



# ARA US HOSPITALITY TRUST

## ANNUAL GENERAL MEETING FY2023

19 APRIL 2024



# AGENDA

- 1. Overview of ARA H-Trust**
- 2. 2023: Year In Review**
- 3. Strength In Resilience**

# ARA US Hospitality Trust – An Overview


First and only pure-play U.S. upscale select-service hospitality portfolio listed on the SGX-ST




**35**  
upscale  
hotels



**4,573**  
rooms



**>90%**  
Freehold  
Title



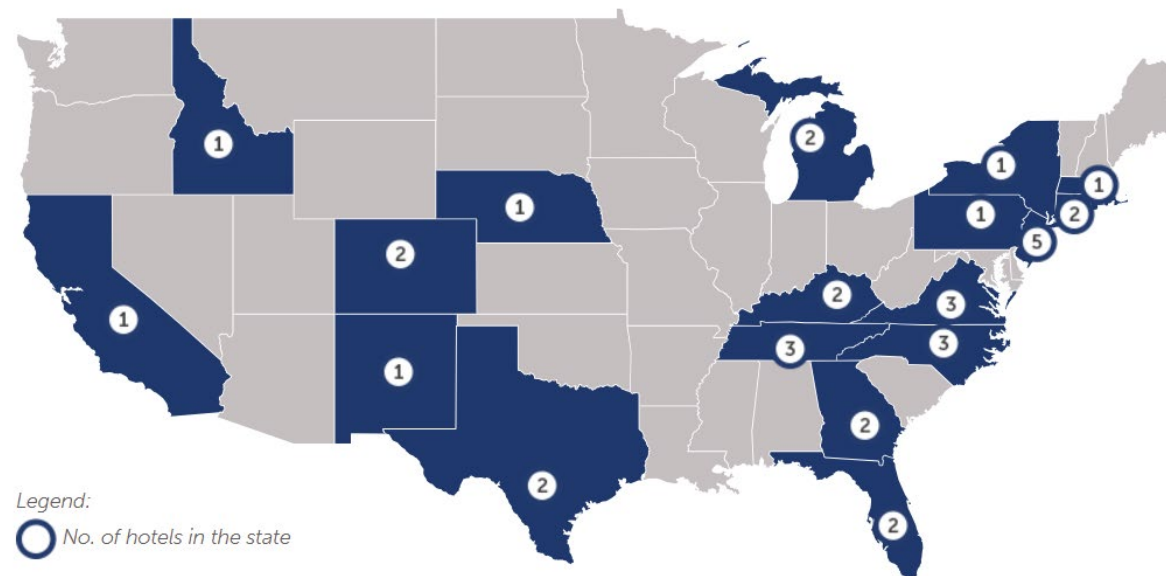
**>90%**  
rooms-  
focused  
revenue



**6**  
hotel  
brands



**4**  
hotel  
operators



**Tax Efficient Structure**  
Attractive REIT platform to invest in U.S. hotels for non-U.S. investors

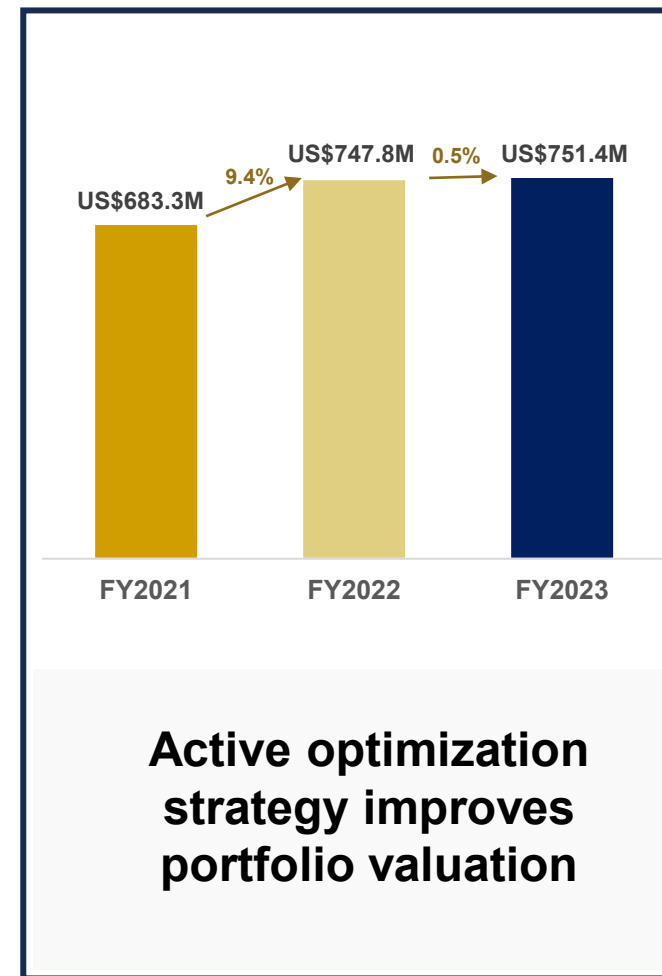
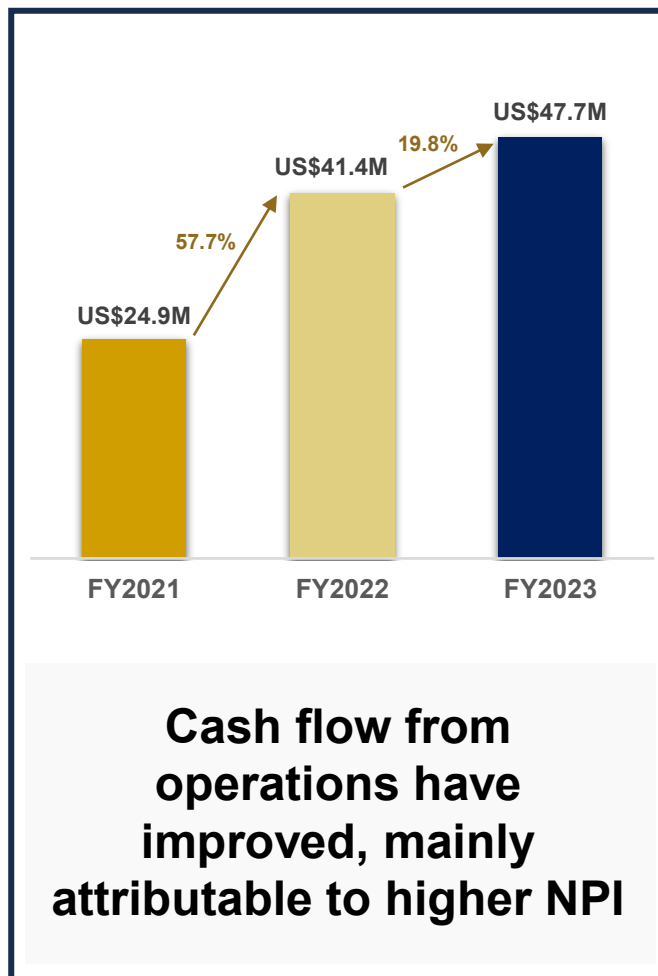
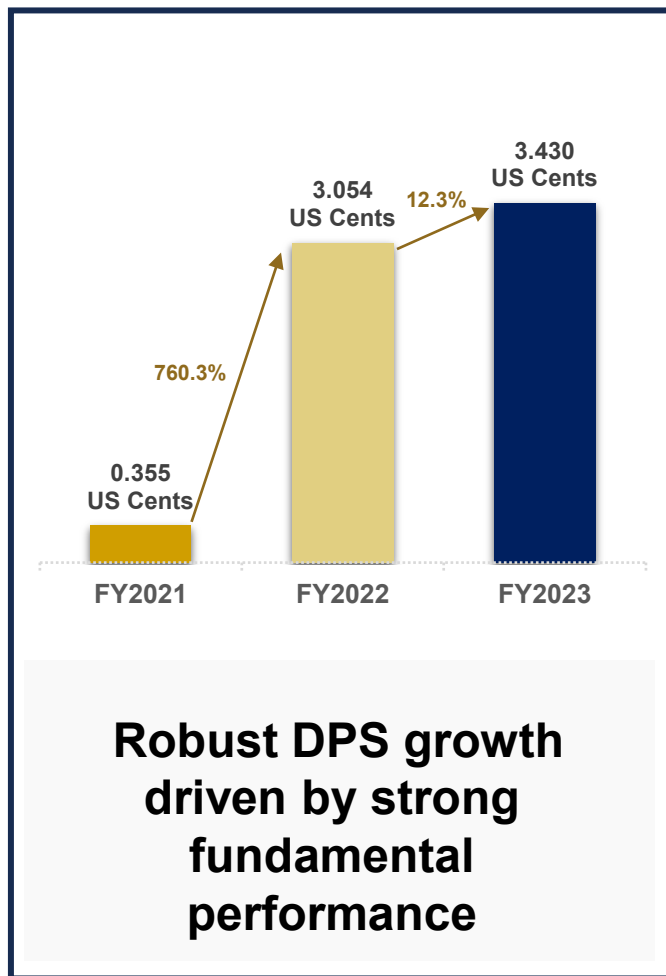
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# FY2023 Key Highlights

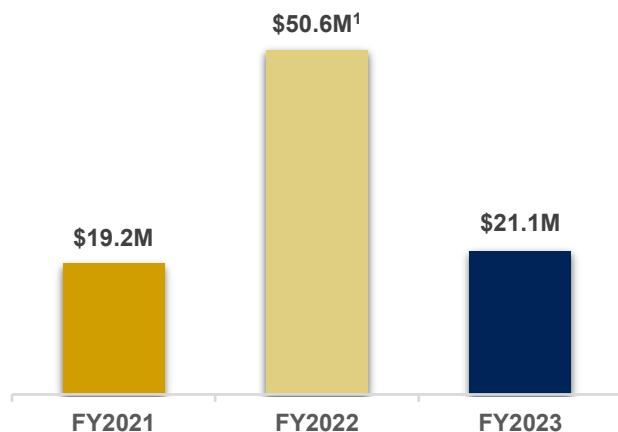
ARA US Hospitality Trust delivers continued growth in FY2023



# FY2023 Key Highlights

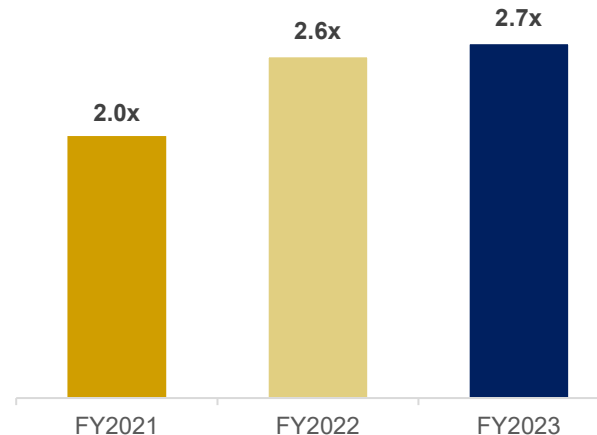
## Solid Balance Sheet with Prudent Capital Management

Cash Balance (US\$M)



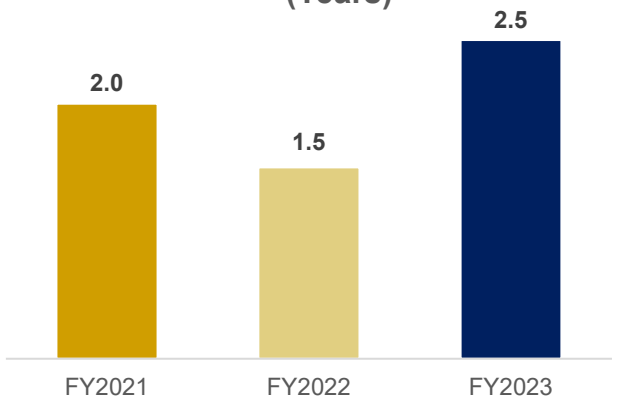
**Sound  
Liquidity  
Position**

Interest Coverage Ratio



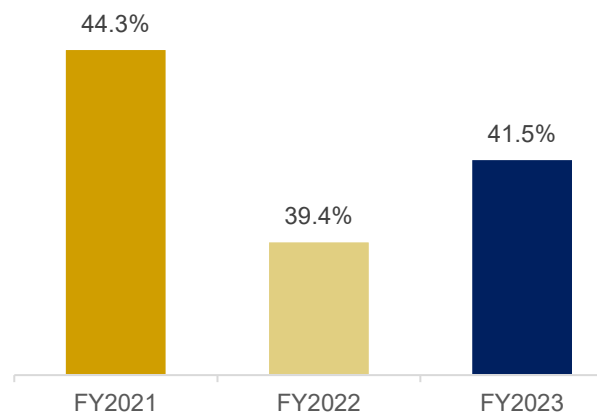
**Prudent  
Interest Rate  
Risk Management**

Weighted Average Debt Maturity (Years)



**Proactive  
Refinancing  
To Extend  
Maturity**

Aggregate Leverage Ratio

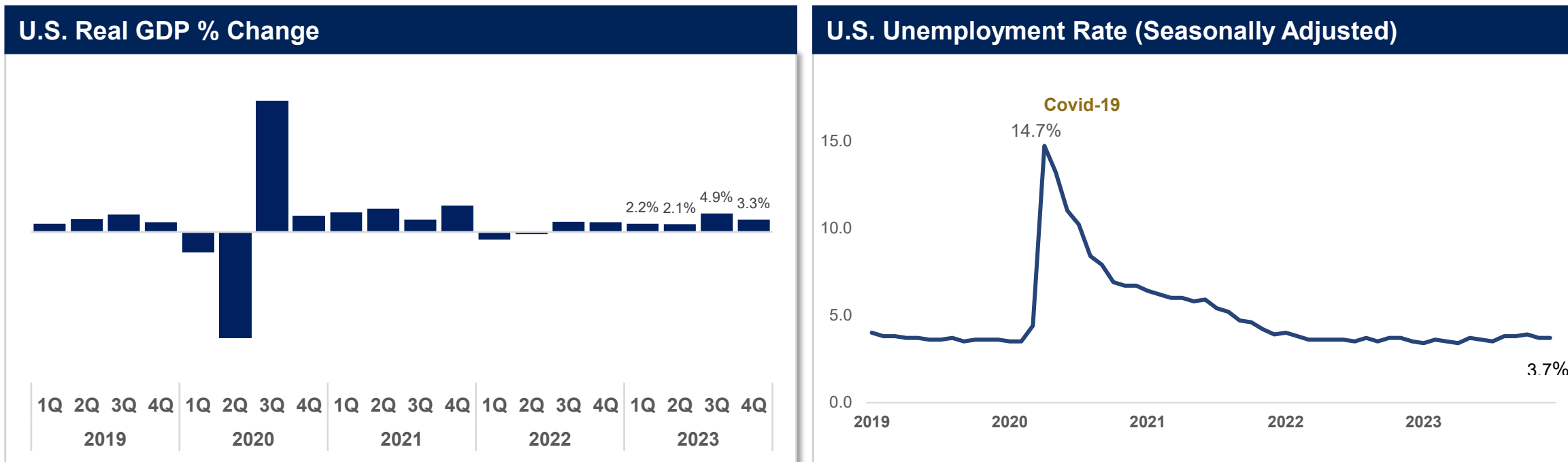


**Stable  
Aggregate  
Leverage Ratio**

<sup>1</sup>Cash balance included ~US\$32M of net proceeds received from the sale of four Hyatt Place hotels completed on 30 September 2022

# U.S Economic Growth Continues Despite Elevated Interest Rates

Economic soft-landing expected in 2024



- US GDP grew at 2.5% in 2023, driven by consumer spending and business investment.
- Federal Reserve raised benchmark rates 11 times in 2 years, peaking at 5.25-5.5% in November 2023. As a result, inflation moderated to 3.4% for 12 months ending December 2023, down significantly from a 9.1% peak in June 2022.
- Despite high interest rates, a strong job market reflected by the low unemployment rate at 3.7% in December 2023, provided consumers with confidence and drove consumption.

# U.S. Lodging Market Outlook Remains Positive and Stable

Year-on-year growth expected for next 3 years across all key metrics

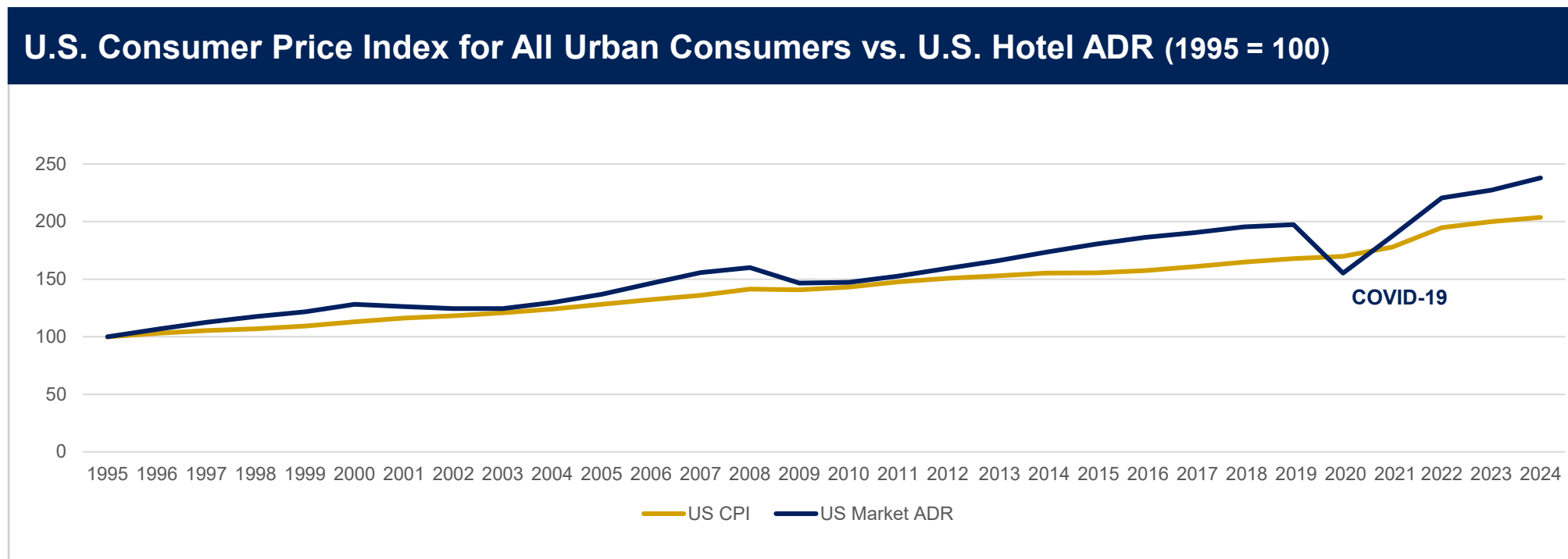
	2019	2020	2021	2022	2023	2024F	2025F	2026F
Occupancy	65.9%	44.0%	57.6%	62.7%	63.0%	63.6%	64.0%	64.1%
ADR	\$131	\$103	\$125	\$149	\$155	\$160	\$164	\$169
ADR Y-o-Y Change		-21%	+21%	+19%	+4%	+3%	+3%	+3%
RevPAR	\$87	\$45	\$72	\$93	\$98	\$102	\$106	\$109
RevPAR Y-o-Y Change		-48%	+60%	+29%	+5%	+4%	+4%	+3%

- Recovery outlook for the US lodging market remains positive, albeit slower, reflecting normalizing performance.
- U.S. hotel occupancy forecast to continue growing, driven by the latent recovery of business, group and international demand.
- U.S. hotel pricing, as measured by ADR and RevPAR, remains robust, supported by muted supply growth.



# Hotel Industry – A Hedge Against Inflation

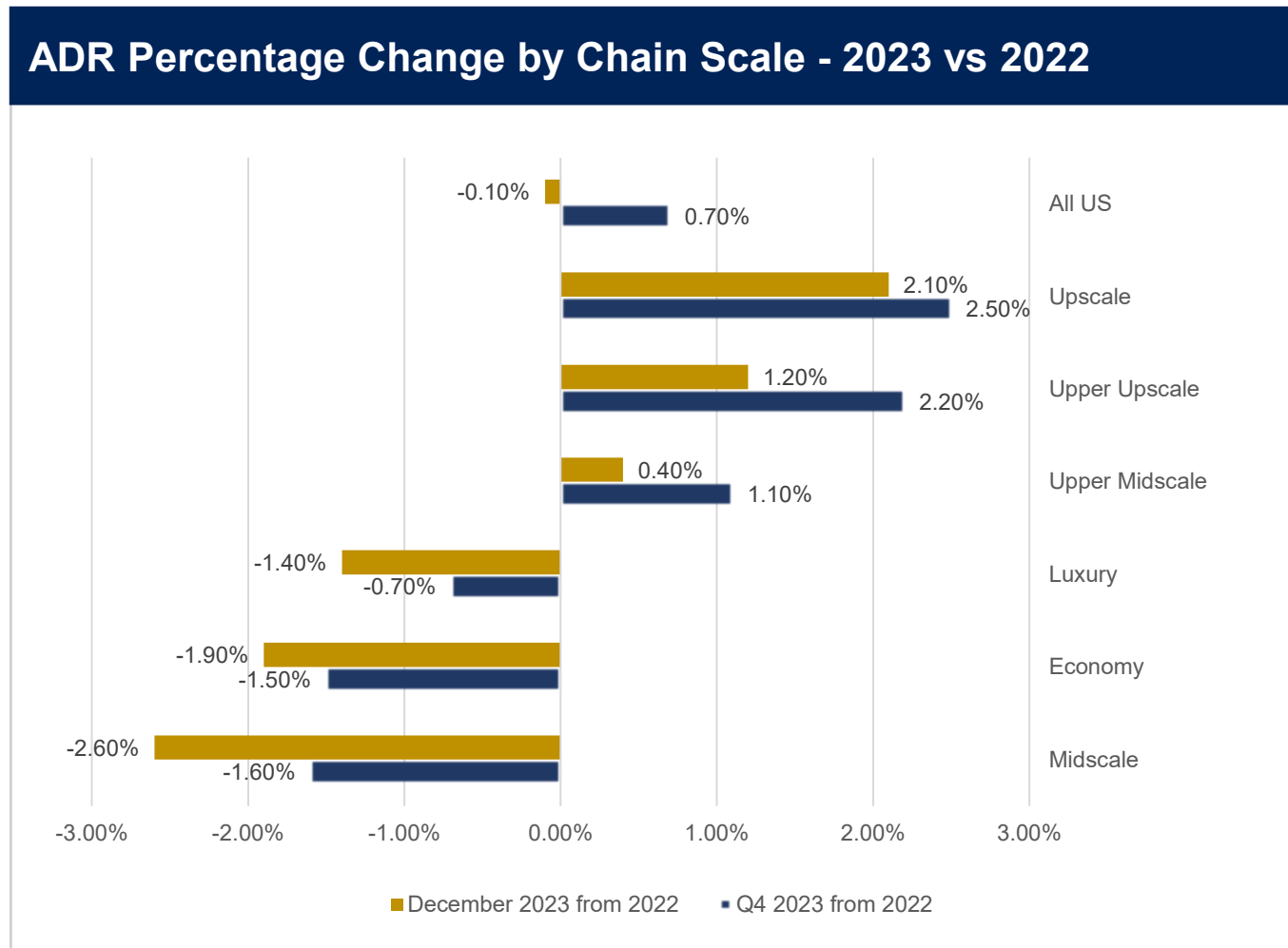
Hotels are well-preserved from effects of inflation due to daily rents



- Hotels are optimal inflation-hedge as rents are priced on a daily basis.
- U.S. hotel ADR growth generally outpaces inflationary expenses increases

# US Hotel Performance by Chain Scale

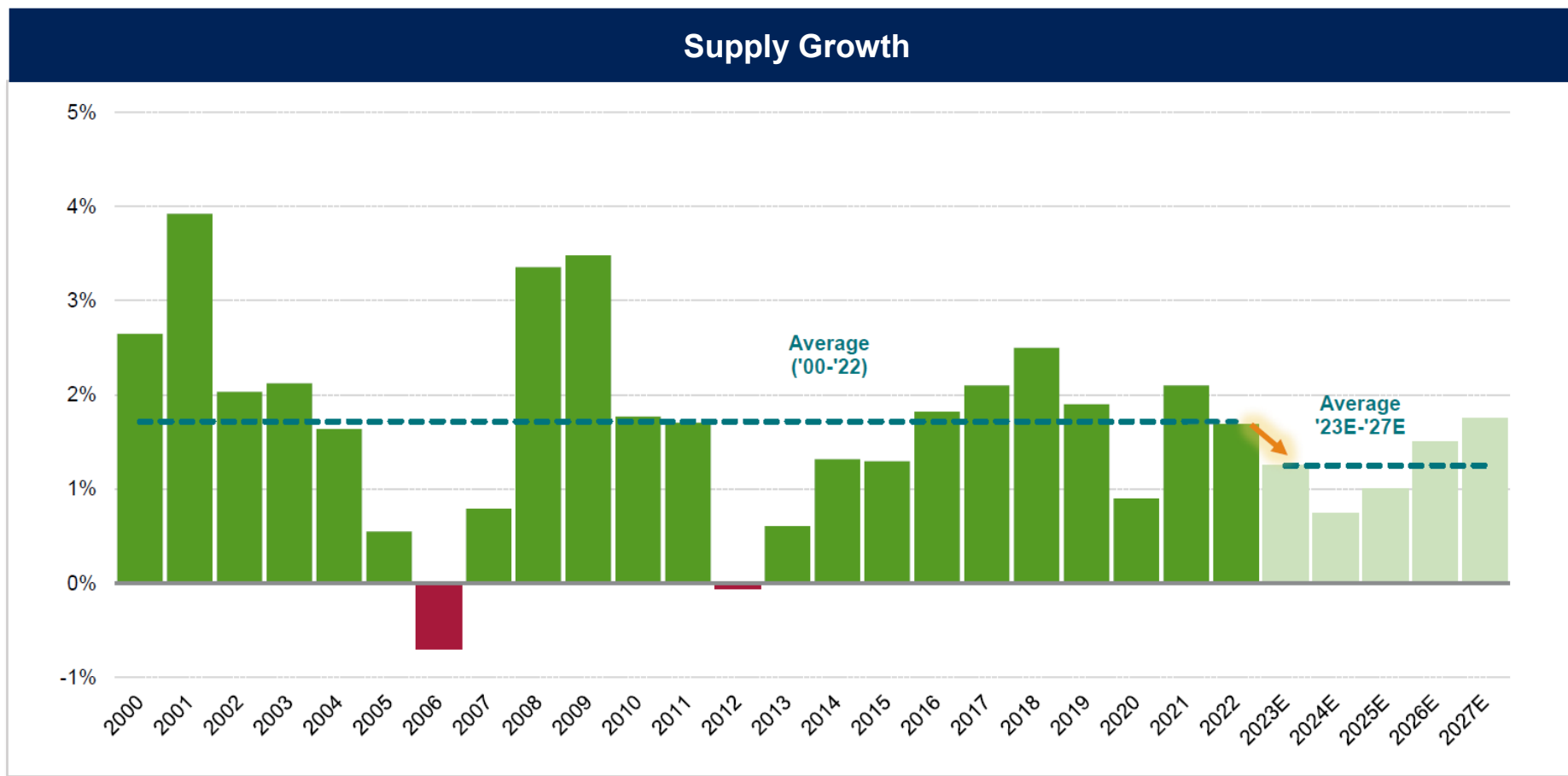
Upscale chain scale outperformed all other chain scales



- ADR for Upscale chain scale rose 2.1% in December 2023, and increased 2.5% for 4Q2023.
- Upscale chain scale provides the best value proposition for US travelers.
- ARA US Hospitality Trust’s portfolio is entirely in the Upscale chain scale.

# U.S. Hotel Construction Pipeline

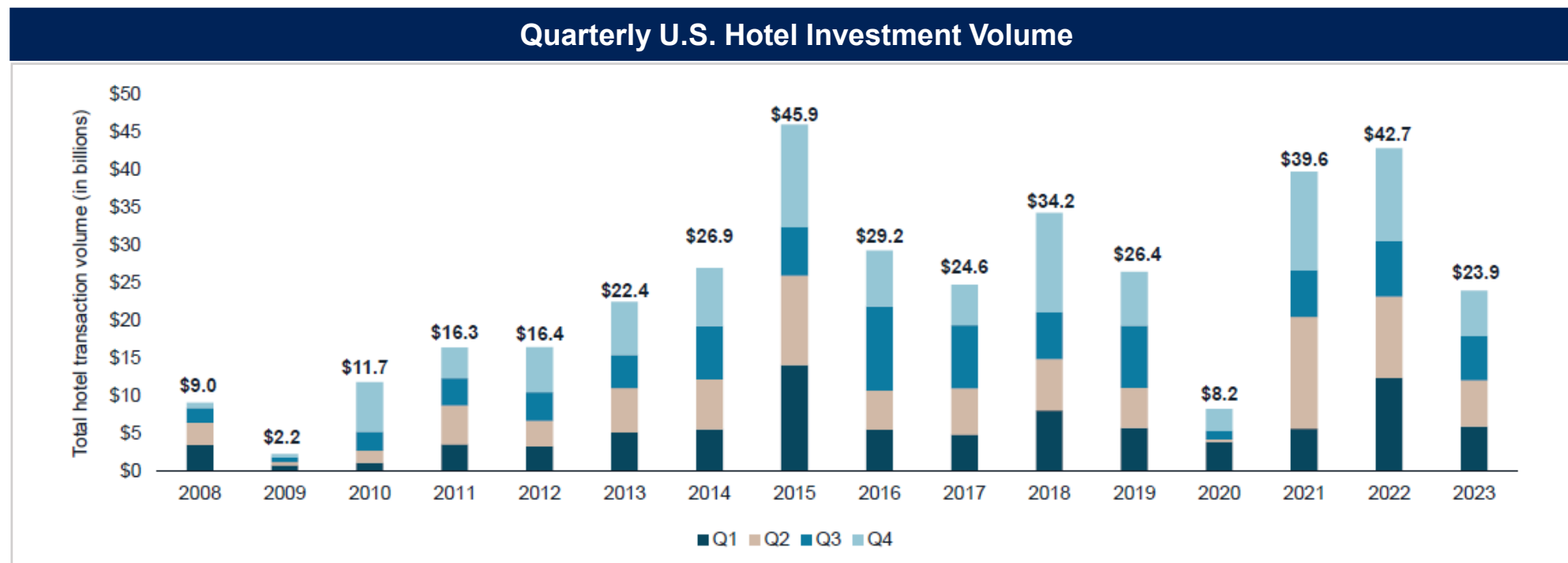
## Slower Hotel Supply Growth Positively Supports Fundamentals



- High construction costs and elevated interest rates should limit hotel development activity over the next 3 years.
- Low supply growth will benefit pricing power for hotels and also support underlying valuations.

# U.S. Hotel Investment Volume

Investment volume in 2023 sinks to 10-year low



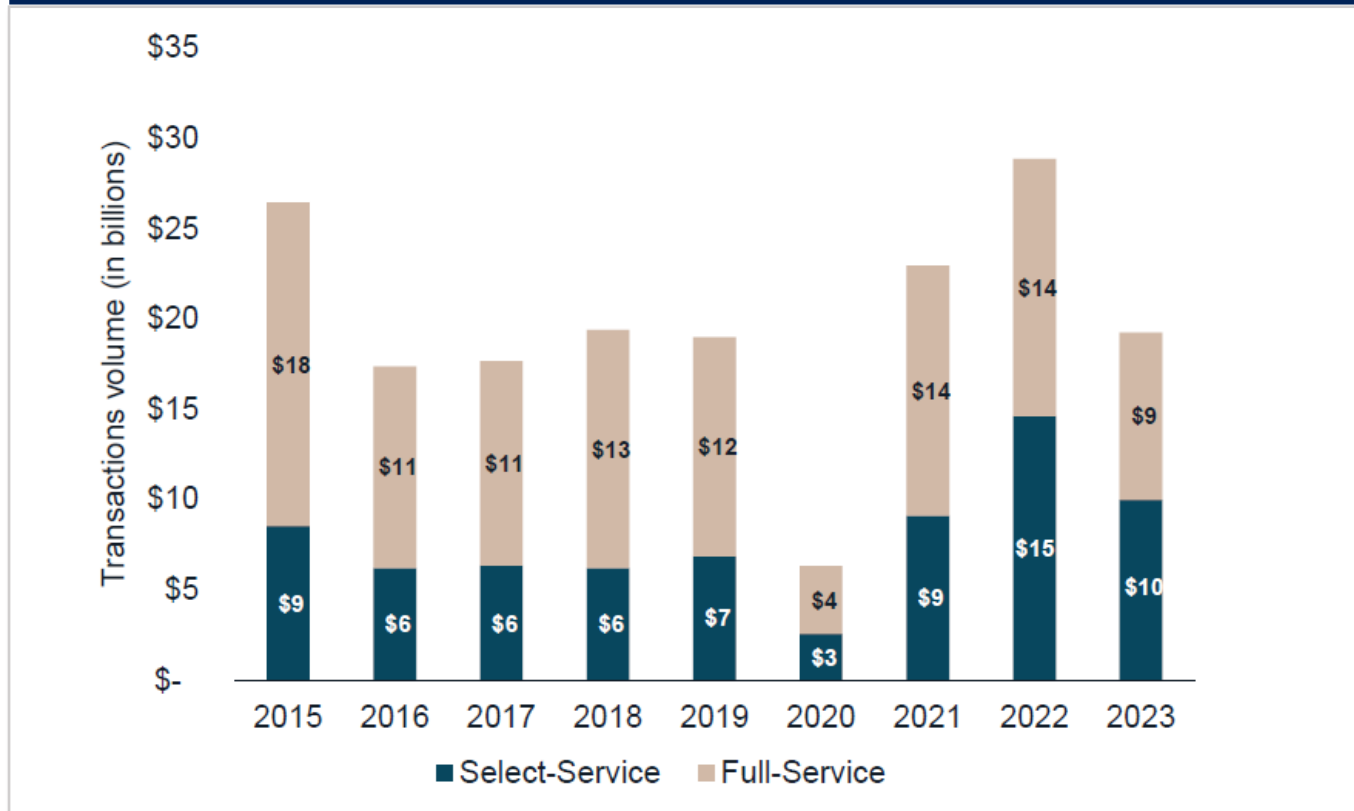
- Transaction volume in 2023 fell substantially due to elevated interest rates and tight credit markets.
- U.S. hotel deals typically involve 60-75% leverage/gearing.
- Easing of lenders standards and interest rates in 2H2024 are expected to stimulate transaction activity.

# Composition of Single-Asset Transactions in U.S. Hotel Market



More investors are focusing on select-service hotels in the U.S.

### Single-Asset Transaction Volume by Asset Type



- Select-service hotel sales have become a larger portion of single-asset transaction volume due to robust operating performance and smaller cheque sizes.
- Select-service hotels have broad appeal to investors due to their high cash flows and resilience.

# FY2023 Key Performance Indicators

Portfolio demonstrate resilience and continues to outperform Y-o-Y

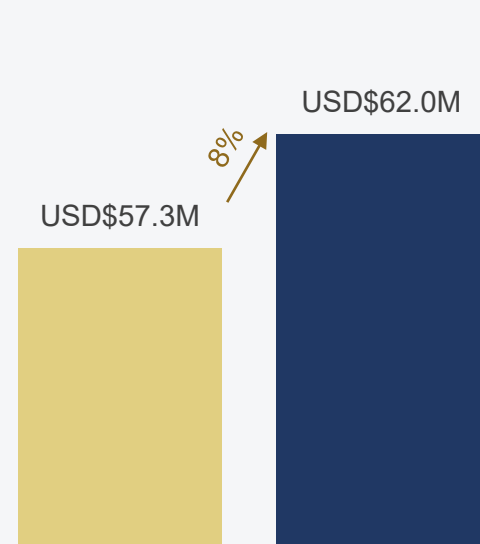


**Gross Revenue**  
**US\$175.5M**



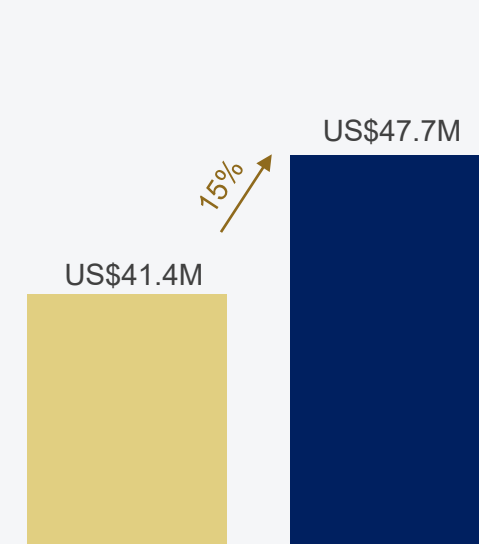
■ FY2022 ■ FY2023

**Gross Operating Profit**  
**US\$62.0M**



■ FY2022 ■ FY2023

**Net Property Income**  
**US\$47.7M**



■ FY2022 ■ FY2023

# FY2023 Financial Performance Reflects Improved Fundamentals



Distribution per Stapled Security increased 12.3% despite higher interest rates

	FY2022	FY2023	Change
<b>Portfolio Indicators</b>			
Occupancy	65.3%	69.3%	4.0 pp
ADR (US\$)	131	138	5.3%
RevPAR (US\$)	85	96	12.9%
<b>Financial Indicators (US\$M)</b>			
Revenue	169.0	175.5	3.8%
Gross Operating Profit (GOP)	57.3	62.0	8.1%
<i>GOP Margin</i>	33.9%	35.3%	1.4 pp
Net Property Income	41.4	47.7	15.1%
<i>NPI Margin</i>	24.5%	27.2%	2.7 pp
Distributable Income	17.5	19.8	13.3%
<b>Distribution per Stapled Security (US cents)</b>	<b>3.054</b>	<b>3.430</b>	<b>12.3%</b>

# Portfolio Valuation As At 31 December 2023

Overall valuation stayed resilient despite increase in capitalization rates

	As at 31 Dec 2022	As at 31 Dec 2023
Hyatt Portfolio	US\$ 643.1M	US\$614.3M
Marriott Portfolio	US\$104.7M	US\$105.6M
Acquired Hilton Hotel	-	US\$31.5M
<b>Portfolio Value</b>	<b>US\$747.8M</b>	<b>US\$751.4M</b>



0.5%  
y-o-y

- Marginal increase in portfolio valuation despite increase in capitalization rates resulting from higher interest rates.
- Continued cash flow growth across the portfolio mitigated the effects of higher discount rates and capitalization rates.



# Proactive Capital Management

Maintain healthy balance sheet cash balance

	As at 31 Dec 2022	As at 30 Jun 2023	As at 31 Dec 2023
NAV per Stapled Security	US\$0.80	US\$0.78	US\$0.74
Cash Balance	US\$50.6M	US\$21.1M	US\$20.1M
Total Debt Outstanding	US\$325.9M	US\$325.8M	US\$325.0M
Aggregate Leverage Ratio	39.4%	39.7%	41.5%
Net Gearing	35.4%	38.1%	40.0%
Interest Coverage Ratio*	2.6x	2.5x	2.7x
Weighted Average Debt Maturity	1.5 years	1.0 years	2.5 years
Average Cost of Debt (p.a.)	3.8%	4.6%	4.8%
% of Debt Hedged to Fixed Rates	82.0%	75.2%	74.5%

- All debts maturing in FY2024 had been refinanced and the weighted average debt maturity is 2.5 years.
- Proactively seeking to refinance the upcoming US\$77 million loan due February 2025.

\* Computation excluded interest expense on lease liabilities. It is regarded as a component of finance cost under SFRS(I)16 which is an accounting classification and does not have a bearing on debt servicing ability.

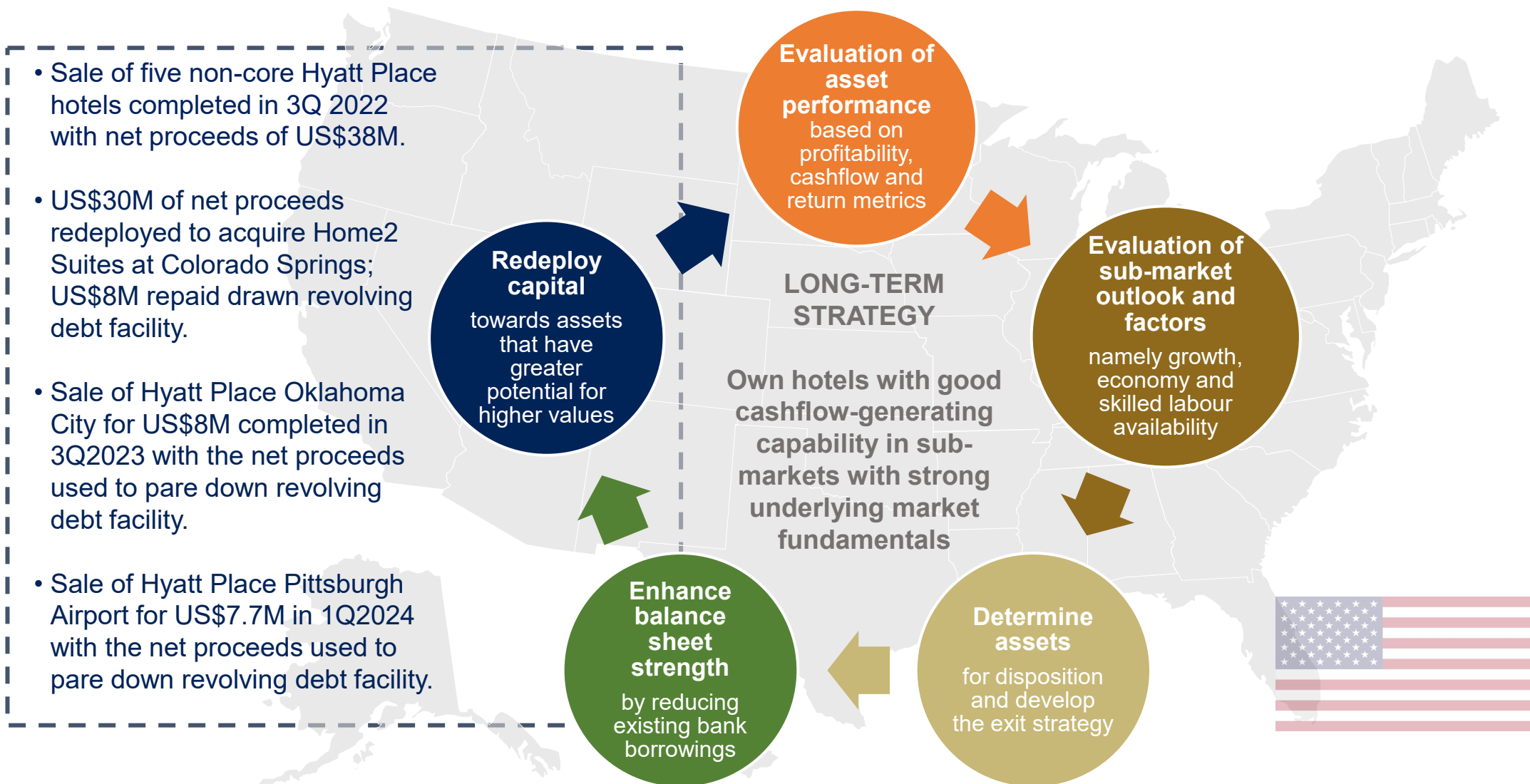
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# Portfolio Optimization And Rebalancing

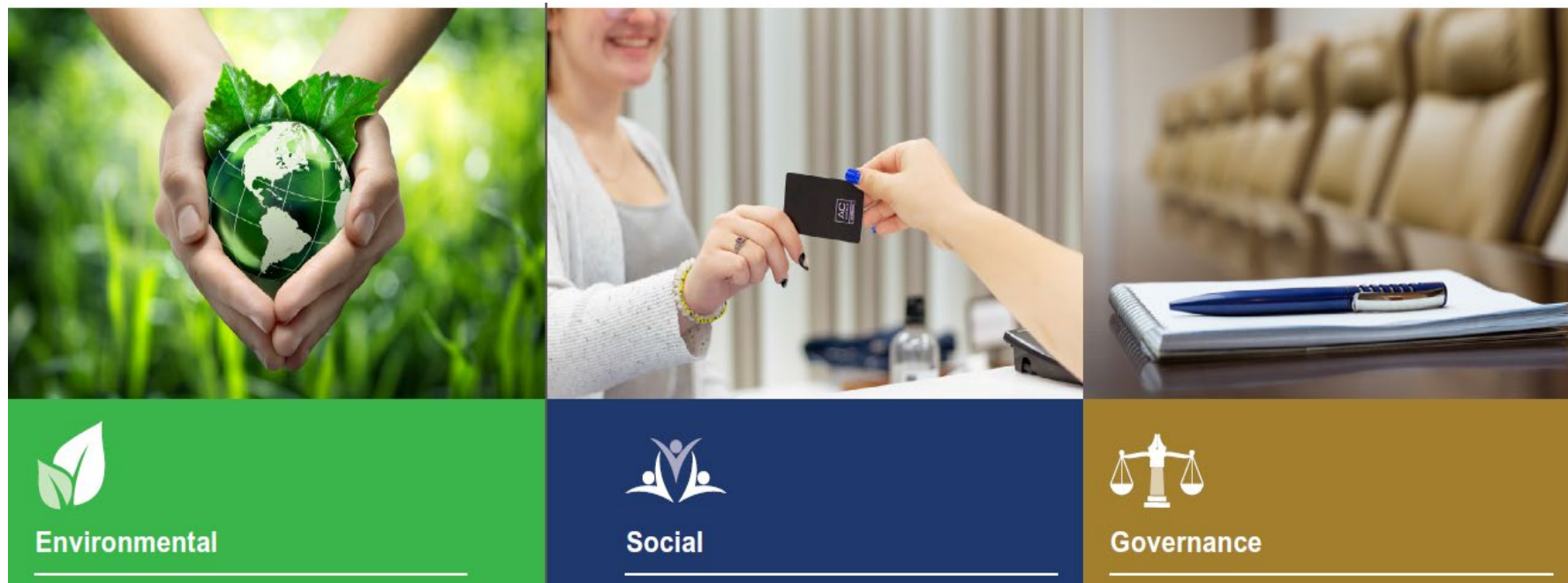
Ongoing commitment and focus to build a stronger and more resilient portfolio



<sup>1</sup>The disposed hotels are namely, Hyatt Place Chicago Itasca, Hyatt Place Pittsburgh Cranberry, Hyatt Place Birmingham Inverness, Hyatt Place Cincinnati Northeast and Hyatt Place Cleveland Independence

# ESG Initiatives for ARA US Hospitality Trust

Move towards sustainable hospitality



Sustainability practices incorporated into asset management



Contribute to the social and environmental well-being of stakeholders over the long term



Developed strong framework to engage, report and review ESG-driven policies



Close collaboration with Brand Partners and Hotel Managers to drive sustainability programs and initiatives

# Key Takeaways

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1 U.S. economy remains strong and resilient despite elevated interest rates.

2 The U.S. hotel market has recovered from COVID-19 and the outlook is positive and stable, particularly for upscale select-service hotels.

3 Driven by our portfolio performance, distribution and DPS continue to grow year-on-year.

4 Our portfolio valuation remains resilient due to recovery in cash flows despite higher capitalization rates.

5 Prudent capital management includes hedging to reduce interest rate volatility and refinancing debt ahead of maturities.

6 Our asset management and portfolio optimization strategy aims towards building a resilient U.S. hotel portfolio.

# Thank You

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