



# ARA US HOSPITALITY TRUST

1H 2023 BUSINESS & OPERATIONAL UPDATE

8 AUGUST 2023



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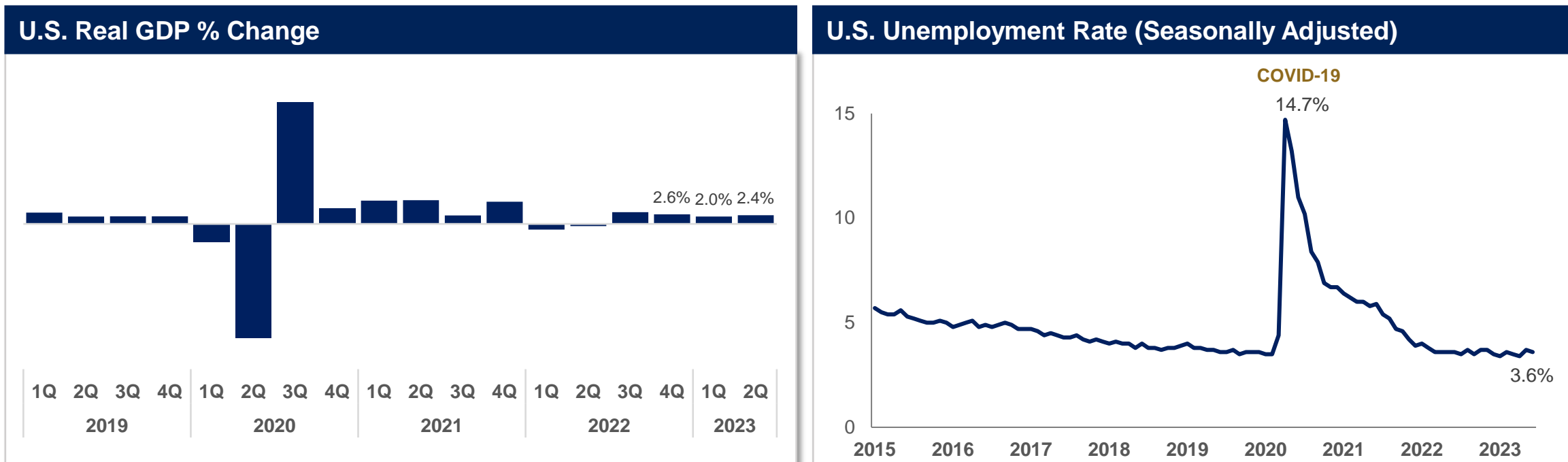




# U.S. MARKET UPDATE

# Macro Market Stability Despite Interest Rate Hikes

U.S. economic growth continues as key indicators show strength



- 2Q23 GDP growth of 2.4%, improving the prospects of a soft landing.
- Inflation at 3% in June 2023 compared to June 2022 peak of over 9% as interest rates hikes take effect.
- Unemployment rate of 3.6% in June 2023 continues to be at an historic low; tight labor market conditions support consumer consumption, a main driver of the U.S. economy.
- U.S. Federal Funds Rate increased by 25 bps to a range of 5.25% - 5.50% in July 2023.

# U.S. Lodging Market Continues its Recovery from Covid-19



Positive year-on-year growth expected for 2023-2025

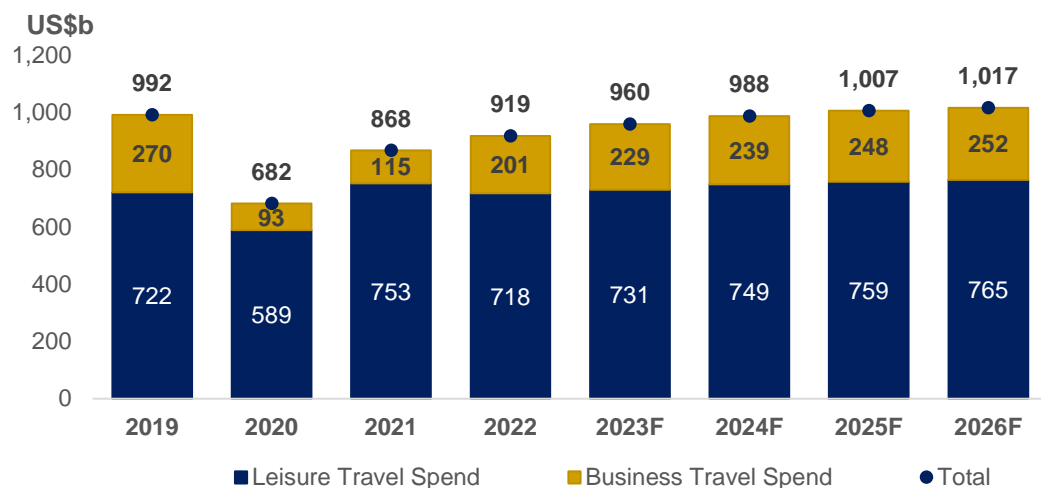
Year	2019	2020	2021	2022	2023F	2024F	2025F	1H22	1H23
Occupancy	66%	44%	58%	63%	64%	64%	65%	61%	63%
ADR	\$131	\$103	\$125	\$148	\$154	\$159	\$164	\$145	\$154
ADR Y-o-Y Change		-21%	+21%	+19%	+4%	+3%	+3%		+6%
RevPAR	\$87	\$45	\$72	\$93	\$98	\$102	\$107	\$89	\$97
RevPAR Y-o-Y Change		-48%	+60%	+29%	+5%	+5%	+5%		+9%

- Recovery outlook for U.S. hotel market remains intact despite economic uncertainty and geopolitical risks.
- Projected U.S. hotel market RevPAR growth to taper in 2023 but positive year-on-year for the next three years.

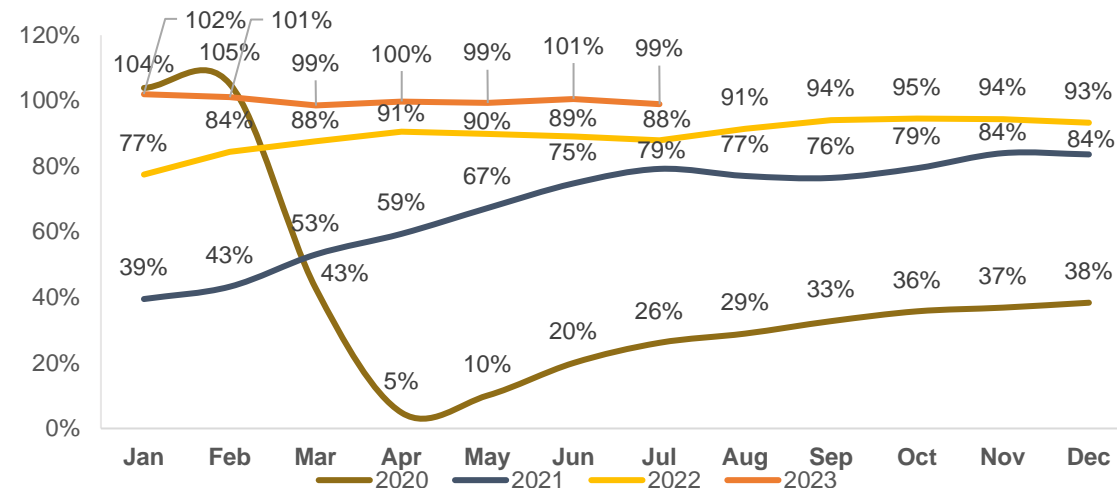
# Travel Demand Remains Strong

Upward projections for leisure and business travel volumes and spend

## U.S. Domestic Travel Spending Forecast



## U.S. Airport TSA Checkpoint Numbers as a % of 2019 levels

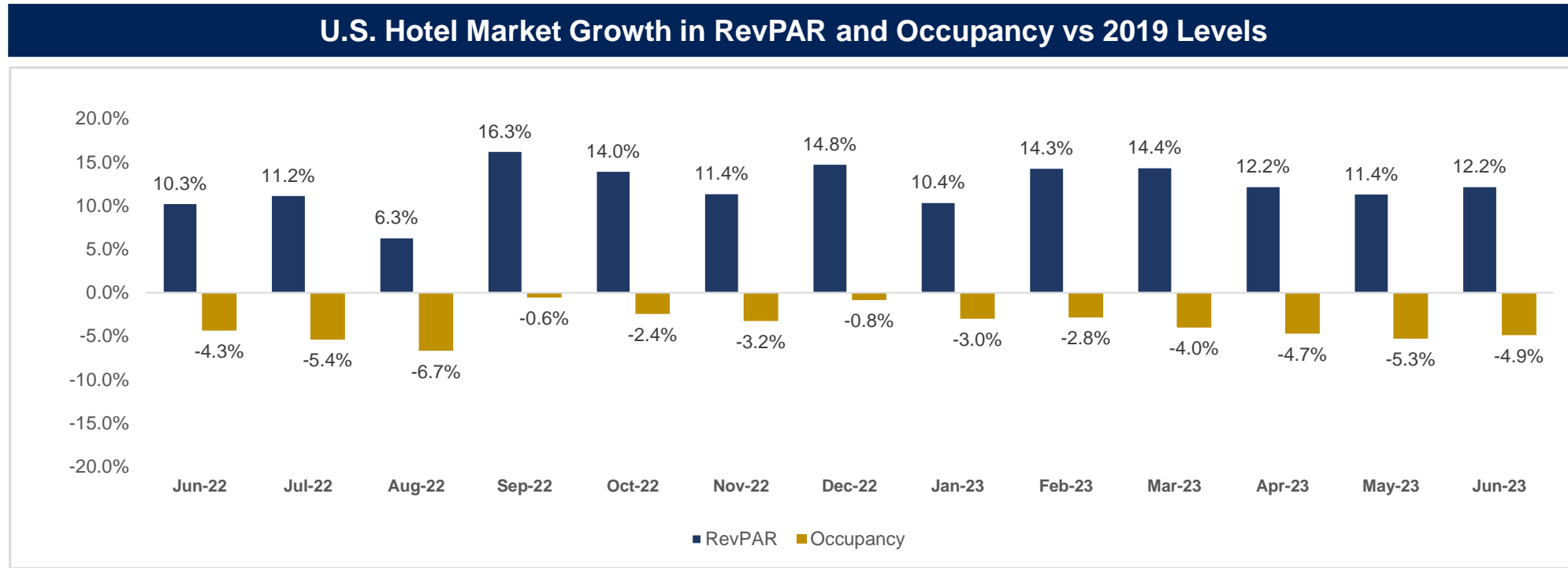


- Domestic travel continues to be the driving force in hotel demand; business travel is steadily recovering.
- Leisure travel spending projected to reach 104% and 106% of 2019 levels by 2024 and 2026 respectively.
- Airline travel demand recovered to pre-COVID volumes in 2023.

# Positive U.S. Hotel Market Recovery since 2022



U.S. hotel market RevPAR above 2019 levels driven by ADR growth



- ADR growth mitigates ongoing inflationary cost pressures to protect GOP and NPI margins
- Occupancy nearing 2019 levels as business and group demand segments recover



# PORTFOLIO PERFORMANCE



AC Hotel Marriott Raleigh North Hills



# Key Highlights for 1H 2023

ADR  
+8%

Occupancy  
+6.2 pp

RevPAR  
+19%

GOP  
+11%

NPI  
+ 4%

% Debt  
Hedged  
~75%

- DPS of 1.501 US cents, up 5% year-on-year
- Total Revenue of US\$86.0 mil, up 6% year-on-year
  - Driven by continued ADR and occupancy growth
  - RevPAR up 19% year-on-year
- Portfolio GOP of US\$30.7 mil, up 11% year-on-year
  - Revenue growth outpaced expense increases preserving profit margins
- Portfolio NPI of US\$22.0 mil, up 4% year-on-year
- ALR at healthy 39.7%, ICR at 2.5x
- ~75% of debt hedged to fixed interest rates
  - Average cost of debt 4.6%

# 1H 2023 Key Performance Indicators

Continued improvement across all performance indicators



**68.9%**  
Occupancy ↑ 6.2 pp y-o-y



**US\$137**  
ADR ↑ 7.8% y-o-y

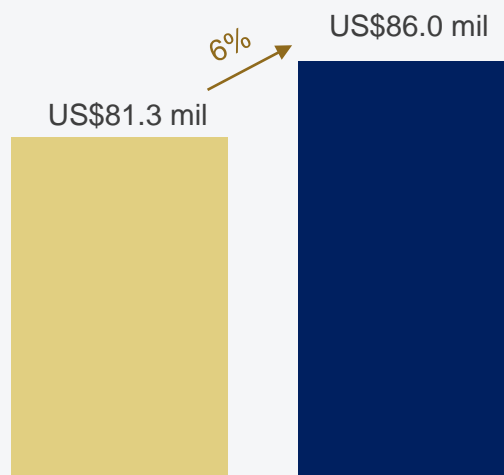


**US\$95**  
RevPAR ↑ 18.5% y-o-y



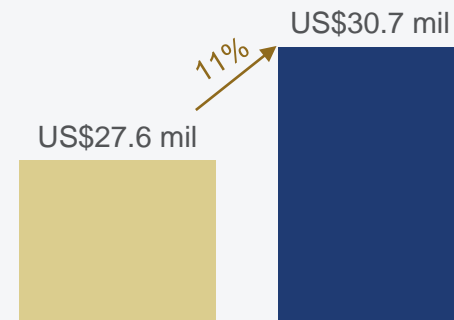
**35.6%**  
GOP Margin ↑ 1.7 pp y-o-y

**Gross Revenue**  
**US\$86.0 mil**



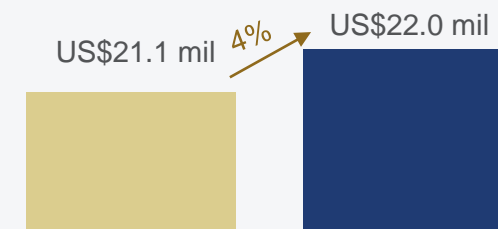
■ 1H 2022 ■ 1H 2023

**Gross Operating Profit**  
**US\$30.7 mil**



■ 1H 2022 ■ 1H 2023

**Net Property Income**  
**US\$22.0 mil**



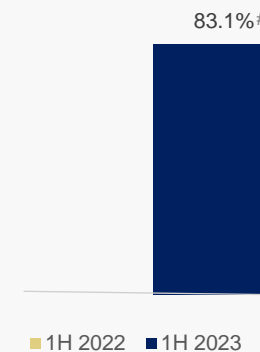
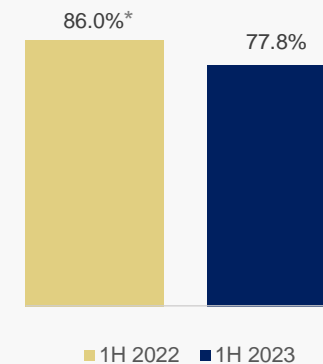
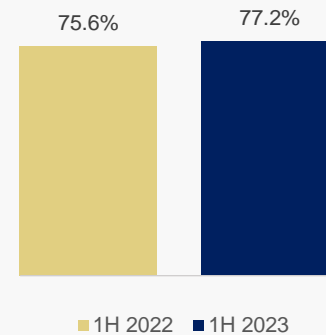
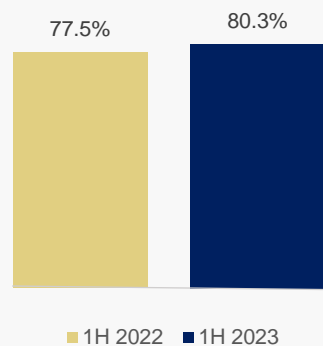
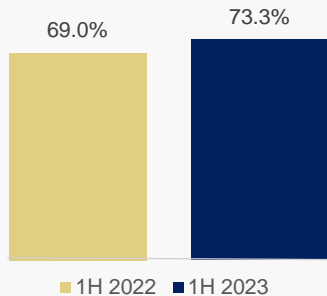
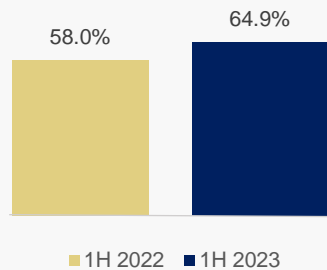
■ 1H 2022 ■ 1H 2023

# Portfolio Performance by Brands

Continued recovery across the portfolio

Occupancy

RevPAR



\* Residence Inn San Antonio's higher occupancy in 1H2022 included the National Guards group contract during 2021-2022 (COVID-19 pandemic).

# For the period from 18 April 2023 to 30 June 2023

# Sound Financial and Liquidity Position



Debt Headroom of US\$168 mil based on 50% ALR limit

	As at 31 Dec 2022	As at 30 Jun 2023
NAV per Stapled Security	US\$0.80	US\$0.78
Cash Balance	US\$50.6 mil	US\$21.1 mil
Total Debt Outstanding	US\$325.9 mil	US\$325.8 mil
Aggregate Leverage Ratio	39.4%	39.7%
Interest Coverage Ratio	2.6x	2.5x
Weighted Average Debt Maturity	1.5 years	1.0 years <sup>*</sup>
Average Cost of Debt (p.a.)	3.8%	4.6%
% of Fixed Debt	82.0%	75.2%

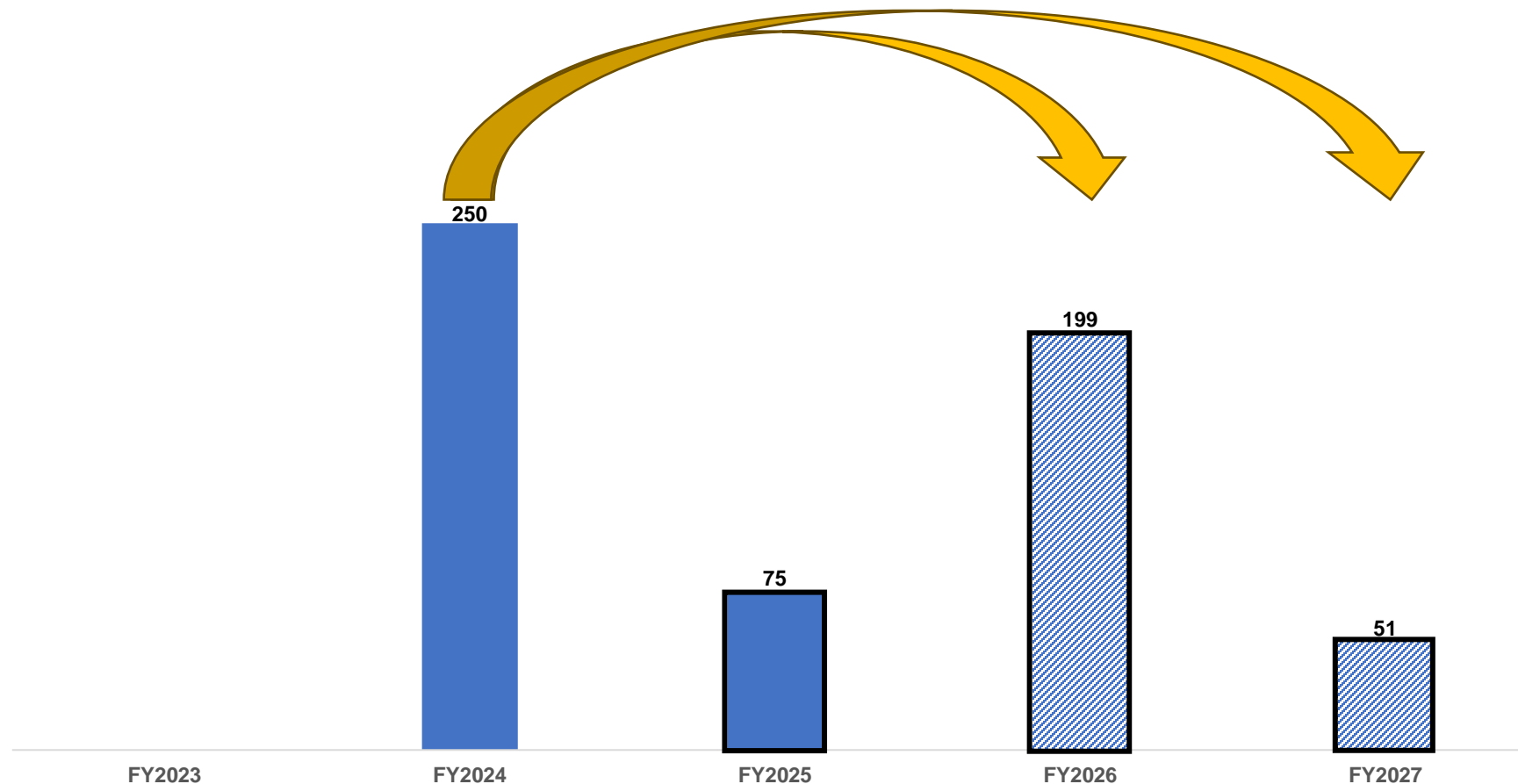
\* Obtained signed commitment from SG-based relationship banks on new facilities to refinance maturing loans. Assuming refinancing completion in 3Q 2023, weighted average debt maturity will extend to approximately 3 years.



# Proactive Refinancing of Loan Facilities

Staggered maturities with new 3-yr and 4-yr loan facilities

USD'mil



- Extends weighted average debt maturity to approximately 3 years, assuming refinancing completion in 3Q 2023

# BUILDING A RESILIENT PORTFOLIO



# Acquisition of Home2 Suites By Hilton Colorado Springs South

Property is the second asset in Colorado market for ARA H-Trust

	2Q 2023
<u>Occupancy</u>	
Portfolio	75.9%
<b>Home2 Suites by Hilton Colorado Springs</b>	<b>83.1%</b>
<u>RevPAR</u>	
Portfolio	\$108
<b>Home2 Suites by Hilton Colorado Springs</b>	<b>\$155</b>



**Completed: 18 April 2023**

✓ Acquisition is immediately yield accretive

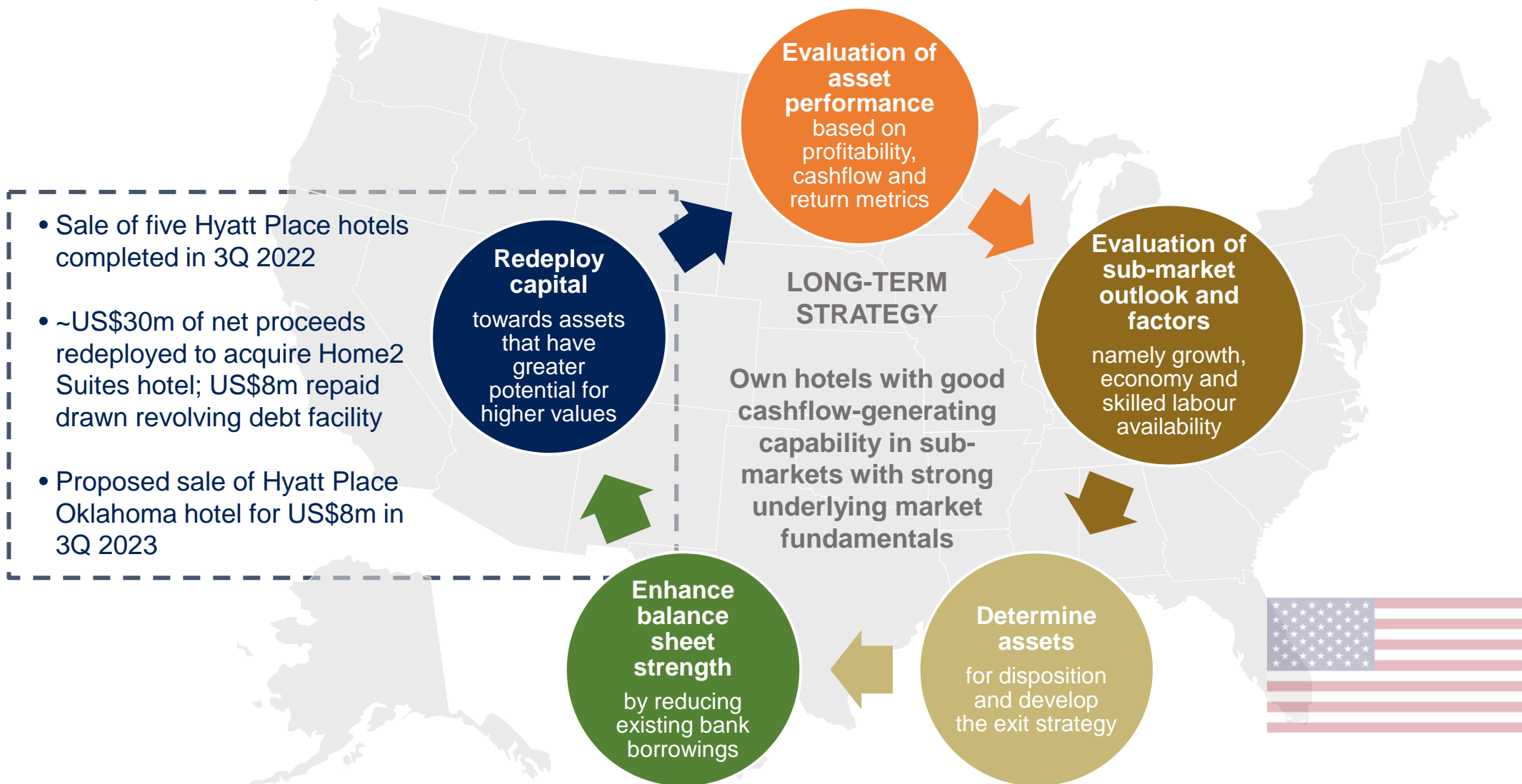
✓ Strong performing asset that is well-located in a growing sub-market

✓ Expand global brand affiliation to include Hilton, in addition to Hyatt and Marriott

✓ Funded from recycled disposition proceeds

# Portfolio Optimisation And Rebalancing

To build a stronger and more resilient portfolio





# Key Takeaways

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1 U.S. lodging demand remains robust despite moderating economic growth

2 Further upside in U.S. hotel market with continued recovery of business and group travel

3 Strong demand levels translate to pricing power; outsized RevPAR growth outpacing inflationary pressures

4 Proactive capital management to maximise cashflow, distributions and yield to Stapled Securityholders as interest rates stay elevated

5 Focused on building a resilient U.S. hotel portfolio for ARA H-Trust over the long term through portfolio optimisation, growth and asset management strategies



# ARA US Hospitality Trust

Profile



# ARA US Hospitality Trust – An Overview

First pure-play U.S. upscale select-service hospitality portfolio listed on the SGX-ST

**37**  
upscale  
hotels

**4,826**  
rooms

**>90%**  
Freehold  
Title

**>90%**  
rooms-  
focused  
revenue

**6**  
hotel  
brands

**4**  
hotel  
operators

**19**  
states

Legend:  
○ No. of hotels in the state

**ESR**

**Tax Efficient Structure**  
Attractive REIT platform to invest in U.S. hotels for non-U.S. investors

**Backed by APAC's Largest Real Asset Manager**

# Key Investment Strategies of ARA US Hospitality Trust

In pursuit of long-term income growth in U.S. real estate





# Efficient Investment Structure

Attractive platform to invest for non-U.S. investors

## AII-USD FX

Cashflows, Assets and Liabilities denominated in USD

## U.S. Withholding Tax-exempt

Profits repatriated from U.S. to Singapore are exempted from 30% Withholding Tax under applicable US laws

## SG Tax Exempt

Distributions to Staped Securityholders are SG tax-exempted

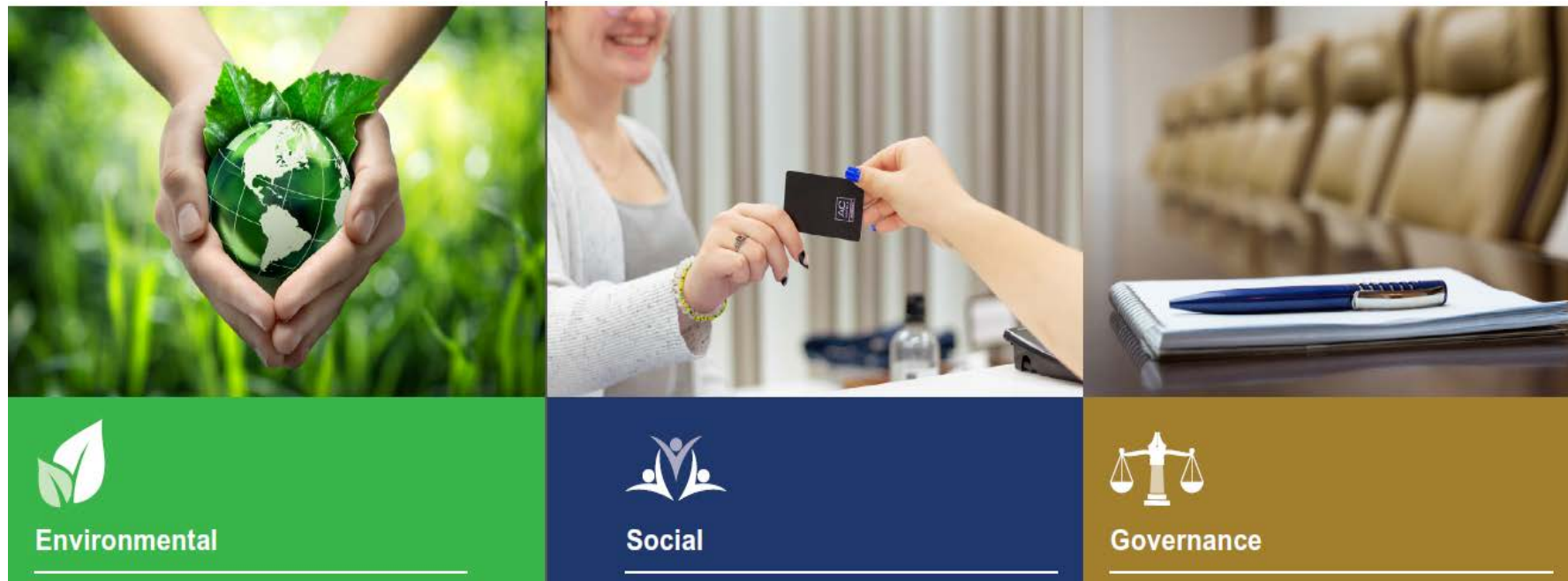
## Alignment of Interest

Management fee structure pegged to Distributable Income and growth in DPS

**Semi-annual distribution; at least 90% of distributable income**

# ESG Initiatives for ARA US Hospitality Trust

Move towards sustainable hospitality



Environmental



Social



Governance



Sustainability practices incorporated into asset management



Contribute to the social and environmental well-being of stakeholders over the long term



Developed strong framework to engage, report and review ESG-driven policies



Close collaboration with Brand Partners and Hotel Managers to drive sustainability programs and initiatives

# Thank You

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