



## Presentation at 8<sup>th</sup> Annual General Meeting

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25 June 2020

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# Agenda

- Overview of Far East Hospitality Trust
- Year in Review:
  - Financial and Operating Performance
  - Capital Management
  - Asset Enhancement
  - Investment
  - Corporate Governance
- Update on Current Operating Environment and Outlook



## Overview of Far East Hospitality Trust



# Overview of Far East Hospitality Trust

- Singapore-focused listed hotel and serviced residence hospitality REIT
- Strong sponsor - Far East Organization, largest private property developer in Singapore
- Portfolio valued at about S\$2.65 billion as at 31 December 2019
  - 13 properties comprising 9 hotels and 4 serviced residences, with 3,143 hotel rooms and serviced residence units:
  - All properties under master lease agreements with the Sponsor's companies
- Holds a 30% stake in a joint venture with the Sponsor for the development of three hotels in Sentosa, which opened in 2019
- Acquisition pipeline of 7 properties under a right of first refusal with Sponsor, totaling 1,200 hotel rooms and 618 serviced residence units



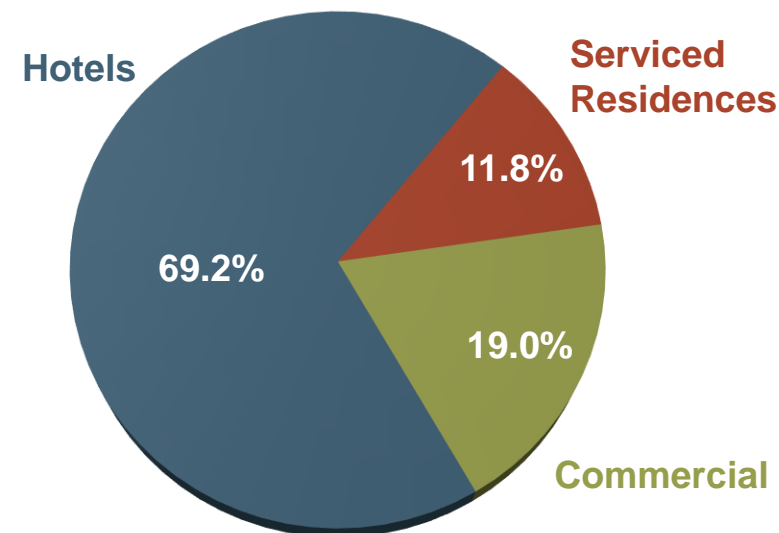
## Year in Review – Financial and Operating Performance



# Financial Performance (FY 2019)

	FY 2019 S\$'000	Year-on-year variance %
Gross Revenue	115,546	1.6
Net Property Income	104,314	1.5
Income Available for Distribution	73,893	(2.0)
Distribution per Stapled Security (cents)	3.81	(4.8)

Breakdown of Revenue by Segment

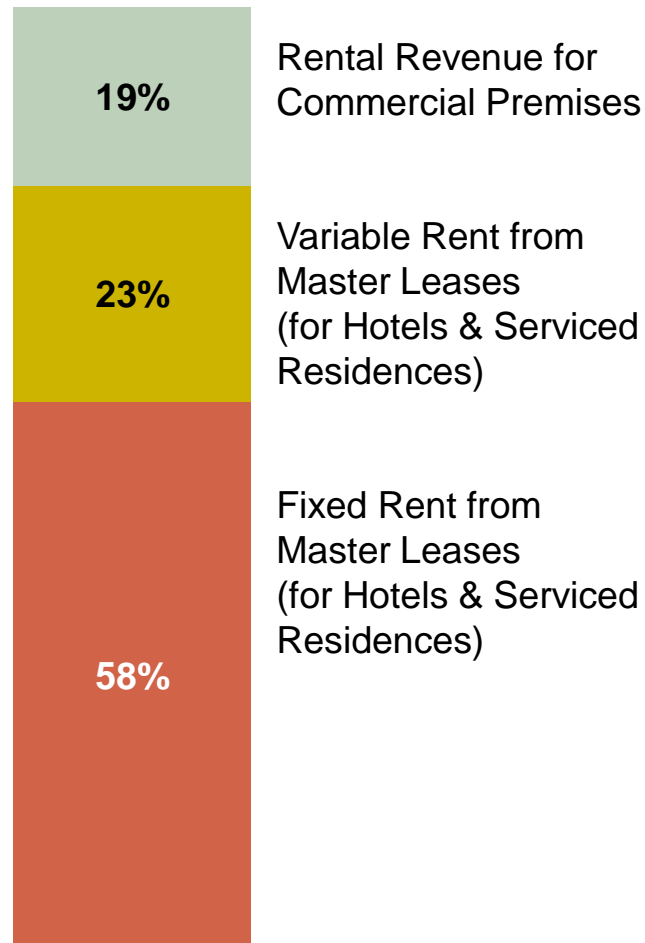


- Gross Revenue for FY 2019 was S\$115.5 million, an increase of 1.6% year-on-year, driven by growth in Master Lease Rental for the hotels and serviced residences of 2.2%. Retail and Office Revenue decreased by 0.7% year-on-year.
- Income Available for Distribution was S\$73.9 million, 2.0% lower year-on-year and Distribution per Stapled Security was 3.81 Singapore cents, with an enlarged base.



# Revenue by Type of Rental Income (FY 2019)

## Revenue by Type of Rental Income (FY 2019)



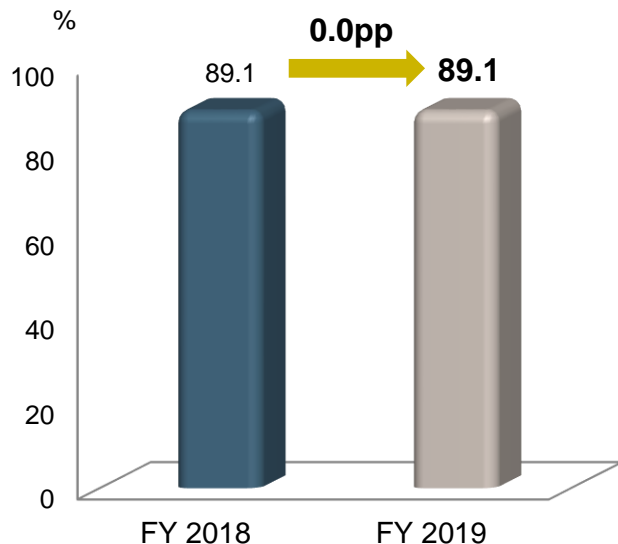
### **Fixed rent makes up large proportion of revenue**

- Fixed rent for hotels and serviced residences and rental revenue for commercial premises constitute about three quarters of gross revenue.
- The minimum rental payment provides a downside protection for unitholders and mitigates the impact of volatility experienced during adverse economic circumstances.

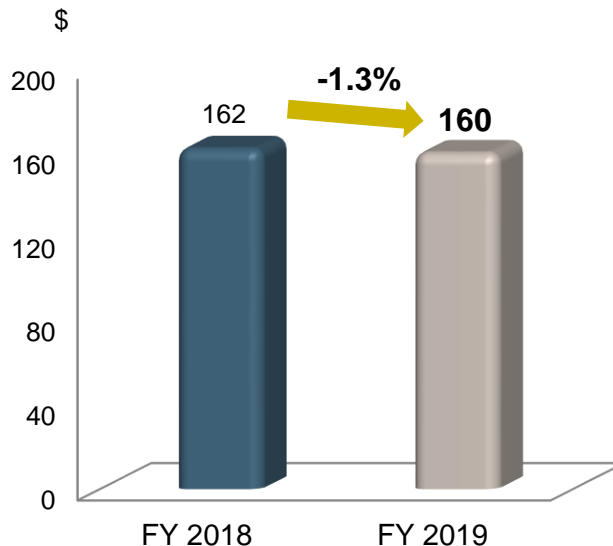


# Operating Performance (FY 2019) – Hotels

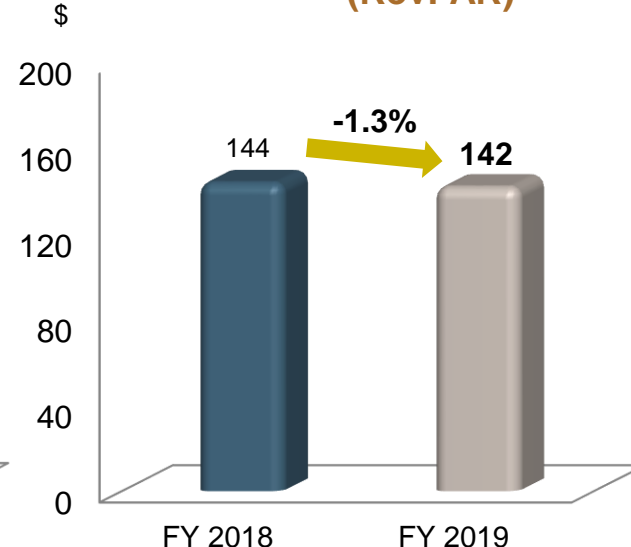
## Average Occupancy



## Average Daily Rate (ADR)



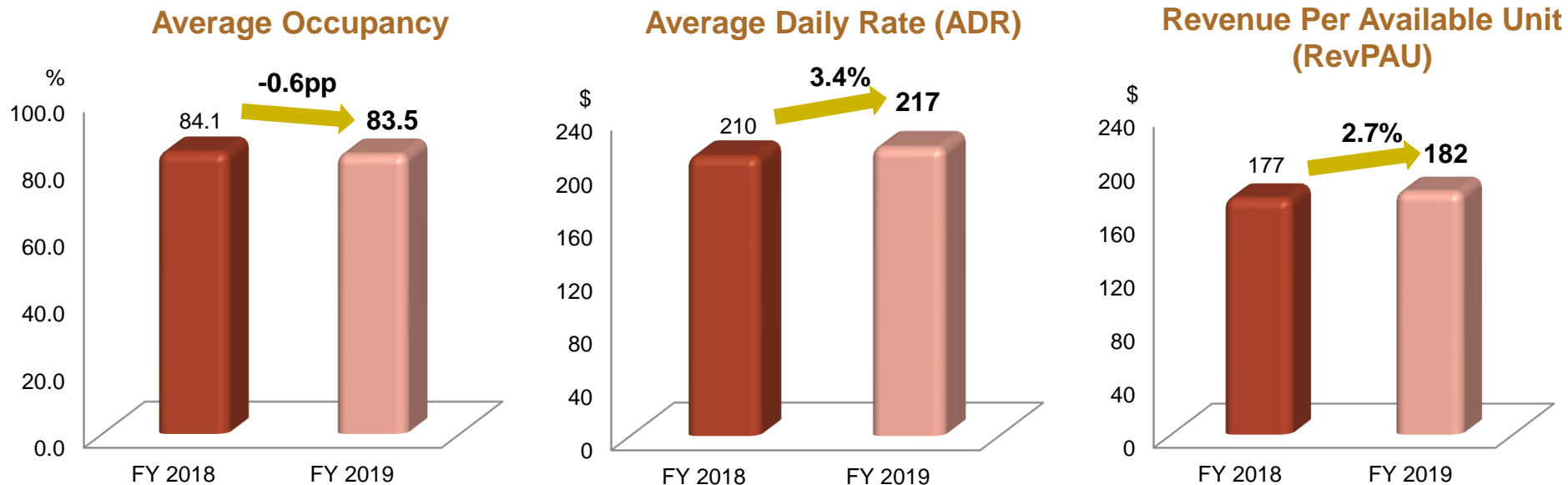
## Revenue Per Available Room (RevPAR)



- Average occupancy of the hotels remained healthy at 89.1% in FY 2019, coming in at the same level year-on-year.
- ADR decreased 1.3% to S\$160, due mainly to fewer major MICE events in FY2019 and higher contribution from the leisure segment at lower room rates.
- As a result, RevPAR for the hotel portfolio declined by 1.3% to S\$142.



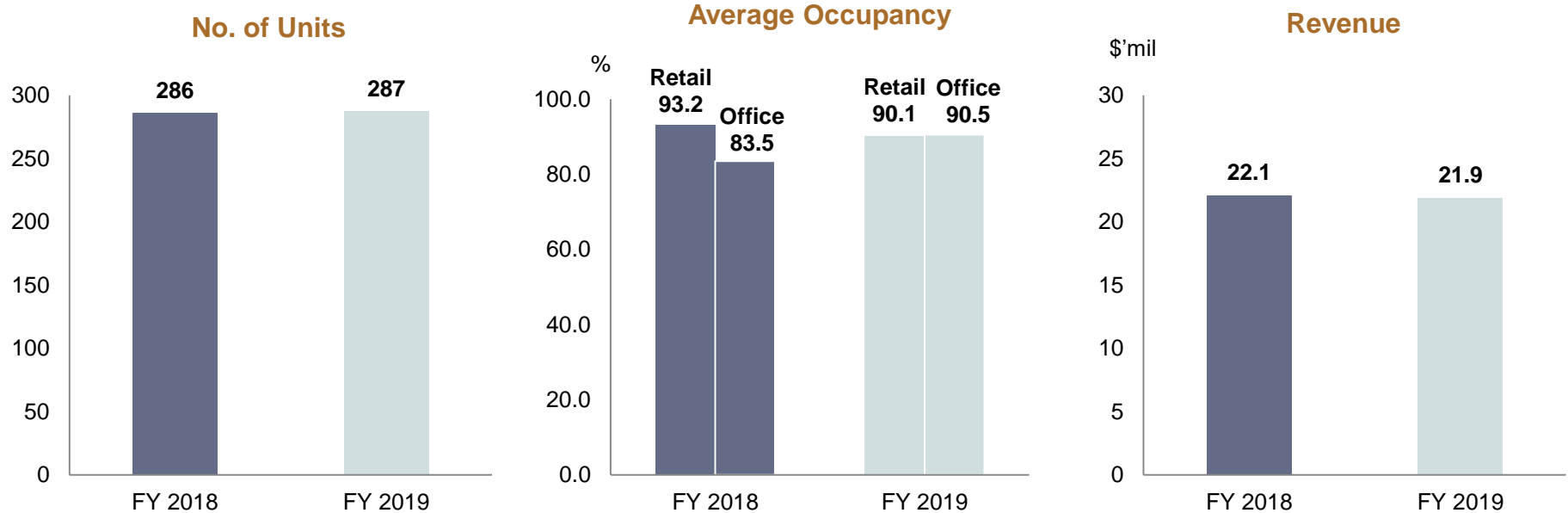
# Operating Performance (FY 2019) – Serviced Residences



- There was an overall year-on-year improvement in performance of the SR portfolio in FY 2019, bolstered by the growth in shorter-stay bookings at higher room rates.
- While average occupancy was marginally lower year-on-year by 0.6pp at 83.5%, the ADR was 3.4% higher at S\$217.
- As a result, the RevPAU of the SR portfolio grew 2.7% to S\$182 in FY 2019.



# Operating Performance (FY 2019) – Commercial Premises

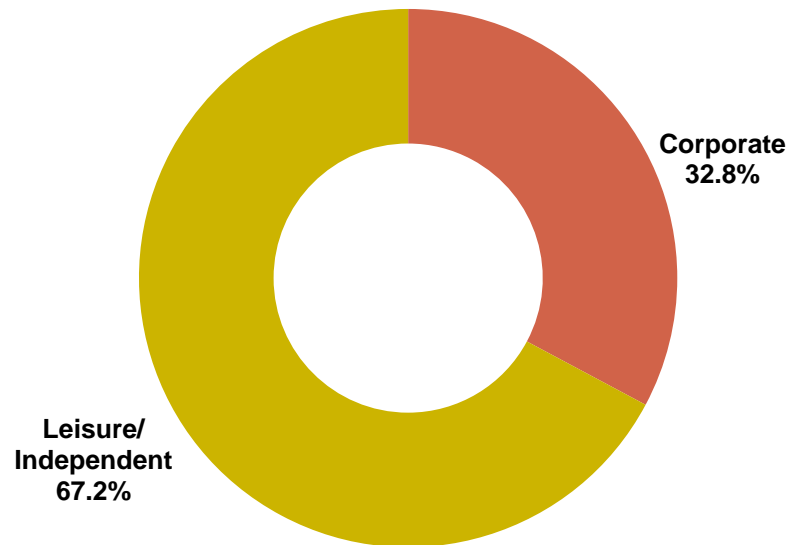


- Revenue from the retail and office spaces decreased 0.7% year-on-year to S\$21.9 million in FY 2019.
- Occupancy for the office spaces had a marked improvement from 83.5% to 90.5%, while occupancy for the retail spaces declined due to the weak market conditions, although remaining healthy at 90.1%.

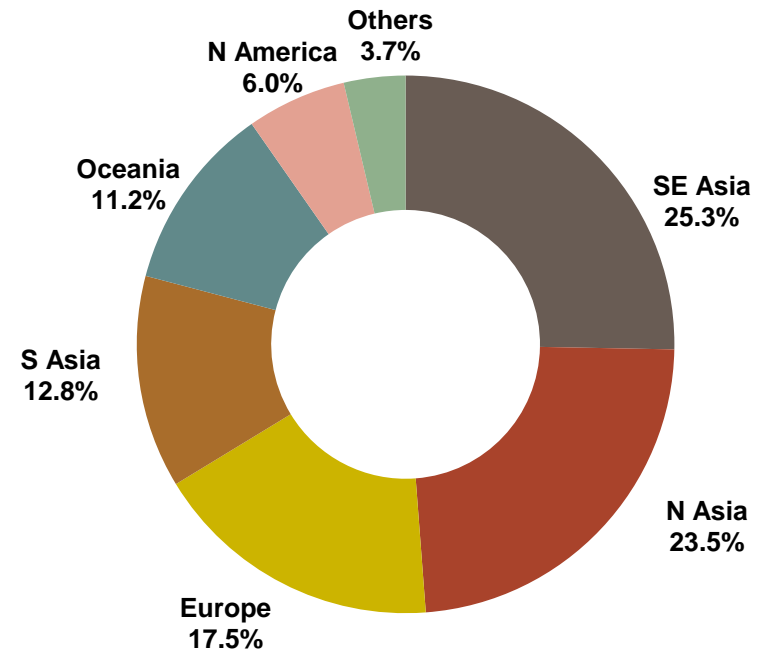


# Market Segmentation (FY 2019) – Hotels

Hotels (by Revenue)



Hotels (by Region)

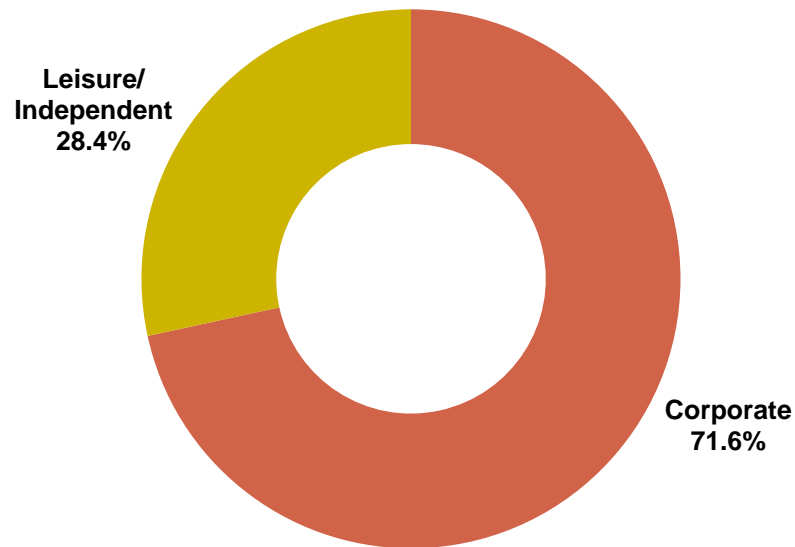


- Revenue from the corporate segment made up 32.8% in FY2019, down from 33.7% in FY2018. Correspondingly, the proportion of leisure revenue grew to 67.2% in FY2019, compared to 66.3% a year ago, reflecting the growth in visitor arrivals from regional markets.
- The geographical mix for the hotel portfolio remained largely unchanged year-on-year. South East Asia and North Asia remained the top two contributors at 25.3% and 23.5% of hotel room revenue in FY2019 respectively.

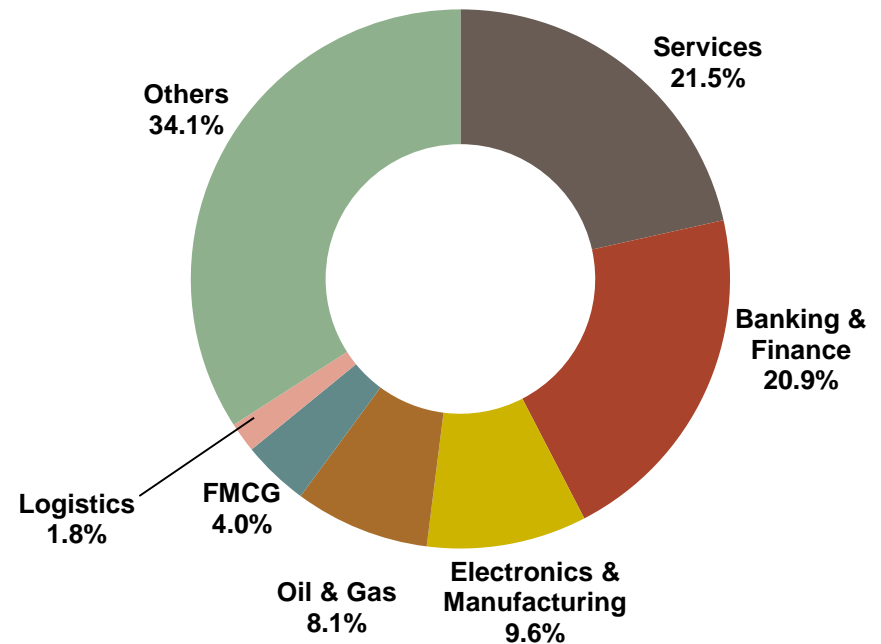


# Market Segmentation (FY 2019) – Serviced Residences

## Serviced Residences (by Revenue)



## Serviced Residences (by Industry)



- Revenue contribution from the corporate segment decreased 4.9pp year-on-year. Corporate demand, especially from project groups, was more subdued, as companies remained cautious given the global economic uncertainties. This drop was offset by growth in the leisure segment.
- Higher revenues were secured from the Services and the Fast Moving Consumer Goods sectors, with increases of 2.5pp and 1.1pp in contribution year-on-year respectively.



## Year in Review – Capital Management

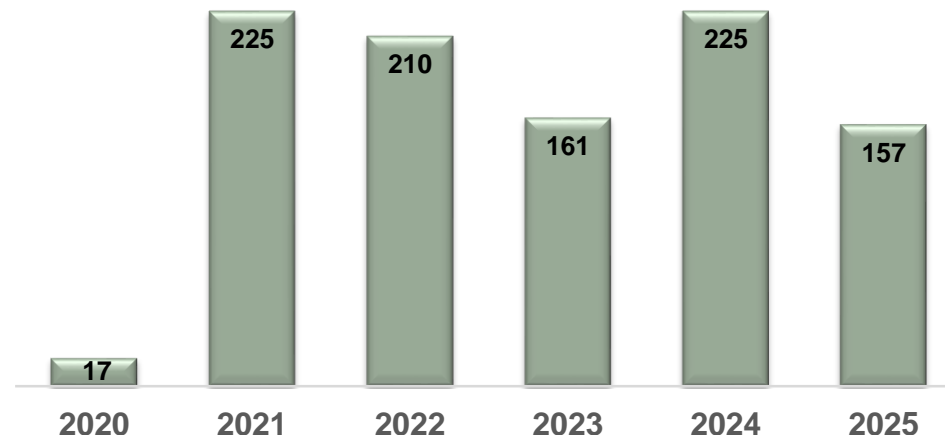


# Sound Capital Management

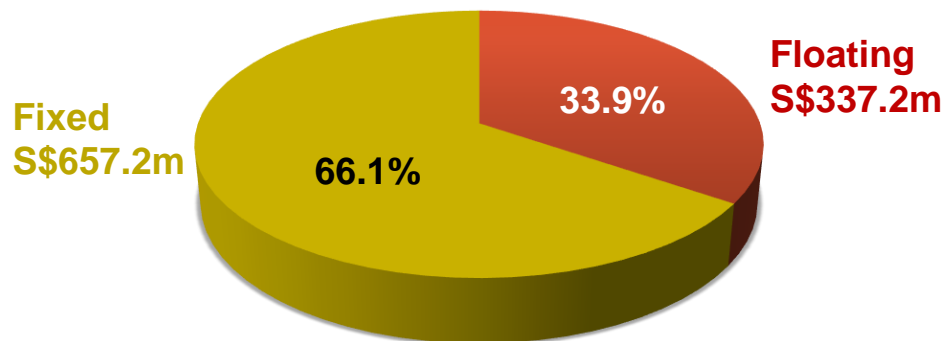
As at 31 December 2019

<b>Total debt</b>	S\$994.4m
<b>Available revolving facility</b>	S\$283.5m
<b>Aggregate leverage</b>	39.2%
<b>Interest cover ratio<sup>1</sup></b>	3.1x
<b>Unencumbered asset as % of total asset</b>	100%
<b>Proportion of fixed rate</b>	66.1%
<b>Weighted average debt maturity</b>	3.3 years
<b>Average cost of debt</b>	2.9%

**Debt Maturity Profile (figures in S\$million)**



**Interest Rate Profile**



<sup>1</sup> Based on the computation of ICR as per the bank covenant

# Sound Capital Management

## ▪ **Financial Flexibility**

- Unencumbered assets: 13 investment properties with total value of S\$2.65 billion<sup>1</sup>
- Ample financial ability and flexibility to fund future asset enhancement initiatives and acquisitions
- Available and undrawn facility: S\$283.5 million<sup>2</sup>

## ▪ **Minimisation of Refinancing Risk**

- Well-spread debt maturity profile to minimise refinancing risk – no more than 23% of debt due for refinancing in any year
- Extended 2-year S\$100 million term loan ahead of maturity in April 2020 to 2.5-year S\$60 million term loan and 5-year S\$40 million term loan; no other term loans maturing in 2020
- Weighted average debt to maturity of 3.3 years<sup>3</sup>

## ▪ **Aggregate leverage prudence**

- Distribution Reinvestment Plan applied for distributions for four quarters in 2019, retaining cash of S\$35.8 million, lowering aggregate leverage from 40.1% in Dec 2018 to 39.2%<sup>4</sup>

## ▪ **Appropriate Hedging Strategies**

- Maintaining appropriate proportion of interest rate hedges to manage interest rate risk
- 66.1% of borrowings on fixed rates with interest rate swaps





## Year in Review – Asset Enhancement



**FAR EAST**  
HOSPITALITY  
TRUST

# Proactive Asset Enhancement

## Orchard Rendezvous Hotel (Completed in December 2019)

### Façade Enhancement



After



Before



# Proactive Asset Enhancement

## Orchard Rendezvous Hotel (Completed in January 2020)

### Upgrading of Office Podium



After



Before





# Proactive Asset Enhancement

**Orchard Rendezvous Hotel**  
(Completed in January 2020)

**Upgrading of Office Podium – Main Lobby**



**After**



**Before**



# Proactive Asset Enhancement

## Orchard Rendezvous Hotel (Completed in January 2020)

### Upgrading of Office Podium – Lift Lobbies and Corridors



After



Before



# Proactive Asset Enhancement – Ongoing and Upcoming

The REIT Manager will expedite the following asset enhancement works during the slowdown to prepare for the recovery:

- Planned renovation of The Elizabeth Hotel
- Installation of cable network infrastructure to facilitate high speed internet access and usage of Smart TVs at 4 hotels
- Major upgrading of the main electrical system and equipment at Orchard Rendezvous Hotel
- Building repainting at Rendezvous Hotel Singapore



## Year in Review – Investment





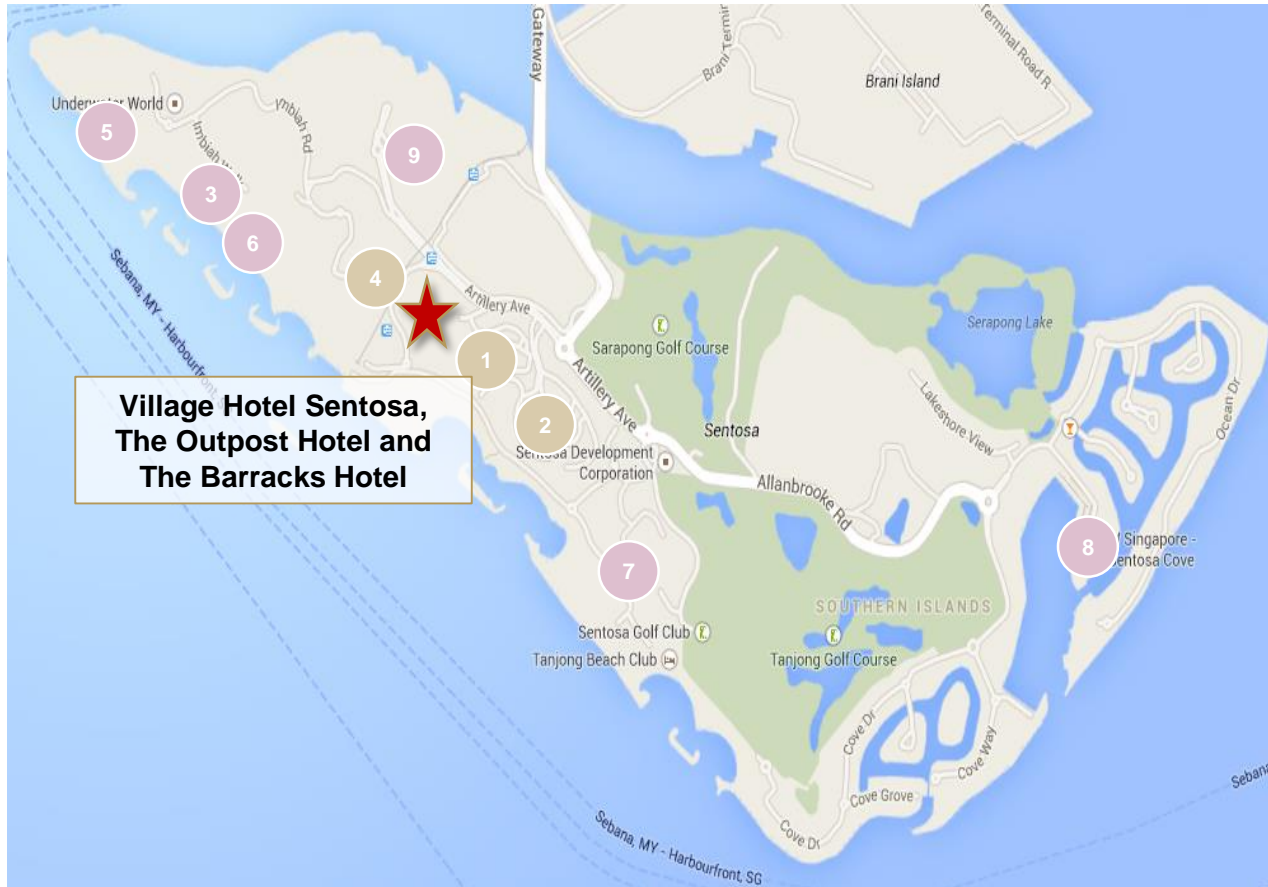
# Opening of Hotel Development on Sentosa with Sponsor



- **30% stake** in a joint venture with Far East Organization Centre Pte. Ltd. (a member of Far East Organization)
- Integrated development comprising **3 hotels** with **839 rooms**, a conference centre, as well as 4 blocks of retail spaces with about 17,300 sqf of leasable area.
- Far East H-REIT's agreed proportion of investment is approx **S\$133.1 million** (of a total estimated cost of **S\$443.8 million**)
- Far East H-REIT is entitled to purchase remaining 70% of the development should a sale be contemplated by the Sponsor



# Opening of Hotel Development on Sentosa



**Village Hotel Sentosa,  
The Outpost Hotel and  
The Barracks Hotel**

- 1 **Amara Sanctuary Resort Sentosa**  
(140 keys)
- 2 **Capella Singapore**  
(112 keys)
- 3 **Costa Sands Resort**  
(49 keys)
- 4 **Le Meridien Singapore**  
(191 keys)
- 5 **Shangri-La's Rasa Sentosa**  
(454 keys)
- 6 **Siloso Beach Resort**  
(196 keys)
- 7 **The Singapore Resort & Spa Sentosa**  
(215 keys)
- 8 **W Singapore Sentosa Cove**  
(240 keys)
- 9 **Resorts World Sentosa**
  - Festive Hotel (387 keys)
  - Hard Rock Hotel (364 keys)
  - Hotel Michael (476 keys)
  - Equarius Hotel (183 keys)
  - Crockfords Tower (by invite only)
  - Beach Villas (22 keys)
  - Ocean Suites (11 keys)
  - TreeTop Lofts (2 keys)

**Map of Sentosa**  
Source: Google Maps

Existing Heritage Hotels on Sentosa  
Existing Hotels on Sentosa





# Opening of Hotel Development on Sentosa – Village Hotel Sentosa (Apr 2019)





# Opening of Hotel Development on Sentosa – The Outpost Hotel (Apr 2019)





# Opening of Hotel Development on Sentosa – The Barracks Hotel (Dec 2019)





# Opening of Hotel Development on Sentosa – Mess Hall and Event Centre



## Year in Review – Corporate Governance





# Enhancing Corporate Governance

## Corporate Governance Practices & Progress

- The REIT Manager is fully committed to upholding highest standards of corporate governance and sound policies/ practices
- Over the past two years, Far East Hospitality Trust enhanced its disclosures to fulfil the requirements & criteria set out in the Singapore Governance Transparency Index (“SGTI”) and Governance Index for Trusts (“GIFT”)
  - For both SGTI and GIFT 2019, FEHT was ranked 6 out of 46 REITs and BTs
  - A significant improvement from a ranking of 35 and 29 respectively, in 2018
  - In addition, FEHT was placed on the Singapore Exchange Fast Track list which accords prioritised clearance for selected corporate action submissions for companies with good corporate governance and compliance track record



# Furthering of Stapled Securityholders' Interests

## Review of Management Fee Structure

- In late-2019, the Board and Management had carried out a review of the management fee structure of the REIT Manager, with the aim to lower management fees chargeable to the REIT.
- The Board, with the support of the Sponsor and Trustee, had approved the changes shown below with effect from 1 January 2020:

Change	Illustration using FY2019 fee
<b>Base fee</b> is reduced from 0.3% to <b>0.28% per annum of the value of the deposited property</b> of Far East H-REIT.	Reduction would have been approximately <b>S\$0.54 million</b> or <b>6.7%</b>
<b>Performance fee</b> is reduced from 4.0% of the net property income to <b>4.0% of the net property income or 4.0% of the annual distributable amount</b> for that financial year, whichever is lower.	Reduction would have been approximately <b>S\$1.2 million</b> or <b>28.8%</b>

For illustrative purposes, the overall Management Fees for **FY2019** would have been lower by **S\$1.74 million** or **14.2%** based on the above changes.



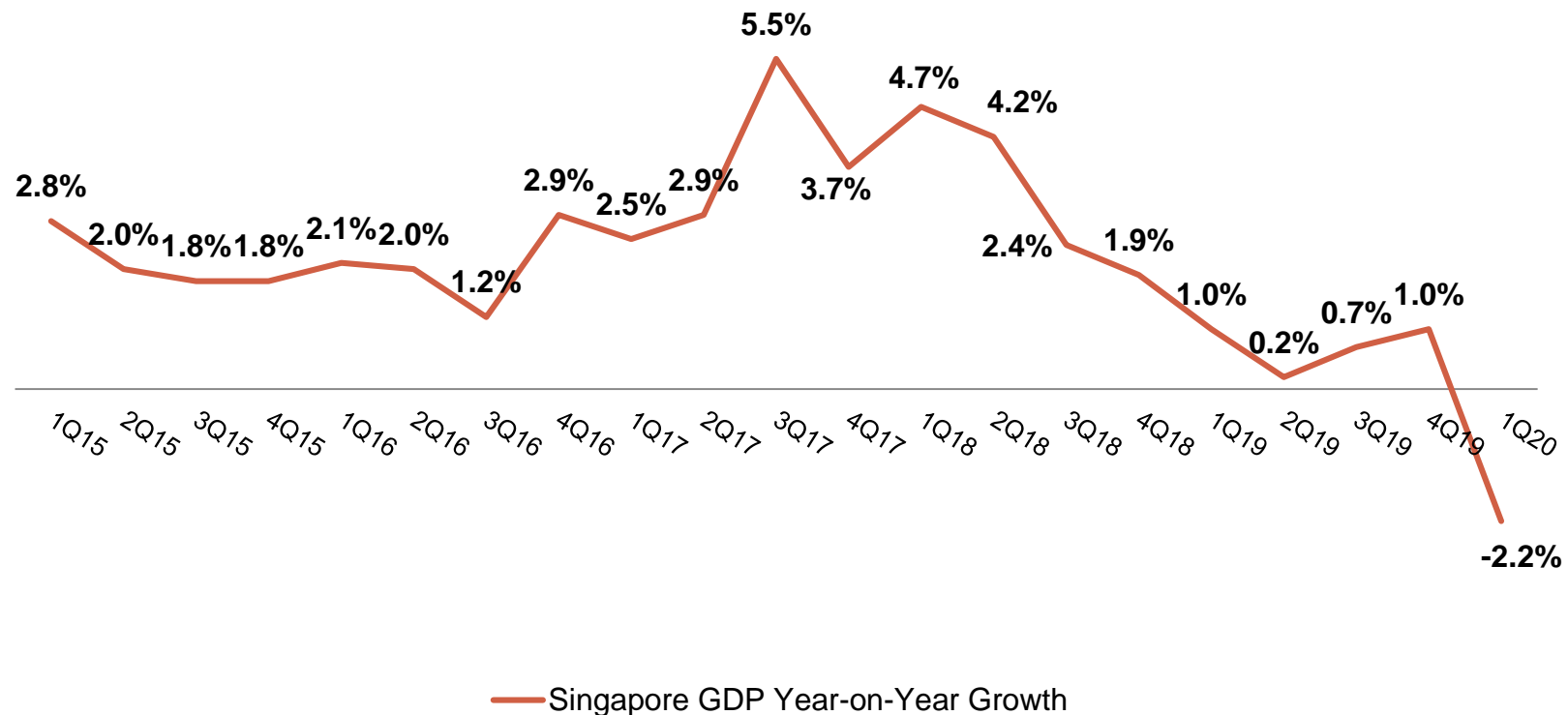


## Update on Current Operating Environment and Outlook



# Economic Growth in Singapore (2015 – 1Q 2020)

After the marked pick-up in economic growth in Singapore in mid-2017, there was a subsequent decline followed by a slight upward trend in 2019. However, the onset of the COVID-19 outbreak in 2020 had caused GDP to decline, reflecting a 2.2% year-on-year decrease in the first quarter of the year.



# Current Operating Environment

## Overview

- The portfolio had a strong start to the year in January 2020, with strong forward bookings for the months ahead.
- Onset of COVID-19 resulted in massive cancellations of forward bookings for the hotels.
- Increasingly tighter measures starting from March 2020 and eventually the closure of Singapore's borders, led to a large fall in inbound visitors, seriously impacting the hospitality industry.
- Concerted efforts were made to secure two main channels of business for the hotels in the portfolio:
  - Contracts from companies to accommodate Malaysian workers who are unable to cross the border due to the Movement Control Order (MCO)
  - Provision of accommodation under 100% buyout contracts from government agencies
- Serviced residences in the portfolio are less affected as they catered largely to guests on extended stay.
- The crisis has also impacted our tenants in the commercial premises, requiring the Trust to offer rental rebates to help them tide through this period.



# Implementation of Cost Containment at the Properties

## Cost Containment Measures

The REIT Manager is closely monitoring cost controls with the hotel and serviced residence operator given the challenging environment.

Measures taken include:

- **Manpower management:**
  - Freezing of hiring (Critical positions to be considered case-by-case)
  - Getting staff to clear annual leave by Jul 2020
- **Reducing reliance on outsourced manpower (e.g. for cleaning, security services):**
  - Reviewing frequency and resources required
  - Curtailing third-party contracts until market recovers
  - Redeploying personnel to multi-task across departments and undertake tasks in-house where feasible
- **Overtime/ Incentives/ Casual labour:**
  - Ceasing use of casual labour, overtime resources and incentives
- **Minor assets and guest supplies:**
  - Identifying specific items to be put on hold in terms of procurement
- **Utilities:**
  - Shutting down utilities for unoccupied floors for more energy savings



## **Rental Rebates for Retail and Office Tenants**

- The REIT Manager is providing a complete pass-through of property tax rebates to the tenants in the commercial premises.
- Additional rental rebates are also provided to the tenants with the extension and imposition of the Circuit Breaker measures.
- For tenants who are more severely affected by the crisis, the REIT Manager would assess and render further assistance. These include:
  - Retail tenants who have to completely close their shops or suspend operations
  - Office tenants whose businesses depend primarily on walk-in and retail customers



# Outlook & Prospects

- Entering into Phase 2 of the re-opening in Singapore, restrictions have been lifted to allow essential long-term business travellers to enter through special arrangements.
- The resumption of business for most tenants from 19 June has improved the prospects for lease renewals and securing of new tenants in FEHT's commercial premises.
- Local staycation, essential business travel and short-haul regional leisure traffic are likely to be the segments to recover first.
- A full recovery for the travel and hospitality industry would likely happen only when the vaccine for COVID-19 has been developed and is distributed widely.
- In the meantime, the fixed rent component of the master leases for all our properties is a minimum rental payment that provides a downside protection for unitholders. It helps to mitigate the impact of volatility experienced during these adverse circumstances.



**Thank You**



## **Resolution 1**

To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2019, comprising the audited Financial Statements of Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”) and the audited Financial Statements of Far East Hospitality Business Trust (“FarEast H-BT”), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT (the “REIT Trustee”), the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the “REIT Manager”), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the “Trustee-Manager”), the Statement by the Chief Executive Officer of the Trustee-Manager, together with the Auditor’s Report thereon.





# Voting Results

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<b>For</b>	<b>Against</b>
1,306,993,356	570,974
99.96%	0.04%



## **Resolution 2**

To re-appoint Ernst & Young LLP as auditors of FarEast H-Trust comprising FarEast H-REIT and FarEast H-BT to hold office until the conclusion of the next annual general meeting of Far East H-Trust and to authorise the REIT Manager and the Trustee-Manager to determine their remuneration.



# Voting Results

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<b>For</b>	<b>Against</b>
1,305,640,033	1,924,297
99.85%	0.15%



## **Resolution 3**

To authorise the REIT Manager and the Trustee-Manager to issue stapled securities and to make or grant convertible instruments.



# Voting Results

## **Resolution 3**

To authorise the REIT Manager and the Trustee-Manager to issue stapled securities and to make or grant convertible instruments.

<b>For</b>	<b>Against</b>
1,304,664,671	2,861,458
99.78%	0.22%



**Thank You**

