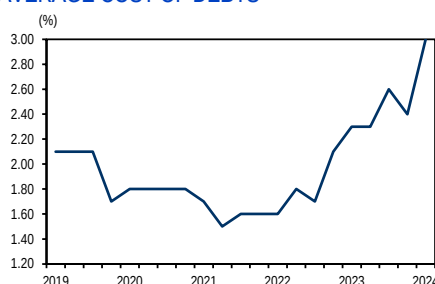
Source: CLAS

### PORTFOLIO REVPAU



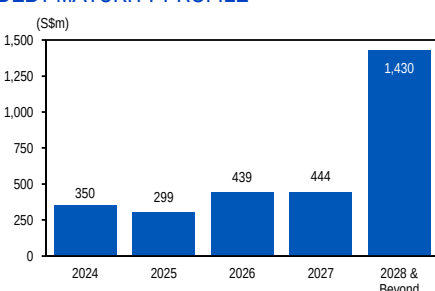
Source: CLAS

### AVERAGE COST OF DEBTS



Source: CLAS

### DEBT MATURITY PROFILE



Source: CLAS

### PROFIT & LOSS

| Year to 31 Dec (\$m)             | 2023   | 2024F  | 2025F  | 2026F  |
|----------------------------------|--------|--------|--------|--------|
| Net turnover                     | 744.6  | 742.5  | 749.1  | 757.7  |
| EBITDA                           | 301.7  | 351.2  | 355.9  | 361.2  |
| Deprec. & amort.                 | 38.9   | 40.6   | 40.7   | 40.9   |
| EBIT                             | 262.8  | 310.6  | 315.1  | 320.3  |
| Total other non-operating income | 3.0    | 1.2    | 1.2    | 1.2    |
| Associate contributions          | 0.0    | 0.0    | 0.0    | 0.0    |
| Net interest income/(expense)    | (82.4) | (79.7) | (92.4) | (96.8) |
| Pre-tax profit                   | 302.2  | 232.1  | 223.9  | 224.7  |
| Tax                              | (72.4) | (46.4) | (44.8) | (44.9) |
| Minorities                       | 1.5    | (3.6)  | (0.6)  | 3.4    |
| Preferred dividends              | (13.5) | (13.5) | (13.5) | (13.5) |
| Net profit                       | 217.8  | 168.6  | 165.0  | 169.6  |
| Net profit (adj.)                | 99.0   | 168.6  | 165.0  | 169.6  |

### BALANCE SHEET

| Year to 31 Dec (\$m)                  | 2023           | 2024F          | 2025F          | 2026F          |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Fixed assets                          | 7,771.0        | 7,866.2        | 7,961.4        | 7,981.4        |
| Other LT assets                       | 102.4          | 102.4          | 102.4          | 102.4          |
| Cash/ST investment                    | 432.8          | 569.7          | 541.6          | 540.8          |
| Other current assets                  | 424.6          | 135.5          | 136.5          | 138.0          |
| <b>Total assets</b>                   | <b>8,730.8</b> | <b>8,673.7</b> | <b>8,741.9</b> | <b>8,762.5</b> |
| ST debt                               | 562.4          | 562.4          | 562.4          | 562.4          |
| Other current liabilities             | 378.7          | 292.6          | 294.8          | 297.8          |
| LT debt                               | 2,486.0        | 2,580.0        | 2,720.0        | 2,820.0        |
| Other LT liabilities                  | 473.5          | 466.0          | 456.1          | 446.2          |
| Shareholders' equity                  | 4,752.7        | 4,691.5        | 4,626.8        | 4,557.7        |
| Minority interest                     | 77.6           | 81.2           | 81.8           | 78.4           |
| <b>Total liabilities &amp; equity</b> | <b>8,730.8</b> | <b>8,673.7</b> | <b>8,741.9</b> | <b>8,762.5</b> |

### CASH FLOW

| Year to 31 Dec (\$m)             | 2023    | 2024F   | 2025F   | 2026F   |
|----------------------------------|---------|---------|---------|---------|
| Operating                        | 300.7   | 474.8   | 276.6   | 357.2   |
| Pre-tax profit                   | 302.2   | 232.1   | 223.9   | 224.7   |
| Tax                              | (30.5)  | (46.4)  | (44.8)  | (44.9)  |
| Deprec. & amort.                 | 38.9    | 40.6    | 40.7    | 40.9    |
| Associates                       | (0.0)   | 0.0     | 0.0     | 0.0     |
| Working capital changes          | (40.3)  | (101.7) | 1.2     | 1.7     |
| Non-cash items                   | (116.6) | 28.4    | 28.7    | 29.0    |
| Other operating cashflows        | 147.0   | 321.8   | 26.8    | 105.9   |
| Investing                        | (296.7) | (95.0)  | (95.0)  | (95.0)  |
| Capex (growth)                   | (349.0) | 0.0     | 0.0     | 0.0     |
| Capex (maintenance)              | (51.2)  | (95.0)  | (95.0)  | (95.0)  |
| Proceeds from sale of assets     | 63.3    | 0.0     | 0.0     | 0.0     |
| Others                           | 40.3    | 0.0     | 0.0     | 0.0     |
| Financing                        | 64.5    | (243.0) | (209.6) | (263.1) |
| Distribution to unitholders      | (198.2) | (229.8) | (229.7) | (238.8) |
| Issue of shares                  | 303.1   | 0.0     | 0.0     | 0.0     |
| Proceeds from borrowings         | 755.4   | 94.0    | 140.0   | 100.0   |
| Loan repayment                   | (674.5) | 0.0     | 0.0     | 0.0     |
| Others/interest paid             | (121.2) | (107.2) | (119.9) | (124.3) |
| Net cash inflow (outflow)        | 68.5    | 136.9   | (28.1)  | (0.8)   |
| Beginning cash & cash equivalent | 363.6   | 432.8   | 569.7   | 541.6   |
| Changes due to forex impact      | 0.7     | 0.0     | 0.0     | 0.0     |
| Ending cash & cash equivalent    | 432.8   | 569.7   | 541.6   | 540.8   |

### KEY METRICS

| Year to 31 Dec (%)        | 2023   | 2024F  | 2025F | 2026F |
|---------------------------|--------|--------|-------|-------|
| <b>Profitability</b>      |        |        |       |       |
| EBITDA margin             | 40.5   | 47.3   | 47.5  | 47.7  |
| Pre-tax margin            | 40.6   | 31.3   | 29.9  | 29.7  |
| Net margin                | 29.2   | 22.7   | 22.0  | 22.4  |
| ROA                       | 2.6    | 1.9    | 1.9   | 1.9   |
| ROE                       | 4.8    | 3.6    | 3.5   | 3.7   |
| <b>Growth</b>             |        |        |       |       |
| Turnover                  | 19.8   | (0.3)  | 0.9   | 1.2   |
| EBITDA                    | 18.8   | 16.4   | 1.3   | 1.5   |
| Pre-tax profit            | 16.3   | (23.2) | (3.5) | 0.4   |
| Net profit                | 3.8    | (22.6) | (2.1) | 2.8   |
| Net profit (adj.)         | (6.5)  | 70.3   | (2.1) | 2.8   |
| EPU                       | (12.4) | 60.1   | (2.9) | 2.0   |
| <b>Leverage</b>           |        |        |       |       |
| Debt to total capital     | 38.7   | 39.7   | 41.1  | 42.2  |
| Debt to equity            | 64.1   | 67.0   | 70.9  | 74.2  |
| Net debt/(cash) to equity | 55.0   | 54.8   | 59.2  | 62.3  |
| Interest cover (x)        | 3.7    | 4.4    | 3.8   | 3.7   |

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