



# INVESTOR PRESENTATION

03 JUNE 2020



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# ABOUT ARA US HOSPITALITY TRUST



# Overview of ARA US Hospitality Trust



AC Hotel by Marriott Raleigh North Hills

<b>Issuer (Ticker)</b>	ARA US Hospitality Trust (SGX: XZL)
<b>Market Capitalization</b>	US\$196 million (based on closing price on 31 March 2020)
<b>Sponsor</b>	ARA Real Estate Investors 23 Pte. Ltd.
<b>Portfolio</b>	<ul style="list-style-type: none"><li>▪ 41 predominantly freehold hotel properties</li><li>▪ 5,340 rooms</li><li>▪ Located across 22 states in the U.S.</li></ul>
<b>Portfolio Valuation</b>	US\$793.6 million (as of 31 December 2019)
<b>Key Investment Highlights</b>	<ul style="list-style-type: none"><li>▪ 1<sup>st</sup> pure play U.S. hospitality portfolio listed on the SGX</li><li>▪ Defensive nature of the portfolio of premium, upscale select-service hotels</li><li>▪ Premier hotel branding with experienced hotel operators</li><li>▪ Committed and reputable sponsor with strong network and experienced management team</li></ul>

# Overview of the Sponsor



## ARA Asset Management Limited ("ARA")



28 COUNTRIES AROUND THE GLOBE

A leading APAC real assets fund manager with a global reach



### Global reach

Headquartered in Singapore with **9 offices** across the globe and a presence in **more than 100 cities** in **28 countries**



### \$S88 billion<sup>1</sup>

in Gross Assets Managed by ARA Group and its Associates



### >1,200 employees

on the ground offices in key markets

REITs	Private Funds	
<b>PUBLIC REITs</b> 	<b>APAC REAL ESTATE</b> <i>ADF I ADF II AREP I AREP II AAHF AIFEREF</i> <i>CIP PIP SDF I</i> <b>ARA Harmony II ARA Harmony III ARA Harmony V ARA Harmony VI</b> <i>Xiamen ARA Qihang Equity Investment Fund</i> <b>ARA Korea (Domestic) REF 1 ARA Korea (Europe) REF 1</b>	<b>ARA Infrastructure</b>  <i>Established in 2018 to cater to the rising demand among investors in the asset class and tremendous opportunities in the rapidly developing economies in Europe and Asia.</i>
<b>PRIVATE REITs</b> <b>ARA-NPS REIT No. 1</b> <b>ARA-ShinYoung REIT No. 1</b> <b>ARA-Alpharium REIT</b> <b>ARA-NPS REIT No. 2</b> <b>ARA-ShinYoung REIT No. 2</b> <b>ARA Korea Global REIT I</b>	<b>LOGISTICS REAL ESTATE</b> 	
	<b>REAL ESTATE CREDIT</b> 	
<b>REAL ESTATE</b>		<b>INFRASTRUCTURE</b>

(1) Includes assets under management by ARA Asset Management Limited and the Group of companies ("ARA Group") and its Associates and Joint Ventures as at 31 December 2019



# Key Investment Highlights



## Focused Sector Advantage

1<sup>st</sup> pure-play U.S. hospitality portfolio listed on the SGX-ST with a focus on premium, upscale select-service hotels



## Defensive Nature of the Portfolio

Portfolio of high quality, predominantly freehold, upscale select-service hotels which are less expensive to operate than full-service hotels and enjoy better operating margins



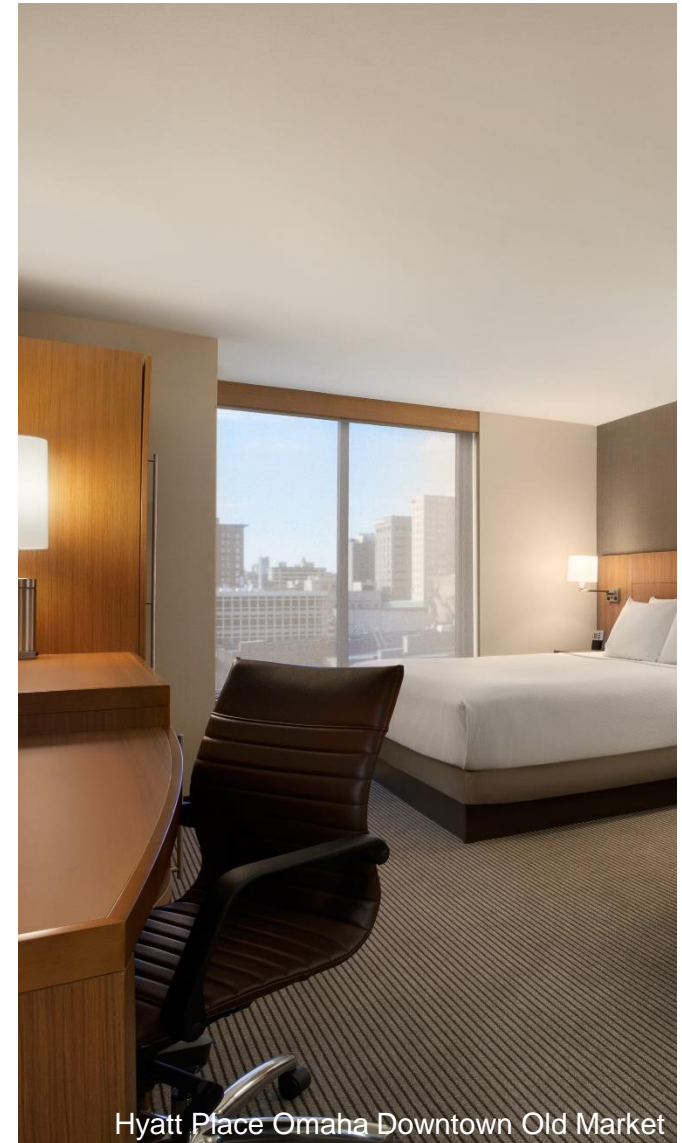
## Premium hotel brands managed by highly experienced hotel operators

Hotels are branded under the two largest global hotel brands, Marriott and Hyatt and managed by established hotel operators, Aimbridge and Concord



## Committed and reputable sponsor and experienced management team

ARA Group is a leading APAC real assets fund manager with global reach with vast experience in the REIT sector and the management team comprises hands-on experienced U.S. hospitality specialists



Hyatt Place Omaha Downtown Old Market

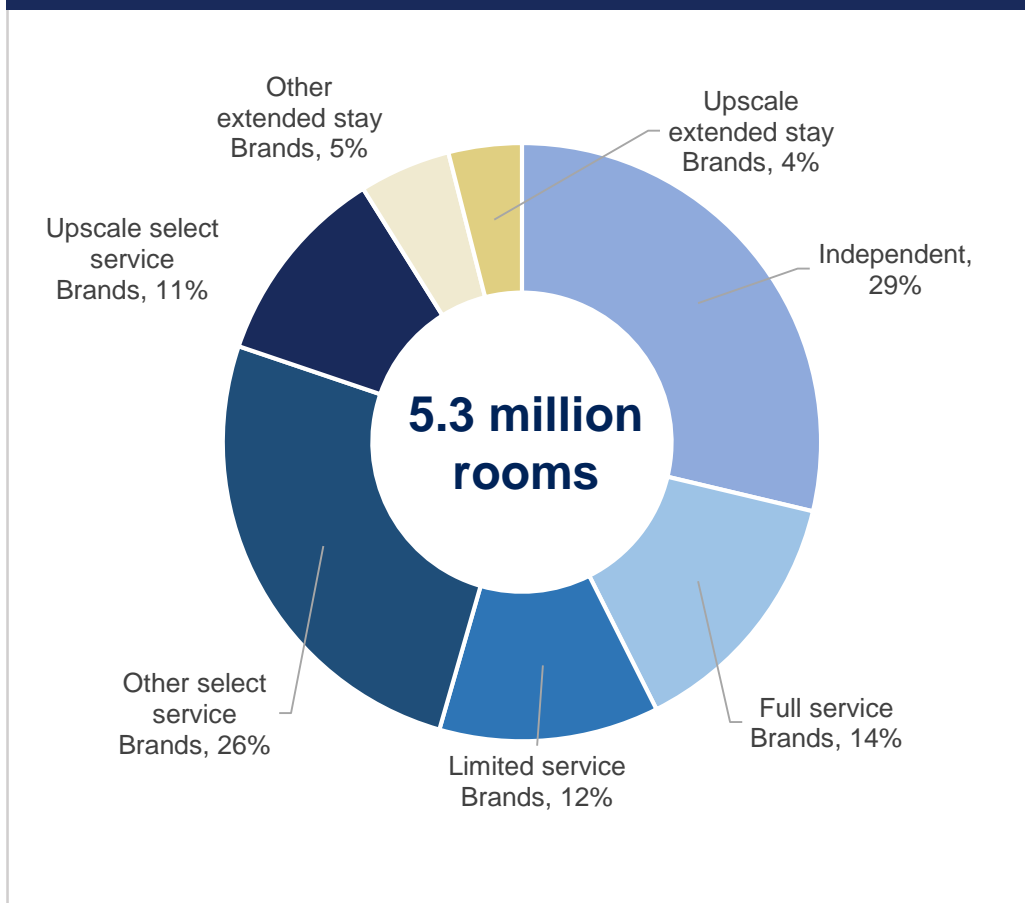


# **U.S. HOTEL MARKET & SEGMENT OVERVIEW**

# U.S. Hospitality Market Size

U.S. hospitality market is one of the largest in the world

**Distribution of U.S. Hotels by Positioning**

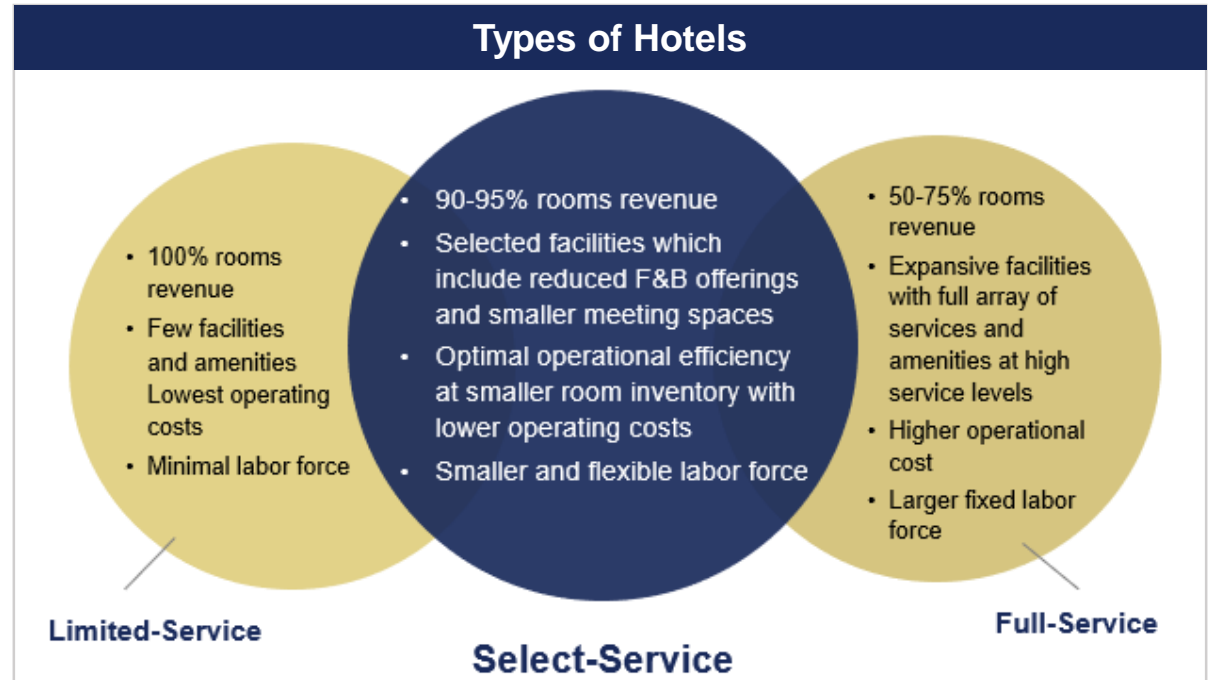
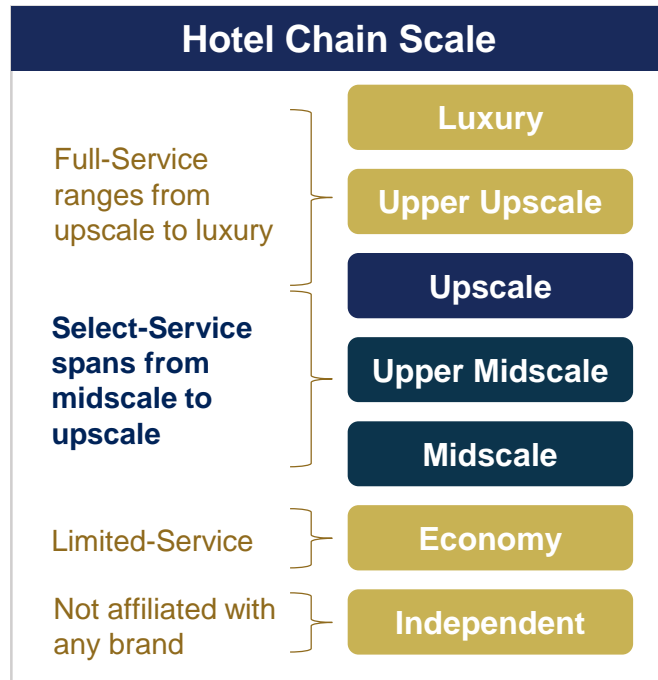


- The U.S. is the largest hospitality market in the world with over 5.3 million rooms valued at US\$183.4 billion
- 71% of total room supply are affiliated with a brand with the remaining 29% as independent
- Branded hotels are further characterized into full-service, select-service or limited-service
- Select-service brands (including extended stay) account for 46% of total room supply in the U.S.



# U.S. Hospitality Market Segmentation

Hotels are generally categorized according to chain scale and segment



- Hotels can be grouped under the chain scale segments by their room rates
- Upscale hotels remain the most dynamic segment with demand growth outpacing the overall national hotel average by more than 3x over the last 20 years
- Select-service hotels is a hybrid between limited and full-service hotels with selected facilities and services at a lower price point than full-service hotels
- Upscale select-service hotels produce higher profit margins and remain resilient over the years

# ARA H-Trust's Select-Service Hotel Portfolio



Well-poised for further growth due to defensive nature of portfolio

**41**  
hotels

**5,340**  
rooms

**22 states**

**5**  
hotel  
brands

COURTYARD  
BY MARRIOTT

Residence INN.  
BY MARRIOTT

AC  
HOTELS  
MARRIOTT

HYATT  
house<sup>®</sup>

HYATT  
PLACE<sup>®</sup>



## Broad geographic diversification

Hotels are located across 22 states in the U.S. which reduces both dependency on certain markets and portfolio volatility



## Rooms-focused strategy

Efficient operating model of rooms-focused select-service hotels lowers operating costs and mitigates volatility in cashflows



## Higher profit margins

Upscale, select-service premium branded-hotels provide higher yield margins with simpler operating models at lower operating costs



## Strong growth potential

Upscale select-service hotels remain as one of the fastest growing segment which is highly favored by markets to target shifting preferences of travelers



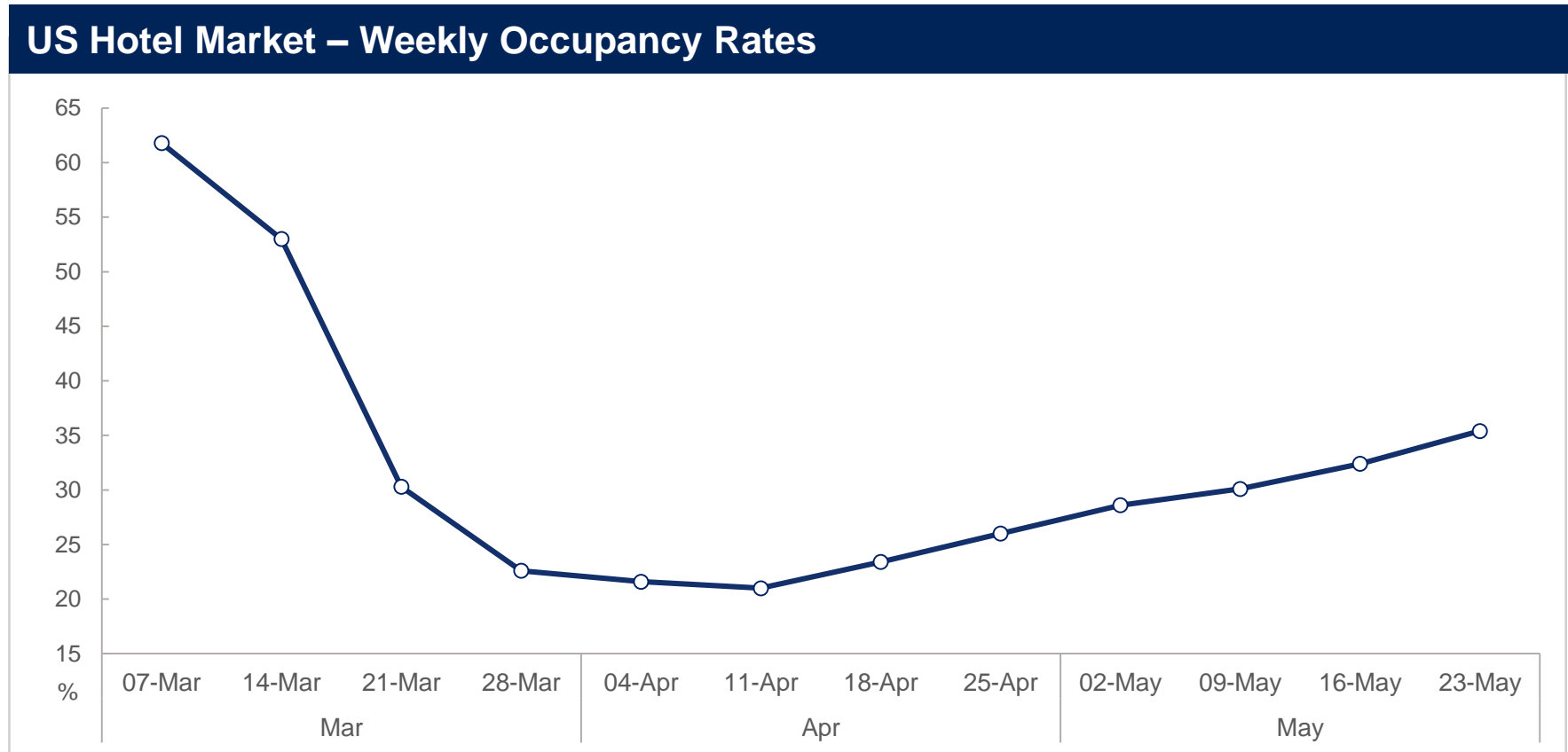
# **U.S. HOTEL MARKET UPDATE**



# U.S. Hotel Industry Occupancy During COVID-19



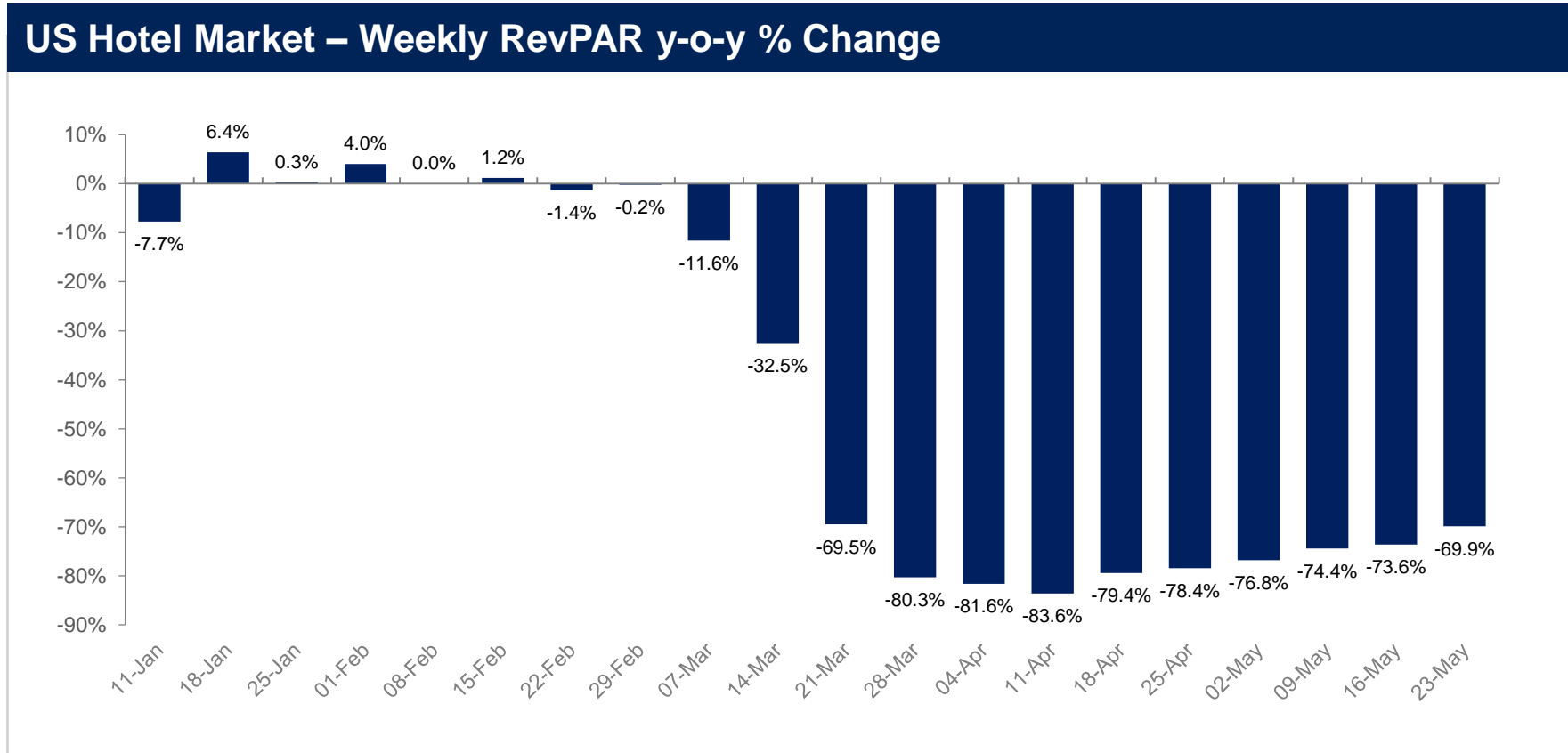
Substantial decline in Mar 2020 with slow, gradual rise after mid-Apr 2020



# U.S. Hotel Industry Weekly RevPAR Trend



RevPAR y-o-y decline remained significant although not as severe as levels recorded in Apr 2020



# 1Q 2020 BUSINESS & OPERATIONAL UPDATE



# Key Performance Indicators

1Q 2020



**US\$31.7 mil**

**Gross Revenue**



**US\$8.1 mil**

**Gross Operating Profit**



**US\$3.6 mil**

**Net Property Income**



**US\$0.80**

**NAV per Stapled Security**



**US\$22.0 mil**

**Cash Balance**



**102.1%**

**RevPAR Index**

# Portfolio Review



1Q 2020

## Financial Summary

For the period 1 Jan to 31 Mar 2020	Actual (US\$'000)	IPO Forecast <sup>1</sup> (US\$'000)	Variance (%)
Gross Revenue	31,721	42,017	(24.5)
Gross Operating Profit	8,077	15,468	(47.8)
Net Property Income	3,602	11,325	(68.2)

## Portfolio Performance

Hotel Brand	Occupancy	RevPAR	RPI <sup>2</sup>	GOP Margin
<b>Hyatt Portfolio (38 hotels)</b>	<b>54.1%</b>	<b>US\$61</b>	<b>100.5%</b>	<b>23.5%</b>
Hyatt Place	52.8%	US\$56	96.7%	21.6%
Hyatt House	57.2%	US\$71	110.1%	27.7%
<b>Marriott Portfolio (3 hotels)</b>	<b>65.2%</b>	<b>US\$97</b>	<b>129.4%</b>	<b>42.6%</b>
AC Hotels	64.0%	US\$119	128.7%	45.4%
Courtyard by Marriott	66.3%	US\$87	149.4%	39.2%
Residence Inn	65.3%	US\$83	129.9%	40.8%
<b>ARA H-Trust Portfolio</b>	<b>54.8%</b>	<b>US\$63</b>	<b>102.1%</b>	<b>25.5%</b>

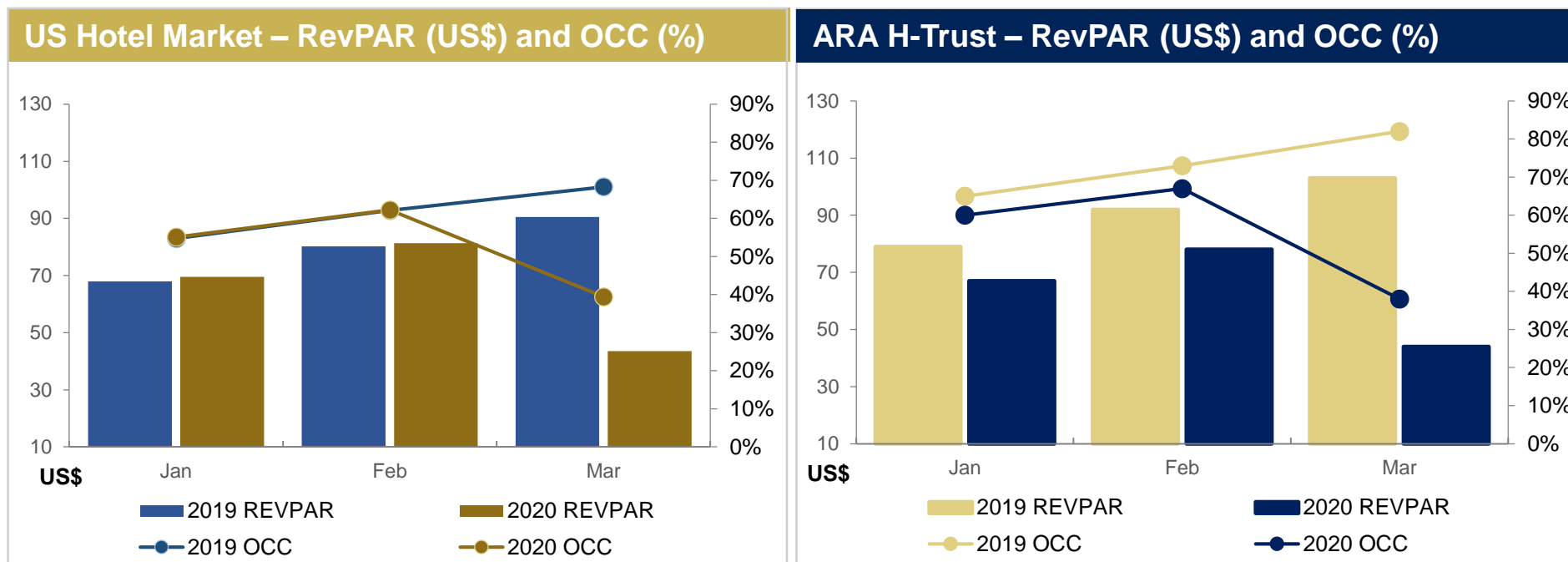
<sup>1</sup> Forecast is derived from Projection Year 2020 as disclosed in the Prospectus

<sup>2</sup> RevPAR Index

# 1Q 2020 Hotel Performance by Month



Portfolio performance decline mirrored that of U.S. hotel market in Mar 2020





# Prudent Capital Management



1Q 2020

	As at 31 Mar 2020	As at 31 Dec 2019
NAV per Stapled Security	US\$0.80 <sup>1</sup>	US\$0.87
Cash Balance	US\$22.0 mil	US\$45.2 mil
Total Debt Outstanding	US\$337.2 mil <sup>2</sup>	US\$243.7 mil
Aggregate Leverage Ratio	41.0%	32.1%
Weighted Average Debt Maturity	3.8 years	4.4 years
Average Cost of Debt (p.a.)	3.8%	3.9%
Interest Coverage Ratio	3.4X	4.5X

<sup>1</sup> NAV per Stapled security fell as at 31 March 2020, primarily due to the payment of distribution on 27 March 2020, and the mark-to-market of interest rate swaps.

<sup>2</sup> Total Debt as at 31 March 2020 includes new loans drawn for the acquisition of the 3 Marriott branded hotels in January 2020, and recording of US\$7.3mil lease liabilities on adoption of SFRS(I)16 on 1 January 2020



# COVID-19: ACTION PLANS

# COVID-19: Action Plans

Protecting and preserving the portfolio's performance



## Identification of All Sales Opportunities

- Reviewed and analyzed all sales leads
- Active targeting of alternative demand sources
- Monitoring of key market conditions for sales opportunities
- Rebooking of cancellations into 3Q and 4Q 2020



## Comprehensive Cost Reductions

- Reduction of workforce, working hours and salaries of senior managers
- Elimination of contract labor
- Minimal services and amenities
- Extension of accounts payable
- Review of all contracts
- Payment deferment and waivers



## Temporary Suspension of Operations

- Monitored hotel performance to determine consolidation/ suspension of operations
- Developed recovery analysis tool to monitor key indicators to establish hotel re-opening dates
- Established procedures for quick turnkey re-opening



## Preserving Liquidity

- Preservation and augmentation of liquidity and cash position with drawdown of revolving credit facility as precautionary measure
- Obtained FF&E reserve funding holiday from Franchisors
- Constant engagement with Singapore-based relationship banks



# COVID-19: Action Plans Update

## Navigating through uncharted waters



### Identification of all sales opportunities

**Update** New businesses with National Guard, airline, construction and air cargo crews



### Comprehensive cost reductions

**Update**

Cost savings of US\$143k per month

- Shuttle van service reduction: US\$60k / month
- Management service fee reductions: US\$77k / month
- Savings from property insurance change: US\$6k / month



### Temporary suspension of operations

**Update**

18 hotels (out of 30) have resumed operations in late May



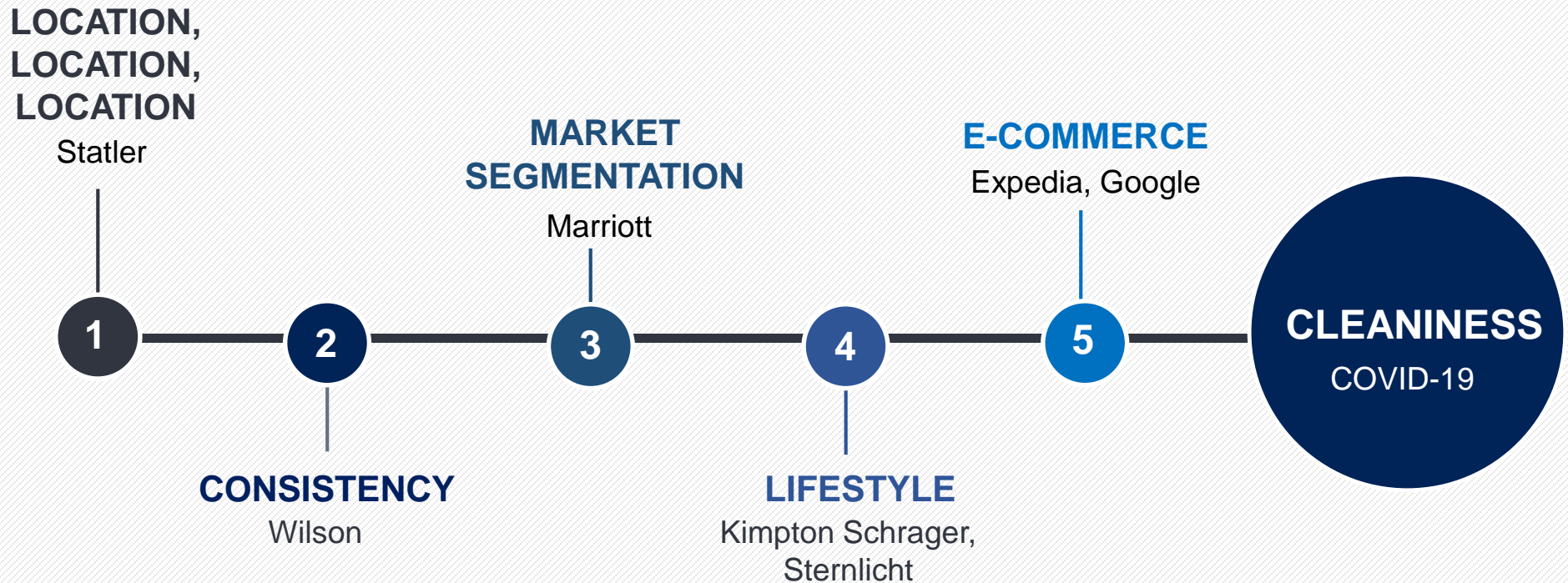
### Preserving Liquidity

**Update**

12-month loan covenants waiver obtained from SG-based relationship banks

# New “Normal” After COVID-19

Major hotel theme evolvment over the years



# Thank You

**For enquiries, please contact:**

Low Ru Yan

Investor Relations Manager

[ruyanlow@ara-group.com](mailto:ruyanlow@ara-group.com)

Tel: +65 6601 9362

[www.araushotels.com](http://www.araushotels.com)

