

# ANALYST BRIEFING

30 September 2019



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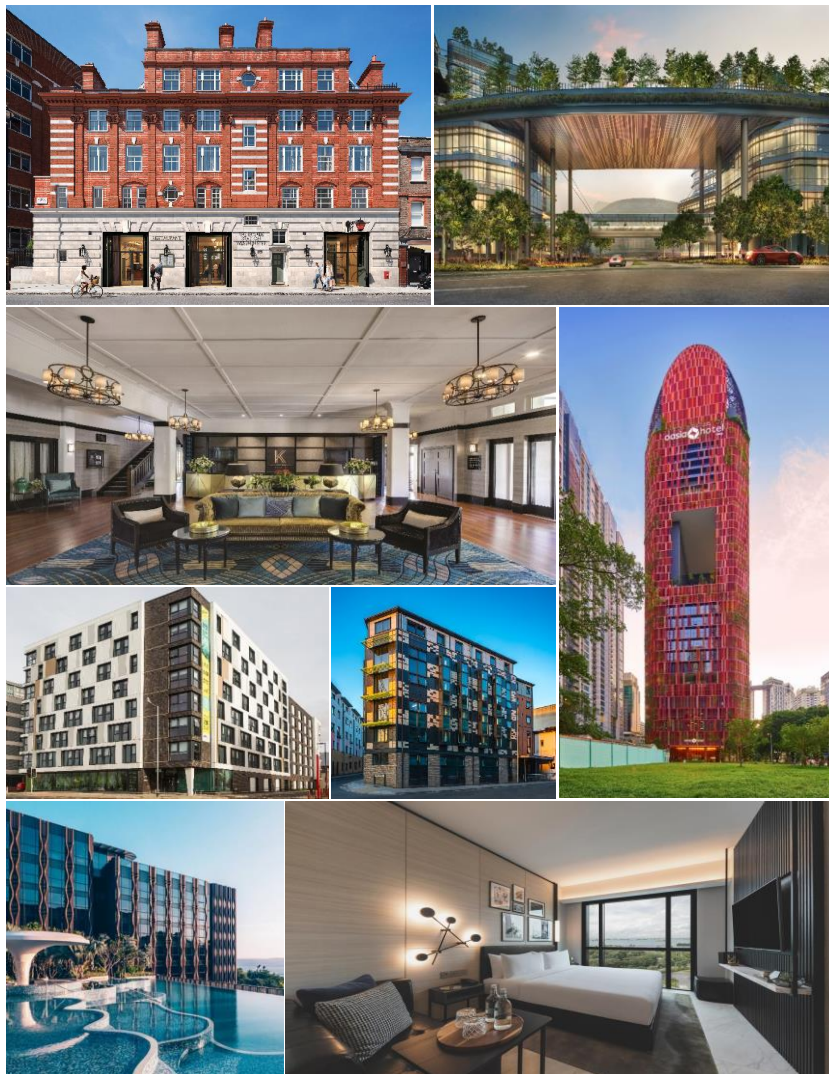
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# ABOUT FAR EAST ORCHARD

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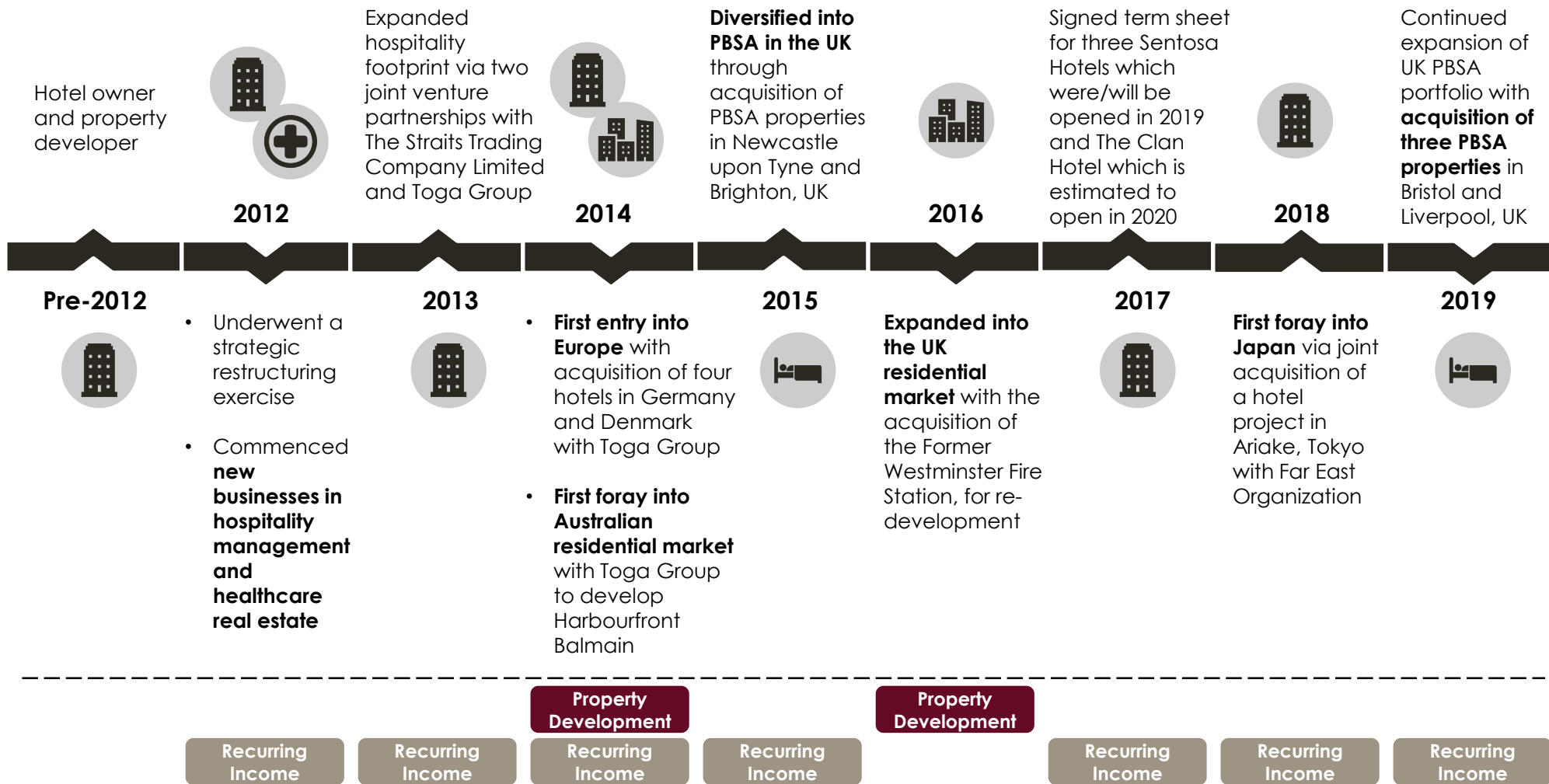


**A property developer, hospitality owner and operator with a diversified property investment portfolio comprising purpose-built student accommodation (“PBSA”) and medical suites**



# TRANSFORMATIONAL MILESTONES (2012 – 2019)

Build a resilient business via an expansion of recurring income base to complement development earnings



# PLANTING THE SEEDS FOR SUSTAINABLE GROWTH

## Non-Recurring Income Business

### PROPERTY DEVELOPMENT

- Track record spans Singapore, Malaysia, Australia and the United Kingdom (“UK”)
- Current projects:
  - Woods Square (Singapore)
  - Westminster Fire Station (London, UK)

## Recurring Income Businesses

### HOSPITALITY

- Hospitality owner and operator
- Hospitality management portfolio with more than 95 properties and close to 16,000 rooms in 7 countries\*

### PROPERTY INVESTMENT

- Close to 2,300 PBSA beds in the UK
- Medical suites and commercial units in Singapore

# DIVERSIFIED GROWTH PLATFORMS & GEOGRAPHIES

## Denmark, Germany, Hungary, Malaysia

- Hotel Ownership & Management

## Singapore

- Hotel Ownership & Management
- Residential
- Commercial & Medical Suites

## Australia

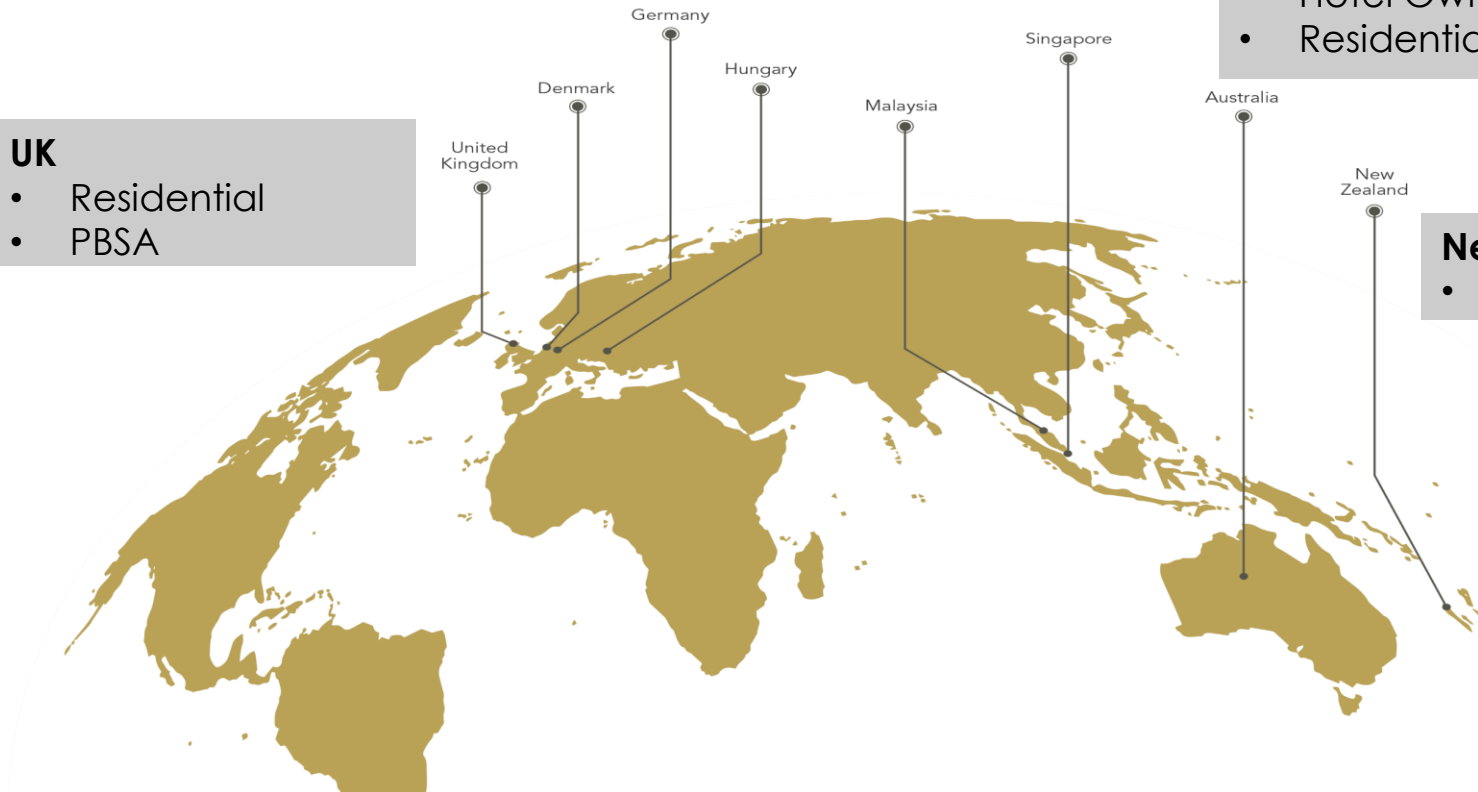
- Hotel Ownership & Management
- Residential

## New Zealand

- Hotel Management

## UK

- Residential
- PBSA







# STRATEGIC FOCUS

# OUR STRATEGIC FOCUS

## 1. Grow recurring income streams

- Expand the hospitality business through management contracts and leases and strategic partnerships and acquisitions
- Acquire strategic PBSA assets

## 2. Pursue development projects

- Seek suitable sites for property development while balancing risks and returns

## 3. Active capital recycling

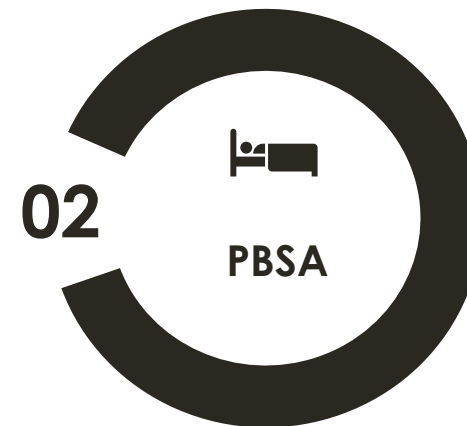
- Divest properties to recycle capital for re-deployment towards higher yielding growth

# 1. GROW RECURRING INCOME STREAMS

Focused on enhancing recurring income streams to complement earnings from our property development projects



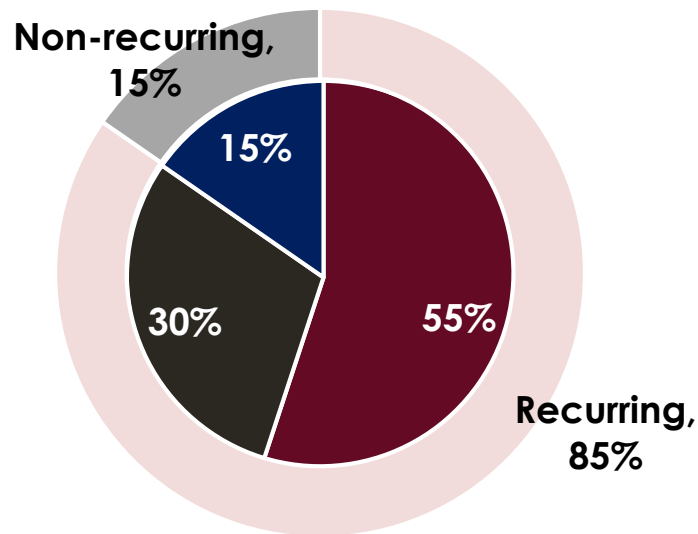
- Secure management contracts/ leases
- Seek strategic partnerships and acquisitions
- On track to meet 2023 target of managing 30,000 rooms or 150 properties



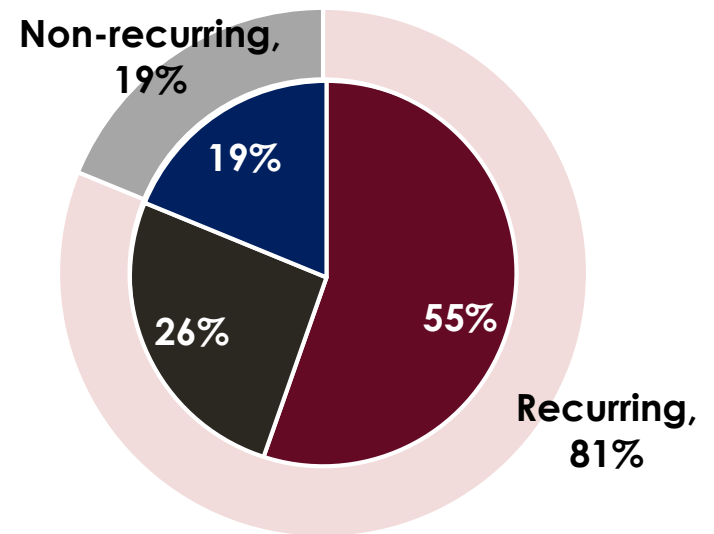
- Acquire strategic PBSA assets
- On track to exceed 2023 target of 3,000 beds

Committed to strengthen recurring income base to deliver consistent growth in the long-term

Total Operating Profit



Total Assets



■ Hospitality ■ Property Investment ■ Property Development

■ Hospitality ■ Property Investment ■ Property Development

## 2. PURSUE DEVELOPMENT PROJECTS

Well-positioned to seize opportunities, supported by our healthy balance sheet and diversified overseas presence



Seek suitable sites for property development that are aligned with our strategic focus to build recurring income



Focused on the strategic markets of Australia, Singapore and the UK



Maintain prudent evaluation of opportunities prior to taking calculated risks

# 3. ACTIVE CAPITAL RECYCLING



- Identify non-core or suitable assets for divestment to recycle capital for re-deployment into higher yielding growth
- Continue to pursue a diversified strategy
- Remain on the lookout for opportunities from new growth platforms and geographies
- Focused on creating a stronger, bigger Far East Orchard, with an aim towards delivering sustainable returns for our stakeholders over the long term



 **FAR EAST**  
HOSPITALITY



H O S P I T A L I T Y

# OUR HOSPITALITY BUSINESS



## HOSPITALITY

### Hospitality Management

Fee-based business model



### Hospitality Asset

Own and lease hospitality properties, including those held through joint ventures, which Far East Orchard holds an effective interest of 35% or 70%

Across Malaysia, Australia, Germany, Denmark, Singapore and New Zealand

### Hospitality Investment

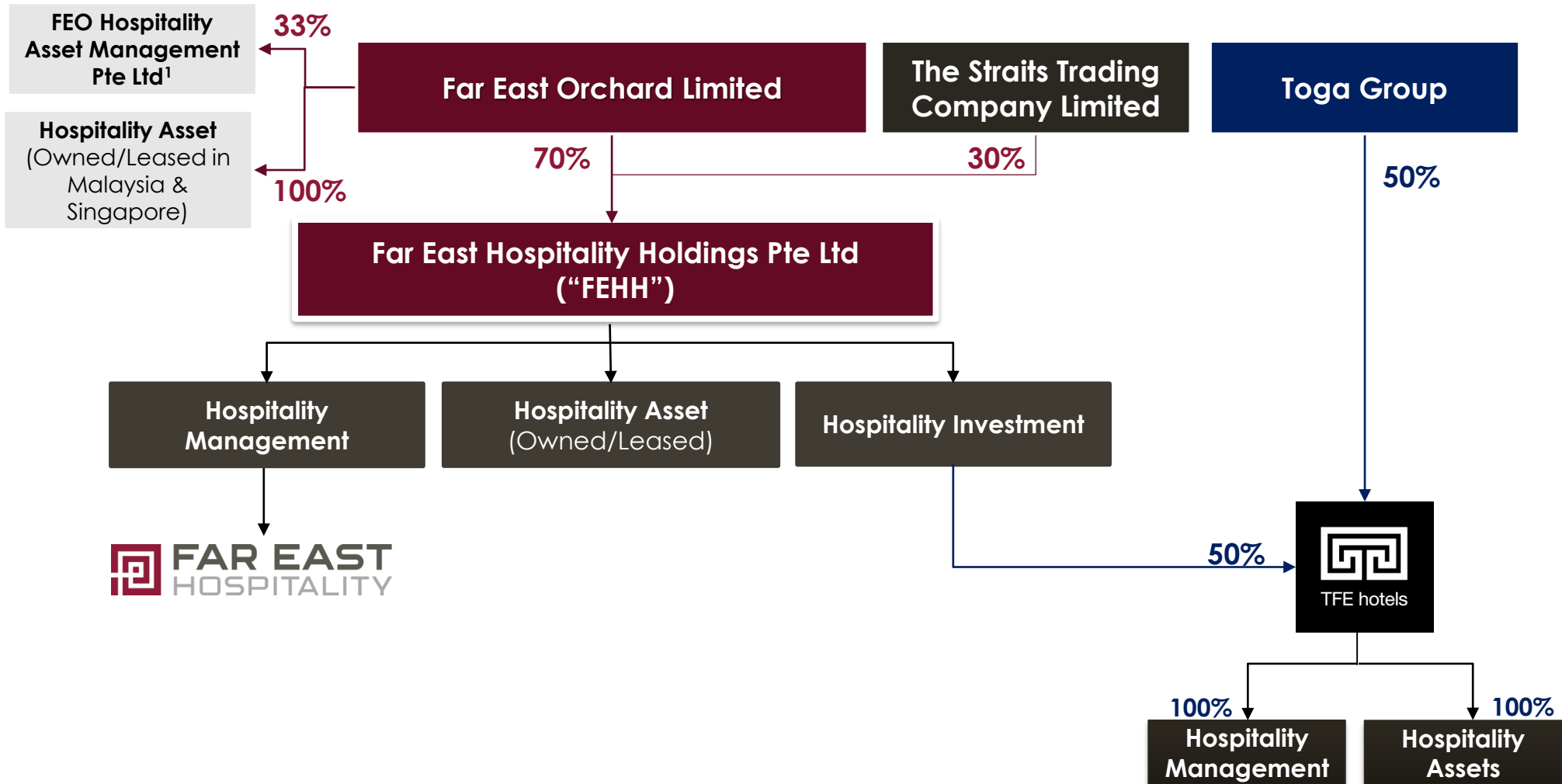
Investment in joint venture



33.0% shareholdings of the REIT Manager of Far East Hospitality Trust



# HOSPITALITY BUSINESS GROUP STRUCTURE



<sup>1</sup> The Group has a 33% interest in FEO Hospitality Asset Management Pte Ltd, the REIT manager of Far East Hospitality Trust, which is equity accounted for as share of profit of associates. The Group does not collect any fees in relation to the management of Far East Hospitality Trust.

# HOSPITALITY MANAGEMENT BUSINESS



A geographically diversified hospitality management portfolio with secured pipelines for 4,100 rooms to 2021



Manage 97 properties  
with 15,900 rooms\*

 **FAR EAST**  
HOSPITALITY



TFE hotels



Addition of 799 new  
rooms under  
management in the  
year-to-date



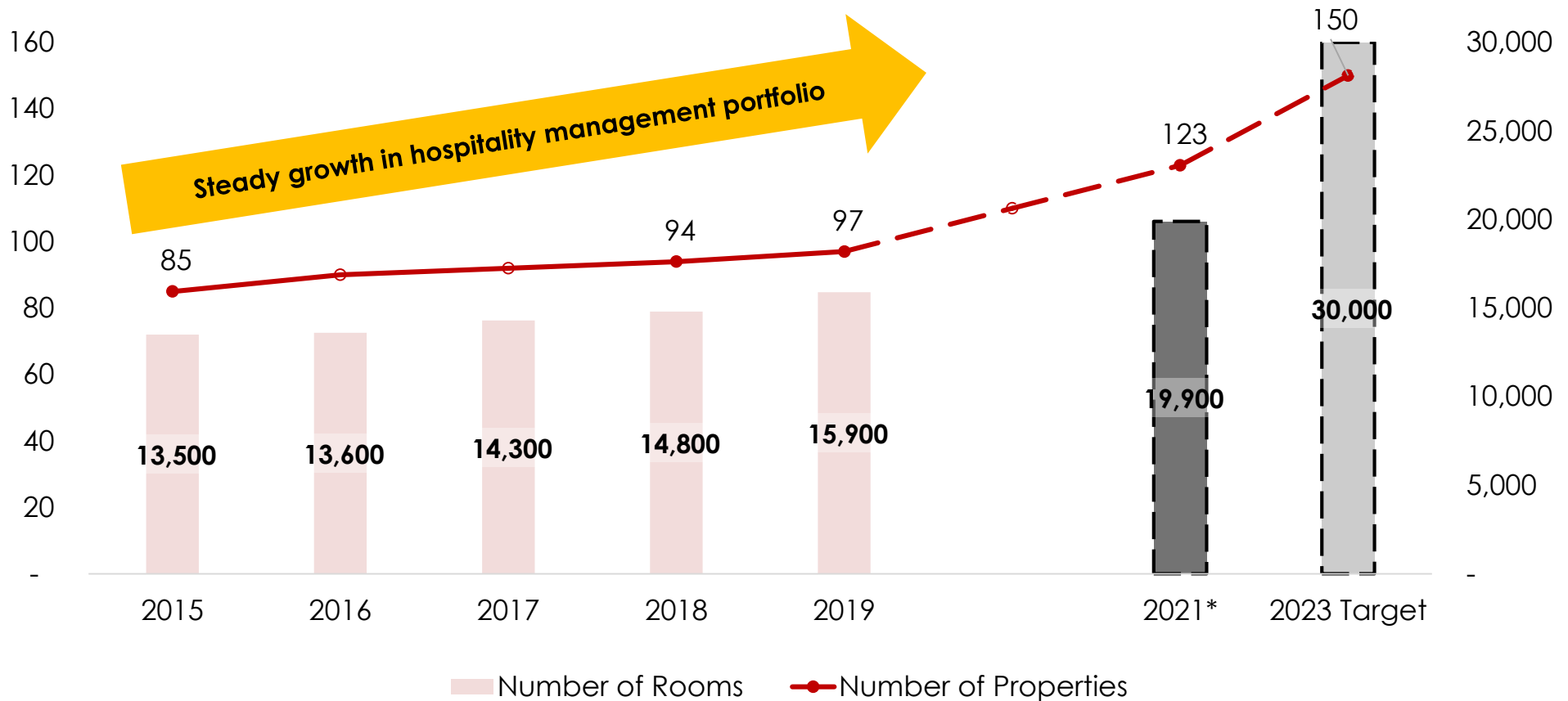
Secured contracts for  
4,100 rooms (or 27  
properties) in our  
pipeline to 2021

\*As at 30 Sep 2019. Including properties managed by Far East Hospitality and TFE Hotels.

# GROWING HOSPITALITY MANAGEMENT PORTFOLIO



Hospitality continues to be the core contributor to our recurring income base



\*Based on signed management contracts as at 30 Sep 2019  
 Number of rooms are rounded to the nearest hundred

# FIRST FORAY INTO JAPAN IN MAY 2018

50-50 JV with Far East Organization to purchase plot of land and hotel in Tokyo, Japan

- Ariake district, near Central Tokyo, Tokyo Disneyland Resort and Haneda Airport
- Purchase consideration: JPY 8.2 billion
- Estimated completion: 2Q 2020
- 306 rooms





# PROPERTY DEVELOPMENT

# ONGOING DEVELOPMENT PROJECTS

## Woods Square



## Westminster Fire Station



<b>Far East Orchard's effective interest</b>	33%	98%
<b>Total units</b>	514	17 units 1 restaurant
<b>Total units launched for sale</b>	208	N.A.
<b>Percentage of units sold as at 30 Jun'19</b>	57%*	N.A.
<b>Location</b>	Singapore	London, UK
<b>Development type</b>	Office, Retail	Residential, Commercial
<b>Expected TOP</b>	Dec 2019	2020

\*Based on units launched for sale



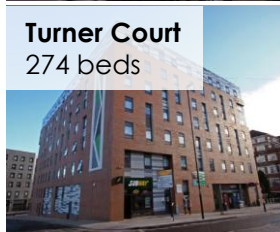
PROPERTY  
INVESTMENT

# GROWING OUR UK STUDENT ACCOMMODATION PORTFOLIO



## Portfolio of 2,286 beds across 9 properties in 4 UK cities as at Sep 2019

### Portland Green Student Village, Newcastle upon Tyne



**NEWCASTLE UPON TYNE**

5 properties  
1,469 beds

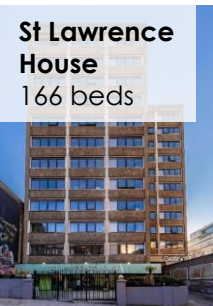
### Liverpool



**LIVERPOOL**

1 property  
323 beds

### Bristol



**BRISTOL**

2 properties  
299 beds

### Brighton



**BRIGHTON**

1 property  
195 beds



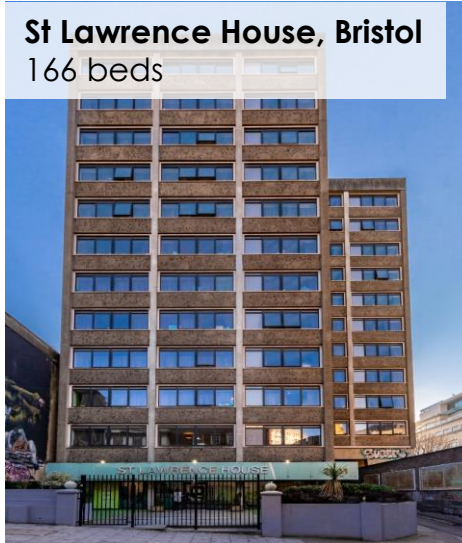
# EXPANSION INTO BRISTOL AND LIVERPOOL

Acquired 3 freehold properties in Bristol and Liverpool with 622 beds for £55.0 million<sup>1</sup>

**Harbour Court, Bristol**  
133 beds



**St Lawrence House, Bristol**  
166 beds



**The Glasworks, Liverpool**  
323 beds

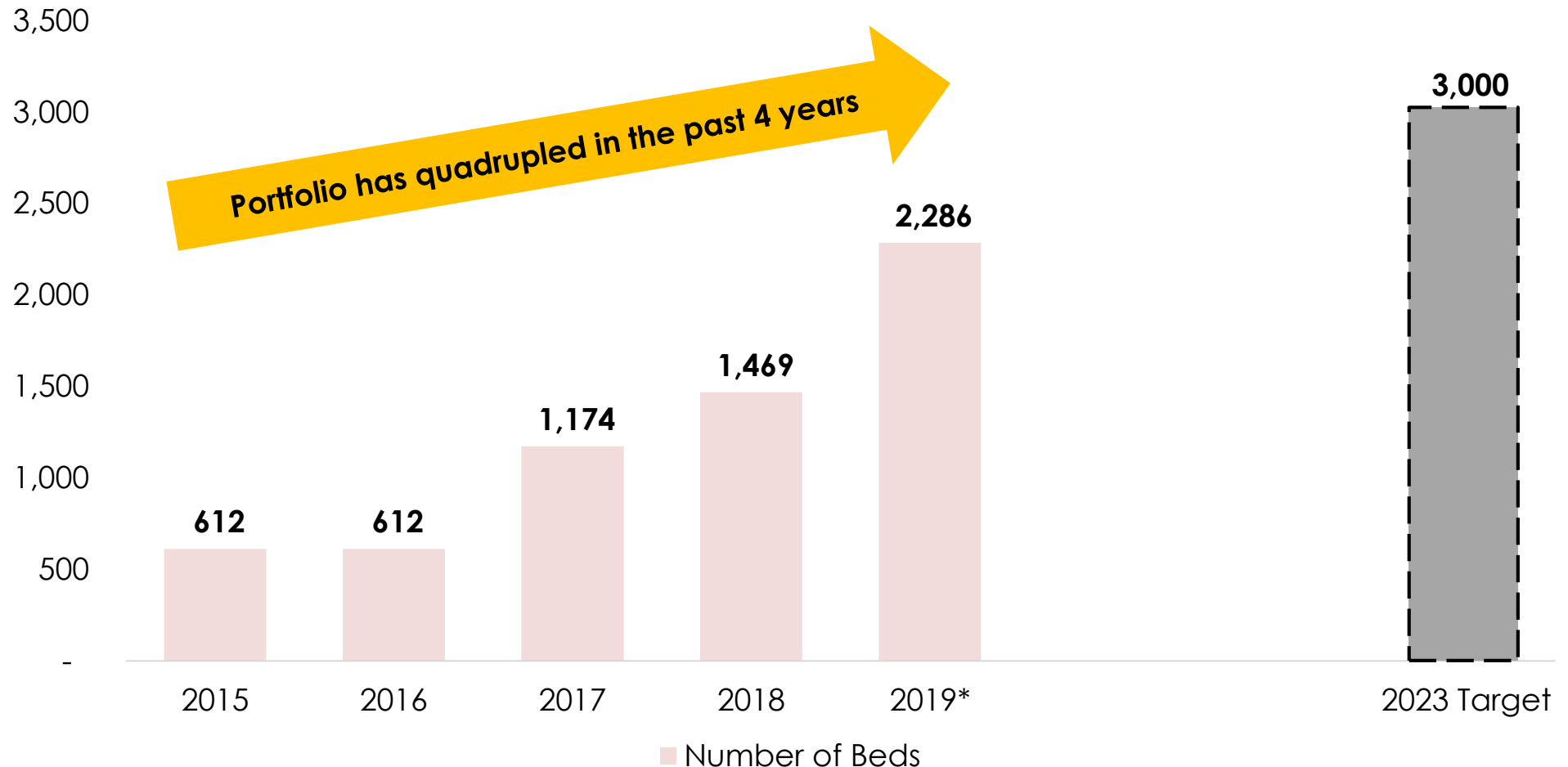


- Well-located, in close proximity to university campuses and the city centre
- Strong occupancy at all three properties
- Bristol has two major universities and a sizeable full-time student population
- Liverpool is one of the largest university cities in the UK and home to four higher education institutions

<sup>1</sup> Approximately S\$98.7 million based on the exchange rate of GBP1:SGD1.794 prevailing as at 15 Mar 2019

# HEALTHY TRACTION IN GROWTH OF PBSA PORTFOLIO

On track to achieve 2023 target of 3,000 beds



\*As at Sep 2019

# INVESTMENTS - HEALTHCARE

## Novena Medical Center



Medical Suites for Sale : 7  
Medical Suites for Lease : 37

## Novena Specialist Center



Medical Suites for Sale : 30  
Medical Suites for Lease : 10

## SBF Center



Medical Suites for Sale : 1

# FINANCIALS

# KEY PERFORMANCE DRIVERS

01

- Hospitality business remains the key contributor to our recurring income base, accounting for 55% of total operating profit in FY2018 and FY2017

02

- Stable recurring income from property investment in PBSA and medical suites help to smooth out lumpiness from property development business

03

- PBSA portfolio in the UK has quadrupled to ~2,300 beds since foray in FY2015, strengthening our recurring income base

# 1H2019 FINANCIAL HIGHLIGHTS

	1H2019	1H2018	Change
<b>Sales</b>	S\$75.3M	S\$75.2M	0.0%
<b>Total profit</b>	S\$5.3M	S\$9.0M	▼ 41.1%
<b>Profit attributable to equity holders</b>	S\$5.8M	S\$9.2M	▼ 37.0%

- Profit attributable to equity holders decrease in 1H2019 mainly due to the absence of share of profit from its joint venture property development project in Australia, Harbourfront Balmain, which was fully sold and delivered to the buyers by 1H2018
- Financial performance was also impacted by foreign currency translation losses and weak market conditions from our hospitality business in Australia and Malaysia
- Revenue was stable year-on-year as the lower sales from hospitality business in Australia and Malaysia was offset by the higher sales from the PBSA division

# 1H2019 FINANCIAL HIGHLIGHTS

## Healthy balance sheet and low gearing ratio

	1H2019	FY2018	Change
<b>Net asset value per share <sup>(1)</sup></b>	S\$2.83	S\$2.89	▼ 2.1%
<b>Debt equity ratio</b>	32.3%	22.8%	▲ 9.5 pp <sup>(2)</sup>
<b>Earnings per share<sup>(3)</sup></b>	1.3 cents	7.6 cents	N.M.
<b>Final dividend per share</b>	N.A.	6.0 cents	N.M.

Notes:

(1) Based on number of issued shares as at current financial period reported on and immediately preceding financial year.

(2) Percentage points.

(3) Based on weighted average number of ordinary shares in issue during the year. Figures have been rounded.

# 3-YEAR FINANCIAL HIGHLIGHTS



	FY2018 S\$'000	FY2017 S\$'000 (restated)	FY2016 S\$'000
<b>Property Development</b>			
Sales	241	-	-
Operating profit/(loss)	381	173	(267)
Share of profit of joint ventures	4,930	7,088	50,433
Share of profit of associated companies	-	-	(352)
<b>Property Investment</b>			
Sales	16,760	14,821	15,011
Operating profit	10,242	9,471	7,312
Share of profit of joint ventures	-	131	-
<b>Hospitality</b>			
Sales	133,910	136,800	169,877
Operating profit	11,033	13,079	16,803
Share of profit of joint ventures	4,633	4,590	18,646
Share of profit of associated companies	3,376	2,678	2,649
<b>Total Sales</b>	<b>150,911</b>	<b>151,621</b>	<b>184,888</b>
<b>Total Operating Profit</b>	<b>34,595</b>	<b>37,210</b>	<b>95,224</b>
<b>Profit Attributable to Equity Holders of the Company</b>	<b>32,937</b>	<b>21,753</b>	<b>65,041</b>



# 3-YEAR FINANCIAL HIGHLIGHTS

## Property Development

- Earnings from property development is lumpy in nature. The recognition of sale and profit is dependent on project completion and sales
- Joint venture project, Harbourfront Balmain in Sydney, was completed in FY2017, with share of profit recognised between FY2017 – FY2018
- Share of profit of joint ventures in FY2016 was from the joint venture projects in Singapore - SBF Center and RiverTrees Residences

## Property Investment

- Provides stable recurring income and reduces the effects of lumpy development earnings on the Group
- Strengthened by the completion of three student accommodation properties in the UK from FY2017 – FY2018

## Hospitality

- Core contributor to our recurring income base
- Sales declined as onerous hospitality leases in Australia and New Zealand progressively came to an end in FY2016. The Group would no longer be financially burdened by these loss-making leases
- Lower revenue in FY2018 was mainly due to a weaker AUD and challenging operating environment, partially offset by higher revenue from Orchard Rendezvous Hotel and Oasia Suites Kuala Lumpur
- Share of profit of joint ventures
  - **FY2016:** boosted by one-off gain from the sale of a hotel in Sydney
  - **FY2017:** declined due to investments in technological infrastructure
  - **FY2018:** remained stable

# DIVIDEND DISTRIBUTION



Committed to achieve sustainable income and long-term capital growth for the benefit of shareholders

	FY2018	FY2017	FY2016
<b>First and Final Dividend</b>	6.00 cents	6.00 cents	6.00 cents
<b>Dividend Yield<sup>2</sup></b>	4.9%	4.2%	4.0%

Based on Far East Orchard's closing share price on book closure date – \$1.220 (15 May 2019), \$1.44(16 May 2018), \$1.51(15 May 2017)



THANK YOU

