



## Proposed Acquisition and Master Leases of Crowne Plaza Changi Airport Hotel and its Future Extension

**Extraordinary General Meeting**  
***13 January 2015***

## Important Notice

*Credit Suisse (Singapore) Limited, Goldman Sachs (Singapore) Pte. and Standard Chartered Securities (Singapore) Pte. Limited were the joint global coordinators and issue managers for the initial public offering of OUE Hospitality Trust.*

The value of stapled securities in OUE Hospitality Trust (“**Stapled Securities**”) and the income derived from them, if any, may fall or rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, OUE Hospitality REIT Management Pte. Ltd. (as the manager of OUE Hospitality Real Estate Investment Trust), OUE Hospitality Trust Management Pte. Ltd. (as the trustee-manager of OUE Hospitality Business Trust) (collectively, the “**Managers**”) or any of their affiliates. An investment in Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. The past performance of OUE Hospitality Trust is not necessarily indicative of the future performance of OUE Hospitality Trust.

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Managers’ current view of future events.

Investors should note that they will have no right to request the Managers to redeem or purchase their Stapled Securities for so long as the Stapled Securities are listed on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). It is intended that holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST. The listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities. This presentation is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Stapled Securities.



## Overview of Transaction

# Overview of the Proposed Acquisition

- Acquisition of Crowne Plaza Changi Airport (CPCA) and its future extension (CPEX) from OUE Airport Hotel Pte Ltd (OUEAH) in two phases:
  - Acquisition of CPCA will be completed first as it is an operating property which will immediately be earnings accretive
  - Acquisition of CPEX (rooms-only extension) will only be completed after the building has been completed (which is expected to be around end-2015 but no later than June 2016) and obtained its TOP
- Upon completion of acquisition, OUE Hospitality Trust (OUE H-Trust) will be entitled to all economic interests in the property, although it may only receive the legal title for CPCA or the combined site comprising CPCA and CPEX after the completion. Therefore, the acquisition is structured in two separate phases comprising the CPCA and CPEX Sale & Purchase Agreements (SPAs) with OUE H-Trust having the benefit of the CPCA Put Option Agreement and the Combined Put Option Agreement, so as to safeguard the interests of Stapled Securityholders
- CPCA and CPEX will be leased back to OUEAH on a master lease with variable rent subject to a minimum rent



## Crowne Plaza Changi Airport (CPCA) and its Extension (CPEX)

<b>Location</b>	Singapore Changi Airport – The hotel has direct access to the passenger terminals. It is within a short distance to Changi Business Park and Singapore Expo, and is connected to the city by expressway and mass rapid transit (MRT)
<b>Leasehold Tenure</b>	Approx. 68 years remaining, expiring August 2083
<b>Description</b>	Designed by award-winning architectural firm WOHA. CPCA's guest rooms are designed and built to be insulated from noise from the airport runway, aircraft operations and surrounding highway
<b>No. of rooms</b>	Existing 320 rooms + 243 <sup>1</sup> rooms to be built in CPEX
<b>Accolades</b>	<ul style="list-style-type: none"> <li>• Best Airport Hotel (Singapore), Asia-Pacific Hotel Awards 2013</li> <li>• World's Best Airport Hotels Award, Skytrax World Airport Awards 2013 and 2014</li> </ul>
<b>Hotel Manager</b>	InterContinental Hotels Group (IHG)



**Crowne Plaza Changi Airport**

<sup>1</sup> The additional 243 hotel rooms are expected to be completed around the end of 2015 but not later than June 2016

# Transaction Details

Property to be Acquired	Crowne Plaza Changi Airport (CPCA) <sup>1</sup>	Crowne Plaza Changi Airport Extension (CPEX) <sup>2</sup>	Combined CPCA & CPEX
No. of Guestrooms	320	243	563
Property Acquisition Price	S\$290.0 million	S\$205.0 million	S\$495.0 million
Expected Acquisition Yield	4.5% <sup>3</sup>		4.6% <sup>4</sup>
Expected Completion of Acquisition	End February 2015	Upon completion of CPEX, expected to be end-2015 but not later than June 2016, and TOP obtained	
Capital Expenditure	S\$3.2 million commitment from Vendor		S\$3.2 million commitment from Vendor
Vendor	■ OUE Airport Hotel Pte Ltd (OUEAH), a subsidiary of OUE Limited		
Master Lease	■ Master Lease with OUEAH (as master lessee) on variable rent subject to a minimum rent <sup>5</sup>		

<sup>1</sup>Acquired pursuant to the CPCA Sale and Purchase Agreement (CPCA SPA)

<sup>2</sup>Acquired pursuant to the CPEX Sale and Purchase Agreement (CPEX SPA)

<sup>3</sup>Annualised yield based on pro forma financial period from 25 July 2013 to 31 December 2013

<sup>4</sup>Annualised yield based on pro forma financial period from 25 July 2013 to 31 December 2013 and first four quarters' target rent of the combined CPCA and CPEX

<sup>5</sup>The rental under the Master Lease will be the minimum rent if the amount of variable rent for that operating year is less than the amount of minimum rent

### Extraordinary General Meeting

- The Proposed Transaction (comprising the acquisition and the master leases of CPCA and CPEX) constitutes an Interested Person Transaction under the Listing Manual as well as an Interested Party Transaction under the Property Funds Appendix (PFA), and is subject to Stapled Securityholders' approval at an Extraordinary General Meeting (EGM)
- PricewaterhouseCoopers Corporate Finance Pte. Ltd. appointed as the Independent Financial Adviser (IFA) to advise the Independent Directors and the Audit and Risk Committee
- Based on the considerations set out in the IFA Letter and subject to the qualifications and assumptions within, the IFA is of the view that the Proposed Transaction (including Income Support) are based on normal commercial terms and are not prejudicial to the interests of OUE H-Trust and its minority Stapled Securityholders

# Independent Valuations

Property to be Acquired	Crowne Plaza Changi Airport (CPCA)	Crowne Plaza Changi Airport Extension (CPEX)	Combined CPCA & CPEX
No. of Guestrooms	320	243	563
Purchase Consideration / Per Key	S\$290 million / ~ S\$906 k per key	S\$205 million / ~ S\$844 k per key*	S\$495 million / ~ S\$879 k per key
Independent Valuations	S\$290.0 million (JLL) S\$291.5 million (Chesterton)	S\$201.0 million (JLL) S\$206.5 million (Chesterton)	S\$491.0 million (JLL) S\$498.0 million (Chesterton)
Date of Valuation Reports	30 September 2014		
Valuation Methodology	<ul style="list-style-type: none"> <li>■ JLL's valuation based on income capitalisation and discounted cash flow approaches</li> <li>■ Chesterton's valuation based on discounted cash flow approach</li> <li>■ The valuers have considered the income support and the annual land rent payable to Changi Airport Group in arriving at their valuations</li> <li>■ Both valuers are of the view that the income support does not affect their respective valuations</li> </ul>		

\* Figure derived from purchase price of CPEX divided by number of guestrooms in CPEX



# Overview of the Master Leases

Properties	CPCA	CPCA and CPEX
No. of Guestrooms	320	563
Master Lease Rental	Variable Rent Comprising Sum of: (i) 1% of Hotel F&B Revenues; (ii) 30% of Hotel Rooms and Other Revenues not related to F&B; (iii) 30% of Hotel Gross Operating Profit; and (iv) 77% of Gross Rental Income from leased space; subject to Minimum Rent of S\$12.5 million <sup>1</sup>	Variable Rent Comprising Sum of: (i) 4% of Hotel F&B Revenues; (ii) 33% of Hotel Rooms and Other Revenues not related to F&B; (iii) 30% Hotel Gross Operating Profit; and (iv) 80% of Gross Rental Income from leased space; subject to Minimum Rent of S\$22.5 million <sup>1</sup>
Income Support	N.A.	Aggregate of S\$7.5 million to be drawn down over 3 years
Tenure	<ul style="list-style-type: none"> <li>■ Master Lease term to commence from date of completion of acquisition of CPCA</li> <li>■ First term of Master Lease to expire in May 2028</li> <li>■ Master Lessee has option to renew for an additional two consecutive 5-year terms</li> </ul>	
Capital Replacement Contribution	<ul style="list-style-type: none"> <li>■ Aligned with hotel management agreement between OUEAH and IHG</li> <li>■ Generally at 3%</li> </ul>	

<sup>1</sup> The rental under the Master Lease will be the minimum rent if the amount of variable rent for that operating year is less than the amount of minimum rent

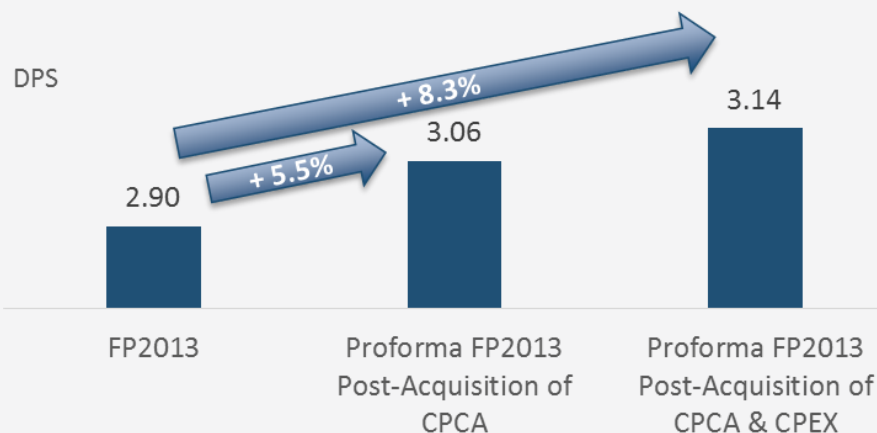
# Benefits of the Transaction

## i. Increase DPS to stapled securityholders

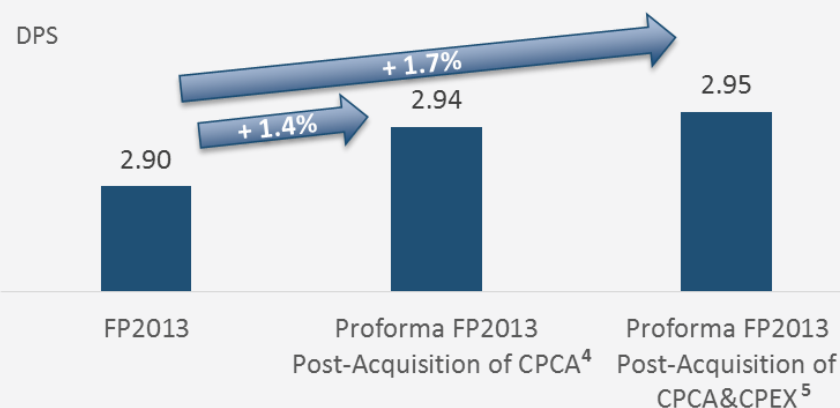
- Acquisition and Master Leases are expected to be accretive to distribution per Stapled Security (DPS), increase NPI and distributable income
- Expected annualised NPI yield for CPCA is 4.5%<sup>1</sup> and 4.6%<sup>2</sup> for the combined CPCA and CPEX
- The REIT Manager intends to finance all acquisition costs relating to the Acquisition (save for the Acquisition Fee payable in Stapled Securities to the REIT Manager) through debt and/or equity financing

*Based on pro forma Distributable Income for the financial period from 25 July 2013 to 31 December 2013*

### i. Assuming 100% debt-funding<sup>3</sup>



### ii. Assuming combination of debt-funding and equity<sup>3</sup>



<sup>1</sup> Based on the pro forma financial period from 25 July 2013 to 31 December 2013 (FP 2013)

<sup>2</sup> Based on FP 2013 and the first four quarters' target rent of the combined CPCA and CPEX

<sup>3</sup> Includes approx. 3,031,000 and 5,178,000 Stapled Securities issuable to the REIT Manager as payment for Acquisition Fee and management fee in relation to CPCA and CPCA and CPEX respectively, assumed to be issued at illustrative price of S\$0.88 per Stapled Security

<sup>4</sup> Assuming approx. 85,227,000 Stapled Securities issued for the acquisition of CPCA at illustrative price of S\$0.88 per Stapled Security

<sup>5</sup> Assuming approx. 142,045,000 Stapled Securities issued for the acquisition of CPCA and CPEX at illustrative price of S\$0.88 per Stapled Security

# Benefits of the Transaction

- ii. Opportunity to acquire a quality asset in a strategic location
- Rare opportunity to own global brand name hotel asset with direct connection to Changi Airport passenger terminals
  - Changi Airport is world's sixth busiest airport for international traffic
    - It served a record 53.7 million passengers from around the globe in 2013<sup>1</sup>
  - Hotel is close to Changi Business Park and Singapore Expo
    - Companies located at Changi Business Park include IBM, Invensys, Honeywell, and financial institutions such as DBS Bank, Citibank, Credit Suisse and Standard Chartered Bank<sup>2</sup>



**Crowne Plaza Changi Airport Guestroom (Suite)**



**Crowne Plaza Changi Airport Guest Bathroom**

<sup>1</sup> Source: <http://www.changiairport.com/our-business/about-changi-airport>

<sup>2</sup> Source: <http://www.jtc.gov.sg/RealEstateSolutions/Business-Park-Land/Pages/Changi-Business-Park.aspx>

# Benefits of the Transaction

## iii. Attractive growth potential in revenue per available room

- CPCA enjoys high occupancy of above 85% and has seen revenue per available room (RevPAR) increasing from \$231 in 2011 to \$235 in 2013
- As at YTD Sep 2014<sup>1</sup>, CPCA achieved RevPAR of S\$241
- CPCA will be able to leverage on the expansion plans of Changi Airport
  - *Jewel Changi Airport* (Project Jewel)<sup>2,3</sup> is envisaged to be not just a gateway for flights, but as a tourism destination on its own
    - Project Jewel first in Singapore to seamlessly integrate a refreshing environment of lush greenery amid other attractions and facilities within the same building
    - Net lettable retail area of 53,000 sqm and 21,700 sqm of indoor gardens and attractions
    - Houses an integrated multi-modal transport lounge offering dedicated services for fly-cruise and fly-coach passengers
  - Commenced development of Terminal 4

### CPCA Historical Performance

Occupancy

90%

87%

88%

92%



<sup>1</sup> Based on management accounts of CPCA.

<sup>2</sup> Project Jewel is an upcoming mixed-use complex envisaged to be a world-class, signature lifestyle destination that will enable Changi Airport to capture tourism mindshare, and strongly boost Singapore's appeal as a stopover point for global travellers. The complex will offer aviation and travel-related facilities, a wide range of retail offerings, as well as unique leisure attractions. Project Jewel is targeted to open in end 2018 (<http://www.capitamallsasia.com/en/corporate/media-centre/press-releases/2013/changi-airport-group-and-capitamalls-asia-to-jointly-develop-project-jewel-at-changi-airport>) and Terminal 4 is expected to be operational in 2017 (<http://www.changiairport.com/at-changi/our-terminals/terminal-4>).

<sup>3</sup> Press release 'Singapore Changi Airport breaks new ground with Jewel' ([http://www.changiairportgroup.com/export/sites/caas/assets/media\\_release\\_2014/WEB-Media-Release-Singapore-Changi-Airport-breaks-new-ground-with-Jewel.pdf](http://www.changiairportgroup.com/export/sites/caas/assets/media_release_2014/WEB-Media-Release-Singapore-Changi-Airport-breaks-new-ground-with-Jewel.pdf))

## Benefits of the Transaction

- iv. Master Lease provides income stability with downside protection and upside potential
- OUEAH will be master lessee for CPCA, and CPEX when it is operational
  - Minimum rent provides OUE H-Trust with downside protection
  - Variable rent, pegged to percentage of revenue and profit of the hotel, allows OUE H-Trust to enjoy operational upside when the hotel performs well



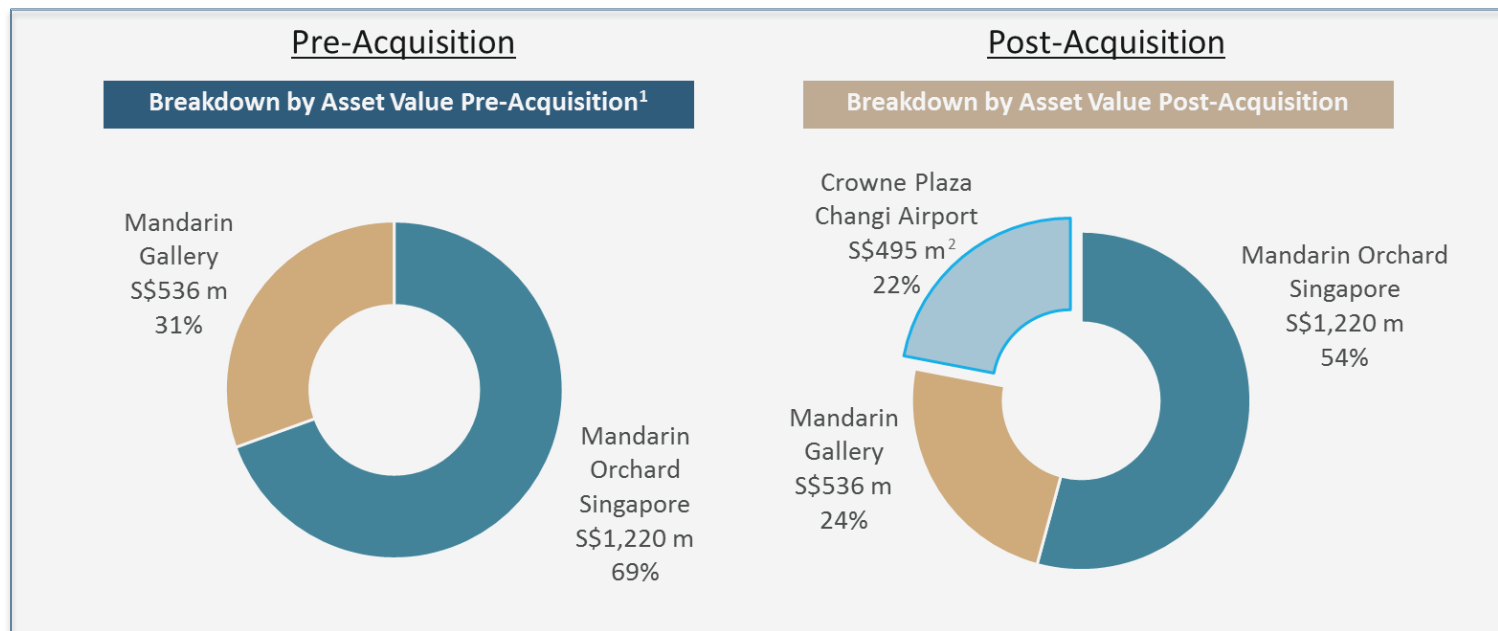
Crowne Plaza Changi Airport Lobby



Crowne Plaza Changi Airport Swimming Pool

## v. Reduced concentration risk

- OUE H-Trust's portfolio comprises Mandarin Orchard Singapore and Mandarin Gallery, which coexist in the same location in the Orchard Road shopping precinct
- Acquisition of CPCA and CPEX would:
  - Reduce OUE H-Trust's concentration risk



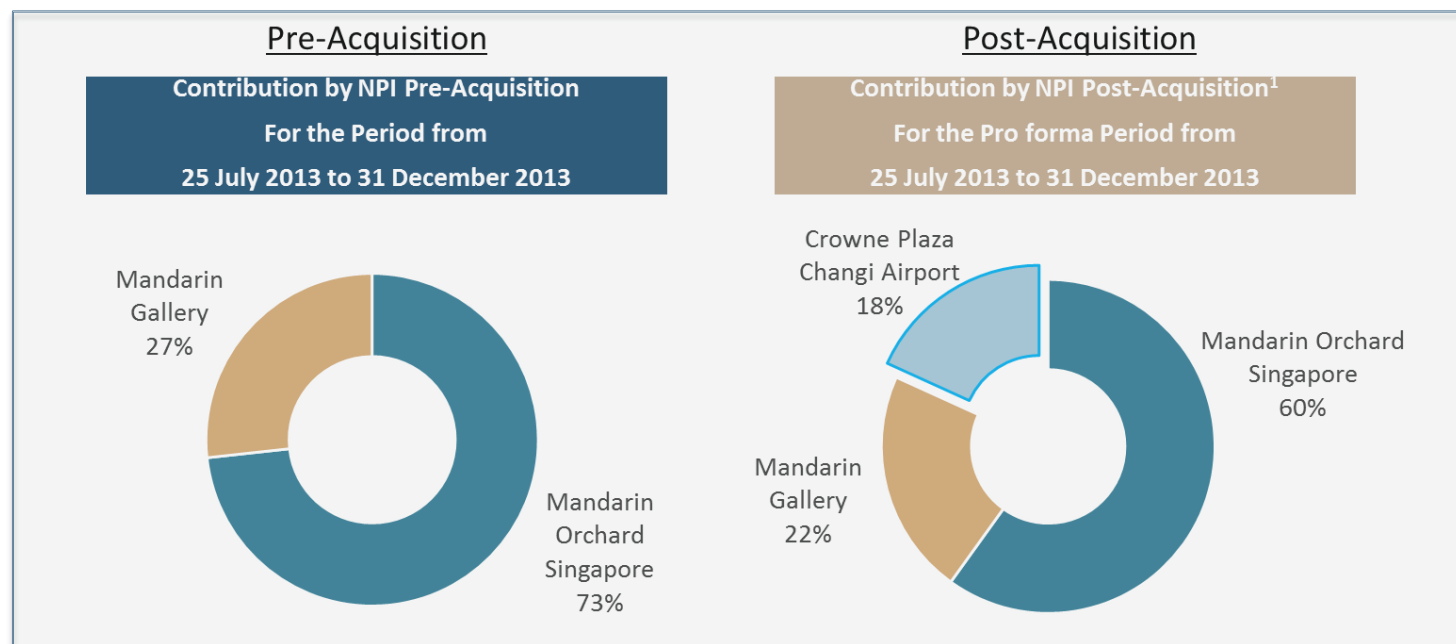
<sup>1</sup> Based on independent valuations as at 31 Dec 2013

<sup>2</sup> Based on acquisition price of CPCA and CPEX



## v. Reduced concentration risk (cont'd)

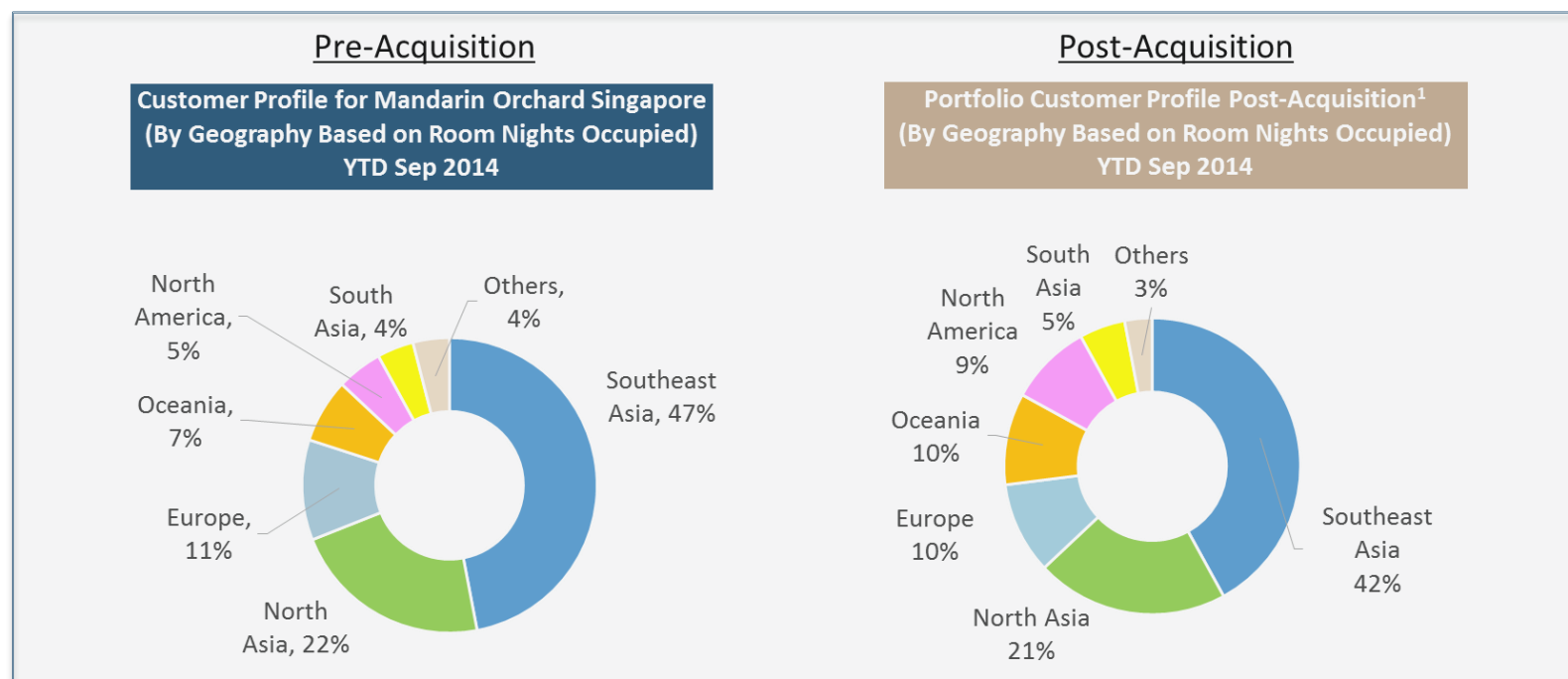
- Acquisition of CPCA and CPEX would:
  - Further enhance the income diversification of OUE H-Trust and reduce the reliance of OUE H-Trust's income stream on any single property



<sup>1</sup> Post-Acquisition of CPCA and CPEX, based on the expected acquisition yield (annualised) of 4.6% for the combined CPCA and CPEX asset.

## v. Reduced concentration risk (cont'd)

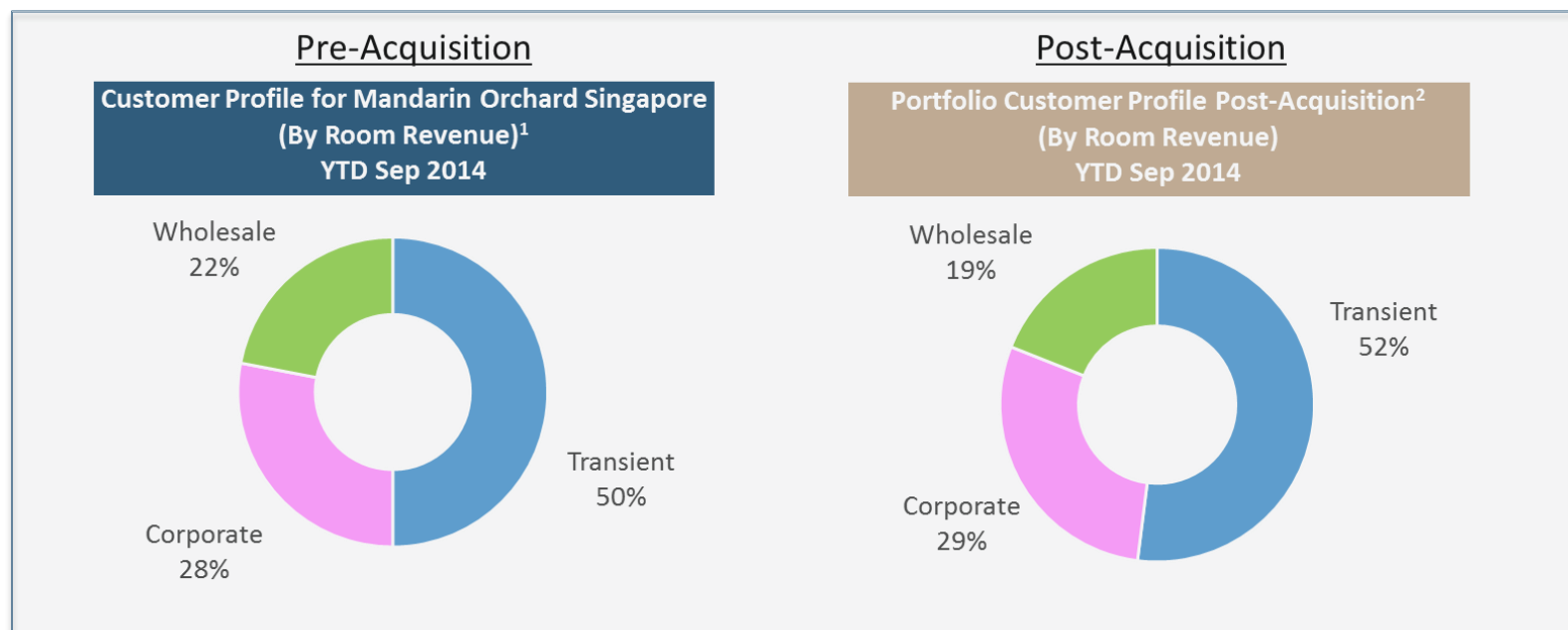
- Acquisition of CPCA and CPEX would:
  - Expand OUE H-Trust's coverage of the hospitality market in Singapore and enlarge and diversify its hotel clientele



<sup>1</sup> Based on Mandarin Orchard Singapore and CPCA (excludes Aircrew)

## v. Reduced concentration risk (cont'd)

- Acquisition of CPCA and CPEX would:
  - Expand OUE H-Trust's coverage of the hospitality market in Singapore and enlarge and diversify its hotel clientele (cont'd)



<sup>1</sup>“Transient” refers to revenue derived from rental of rooms and suites to individuals or groups occupying less than 10 rooms per night, who do not have a contract with the Hotel

“Corporate” refers to revenue derived from the rental of rooms and suites booked via a corporate or government company that has contracted annual rates with the Hotel

“Wholesale” refers to revenue derived from the rental of rooms and suites booked via a third party travel agent on a wholesale contracted rate basis

<sup>2</sup> Based on Mandarin Orchard Singapore and CPCA

vi. Increased portfolio size creates stronger platform for further acquisition growth

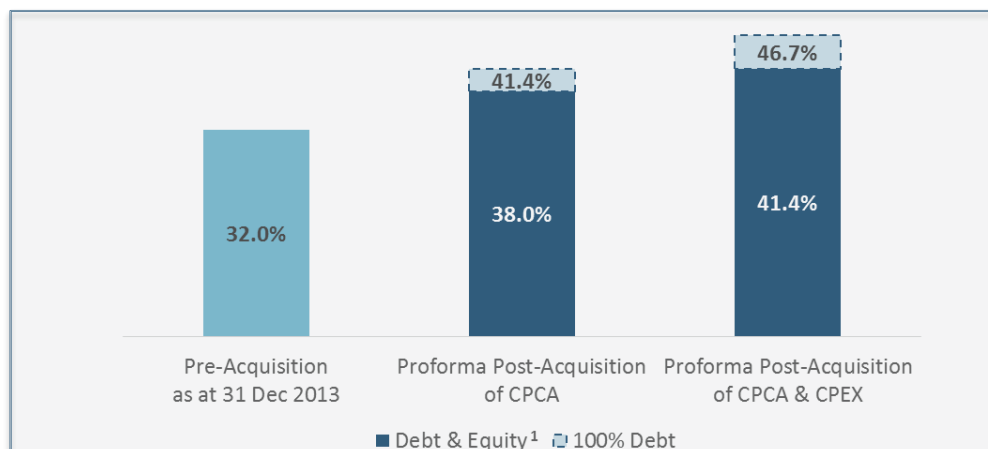
- OUE H-Trust's asset portfolio will increase from S\$1.76 billion to approximately S\$2.25 billion
- The enlarged quality portfolio could attract more investor interest in OUE H-Trust
- The increased portfolio size will create a stronger platform for further acquisition growth due primarily to potentially better access to equity and debt capital markets



**Crowne Plaza Changi Airport and its future extension (artist's impression)**

# Financing/ Balance Sheet

- The REIT Manager intends to finance all acquisition costs relating to the Acquisition (save for the Acquisition Fee payable in Stapled Securities to the REIT Manager) through debt and/or equity financing
- In addition, the REIT Manager has secured commitment for the funding of the full purchase consideration of CPCA in order to give certainty to the completion of the acquisition of CPCA
- Balance Sheet Remains Healthy
  - *NAV*
    - No material impact on NAV per Stapled Security of S\$0.92 as at 31 December 2013 based on pro forma financial effects
  - *Gearing*
    - OUE H-Trust's gearing will be well within 60% gearing limit under the Property Funds Appendix, even if Acquisition is 100% debt-funded
    - OUE H-REIT has been assigned a Ba1 rating from Moody's



<sup>1</sup> Assuming S\$75 million of Stapled Securities issued for the acquisition of CPCA at illustrative price of S\$0.88 per Stapled Security and assuming S\$125 million of Stapled Securities issued for the acquisition of CPCA and CPEX at illustrative price of S\$0.88 per Stapled Security



## Conclusion



# Conclusion

<b>Acquisition is Accretive</b>	<ul style="list-style-type: none"> <li>• Acquisition is expected to enhance DPS</li> <li>• Based on pro forma FP2013, DPS expected to increase 5.5% post-acquisition of CPCA and 8.3% post-acquisition of combined CPCA and CPEX assuming acquisition is fully debt funded</li> </ul>
<b>Opportunity to Acquire Quality Asset</b>	<ul style="list-style-type: none"> <li>• Rare opportunity to own global brand name hotel asset with direct connection to the Changi Airport passenger terminals</li> <li>• Leverage on the expansion plans of Changi Airport, which has announced plans for Project Jewel and has commenced development of Terminal 4</li> </ul>
<b>Income Stability</b>	<ul style="list-style-type: none"> <li>• Master Lease provides income stability with downside protection and upside potential</li> </ul>
<b>Enhances Diversification of OUE H-Trust</b>	<ul style="list-style-type: none"> <li>• Acquisition of CPCA and CPEX would reduce OUE H-Trust's concentration risk</li> <li>• Enhance the income diversification of OUE H-Trust and reduce the reliance of OUE H-Trust's income stream on any single property</li> <li>• Expand OUE H-Trust's coverage of the hospitality market in Singapore and enlarge and diversify its hotel clientele</li> </ul>
<b>Establishes Stronger Platform for Future Growth</b>	<ul style="list-style-type: none"> <li>• The enlarged quality portfolio could attract more investor interest in OUE H-Trust</li> <li>• Increased portfolio size will create a stronger platform for further acquisition growth due primarily to potentially better access to both capital and debt markets</li> </ul>



Thank You