

ASCOTT
RESIDENCE
TRUST
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# Ascott Residence Trust

## 2Q 2019 Financial Results

30 July 2019

# Content



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# Key Highlights of 2Q 2019


Ascott Orchard Singapore

# Ascott Reit – A Leading Global Hospitality REIT

## Well-diversified portfolio of quality hospitality assets located in major gateway cities

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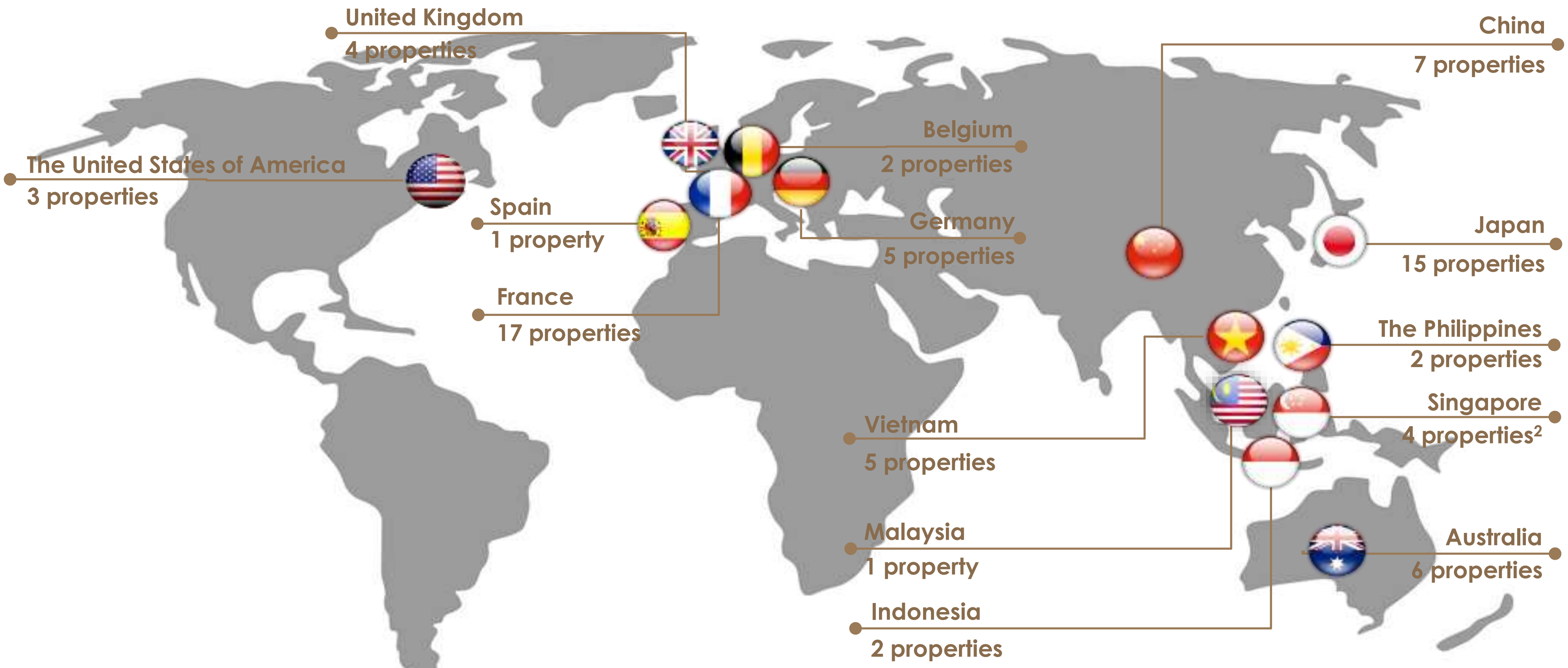
| S$2.8b[1] | S$5.5b | >11,700 | 74 | 37 |
|---|---|---|---|---|
| Market Capitalisation | Total Assets | Apartment Units | Properties | Cities in 14 Countries |




Notes:
*Figures above as at 30 June 2019 (unless otherwise indicated)*
1. *Based on closing share price of S$1.30 as at 29 July 2019*
2. *Including lyf one-north Singapore (currently under development)*

# Key Takeaways – 2Q 2019

| ▲ 2% Y-o-Y | ▲ 7%[1] Y-o-Y | ▲ 2% Y-o-Y | ▲ 8% Y-o-Y |
|---|---|---|---|
| Revenue | Gross Profit | RevPAU | DPU |

- **Higher RevPAU / operating performance** from United Kingdom, Belgium, Spain, China, Japan, Vietnam and Singapore
- **18% increase in RevPAU in the Philippines[2]** due to completion of refurbishment at Ascott Makati
- Excluding FRS 116 adjustments, gross profit decreased 1% mainly due to the divestment of Ascott Raffles Place Singapore. **On a same-store basis[3], gross profit was higher**

## Completion of …

1. **Divestment of Ascott Raffles Place Singapore; received S$300.3m of balance proceeds**
2. **Acquisition of Citadines Connect Sydney Airport**
3. **AEI[4] of Element New York Times Square West & Somerset Grand Citra Jakarta**

*Notes:*
1. *Includes FRS 116 adjustments and contribution from (i) Ascott Raffles Place Singapore before it was divested in May 2019 and (ii) acquisition of Citadines Connect Sydney Airport which was completed in May 2019.*
2. *In local currency terms*
3. *Excluding FRS 116 adjustments, contribution from Ascott Raffles Place Singapore and Citadines Connect Sydney Airport*
4. *Refers to Asset Enhancement Initiative*

# *lyf one-north Singapore*: Development Progress


- Groundbreaking ceremony was held on 3 June 2019
- Site hoarding completed, main contract awarded and permit to commence work obtained
- Piling works in progress, property on schedule to open in 2021

# Financial Highlights
## (2Q 2019 vs 2Q 2018)

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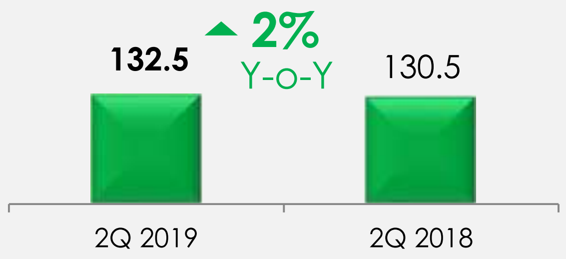
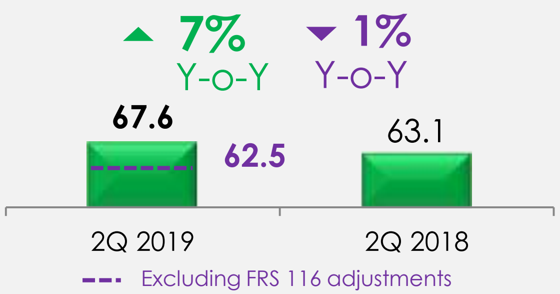
### Stronger operating performance from properties in key markets

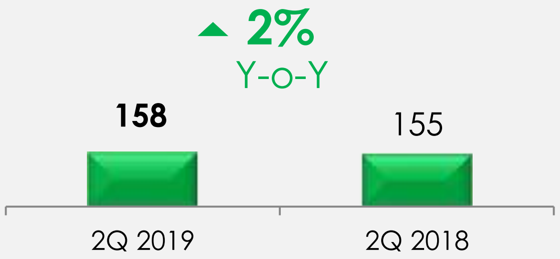
**Revenue (S$m)**




**Gross Profit (S$m)**

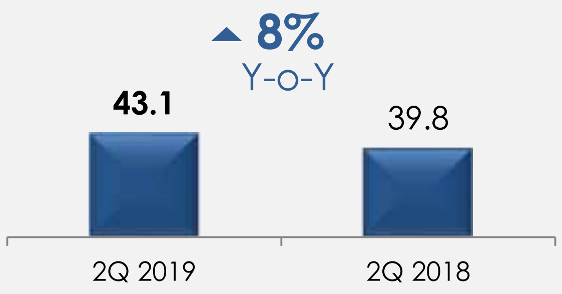



**Revenue Per Available Unit (S$)**

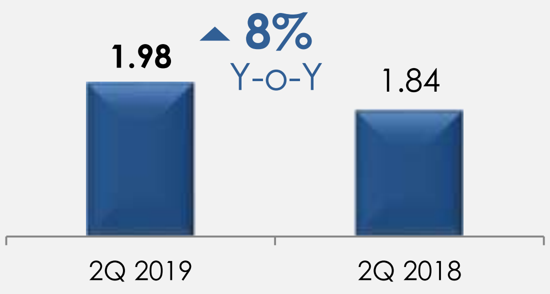



### Increase in Unitholders’ distribution due to stronger portfolio performance, lower finance costs and one-off realised exchange gain

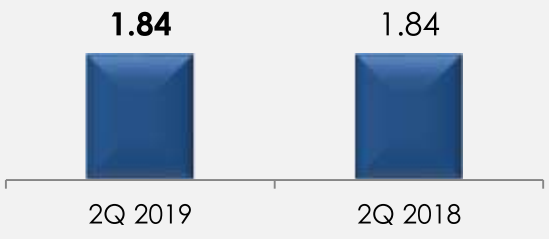
**Unitholders’ Distribution (S$m)**




**Distribution Per Unit (S cents)**




**Adjusted Distribution Per Unit[1] (S cents)**



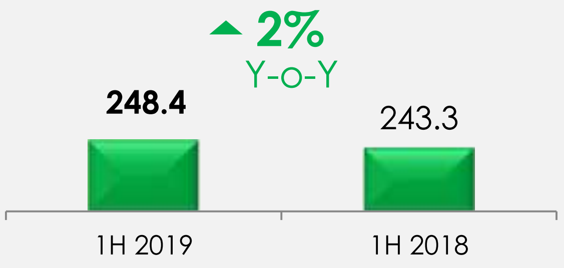

*Notes:*

*1. Excludes one-off realised exchange gains arising from the repayment of foreign currency bank loans*

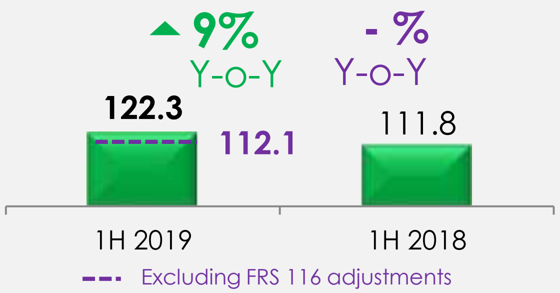
# Financial Highlights
## (1H 2019 vs 1H 2018)

Stronger operating performance from properties in key markets

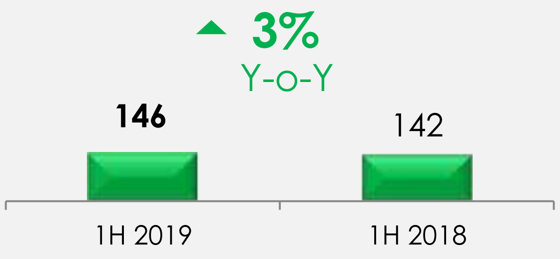
**Revenue (S$m)**




**Gross Profit (S$m)**

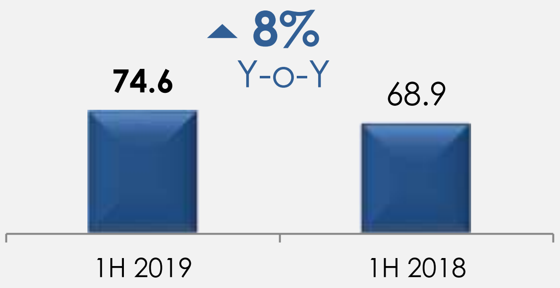



**Revenue Per Available Unit (S$)**

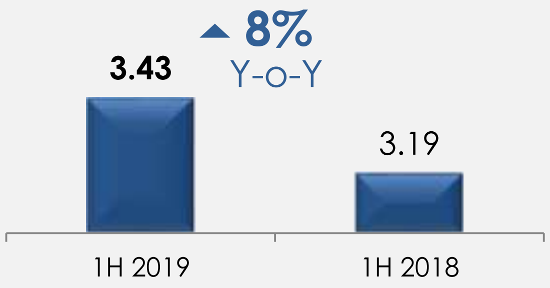



Increase in Unitholders' distribution due to stronger portfolio performance, lower finance costs and one-off realised exchange gain

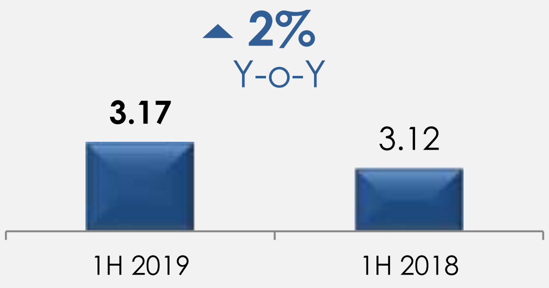
**Unitholders' Distribution (S$m)**




**Distribution Per Unit (S cents)**




**Adjusted Distribution Per Unit[1] (S cents)**




*Notes:*
1. *Excludes one-off realised exchange gains arising from the repayment of foreign currency bank loans*

# Revenue and Gross Profit by Contract Type
## (2Q 2019 vs 2Q 2018)

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### Higher contribution from MCMGIs and Management Contracts

| | | Revenue (S$'mil) | | | Gross Profit (S$'mil) | | | RevPAU (S$) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2Q 2019 | 2Q 2018 | % Change | 2Q 2019 | 2Q 2018 | % Change | 2Q 2019 | 2Q 2018 | % Change |
| Stable Income | Master Leases[1] | 18.5 | 20.2 | (8) | 16.6 | 18.7 | (11) | n.a. | n.a. | n.a. |
| Stable Income | MCMGI[2] | 21.7 | 20.0 | 9 | 9.8 | 8.8 | 11 | 209 | 192 | 9 |
| Growth Income | Management Contracts[3] | 92.3 | 90.3 | 2 | 41.2 | 35.6 | 16 | 149 | 149 | - |
| | Total 73 Properties[4] | 132.5 | 130.5 | 2 | 67.6 | 63.1 | 7 | 158 | 155 | 2 |

- **Master Leases:** Lower revenue and gross profit due to divestment of Ascott Raffles Place Singapore in May 2019, and lower rent upon renewal of certain master leases in France, mitigated by higher contribution from Germany and Singapore
- **MCMGI:** Higher revenue and gross profit across Belgium, Spain and UK mainly due to stronger corporate and leisure demand
- **Management Contracts:** Higher gross profit mainly due to properties in Philippines and Vietnam. Revenue from Philippines was higher due to the refurbished apartments at Ascott Makati, while revenue from Vietnam was higher mainly due to stronger market demand

*Notes:*
1. *Excludes contribution from Infini Garden in 2Q 2018, which was reclassified from Master Lease to Management Contracts after the master lease arrangement expired on 30 June 2018, and includes contribution from Ascott Raffles Place Singapore before it was divested in May 2019.*
2. *MGMGI refers to Management Contracts with Minimum Guaranteed Income.*
3. *Includes (i) contribution from Infini Garden in 2Q 2018, which was reclassified from Master Lease to Management Contracts after the master lease arrangement expired on 30 June 2018, (ii) contribution from Citadines Connect Sydney Airport, which was acquired in May 2019 and (iii) FRS 116 adjustments.*
4. *Relates to operating properties only and excludes lyf one-north Singapore (under development).*

# Majority of Key Markets Posted Higher Gross Profit or RevPAU

| | | Gross Profit (LC'mil) | | | RevPAU (LC) | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2Q 2019 | 2Q 2018 | % Change | 2Q 2019 | 2Q 2018 | % Change | Key Reason for Change |
| Stable Income | Australia (AUD) | 1.8 | 1.7 | 6 | n.a. | n.a. | n.a. | • Lower operation and maintenance expense |
| Stable Income | France (EUR) | 4.9 | 5.6 | (13) | n.a. | n.a. | n.a. | • Lower rent upon renewal of master lease and absence of one-off adjustments |
| Stable Income | Singapore (SGD)[1] | 3.8 | 4.6 | (17) | n.a. | n.a. | n.a. | • Divestment of Ascott Raffles Place Singapore |
| Stable Income | United Kingdom (GBP) | 3.8 | 3.4 | 12 | 144 | 130 | 11 | • Higher corporate and leisure demand |
| Growth Income | Australia (AUD)[2] | 2.3 | 2.5 | (8) | 120 | 134 | (10) | • Lower RevPAU due to the acquisition of Citadines Connect Sydney Airport, which has a lower ADR, and weaker demand in Melbourne<br>• On a same-store basis, RevPAU change was -4% |
| Growth Income | China (RMB) | 29.1 | 25.8 | 13 | 455 | 473 | (4) | • Lower costs mitigated fall in revenue due to softer corporate demand in the second-tier cities<br>• FRS 116 adjustments |
| Growth Income | Japan (JPY)[3] | 661.3 | 663.6 | - | 13,238 | 12,203 | 8 | • Stronger leisure demand offset by higher costs |
| Growth Income | Singapore (SGD) | 2.5 | 2.5 | - | 194 | 190 | 2 | • Higher market demand offset by higher marketing expense |
| Growth Income | United States (USD) | 10.1 | 6.9 | 46 | 240 | 243 | (1) | • FRS 116 adjustments |
| Growth Income | Vietnam (VND)[4] | 93.2 | 86.8 | 7 | 1,583 | 1,528 | 4 | • Stronger market demand and lower operating costs |

*Notes: All figures above are stated in local currency*

1. *Includes contribution from Ascott Raffles Place Singapore, before it was divested in May 2019.*
2. *Includes contribution from Citadines Connect Sydney Airport, which was acquired in May 2019.*
3. *Includes contribution from Infini Garden in 2Q 2018, which was reclassified from Master Lease to Management Contracts after the master lease arrangement expired on 30 June 2018. RevPAU for Japan refers to serviced residences and excludes rental housing.*
4. *Gross profit figures for VND are stated in billions. RevPAU figures are stated in thousands.*

# Distribution Details


Citadines Tour Eiffel Paris, France

# Distribution Details

Distribution of **3.431 cents per Unit** for period from **1 January 2019 to 30 June 2019**

| August 2019 | | | | | | |
|---|---|---|---|---|---|---|
| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | 31 |

**5 August**
Last Day of Trading on "cum" Basis

**6 August**
Ex-Date

**7 August**
Books Closure

**29 August**
Distribution Payment

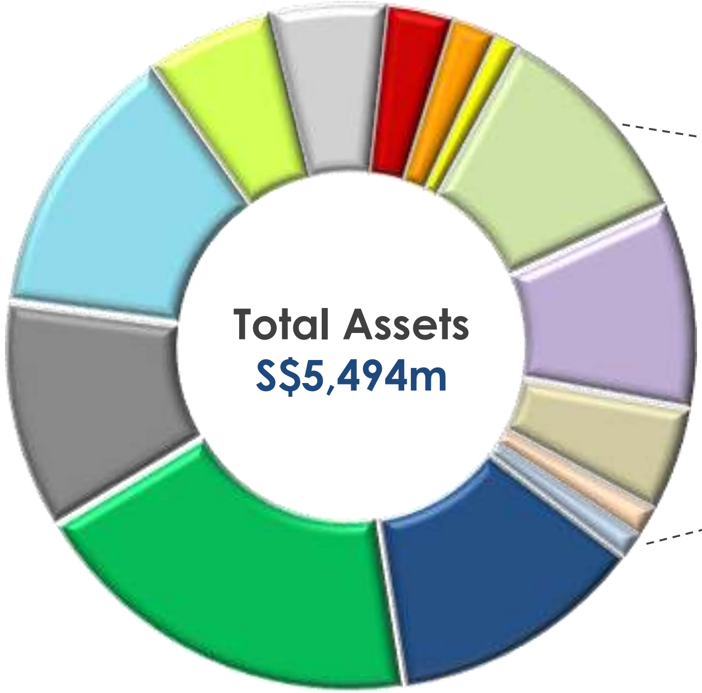
# Portfolio Overview

lyf one-north, Singapore (Artist's Impression)
Concept Design by WOHA

# Performance Driven by Balanced and Diversified Asset Allocation

## 57% Asia Pacific

| Asia Pacific | 56.8% |
| --- | --- |
| Singapore | 15.8% |
| Japan | 13.0% |
| China | 10.0% |
| Australia | 6.4% |
| Vietnam | 5.4% |
| Philippines | 3.2% |
| Indonesia | 2.0% |
| Malaysia | 1.0% |




## 43% Europe/Americas

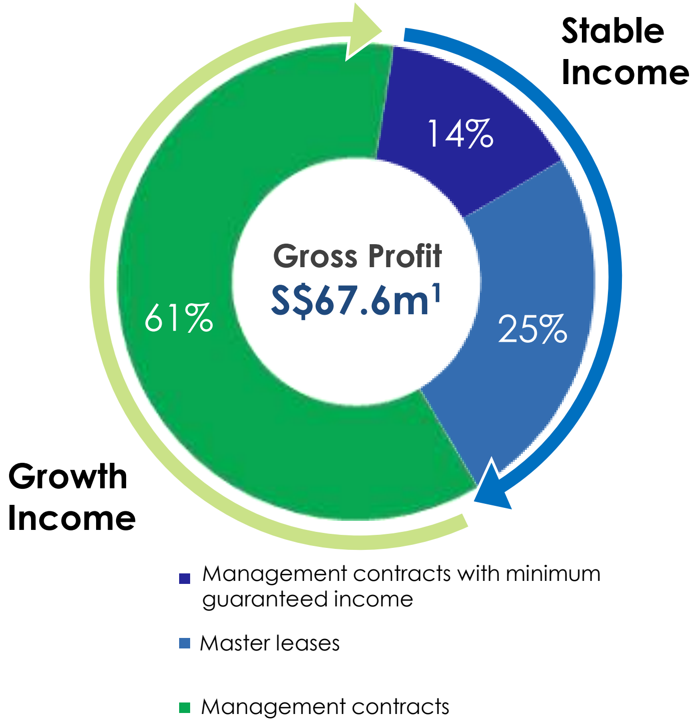
| Europe | 26.5% |
| --- | --- |
| France | 9.7% |
| UK | 9.5% |
| Germany | 4.7% |
| Spain | 1.3% |
| Belgium | 1.3% |

| The Americas | 16.7% |
| --- | --- |
| USA | 16.7% |

Notes:
As at 30 June 2019

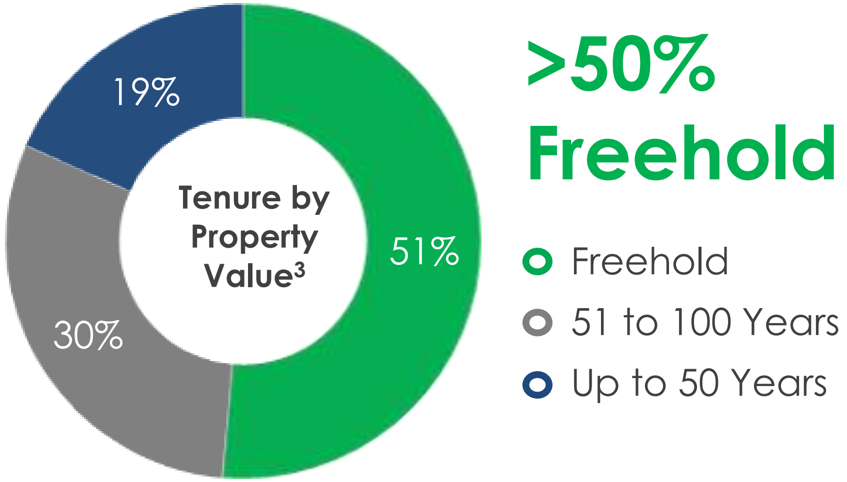
# Resilient Portfolio

## Mix of stable and growth income sources targeting both long and short-stay segments…




- Approx. 40% of gross profit generated from stable income contracts[2]
- Decline due to re-constitution of portfolio: divestment of Ascott Raffles Place in Singapore (Master Lease) and acquisition of Citadines Connect Sydney Airport (Management Contract)
- Weighted average tenure of stable income contracts of approx. 5 years

## …with a valuable property portfolio …




**>50% Freehold**

## …which generated net surplus on revaluation of

**S$5.6 million[1]**

*Notes:*
*1. For the period 2Q 2019*
*2. Refers to master leases and management contracts with minimum guaranteed income*
*3. Proportion based on valuation as at 30 June 2019*

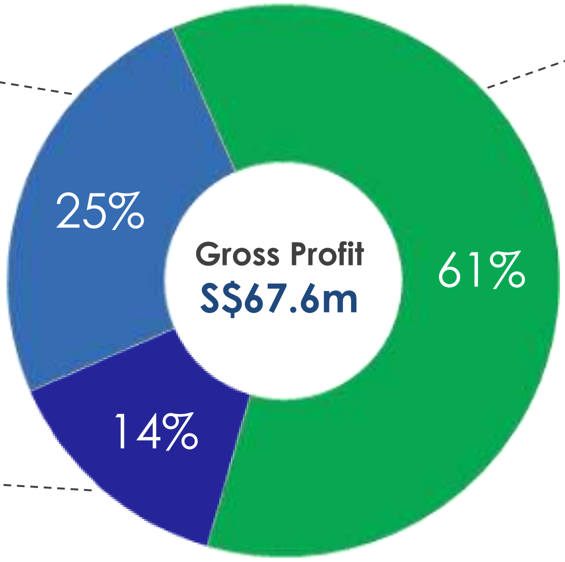
# Delivering Resilient Performance

**8 key markets** contributed ~**86%** of total gross profit
No concentration in any single market

## 39% Stable

| Master Leases | 25% |
|---|---|
| ***France*** | ***11%*** |
| ***Singapore*** | ***6%*** |
| Germany | 5% |
| ***Australia*** | ***3%*** |

| MCMGI[1] | 14% |
|---|---|
| ***United Kingdom*** | ***10%*** |
| Belgium | 2% |
| Spain | 2% |




## 61% Growth

| Management Contracts | 61% |
|---|---|
| ***United States*** | ***20%*** |
| ***Japan*** | ***12%*** |
| ***China*** | ***9%*** |
| ***Vietnam*** | ***8%*** |
| ***Singapore*** | ***4%*** |
| ***Australia*** | ***3%*** |
| Philippines | 3% |
| Indonesia | 2% |
| Malaysia | <1% |

8 Key Markets: **Australia (6%)**, **China (9%)**, **France (11%)**, **Japan (12%)**, **Singapore (10%)**, **United Kingdom (10%)**, **United States (20%)** and **Vietnam (8%)** contribute ~86% of Total Gross Profit

*Notes:*
*Based on 2Q 2019 Gross Profit*
*1. Management Contracts with Minimum Guaranteed Income*

# Capital and Risk Management


Somerset Heping Shenyang, China

# Stronger Balance Sheet and Active Risk Management

Lower gearing and higher interest cover compared to previous quarter

**Gearing remained low at**
**32.8%**[1]
**(debt headroom[2] of ~S$1.1b)**
**(vs 35.7%)**

**Interest cover[3]**
**5.2X**
**(vs 4.5X)**

**~48%**
**Total Assets in Foreign Currency Hedged**

**Low effective borrowing cost[3] of**
**2.1% per annum**
**(vs 2.1% p.a.)**

**~88%**
**Total debt on fixed rates**
**(vs ~80%)**

**-0.2%**
**Impact of foreign exchange after hedges on gross profit for 1H2019**

**3.9 years**
**Weighted average debt to maturity**
**(vs 3.6 years)**

**'BBB' (stable outlook)**
**Long-term rating by Fitch**

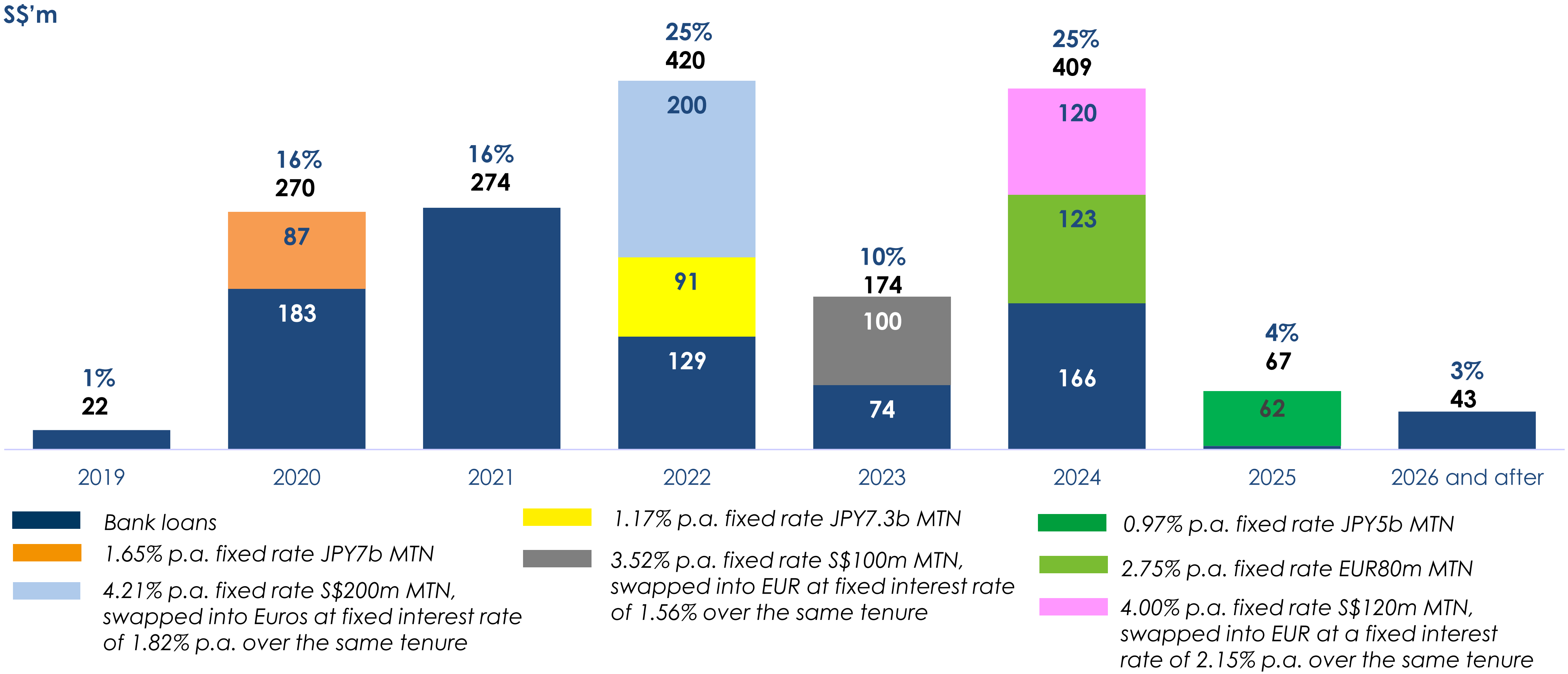
**NAV Per Unit**
**S$1.27**[4]
**(vs S$1.25)**

*Notes:*
*Figures above as at/for the period ending 30 June 2019, with 31 March 2019 comparable in brackets*
1. *Computation of gearing excludes lease liabilities recognised by virtue of FRS 116 as these operating leases were entered into in the ordinary course of business and were in effect before 1 January 2019*
2. *Refers to the amount of additional debt before reaching aggregate leverage limit of 45% set by MAS*
3. *Excluding the effect of FRS 116 Leases which was effective 1 January 2019*
4. *Adjusted NAV per unit, excluding the distributable income to Unitholders, is S$1.23*

# Diversified Funding Sources
# Well Spread-out Debt Maturity

Debt due in 2019 has been refinanced in July 2019
Well-diversified funding sources of 53% Bank Loans : 47% MTN

## Debt Maturity Profile




*Notes:*
*As at 30 June 2019*

# Key Country Updates


Citadines Barbican London, United Kingdom

# Australia

## Contributed 6% to Gross Profit[1]

**Additional revenue from Citadines Connect Sydney Airport offset by softer leisure and corporate demand in Melbourne**

Master Lease

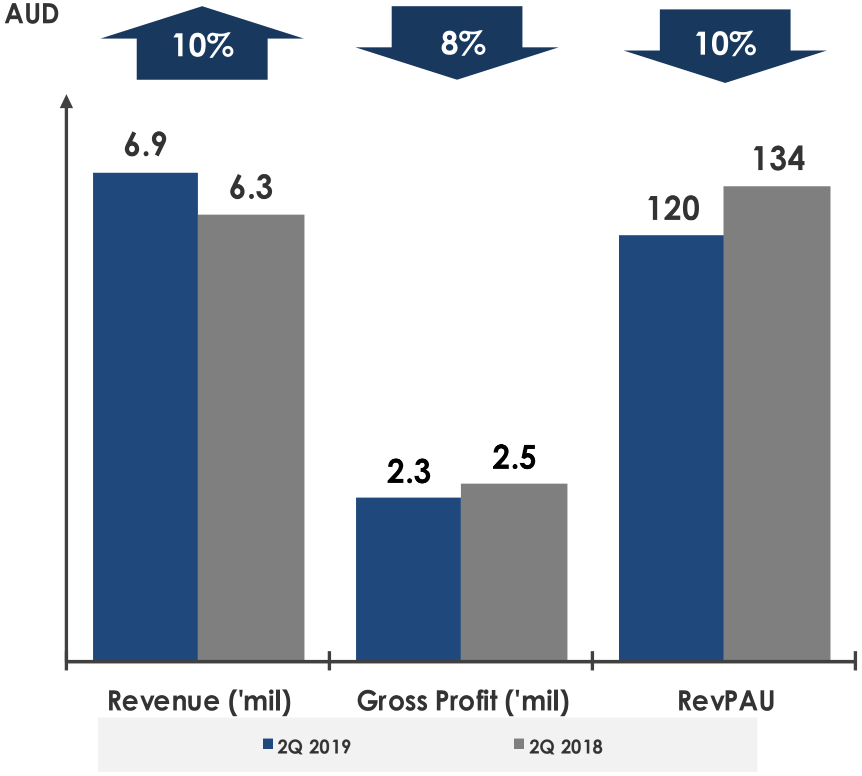
*3 Quest Properties*

Management Contracts

*Citadines Connect Sydney Airport*

*Citadines on Bourke Melbourne*

*Citadines St Georges Terrace Perth*




**relates to properties under Management Contracts only**

## Performance Highlights and Market Outlook

- As a result of the acquisition of Citadines Connect Sydney Airport, revenue was higher but RevPAU was lower as the property has a lower ADR. On a same-store basis, revenue and gross profit were lower mainly due to softer leisure and corporate demand in Melbourne, and RevPAU change was -4%
- Since the completion of acquisition of Citadines Connect Sydney Airport in May 2019, efforts were focused on rebranding and building the property's corporate base and distribution network
- IMF forecasted GDP growth of 2.1% for 2019 and a decline in unemployment rate from 5.3% to 4.8% for 2019[2]
- Despite the addition of ~7,000 rooms to be completed over the next 4 years[3], Melbourne is expected to ultimately absorb the supply and return to historic levels over the longer term, as the city is a major corporate and leisure market in Australia[4]
- The Australian dollar is forecast to remain low over the medium term, providing support to the growth of international and domestic travel[5]

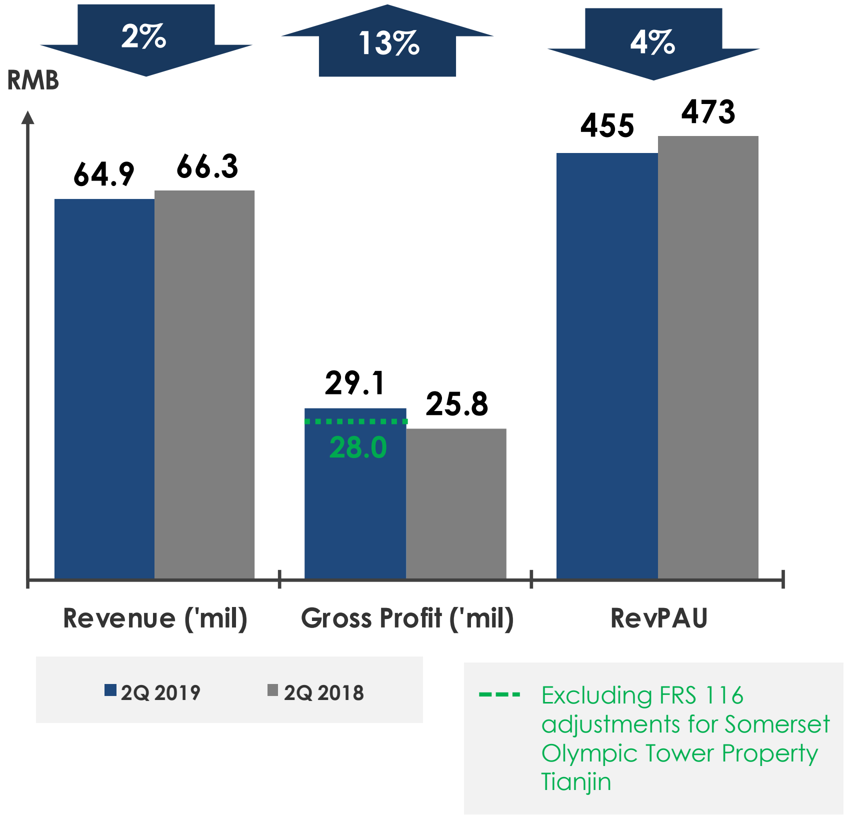
*Notes:*

1. *3 properties under Master Lease contracts contributed to 3% of gross profit, and 3 properties under Management Contracts contributed to 3% of gross profit in 2Q 2019*
2. *Source: International Monetary Fund (2019)*
3. *Source: CBRE (2019)*
4. *Source: JLL (2019)*
5. *Source: Deloitte (2019)*

# China

## Contributed 9% to Gross Profit

**First-tier demand remained resilient; Competition from new supply in second-tier cities**




Management Contracts

*Somerset Xu Hui Shanghai*

*Ascott Guangzhou*

*Citadines Xinghai Suzhou*

*Somerset Olympic Tower Property Tianjin*

*Somerset Grand Central Dalian*

*Citadines Zhuankou Wuhan*

*Somerset Heping Shenyang*

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### Performance Highlights and Market Outlook

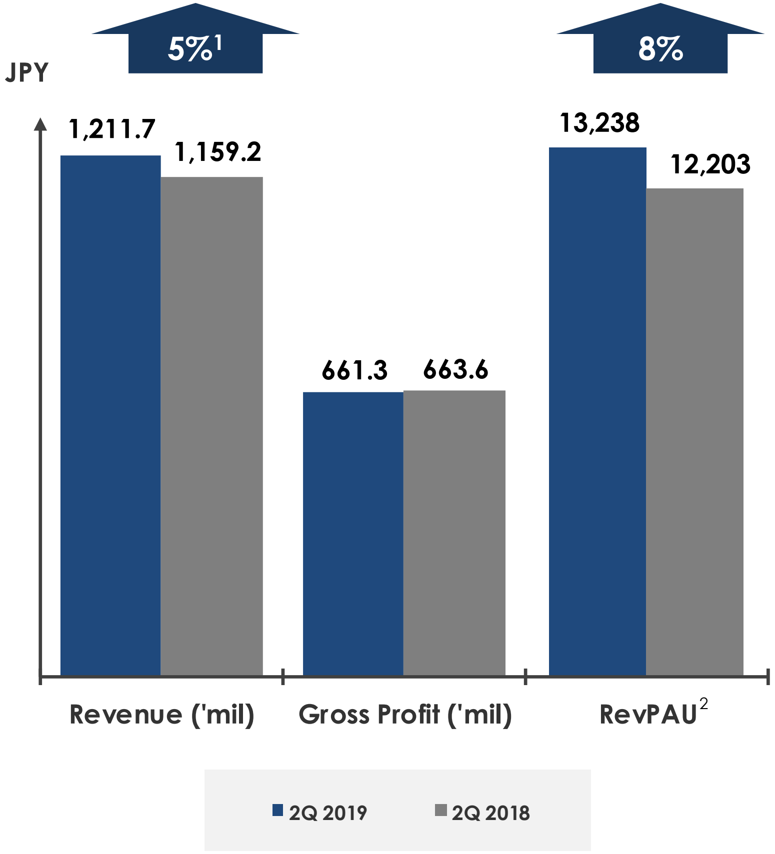
- Revenue decreased slightly due to competition arising from an increase in new supply in the second-tier cities. Demand in first-tier cities remained resilient
- Despite lower revenue, gross profit increased 9% (excluding FRS 116 adjustments) due to lower staff costs, marketing expense and depreciation expense
- IMF revised its GDP forecast from 6.3% to 6.2% for 2019 and maintained its forecast for unemployment rate at 3.8%[1]
- In the near term, economic uncertainty and ongoing trade tensions may affect business sentiment[2]
- Nonetheless, major initiatives such as the Belt and Road Initiative will bring demand for hotel accommodation. China's tourism industry continues to grow fast on the back of rising incomes and middle-class consumption[3]

*Notes:*
1. *Source: International Monetary Fund (2019)*
2. *Savills Research, Hotels (2019)*
3. *South China Morning Post, Knight Frank (2019)*

# Japan

## Contributed 12% to Gross Profit

### Stronger leisure demand




Management Contracts

*Citadines Central Shinjuku Tokyo*

*Citadines Shinjuku Tokyo*

*Citadines Karasuma-Gojo Kyoto*

*Somerset Azabu East Tokyo*

*11 rental housing properties in Japan*

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## Performance Highlights and Market Outlook

- Revenue increased due to stronger demand for all serviced residences
- Gross profit remained relatively stable despite higher revenue, mainly due to higher marketing expense and operation & maintenance expense
- IMF forecasted GDP growth of 0.9% for 2019 and unemployment rate remain unchanged at 2.4% for 2019[3]
- Japan on track to achieve target of 40 million visitor arrivals by 2020, as it plays host to the 2019 Rugby World Cup and 2020 Tokyo Olympics. The longer term target is to welcome 60 million inbound tourists by 2030[4] Hotels in Tokyo are expected to benefit from the increase in demand from higher visitor arrivals[5]

*Notes:*
1. *Including Infini Garden, which was reclassified from Master Lease to Management Contracts after the master lease arrangement expired on 30 June 2018*
2. *RevPAU relates to serviced residences and excludes rental housing properties*
3. *Source: International Monetary Fund (2019)*
4. *Source: Colliers (2019)*
5. *Source: JLL (2019)*

# Singapore

## Contributed 10% to Gross Profit[1]

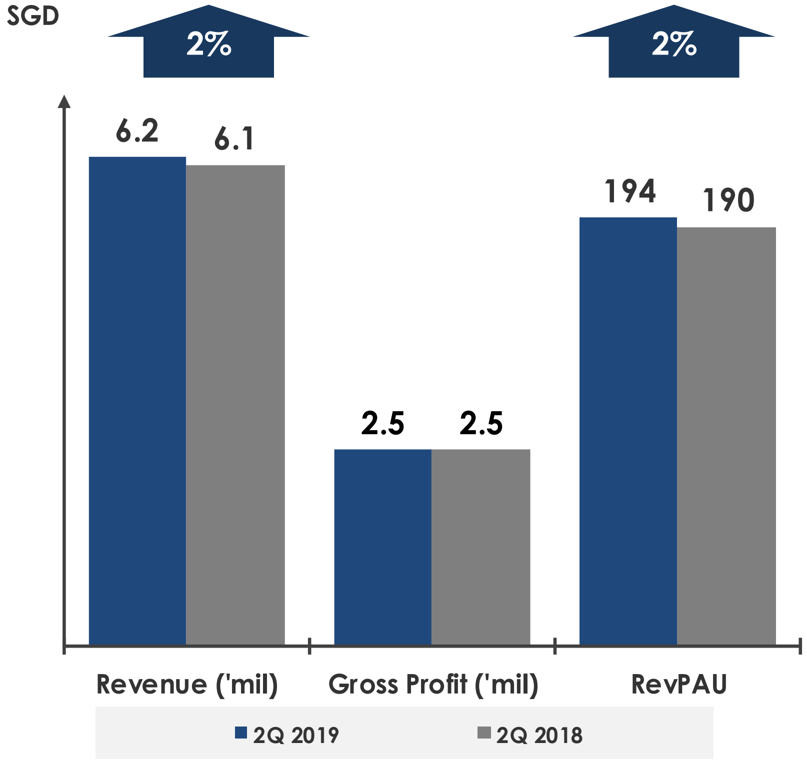
Master Lease | Management Contracts

Ascott Orchard Singapore

Somerset Liang Court Property Singapore

Citadines Mount Sophia Property Singapore

### Higher market demand




**relates to properties under Management Contracts only**

### Performance Highlights and Market Outlook

- Revenue increased 2% due to higher market demand. Gross profit remained stable due to higher revenue, offset by higher marketing expense
- IMF cut its GDP growth forecast from 2.3% to 2.0% for 2019 and maintained its forecast for unemployment rate at 2.0%[2]
- For the first five months of 2019, international visitor arrivals are on track to meet the target growth of 1% to 4% for the full year[3]
- Supply is expected to be limited, increasing by 2.0% in 2019, with most of the new rooms located in the Sentosa region[4]
- In the shorter term, market RevPAU growth is expected to remain positive, although at a more moderate pace compared to 2018 due to the absence of one-off events in 2019[4]
- Singapore's hotel market performance will likely continue on its growth trajectory with rising visitor arrivals, new attractions such as Jewel Changi Airport, and tight supply in the next few years[5]

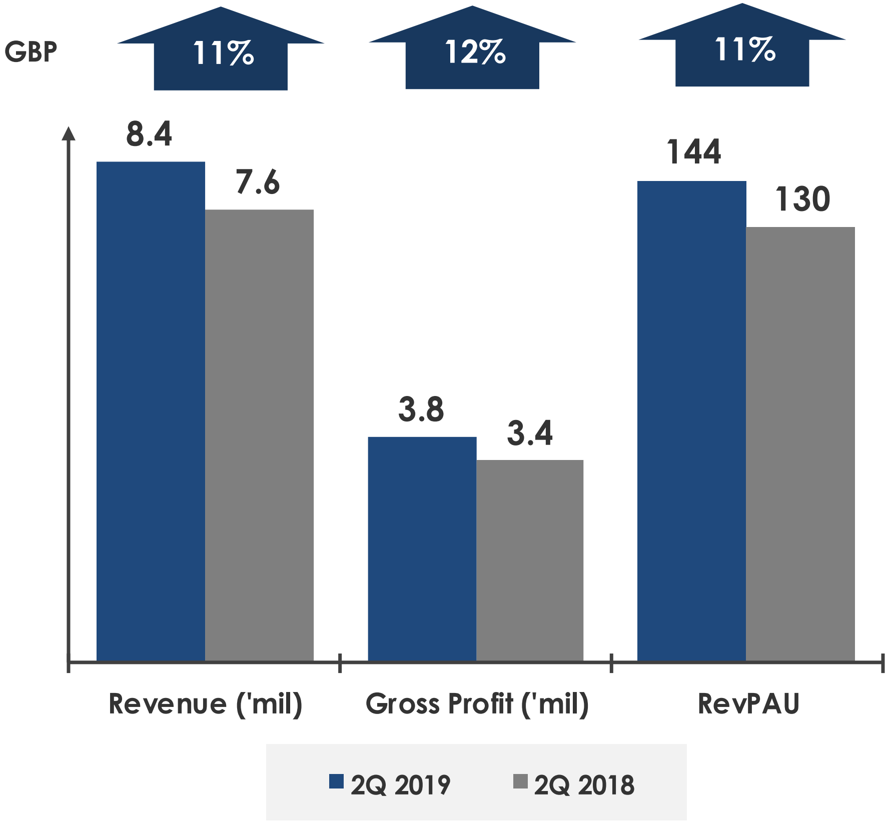
*Notes:*

1. *2 properties under Master Leases (Ascott Raffles Place Singapore, which was divested in May 2019, and Ascott Orchard Singapore) contributed to 6% of gross profit, and 2 properties under Management Contracts contributed to 4% of gross profit in 2Q 2019*
2. *Source: International Monetary Fund (2019)*
3. *Source: Singapore Tourism Board – International Visitor Arrivals Statistics (2019)*
4. *Source: JLL (2019)*
5. *Source: HVS (2019)*

# United Kingdom

Contributed 10% to Gross Profit

## Higher corporate and leisure demand




Management Contracts with Minimum Guaranteed Income

*Citadines Trafalgar Square London*

*Citadines Holborn-Covent Garden London*

*Citadines Barbican London*

*Citadines South Kensington London*

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### Performance Highlights and Market Outlook

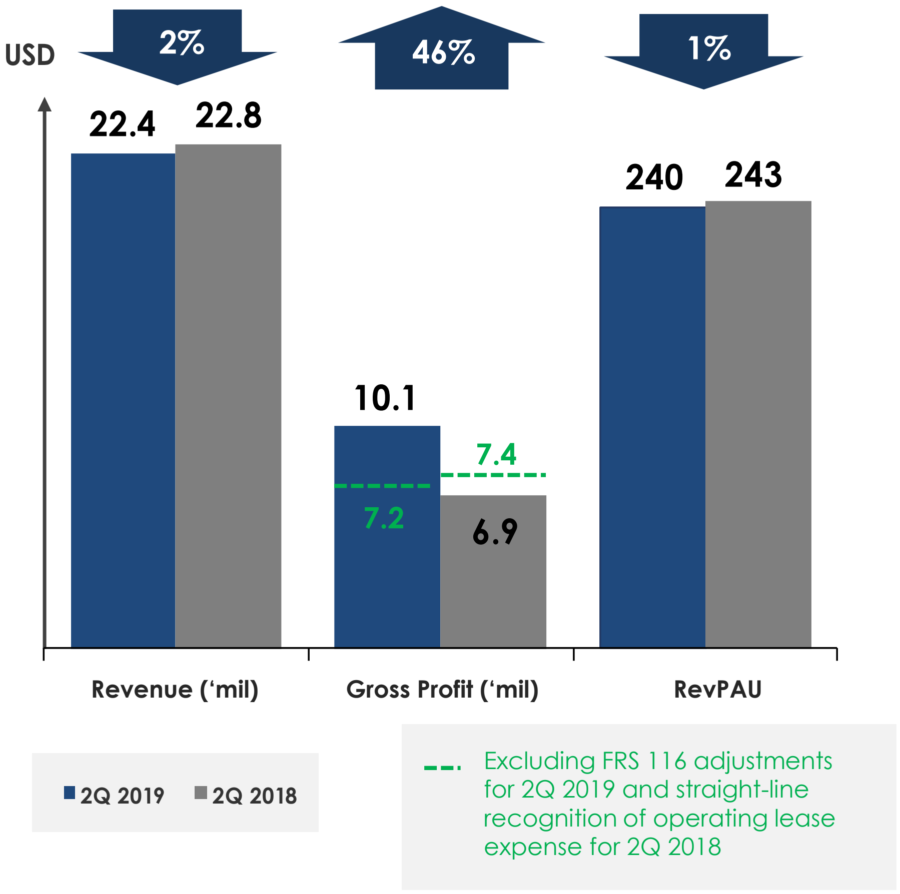
- Gross profit increased 12% due to higher revenue driven by corporate and leisure demand, with uplift from events such as the RHS Chelsea Flower Show, Royal Ascot and ICC Cricket World Cup
- IMF forecasted GDP growth of 1.3% for 2019 and a slight increase in unemployment rate from 4.1% to 4.2% for 2019[1]
- The weak GBP continues to support tourism and demand for accommodation. In 3Q 2019, events such as the Wimbledon and the biennial Defense and Security Conference are expected to provide an uplift to performance
- While uncertainty over Brexit remains, and supply continues to grow in London and its surrounding regions at 4%[2], the performance of the UK portfolio remains resilient as the properties are under management contracts with minimum guaranteed income

*Notes:*
1. *Source: International Monetary Fund (2019)*
2. *Source: PWC UK (2019)*

# United States

## Contributed 20% to Gross Profit

### New York market remains stable




Management Contracts

*Element New York Times Square West*

*DoubleTree by Hilton Hotel New York*

*Sheraton Tribeca New York Hotel*

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### Performance Highlights and Market Outlook

- In 2Q 2019, New York market RevPAU registered a slight decline of 1.8%, partly due to the absence of a one-off conference which took place last year[1]. Coupled with the refurbishment of Element New York Times Square West, revenue of the US properties was lower by 2%
- Excluding FRS 116 and straight-line adjustments, gross profit decreased 3% due to lower revenue and higher staff costs, mitigated by lower marketing expense
- IMF forecasted GDP growth of 2.6% for 2019 and a slight decline in unemployment rate from 3.9% to 3.8% for 2019[2]
- Developments within New York which are expected to drive demand include the opening of Hudson Yards, the largest private real estate project in the US, and the expansion of Jacob K. Javits Center, which would cater to larger conventions
- In the longer term, hotel supply in New York is expected to be limited, as hotel permit applications have slowed and local laws prohibit hotel development[3]

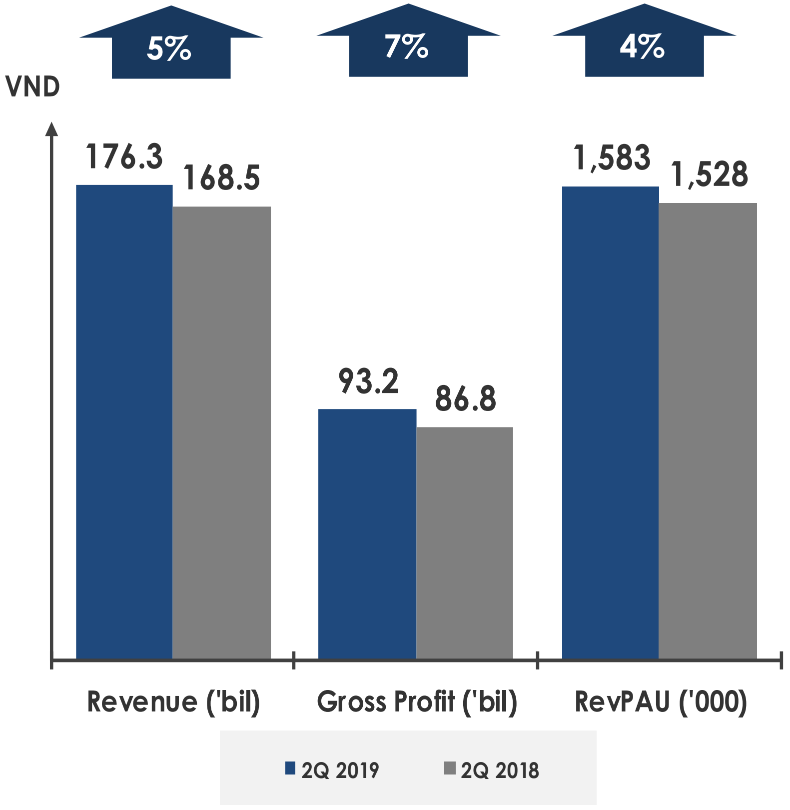
*Notes:*

1. *Source: STR Research (2019)*
2. *Source: International Monetary Fund (2019)*
3. *Source: HVS (2019)*

# Vietnam

## Contributed 8% to Gross Profit

### Stronger market demand




Management Contracts

Somerset Grand Hanoi

Somerset Hoa Binh Hanoi

Somerset West Lake Hanoi

Somerset Ho Chi Minh City

Somerset Chancellor Court Ho Chi Minh City

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### Performance Highlights and Market Outlook

- Gross profit increased 7% due to higher revenue and lower staff costs, partially offset by higher operation & maintenance expense
- IMF forecasted GDP growth of 6.5% for 2019 and unemployment rate remain unchanged at 2.2% for 2019[1]
- Vietnam continues to attract record foreign direct investment (FDI). For the first five months of 2019, FDI commitments hit a 4 year-high of US$16.74 billion[2]
- Government initiatives remain supportive of the tourism and hospitality sectors. For the first six months of 2019, international visitors to Vietnam rose about 7.5% year-on-year[3]
- The operating environment remains competitive, on the back of new supply and growth in condotels. Key destinations such as Ho Chi Minh City, due to limited future supply, are expected to maintain good levels of stability in performance[4]

*Notes:*
1. *Source: International Monetary Fund (2019)*
2. *Source: Foreign Investment Agency (2019)*
3. *Source: Vietnam Tourism Board – Tourism Statistics (2019)*
4. *Source: Savills (2019)*

# Looking Forward

Ascott Orchard Singapore

# Looking Ahead

## Market Outlook

### Tapering Economic Growth
Global economy remains delicate as trade tensions continue to weigh on business confidence

### Low Interest Rates
US Federal Reserve hints at possible rate cuts

### Flourishing Global Tourism Industry
Forecasted to surpass $11 trillion by 2025; International arrivals to exceed 1.8 billion by 2030[1]

Middle class forecasted to increase to 4.9 billion by 2030, fueled by Asia Pacific[2]

### Increase in Lodging Supply
To meet growing tourism demand

## Resilient Portfolio

### Portfolio Diversification & Income Resilience
- Global presence and no concentration risk
- ~60% in Asia Pacific where growth remains robust
- ~40% of income contribution from master leases and management contracts with minimum guaranteed income

### Capital & Risk Management
- ~88% of total debt on fixed rates, with debt maturity of 3.9 years
- Interest cover ratio of 5.2x
- Maintained "BBB" rating with Stable Outlook by Fitch Ratings; enables Ascott Reit to raise funds at attractive rates and terms

### Support of Strong Sponsor
- Leveraging The Ascott Limited, one of the leading international lodging owner-operators
- Pipeline of approximately 20 assets under a right-of-first-refusal arrangement
- Alignment of interests with ~45% stake[3] in Ascott Reit

**Diversified portfolio, disciplined investment and capital management to deliver stable income for unitholders**

*Notes:*
1. *UNWTO*
2. *OECD*
3. *Held through CapitaLand Group*

# On 3 July 2019, Ascott Reit announced the Proposed Combination with Ascendas Hospitality Trust ("Proposed Combination)"

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+

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## Rationale and Benefits of the Proposed Combination

1 **Proxy Hospitality Trust in Asia Pacific**

- Potential positive re-rating, wider investor base and higher trading liquidity
- Increase ability to drive growth with stronger financial position and larger debt headroom

2 **Enhanced Portfolio**

- Enhance portfolio diversification and resilience
- Strengthen presence in Asia Pacific where business and leisure travel demand remains robust

3 **DPU Accretive to Unitholders**

- 2.5% DPU accretion to Ascott Reit Unitholders[1]
- Neutral to NAV per Unit[2]

*Notes:*
*1. On a FY 2018 pro forma basis*
*2. As at 31 December 2018, on a pro forma basis, assuming the premium over NAV is written off and transaction costs are excluded*

# Proposed Combination

Ascott Reit to acquire all A-HTRUST stapled units via a Trust Scheme, with Gross Exchange Ratio of 0.836x, based on the respective audited NAV per Unit

**Total Scheme Consideration of S$1.2 billion[1] comprises:**

| **S$1.0868** per A-HTRUST Stapled Unit | **5% Cash Consideration** |
| --- | --- |
| | S$0.0543 in cash[2] |
| | **95% Consideration Units** |
| | 0.7942 new Ascott Reit-BT Stapled Units[2] issued at **S$1.30** |

By way of illustration, for every 1,000 A-HTRUST Stapled Units, a cash consideration of S$54.30 per Stapled Unit will be paid and consideration units of 794 new Ascott Reit-BT Stapled Units will be issued

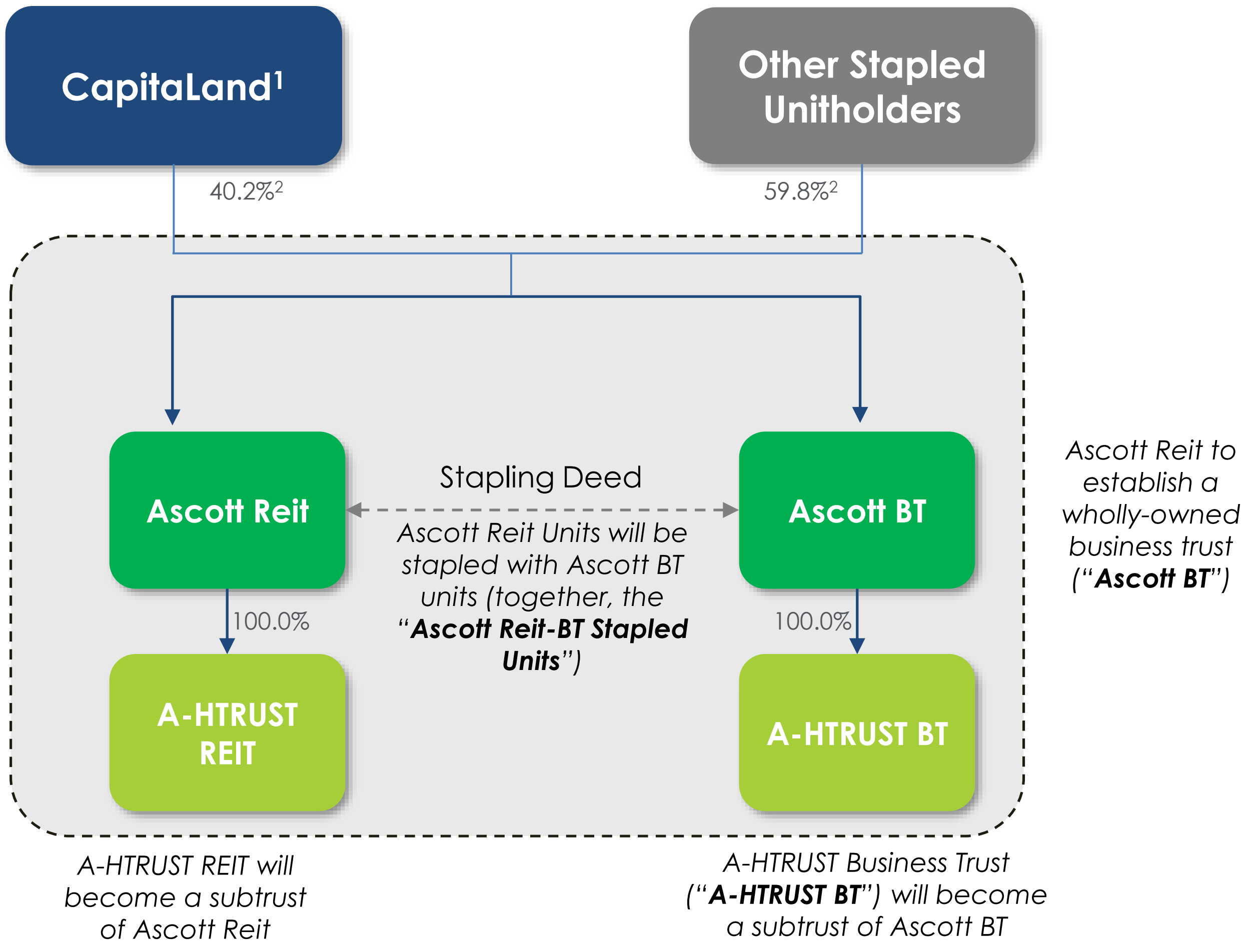
The Scheme Consideration is based on a **gross exchange ratio of 0.836x**, which is derived from the **audited NAV per Stapled Unit of A-HTRUST of S$1.02** as at 31 March 2019 divided by the **audited NAV per Unit of Ascott Reit of S$1.22** as at 31 December 2018

| **Permitted Distributions[3]** | Unitholders can continue to receive normal distribution and distribution from net divestment gains until completion of the Combination |
| --- | --- |

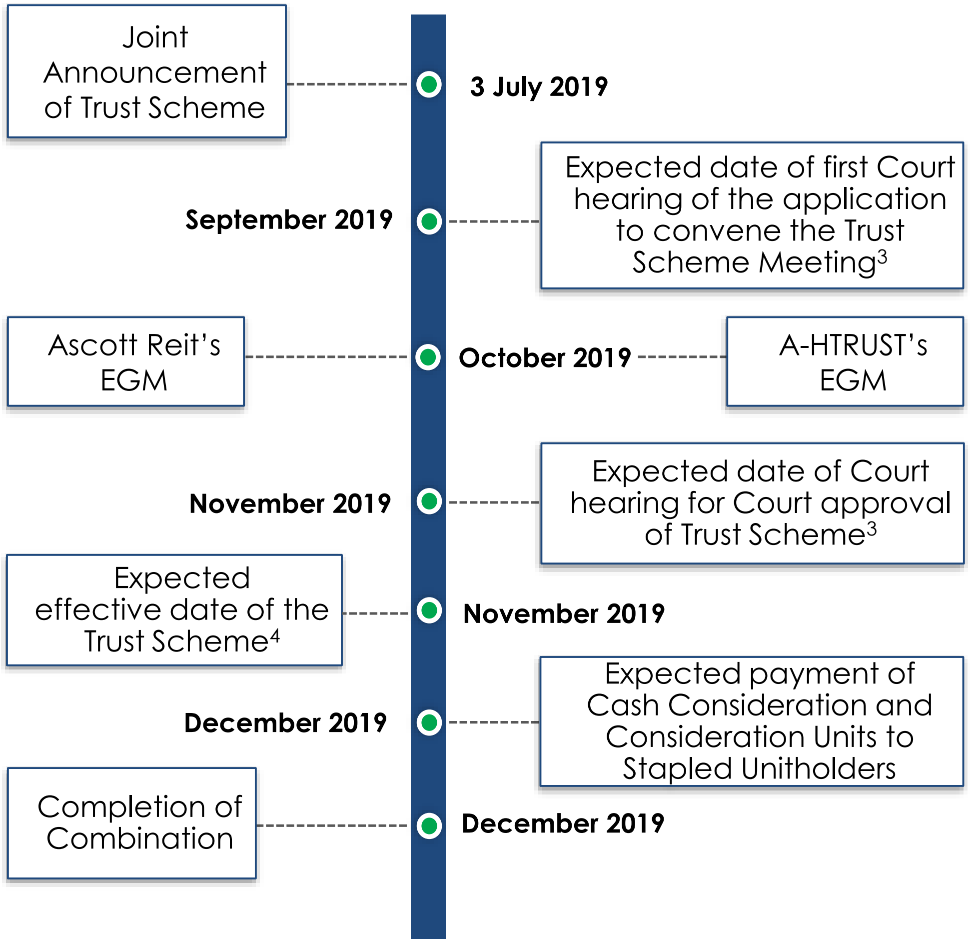
*Notes:*
1. *Calculated based on a total of 1,136.7 million A-HTRUST Stapled Units.*
2. *The aggregate Cash Consideration to be paid to each A-HTRUST Stapled Unitholder shall be rounded to the nearest S$0.01. The number of Consideration Units which each A-HTRUST Stapled Unitholder shall be entitled to pursuant to the Trust Scheme shall be rounded down to the nearest whole number, and fractional entitlements shall be disregarded in the calculation of the aggregate Consideration Units to be issued.*
3. *Ascott Reit Permitted Distributions includes, amongst others, the distributions declared, paid or made or to be declared, paid or made in the ordinary course of business and to the extent consistent with past practice for the period from 1 January 2019 up to the day immediately before the effective date, including any clean-up distribution and distribution from net divestment gains.*

# Proposed Combination

## Combined Entity Structure




## Indicative Timeline




*The timeline above is indicative only and subject to change.*

*Notes:*

1. *Held through CapitaLand group of entities, namely The Ascott Limited, Somerset Capital Pte Ltd, the Ascott Reit Manager and Ascendas Land International Pte Ltd.*
2. *Holdings based on 28 June 2019 and including Consideration Units.*
3. *The dates of the Court hearings of the application to (a) convene the Trust Scheme Meeting and (b) approve the Trust Scheme will depend on the dates that are allocated by the Court.*
4. *The Trust Scheme will become effective upon the lodgment of the order of the Trust Scheme Court Order with the MAS or the notification to the MAS of the grant of the Trust Scheme Court Order, as the case may be, which shall be effected within 10 Business Days from the date the last Scheme Condition has been satisfied or waived, as the case may be, in accordance with the terms of the Implementation Agreement.*

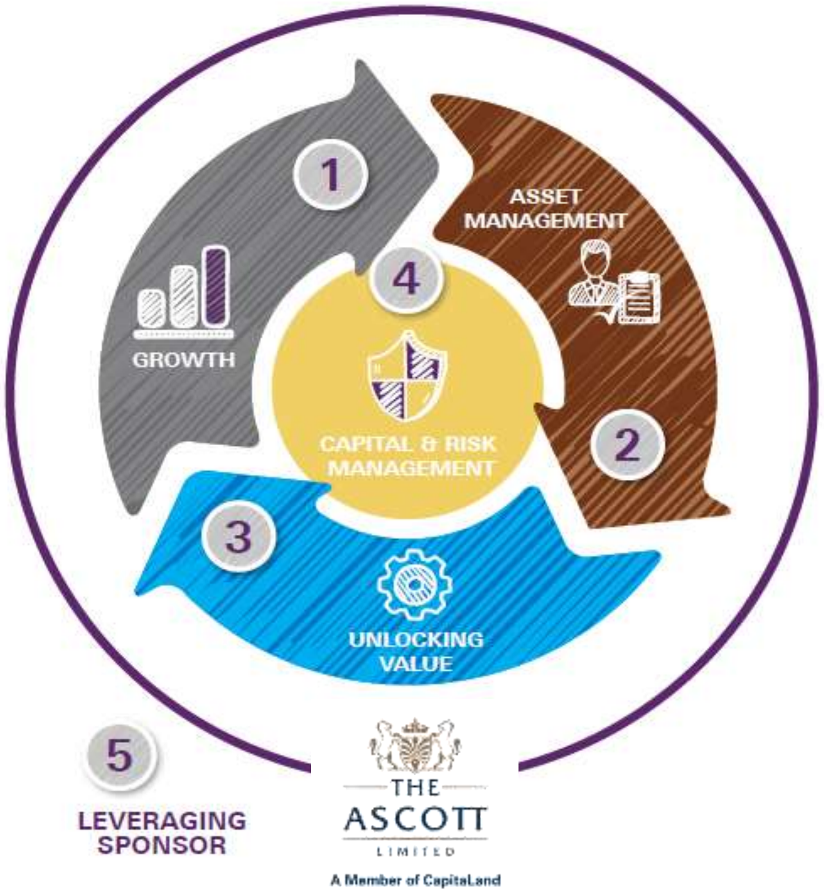
# Appendix

## Value Creation Strategies

Citadines Connect Sydney Airport, Australia

# Value Creation

## Five pronged approach to deliver value




### 1. Growth

- Total assets **grew sevenfold** since IPO to S$5.5b
- **Maiden development** project for **first coliving** property

### 2. Asset Management

- **RevPAU optimisation** & yield management
- **Asset Enhancement Initiatives**
- **Portfolio diversification**: geographical spread; product offering; contract types; etc

### 3. Unlocking Value

- Generated **S$0.4b net divestment gains** and reinvested into higher-yielding assets

### 4. Capital & Risk Management

- **"BBB"** (stable outlook) **rating** by Fitch Ratings

### 5. Leveraging Sponsor

- Strong **brand recognition** and **global footprint**
- **RoFR** and **pipeline** assets
- **Alignment** of Unitholder interests with ~45% stake

*Notes: Figures as of 30 June 2019*

# 1 Key Milestone Acquisitions since IPO

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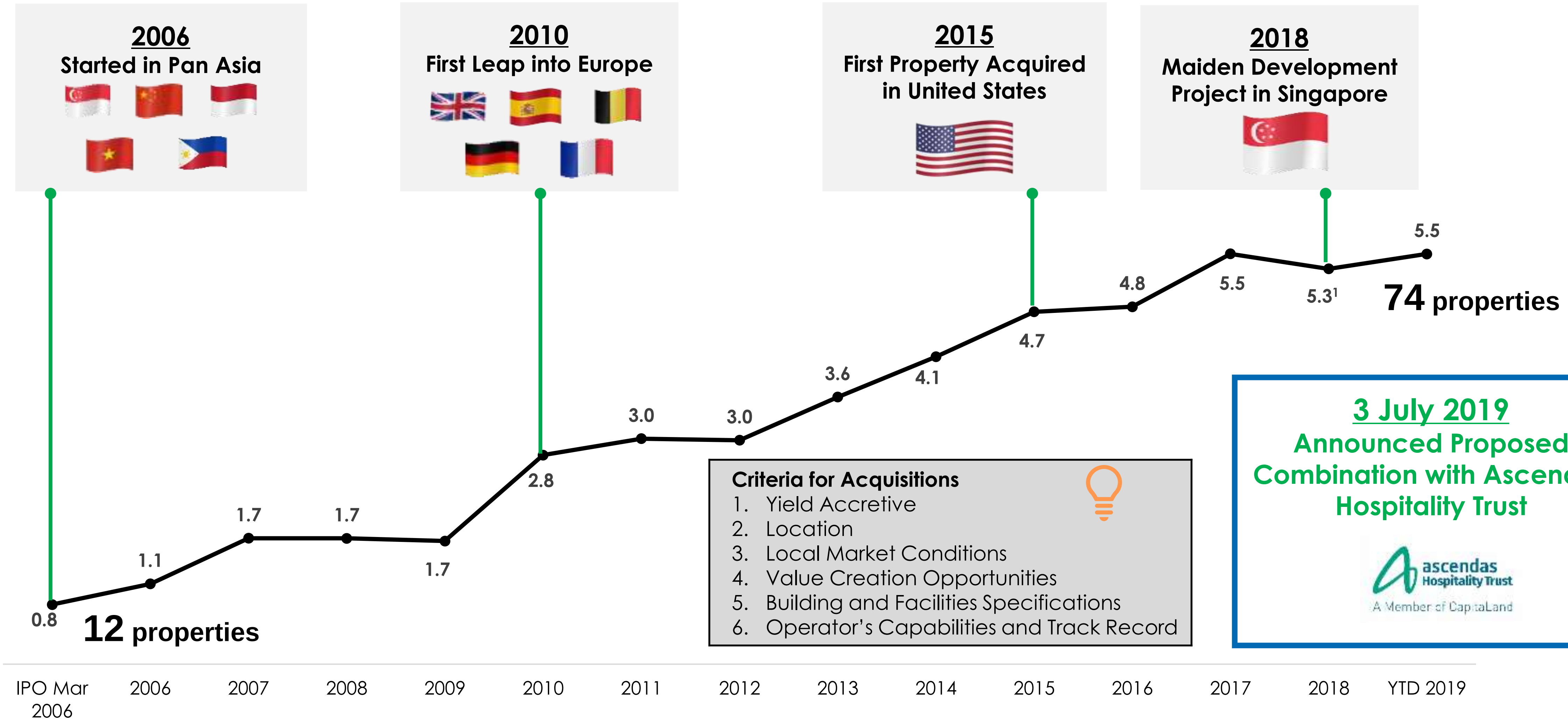
## Total assets since listing (S$b)




**Criteria for Acquisitions**

1. Yield Accretive
2. Location
3. Local Market Conditions
4. Value Creation Opportunities
5. Building and Facilities Specifications
6. Operator's Capabilities and Track Record

**3 July 2019**
**Announced Proposed Combination with Ascendas Hospitality Trust**

ascendas Hospitality Trust
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*Notes:*

1. *The decrease in total assets was due to the utilisation of the proceeds from the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an on 5 January 2018 to repay bank loans*

# 1 Embarked on Maiden Development Project to Build New Coliving Product

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***lyf one-north Singapore***, located in a prime developing district with limited lodging supply

**Coliving** a rising trend in today's sharing economy amongst the **rising millennial-minded business traveller market**

lyf one-north Singapore incorporates 324 efficiently designed studio and loft units[1] and social spaces

*Artist's impression*

*Artist's impression – Communal kitchen*

one-north : home to **400 companies, 800 startups and 50,000 professionals[2]**

Attracting **over S$7b worth of investments[2]** and to be developed into a cluster of world class facilities and business parks

*Notes:*
1. *Subject to change*
2. *Source: JTC (2018)*

# 2 Asset Enhancement Initiatives

Enjoy ADR uplift upon completion of Asset Enhancement Initiatives

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| | | Before | | After | |
|---|---|---|---|---|---|
|  | **Element New York Times Square West** The United States of America |  |  |  |  |
|  | **Somerset Grand Citra Jakarta** Indonesia |  |  |  |  |

**Criteria for Asset Enhancement Initiatives**

1. Age of the Property
2. Market Outlook
3. Yield Accretion

# 3 Unlocking Value

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## Generated …

**Total Net Divestment Gains**

S$0.4 billion

**Total Divestment Proceeds**

S$1.6 billion

**Criteria for Divestment**

1. Property Life Cycle
2. Market Conditions
3. Requirement for additional capital outlay

*Notes:*
*Divestment figures above relates to ~10 transactions involving over 30 properties since listing to 30 June 2019*

# 4 Capital & Risk Management

### Strong Balance Sheet

Comfortable target gearing of approximately 40%

### Effective Capital Management

Diversified funding sources & proactive interest rate management

'BBB' long-term rating by Fitch Ratings with stable outlook and low effective borrowing cost

### Balance Sheet Hedging

Natural hedging and swaps through foreign borrowings to match capital value of assets on a portfolio basis

### Income Hedging

Hedging foreign currencies through forward contracts to protect distribution

# 5 Strong Sponsor – The Ascott Limited

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## One of the leading international lodging owner-operators

**>112,000**
**Serviced residence & hotel units**
Includes units under development

**>700**
**Properties**

**180**
**Cities**

**>30**
**Countries**

- **>30 year track record**
- **Award-winning brands with worldwide recognition**
- **Strong alignment of interests – CapitaLand owns ~45% of Ascott Residence Trust**


*Notes: Figures updated as at 15 July 2019*

# 5 Working with Sponsor

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ASCOTT RESIDENCE TRUST
A Member of CapitaLand

THE ASCOTT LIMITED
A Member of CapitaLand

## Owner
*Ascott Residence Trust*

**What we do:**
Invest in serviced residences, rental housing properties and other hospitality assets around the world

**Value Creation:**
Deliver stable and sustainable returns to Unitholders through the ownership and enhancement of the assets

engages service of

## Sponsor & Operator
*The Ascott Limited*

**What we do:**
Experienced operator of serviced residence & lodging product

**Value Creation:** Experience, global presence and economies of scale, suite of brands

to manage the property and provide hospitality services to

## Guests

**Description:**
A good mix of corporate and leisure guests; varying lengths of stay and preferences

# Appendix

## Other Information


Citadines Michel Hamburg, Germany

# Key Features of Ascott REIT

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| | |
|---|---|
| **Investment Mandate** | • Invests primarily in real estate and real estate-related assets which are income-producing and which are used, or predominantly used, as serviced residences, rental housing properties and other hospitality assets in any country in the world |
| **Leverage** | • Based on regulatory requirements, Ascott REIT's aggregate leverage limit cannot exceed 45%[1]<br>• Historically, Ascott REIT's aggregate leverage has been at approximately 34%-41%[2] |
| **Minimum Distribution Payout Ratio** | • Required to distribute at least 90% of its taxable income to Unitholders to qualify for the Inland Revenue Authority of Singapore tax transparency treatment for REITs<br>• Since its listing, Ascott REIT has paid out **100%** of its distributable income to Unitholders |
| **Sponsor-aligned Interest** | • CapitaLand Limited, the parent company of The Ascott Limited, is a substantial Unitholder of Ascott REIT ( ~45% interest in Ascott REIT) |
| **Corporate Governance** | • Externally managed by Ascott Residence Trust Management Limited[3]<br>– Majority Independent Non-Executive Directors on the Board |

*Notes:*
*1.Ascott REIT is governed by the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore.*
*2.Based on Ascott REIT's gearing for financial years 2011 – 2018.*
*3.A wholly-owned subsidiary of CapitaLand Limited*

# Awards and Accolades

## Highly coveted accolades awarded in past 2 years

### World Travel Awards 2019

Accorded seven accolades, including Europe’s Leading Serviced Apartment Brand for the fourth year running

- Europe's Leading Serviced Apartment Brand 2019: **Citadines Apart'hotel**
- Belgium's Leading Serviced Apartments 2019: **Citadines Sainte-Catherine Brussels**
- Germany's Leading Serviced Apartment Brand 2019: **Citadines Apart'hotel**
- Germany's Leading Serviced Apartments 2019: **Citadines Arnulfpark Munich**
- Spain's Leading Serviced Apartments 2019: **Citadines Ramblas Barcelona**

### TripAdvisor Awards 2019

59 properties[1] conferred the Certificate of Excellence Award 2019

### Business Traveller Asia-Pacific Awards 2018

Best Serviced Residence Brand in Asia Pacific for the 15$^{th}$ consecutive year

### Asia Pacific Best of the Breeds REITs Awards$^{TM}$ 2018

Best Hospitality REIT (Platinum award)


### Singapore Governance and Transparency Index 2018

Ranked **3$^{rd}$** out of 43 Trusts

Notes:
Refer to https://www.the-ascott.com/en/tripadvisor_awards_2019.html for the full list of properties

# Overview of Ascott REIT Structure

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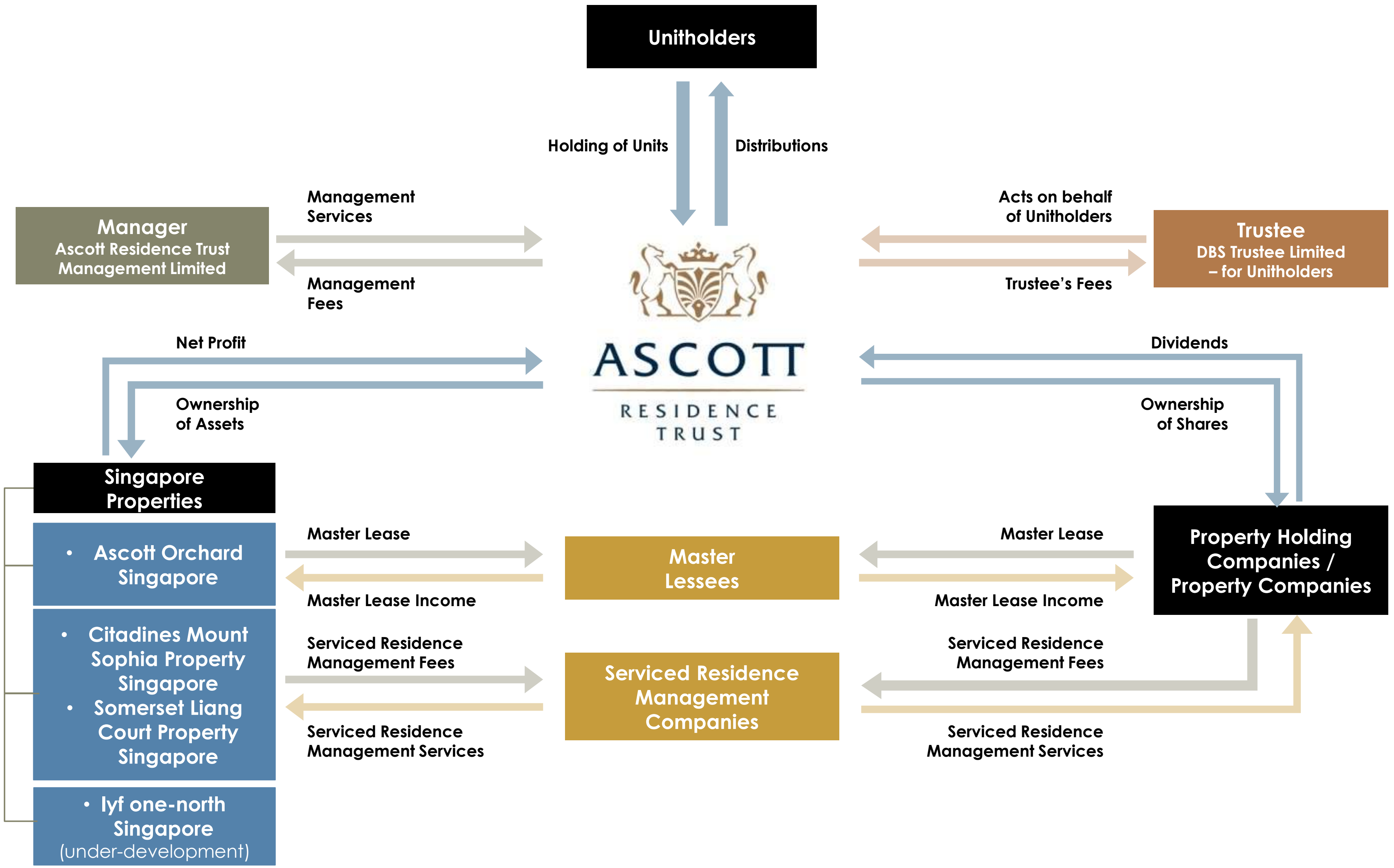



# Thank you

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