



# ARA US Hospitality Trust

3Q 2019 Financial Results (1 July 2019 to 30 September 2019)

6 November 2019



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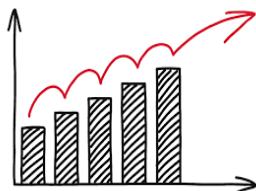
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# Key Indicators

As of 30 Sep, we have achieved 69% of DPS for Forecast Period 2019 <sup>(1)</sup>



Distribution Per Stapled Security  
3.13 US cents

Gross Revenue  
US\$75.7 mil

GOP margin  
39.8%

NPI margin  
30.9%

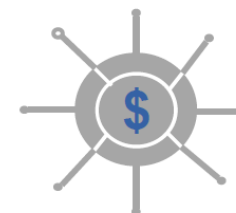


RevPAR Index  
106.4%

RevPAR  
US\$101

Occupancy  
81.3%

ADR  
US\$124



Gearing  
31.8%

Average cost of debt  
3.94% p.a.

Fixed rate debt  
83%

Interest coverage ratio  
5.3 times

Debt headroom <sup>(2)</sup>  
US\$182 mil

The above key indicators relate to period from 9 May 2019 (Listing Date) till 30 September 2019.

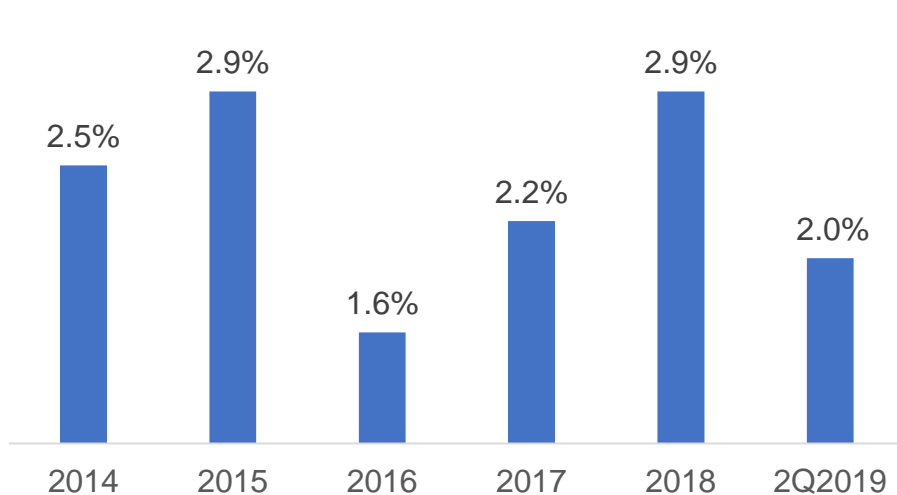
(1) Based on forecast DPS from 9 May 2019 to 31 December 2019 of 4.56 US cents which translates to an annualized DPS of 7.0 US cents.

(2) Based on 45% Aggregate Leverage Limit for S-REITs.

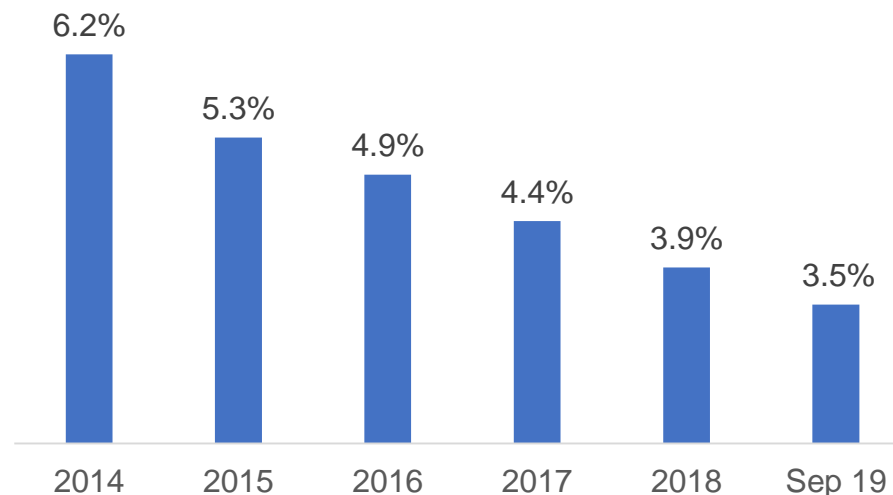
# US Economic Outlook

- GDP grew 2.0% in 2Q 2019 <sup>(1)</sup>, extending the US's longest economic expansion on record
- Unemployment rate dropped from 3.7% in June 2019 to 3.5% in September 2019 <sup>(2)</sup>
- CPI inflation rate of 1.7% <sup>(2)</sup>
- FOMC <sup>(3)</sup> lowered target federal funds rate thrice in 2019

**US Real GDP Growth Rate <sup>(1)</sup>**



**US Unemployment Rate <sup>(2)</sup>**



(1) US Bureau of Economic Analysis (September 2019).

(2) US Bureau of Labor Statistics (September 2019).

(3) Federal Reserve (October 2019).

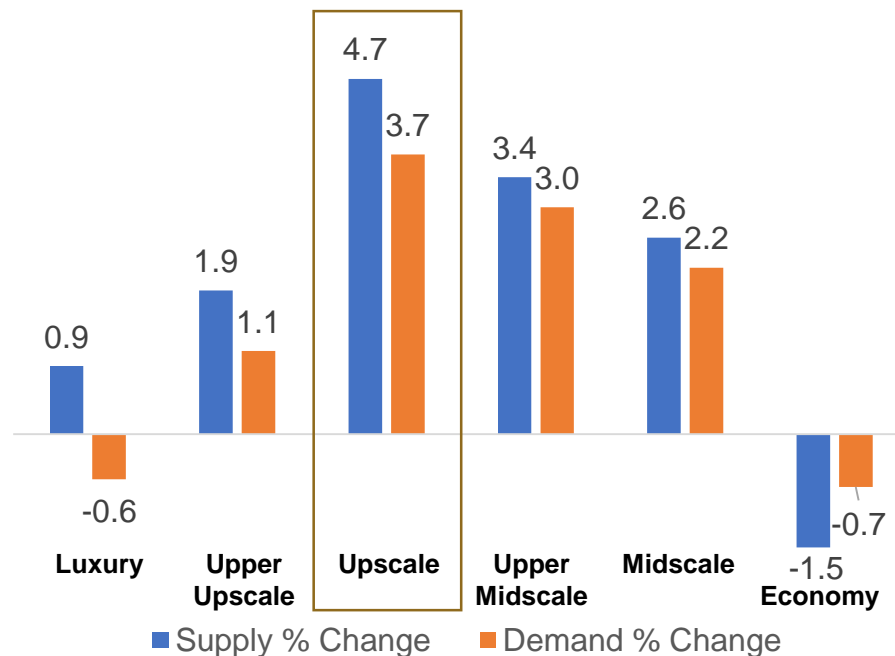
# Industry Outlook

- Lowered but still positive RevPAR growth for remaining 2019 and 2020
- Supply headwinds across all segments are impacting ADR growth and industry forecasts have been revised downward as the year progressed
- Supply for the upscale sector grew 4.7% YTD Sep 2019, while demand increased 3.7% over the same period

## US Hotel Forecast % Change vs Prior Year




Revision Month:	Jan 2019		Jun 2019		Aug 2019	
Forecast Year	2019	2020	2019	2020	2019	2020
Supply	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Demand	1.9%	1.7%	2.0%	1.7%	2.1%	1.6%
Occupancy	0.0%	-0.2%	0.1%	-0.2%	0.2%	-0.3%
ADR	2.3%	2.2%	1.9%	2.2%	1.4%	1.4%
RevPAR	2.3%	1.9%	2.0%	1.9%	1.6%	1.1%

## U.S Supply and Demand % Change by Segment Sep 2019 YTD



# Performance Across Brands



	Occupancy	RevPAR	RevPAR Index	GOP margin
 <b>11</b> Hotels	85.9%	US\$120	115.9%	43.0%
 <b>27</b> Hotels	79.2%	US\$92	102.5%	38.5%
 <b>38</b> Hotels	81.3%	US\$101	106.4%	39.8%

- Performance by Hyatt House hotels

- Strong Occupancy at 85.9%
- Outperform RevPAR of comparable hotels by 15.9%
- GOP margin remains strong at 43.0%

- Performance by Hyatt Place hotels

- High Occupancy at 79.2%
- Supply headwinds in several markets impacted both occupancy and ADR
- Reduced RevPAR impacted GOP margin of 38.5%

# Financial Highlights

- Achieved 69% of DPS for Forecast Period 2019 <sup>(1)</sup>
- Occupancy remained strong at 81.3% while ADR 3.7% lower than forecast
- Outperform RevPAR of comparable hotels by 6.4%
- Property Expenses were mainly in line with forecast, with lower management fees and borrowing costs

	9 May (Listing Date) to 30 June			3Q2019			9 May to 30 Sep 2019		
	Actual US\$'000	Forecast US\$'000	Var (%)	Actual US\$'000	Forecast US\$'000	Var (%)	Actual US\$'000	Forecast US\$'000	Var (%)
Gross Revenue	28,823	29,195	(1.3)	46,837	50,890	(8.0)	75,660	80,085	(5.5)
Property Expenses	(16,474)	(16,894)	2.5	(29,051)	(29,277)	0.8	(45,525)	(46,171)	1.4
GOP	12,349	12,301	0.4	17,786	21,613	(17.7)	30,135	33,914	(11.1)
GOP Margin (%)	42.8	42.1	0.7	38.0	42.5	(4.5)	39.8	42.3	(2.5)
NPI	9,862	9,821	0.4	13,504	17,326	(22.1)	23,366	27,147	(13.9)
NPI Margin (%)	34.2	33.6	0.6	28.8	34.0	(5.2)	30.9	33.9	(3.0)
Distributable Income	7,677	7,439	3.2	10,077	11,385	(11.5)	17,754	18,824	(5.7)
Distribution per Stapled Security (US cents)	1.36	1.31	3.8	1.77	2.01	(11.5)	3.13	3.32	(5.7)

(1) For the period from 9 May 2019 (Listing Date) till 31 December 2019. Barring unforeseen circumstances, the Managers expect the Distributable Income for the period from Listing date to 31 December 2019 to be in line with its IPO forecast.

# Prudent Capital Management



## Stable Financial Indicators

As of 30 Sep 2019

Total assets	US\$766 mil
Total debt	US\$244 mil
Aggregate leverage	31.8%
Average cost of debt (p.a.)	3.94%
Interest coverage ratio	5.3 times
Long debt maturity	4.6 years
Fixed / Variable debt	83% / 17%
Debt headroom <sup>(1)</sup>	US\$182 mil

(1) Based on 45% Aggregate Leverage Limit for S-REITs.



# Temporary Disruptions

**New Supply  
Absorption**

**Property-level  
Manager Turnover**

**Exogenous  
(e.g. Hurricane  
Dorian)**

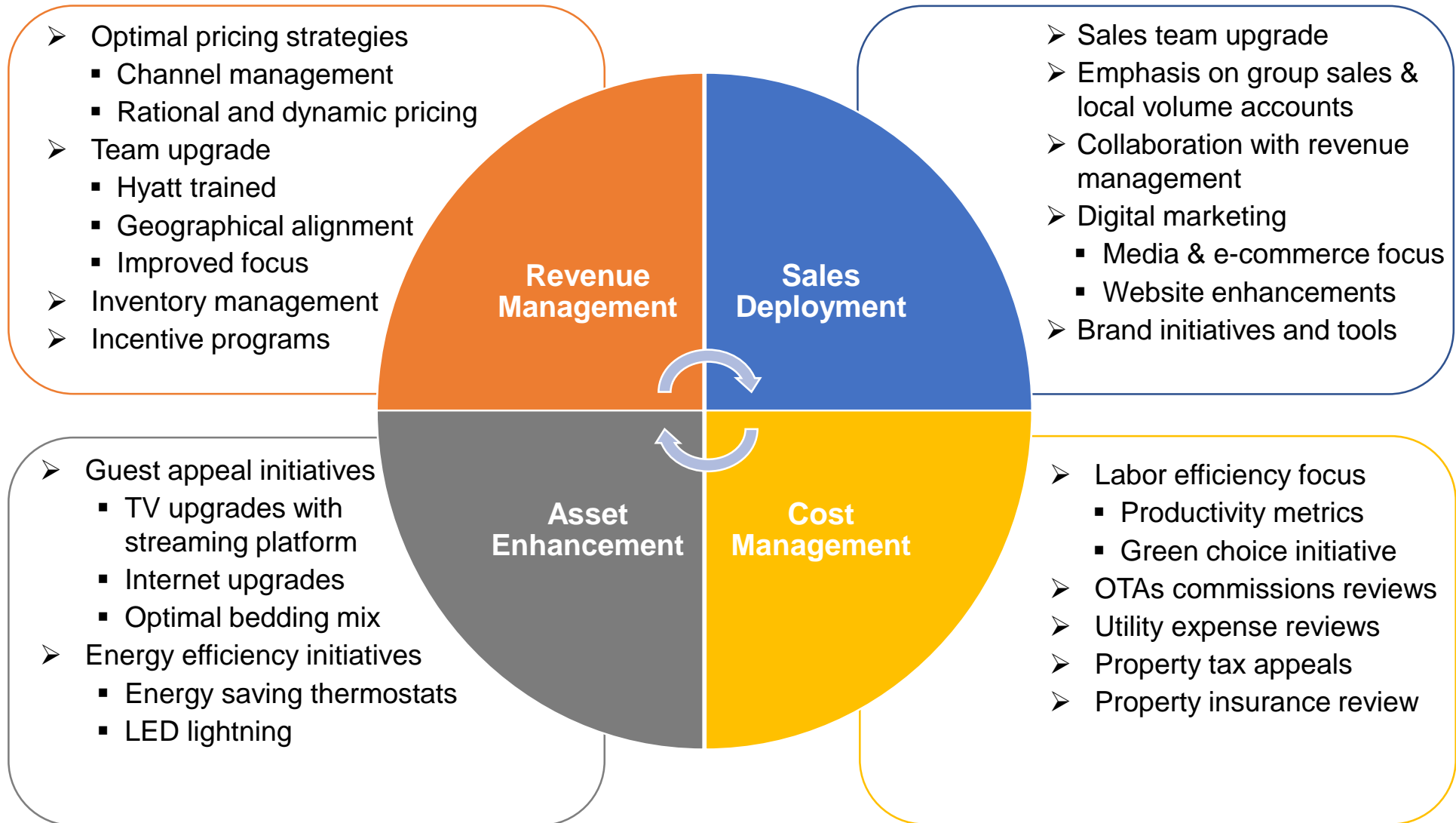
**Action Plan**

**Revenue  
Management**

**Sales  
Deployment**

**Cost  
Management**

**Asset  
Enhancement**



# Acquisition Highlights



*AC by Marriott Raleigh North Hills*

# Overview of the Acquisition Properties



Property	AC by Marriott Raleigh North Hills	Courtyard San Antonio at The Rim	Residence Inn San Antonio at The Rim
Location	<ul style="list-style-type: none"> <li>• 101 Park at North Hills Street Raleigh, North Carolina</li> </ul>	<ul style="list-style-type: none"> <li>• 5731 Rim Pass San Antonio, Texas</li> </ul>	<ul style="list-style-type: none"> <li>• 5707 Rim Pass San Antonio, Texas</li> </ul>
Hotel Chain Scale	<ul style="list-style-type: none"> <li>• Upscale Select-service</li> </ul>	<ul style="list-style-type: none"> <li>• Upscale Select-service</li> </ul>	<ul style="list-style-type: none"> <li>• Upscale Extended-stay</li> </ul>
Brand / Franchisor	<ul style="list-style-type: none"> <li>• AC / Marriott</li> </ul>	<ul style="list-style-type: none"> <li>• Courtyard / Marriott</li> </ul>	<ul style="list-style-type: none"> <li>• Residence Inn / Marriott</li> </ul>
Land Title	<ul style="list-style-type: none"> <li>• Freehold</li> </ul>	<ul style="list-style-type: none"> <li>• Freehold</li> </ul>	<ul style="list-style-type: none"> <li>• Freehold</li> </ul>
Number of Keys	<ul style="list-style-type: none"> <li>• 135</li> </ul>	<ul style="list-style-type: none"> <li>• 124</li> </ul>	<ul style="list-style-type: none"> <li>• 131</li> </ul>
Opening Date	<ul style="list-style-type: none"> <li>• 2017</li> </ul>	<ul style="list-style-type: none"> <li>• 2009 <sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• 2009 <sup>(1)</sup></li> </ul>

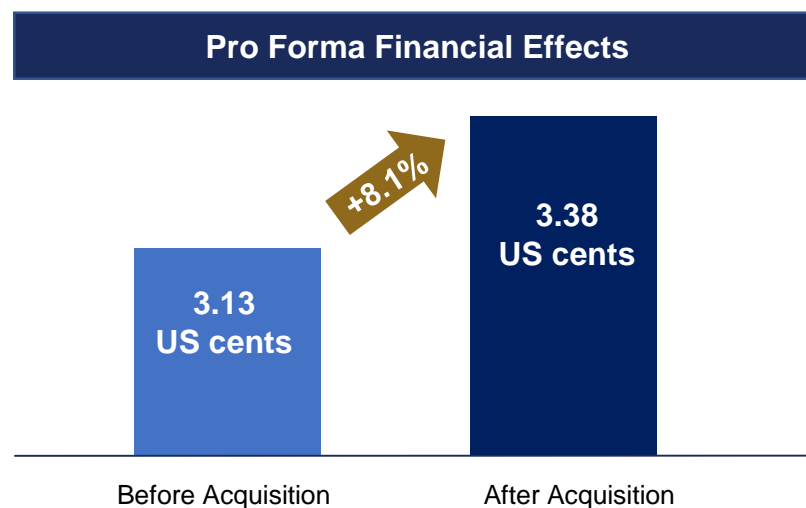
(1) Courtyard San Antonio at The Rim and Residence Inn San Antonio at The Rim underwent soft goods renovation in early 2017.

# Overview of the Acquisition Properties

## Diversification enhancement by location



# Accretive Acquisition enhances Stapled Securityholders returns



Period from 9 May 2019 to 30 September 2019	Before Acquisition	After Acquisition <sup>(1)</sup>	Var (%)
Distributable Income (US\$'000)	17,754	19,190	8.1% ↑
DPS (US cents)	3.13	3.38	8.1% ↑
NAV per Stapled Security (US\$)	0.87	0.87	-
Gearing (%)	32%	38%	6% ↑

- Increase pro forma DPS by 8.1% from 3.13 US cents to 3.38 US cents
- Funded by available debt headroom without issuance of new Stapled Securities
- Post-transaction gearing increase to 38%, within 45% regulatory limit <sup>(2)</sup>




(1) Assume the acquisition is primarily funded by bank loans and utilization of internal cash resources.

(2) Based on 45% Aggregate Leverage Limit for S-REITs.

# High Quality Assets with Strong Financial Performance



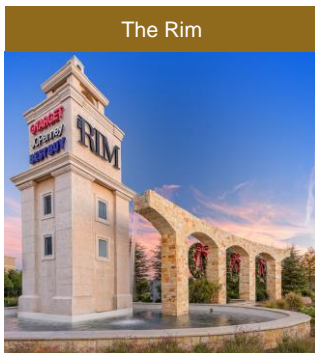
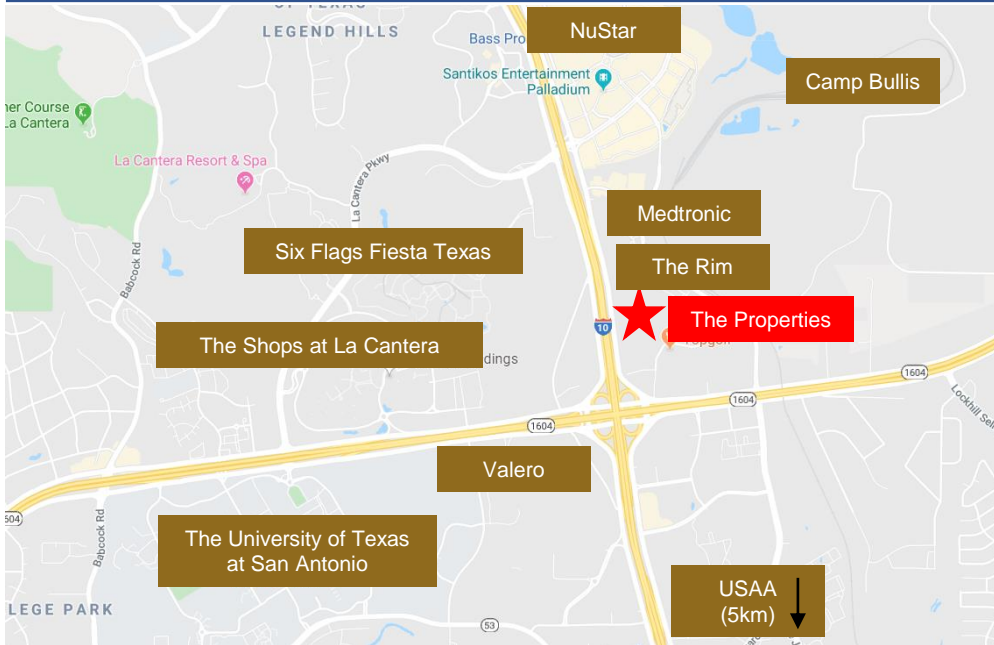
- Newly opened / renovated hotels <sup>(1)</sup> with freehold titles
- Strong occupancy and ADR performance contributes stable cashflow to bottom-line
- Outperformed its competitive sets with RevPAR index between 120% to 146%
- Portfolio NPI yield of 8.0% <sup>(2)</sup>

	<b>Occupancy</b>	<b>RevPAR</b>	<b>RevPAR Index</b>	<b>GOP margin</b>
 AC by Marriott Raleigh North Hills	77.6%	US\$134	120%	47.2%
 Courtyard San Antonio at The Rim	80.7%	US\$104	146%	46.8%
 Residence Inn San Antonio at The Rim	81.9%	US\$102	126%	45.5%

The above metrics are based on historical trailing 12-months results up to June 2019

(1) AC by Marriott Raleigh North Hills opened in March 2017, Courtyard San Antonio at The Rim and Residence Inn San Antonio at The Rim underwent soft goods renovation in 2017.  
 (2) Based on acquisition price of US\$84.5m for Portfolio, NPI is net of 4% of total revenue set aside for capital requirements.

## The Rim sub-market in San Antonio

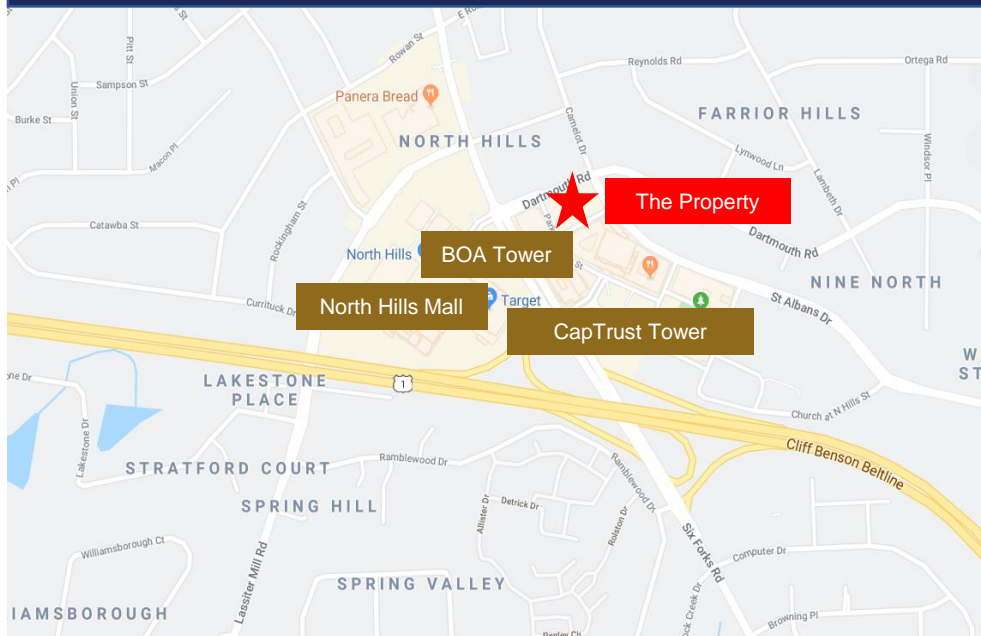


- Adjacent to each other, **Courtyard San Antonio The Rim** and **Residence Inn San Antonio at The Rim** are located in one of the most desirable submarket in San Antonio
  - Situated within attractive residential, retail and office and close to popular leisure attractions
  - Located near major highways and less that 30 minutes from the airport, downtown, and other office parks
- **Key demand drivers** within a five kilometers radius;
  - **Corporate** - Valero Headquarters (Fortune 500 energy group), Medtronic (1000+ employees). USAA (Fortune 500 financial group), NuStar Energy (1000+ employees)
  - **Leisure** - Located within Texas Hill Country, a popular regional destination that includes: a popular amusement park, 2.8 million square foot of master development with ample retail and restaurants
  - **University** - The University of Texas at San Antonio is the 8<sup>th</sup> largest university in Texas (31,000 student enrolled)
  - **Government** - Camp Bullis
    - 28,000 acre U.S. Army training facility with 6,000 employees and training throughput of ~170,000 per year

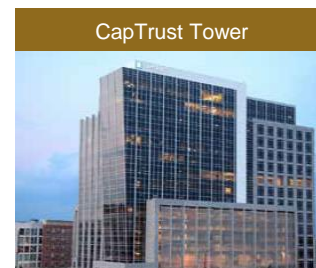


# Strategic Locations in Dynamics Markets

## North Hills sub-market in Raleigh



- **AC Hotel by Marriott Raleigh North Hills** is the newest hotel within the heart of Raleigh’s North Hills – one of Raleigh/Durham’s premier live work-play destinations
- North Hills is a mixed use development that contains more than 1 million square feet of office space, with notable tenants such as PwC, KPMG and Bank of America, plus retail, entertainment and residences
- **Key demand drivers:**
  - **Robust corporate demand:**
    - Technology job growth - Raleigh metro area ranks just behind Austin in technology job growth
    - Ranked 4<sup>th</sup> among the top 25 startup hubs in the U.S
    - Research Triangle Park – one of the most prominent high-tech research and development parks in the United States and houses 200 companies (including IBM, SAS, GlaxoSmithKline, Cisco and Lenovo) with over 50,000 workers
    - 1 million square feet of office space in North Hills - notable tenants: PwC, KPMG and Bank of America
  - **Nationally recognized universities:**
    - North Carolina State University (35,000 students), Duke University (15,000 student), University of North Carolina (UNC) (29,000 students)
    - Duke and UNC are considered one of the top academic and Division I sports teams in the country



## World Class Franchise Affiliation with an Experienced Hotel Developer and Operator

### Marriott – largest global hotel chain with robust loyalty members

- Marriott is the largest hotel chain with 30 brands across 7,003 properties in 131 countries
- Leading concentration in top quality hotel tier that results in strong guest loyalty base
- Marriott Bonvoy Loyalty Program – 125 million members worldwide with 1.5 million new members every month. Members represent approximately 50% of the paid room nights in Marriott branded hotels

### Concord Hospitality – experienced hotel management company in the US

- Based in North Carolina, with over 30 years of operational expertise
- Premier operator managing 102 hotels 23 states and two Canadian Provinces and current development pipeline of over 25 hotels
- Approved operator across most major franchisors: Marriott, Hilton, Hyatt and Intercontinental

# World Class Franchise Affiliation with an Experienced Hotel Operator



- Acquired by Marriott in 2011, AC Hotels is designed for modern travelers with an entrepreneurial mindset
- Urban and European inspired with elevated modern design
- The brand offers concept-driven, turn-key customization of guest room and public space design
- With over 150 open hotels (54 in the U.S.) and a strong pipeline of over 100 globally
- Marriott flagship select-service brand since 1983 and now their largest brand by distribution
- A pioneer in upscale select-service hotel smartly designed for the modern business travelers
- With over 1,100 hotels across the US and over 45 countries. Current global pipeline of 290 hotels
- Marriott flagship extended-stay brand since 1987 that defined the extended-stay lodging space
- Uniquely designed for long-stay guests, with rooms defined by spacious suites and fully equipped kitchen. As well, these hotels provide complementary hot breakfast
- With over 760 hotels worldwide, 2X the footprint of its next largest competitor. Current global pipeline of 250 hotels



# Key Takeaways on Acquisition

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## High Quality Assets

- Young assets with freehold titles
- Prime locations in dynamic markets
- Generate strong operating margins
- Robust demand drivers

## Well-known Brands with experienced Operator

- Best-in-class brands under Marriott franchise
- Managed by experienced hotel management company in US
- Brand and hotel management operator diversification
- Broaden ARA USHT network to source for future acquisition pipeline

## Accretive Acquisition

- Primarily funded by debt, utilizing available debt headroom
- Pro Forma DPS yield accretive by 8.1% <sup>(1)</sup>

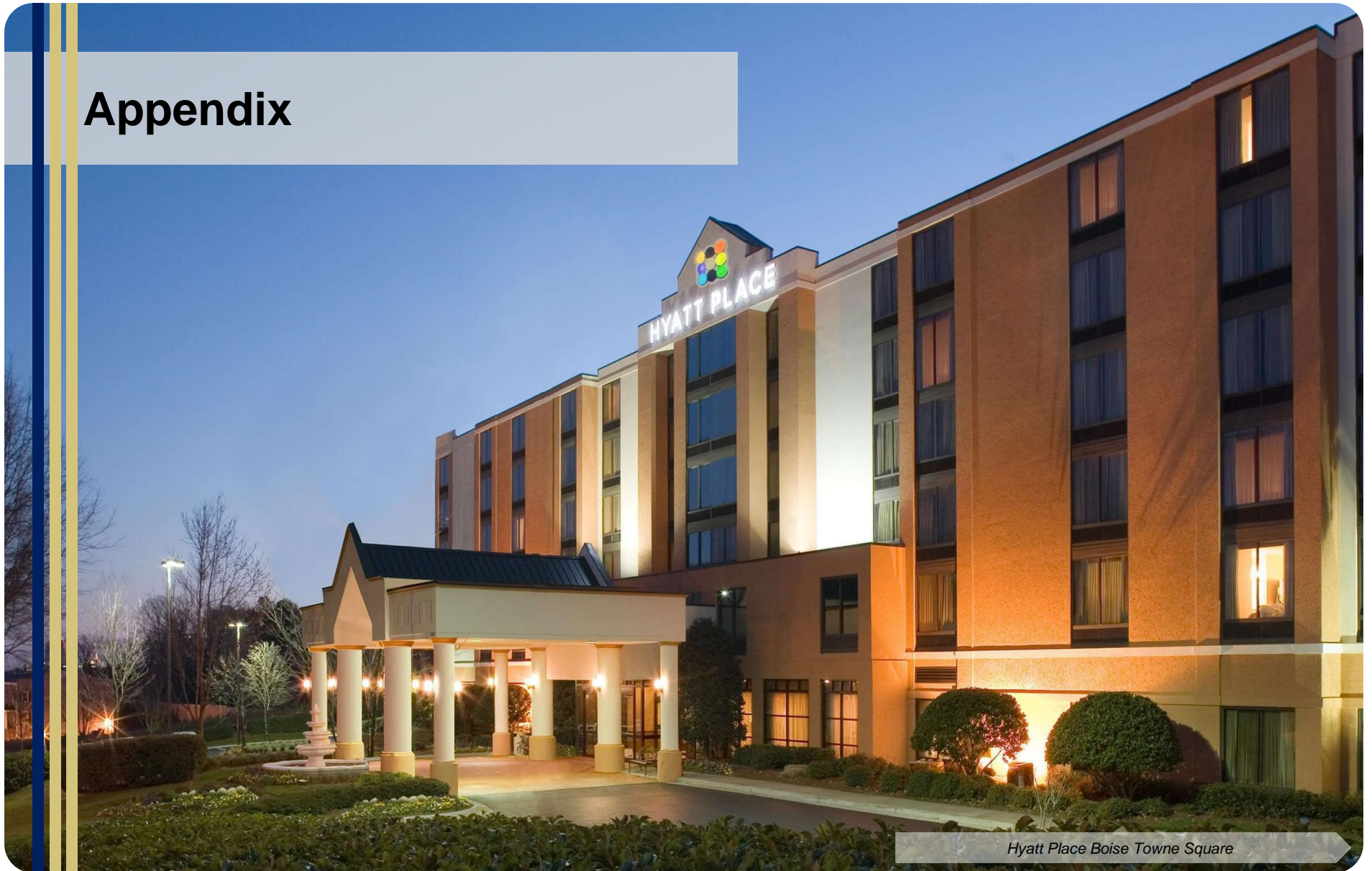
## Continued Growth

- Leverage on ARA Group's network to originate deals in the world's largest lodging market
- Demonstrate ability to execute third-party transactions at attractive yields

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(1) Based on the pro forma results for the period from 9 May 2019 to 30 September 2019.

# Appendix



Hyatt Place Boise Towne Square

# Overview of the Sponsor



## Overview of ARA Asset Management Limited (“ARA”)



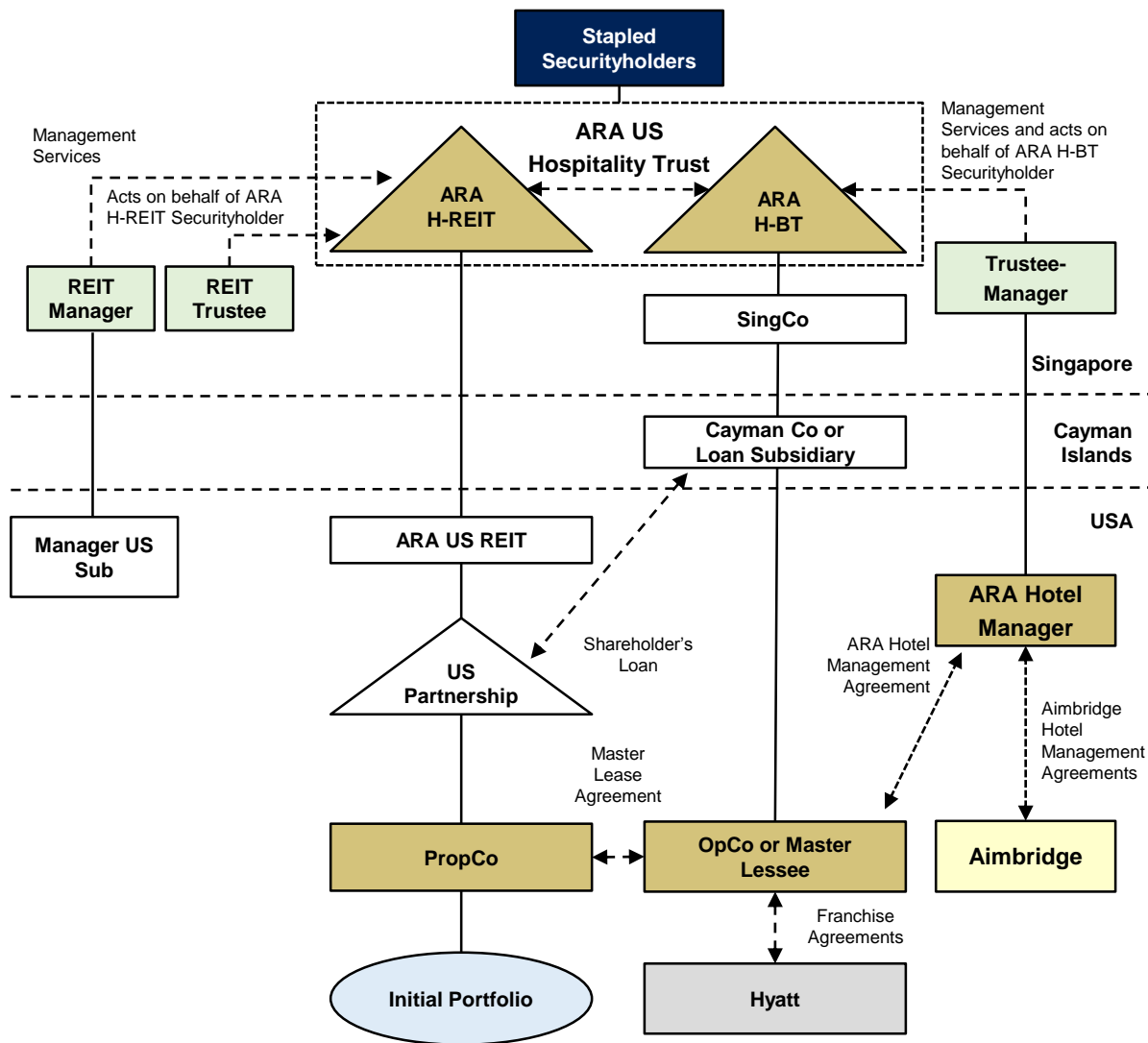
- ARA is a global premier real assets fund manager. As of 30 June 2019, gross assets managed by ARA were over S\$83 b<sup>1</sup>, across 100 cities in 23 countries
- ARA and its associates' businesses include:
  - REITs:** ARA is one of the largest REIT managers in Asia Pacific
  - Private Real Estate Funds:** ARA Group manages private funds providing investment opportunities in diverse real estate sectors and geographies that cater to different investor risk appetites
  - Country Desks:** ARA operates country desks in China, Korea, Japan, Malaysia, Australia, Europe and the United States. ARA has an expanded presence in Japan via its strategic stake in Kenedix, Inc. and in Europe via its strategic stake in Cromwell Property Group
- Infrastructure:** ARA Infrastructure was established in 2018 to cater to strong investor demand for global infrastructure investment
- Real Estate Management Services:** As part of ARA Group's investor-operator philosophy, its dedicated property management teams actively work the ground to manage its assets globally
- ARA is currently in the process of building up their team in US to support their US real estate capabilities going forward

							<b>ARA-NPS REITs</b>	<b>ARA-ShinYoung REITs</b>	<b>ARA-Alpharium REIT</b>	<b>ARA Korea Global REIT<sup>1</sup></b>
<b>Listing Venue</b>	HKEx	SGX-ST	HKEx	SGX-ST	HKEx	SGX-ST	Private REITs (South Korea)	Private REITs (South Korea)	Private REITs (South Korea)	Private REITs (South Korea)
<b>Listing Year / Establishment Year</b>	SGX-ST: 2003 HKEx: 2010	2004	2005	2010	2011	2019	2007, 2010	2015, 2016	2017	2017
<b>Focus</b>	Suburban retail properties in Hong Kong	Prime office & retail properties in Singapore & Australia	Office & Industrial properties in Hong Kong	Logistics properties in the Asia Pacific region	Commercial properties in China	Hospitality properties in United States	Office properties in South Korea	Residential properties in South Korea	Office property in South Korea	Dividend-paying Investment REIT
<b>Market Cap / Value<sup>2</sup></b>	US\$2.3b	US\$3.5b	US\$598m	US\$551m	US\$2.6b	US\$498m	US\$561m	US\$90m	US\$544m	US\$13m

(1) Includes assets under management by the Group, its Associates and Joint Ventures

(2) Exchange rate of USD:SGD 1.35, USD:KRW 1,120, USD:MYR 4.0, USD:CNY 6.8, USD:HKD 7.8 assumed. As at 31 Dec 2018. For ARA US Hospitality Trust, based on IPO price of US\$0.88.

# Structure of ARA US Hospitality Trust



## Tax Efficient Structure

- Bulk of the distributions are tax exempt, as it is repatriated to Singapore via the shareholder's loan extended by the ARA H-BT (via CaymanCo) due to portfolio interest exemption
- A small residual amount is subject to US withholding tax on repatriation to Singapore, and applicable US corporate taxes
- No tax payable in Cayman Islands and Singapore by ARA H-REIT, ARA H-BT, SingCo and Cayman Co
- Forfeiture mechanism is adopted to ensure no single investor holds more than 9.8% (under attribution rules) for the purposes of the US REIT status

## Documentation-light Structure for Investors

- Unlike previous trusts with US assets listed in Singapore, certain administrative tax filings would not be required of investors (e.g. Form W-8 BEN-E) as this is satisfied by the CaymanCo



**Thank You**

**For enquiries, please contact:  
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