



# ARA US Hospitality Trust

2Q 2019 Financial Results (9 May 2019 to 30 June 2019)

30 July 2019



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DBS Bank Ltd. was the Sole Issue Manager for the initial public offering of the Stapled Securities in ARA US Hospitality Trust (the "**Offering**"). DBS Bank Ltd., Overseas-Chinese Banking Corporation Limited and United Overseas Bank Limited were the Joint Financial Advisers and Joint Global Coordinators for the Offering. DBS Bank Ltd., Overseas-Chinese Banking Corporation Limited, United Overseas Bank Limited and Credit Suisse (Singapore) Limited were the joint Bookrunners and Underwriters for the Offering.

## PORTFOLIO OVERVIEW

38  
HOTELS

21  
STATES

4,950  
GUEST ROOMS

95.6%  
ROOMS-FOCUSED <sup>(1)</sup>

4 years  
AVERAGE EFFECTIVE AGE <sup>(2)</sup>

94.3%  
FREEHOLD

100%  
HYATT BRAND <sup>(3)</sup>

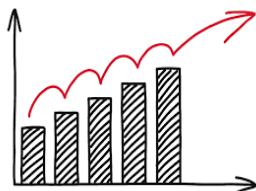
- (1) Based on percentage of room revenue over total revenue.  
(2) Average effective age represents years since the hotels were built or last renovated.  
(3) Hyatt is one of the largest, fastest growing and most well-respected hospitality companies.

# Key Highlights



*Hyatt House Shelton*

## Strong performance from resilient portfolio



Distributable Income

**US\$7.7 mil**

Forecast: US\$7.4 mil

Gross Revenue

**US\$28.8 mil**

Forecast: US\$29.2 mil

GOP margin

**42.8%**

Forecast: 42.1%

NPI margin

**34.2%**

Forecast: 33.6%



RevPAR Index

**106.8%**

RevPAR

**US\$105**

Forecast: US\$106

Occupancy

**82.8%**

Forecast: 82.8%

ADR

**US\$126**

Forecast: US\$128



Gearing

**31.9%**

Forecast: 33.4%

Average cost of debt

**3.95% p.a.**

Forecast: 4.20% p.a.

Fixed rate debt

**83%**

Interest coverage ratio

**6.0 times**

Debt headroom <sup>(1)</sup>

**US\$180 mil**

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

# Portfolio Performance



Hyatt House Richmond West

# Attractiveness of Upscale Select-Service Hotels

- ~95% of revenue derived from rooms
- Low and flexible cost structure (less labor intensive, non-unionized hotels)
- Translates to high operating margins in excess of 40%



*Hyatt Place Secaucus Meadowlands  
New Jersey*



*Hyatt House Richmond West  
Virginia*






*Hyatt Place Boise Towne Square  
Idaho*



*Hyatt House Raleigh Durham Airport  
North Carolina*

# Strong Performance Across Brands



	Occupancy	RevPAR	RevPAR Index	GOP margin
 <b>11</b> Hotels	<b>87.2%</b> <i>Forecast: 85.6%</i>	<b>US\$123</b> <i>Forecast: US\$121</i>	<b>114.4%</b>	<b>44.5%</b> <i>Forecast: 44.0%</i>
 <b>27</b> Hotels	<b>80.9%</b> <i>Forecast: 81.6%</i>	<b>US\$96</b> <i>Forecast: US\$99</i>	<b>103.9%</b>	<b>42.0%</b> <i>Forecast: 40.9%</i>
 <b>38</b> Hotels	<b>82.8%</b> <i>Forecast: 82.8%</i>	<b>US\$105</b> <i>Forecast: US\$106</i>	<b>106.8%</b>	<b>42.8%</b> <i>Forecast: 42.1%</i>

- Strong performance by Hyatt House hotels
  - Occupancy exceeded forecast by 1.6%
  - Outperform RevPAR of comparable hotels by 14.4%
  - GOP margin exceeded forecast by 0.5%

- Resilient performance by Hyatt Place hotels
  - Outperform RevPAR of comparable hotels by 3.9%
  - GOP margin exceeded forecast by 1.1%



# Proactive Asset Management

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- Revenue management
- Sales deployment
- Ancillary revenue
- Labor management / productivity
- Expense management initiatives
- Asset preservation

# Continued Growth

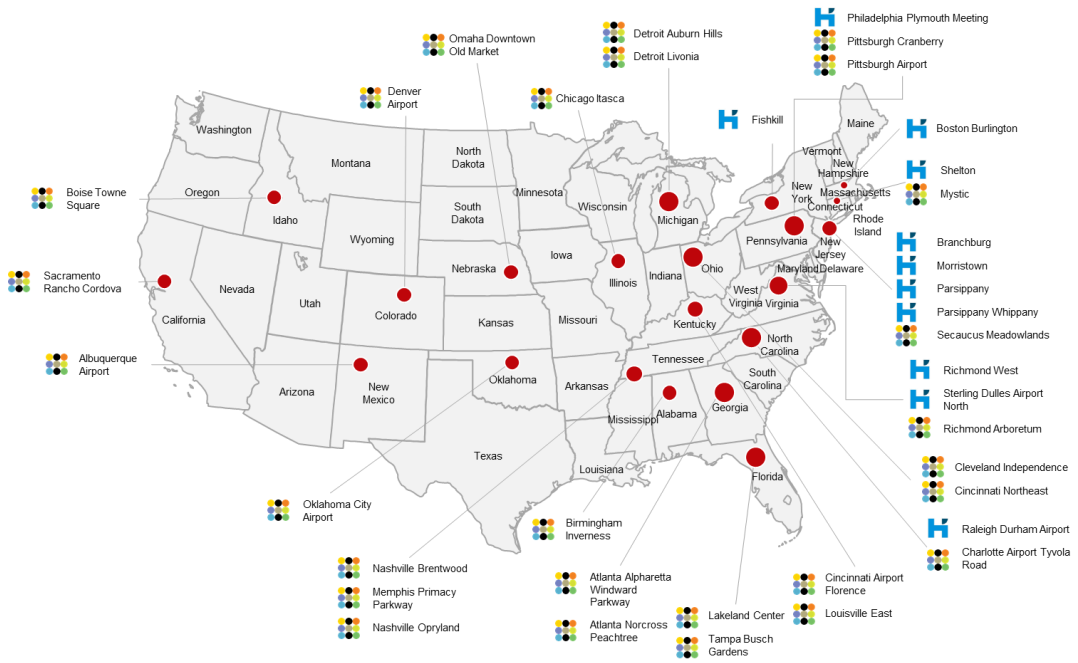


**U.S. is the largest lodging market with 5.3 mil rooms. Total transactional volume for hotels in Q1 2019 was US\$5.6 bil <sup>(1)</sup>**

**HYATT house™** | **11** Hotels

**HYATT PLACE** | **27** Hotels

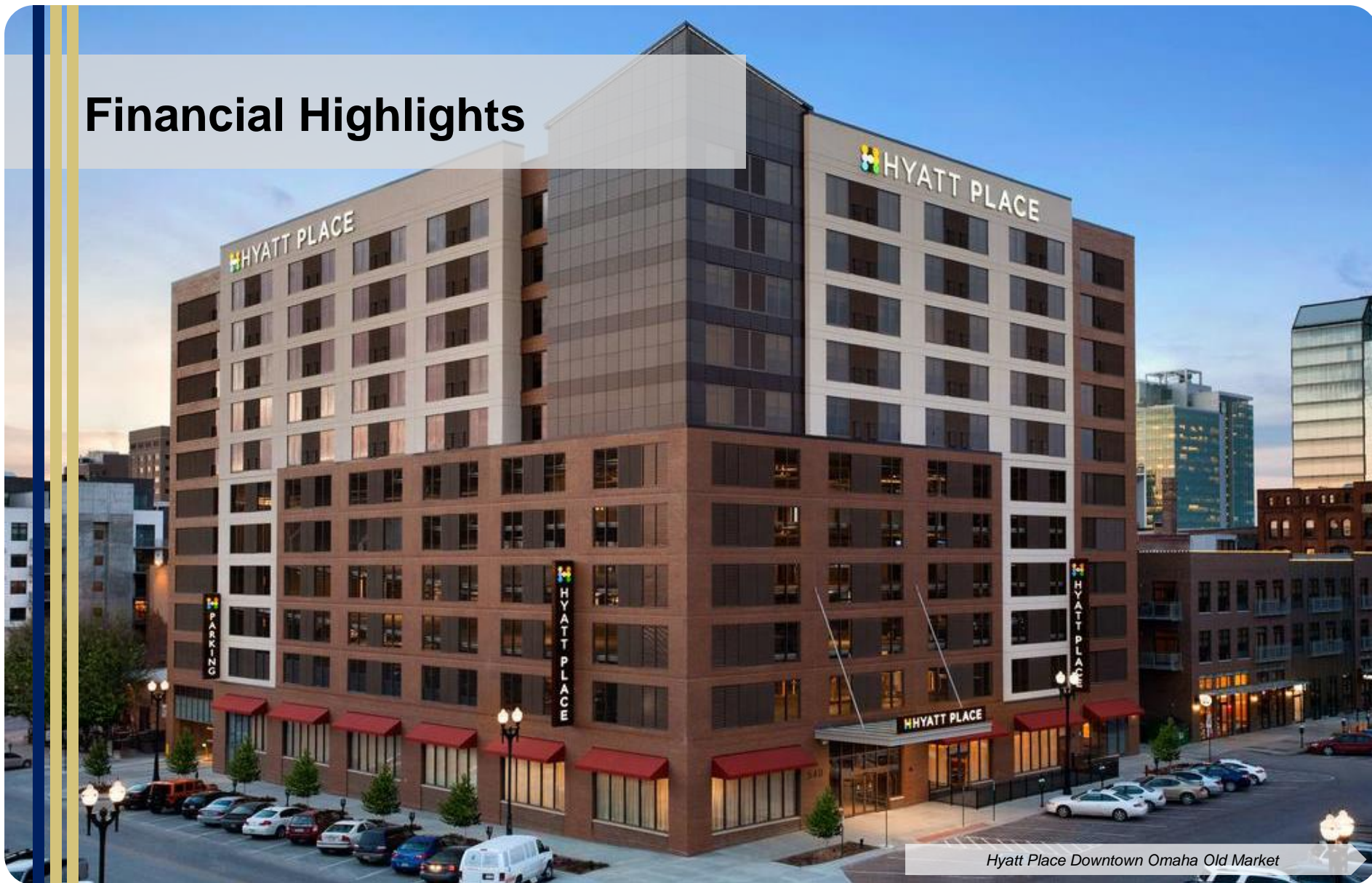
**ARA US HOSPITALITY TRUST** | **38** Hotels



- Pipeline opportunities continue to be robust
- Enhance portfolio through accretive acquisitions by brands and by location
- Maintain a prudent capital structure with view to grow distributions for securityholders

(1) JLL Investment Outlook for U.S. for Q1 2019.








# Financial Highlights



*Hyatt Place Downtown Omaha Old Market*

## Delivering strong performance and stable income

- Distributable Income rose by 3.2%
- Resilient GOP margins by portfolio

Period from 9 May 2019 to 30 June 2019	Actual (US\$'000)	Forecast (US\$'000)	Change (%)
Distributable Income	7,677	7,439	3.2 
Distribution per Stapled Security (US cents)	1.36	1.31	3.8 
Gross Revenue	28,823	29,195	(1.3) 
Gross operating profit (GOP)	12,349	12,301	0.4 
GOP margin (%)	42.8	42.1	0.7 
Net property income (NPI)	9,862	9,821	0.4 
NPI margin (%)	34.2	33.6	0.6 

## Stable Balance Sheet and Financial Indicators

### As of 30 June 2019

Total assets US\$763.0 mil

Total debt US\$243.7 mil

Aggregate leverage 31.9%

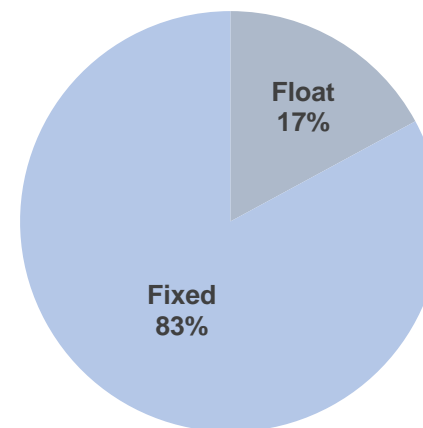
Average cost of debt (p.a.) 3.95%

Interest coverage ratio 6.0 times

Long debt maturity 4.9 years

Debt headroom <sup>(1)</sup> US\$180.0 mil

### Interest rate exposure



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

# Market Outlook



*Hyatt House Shelton*

## U.S. Economy continues to be positive

3.1%

Real GDP Growth <sup>(1)</sup>

3.7%

Low Unemployment  
Rate <sup>(2)</sup>

1.6%

CPI Index <sup>(3)</sup>

1.1%

RevPAR Growth <sup>(4)</sup>

- High correlation between lodging demand and real GDP growth
- Consumer Confidence remains high
- Personal income growth improves consumers' propensity for leisure travel
- Increase in business activity and corporate profits drive corporate and group travel

(1) 1Q2019 GDP growth (Bureau of Economic Analysis, 27 June 2019).

(2) Bureau of Labor Statistics, United States Department of Labor (June 2019).

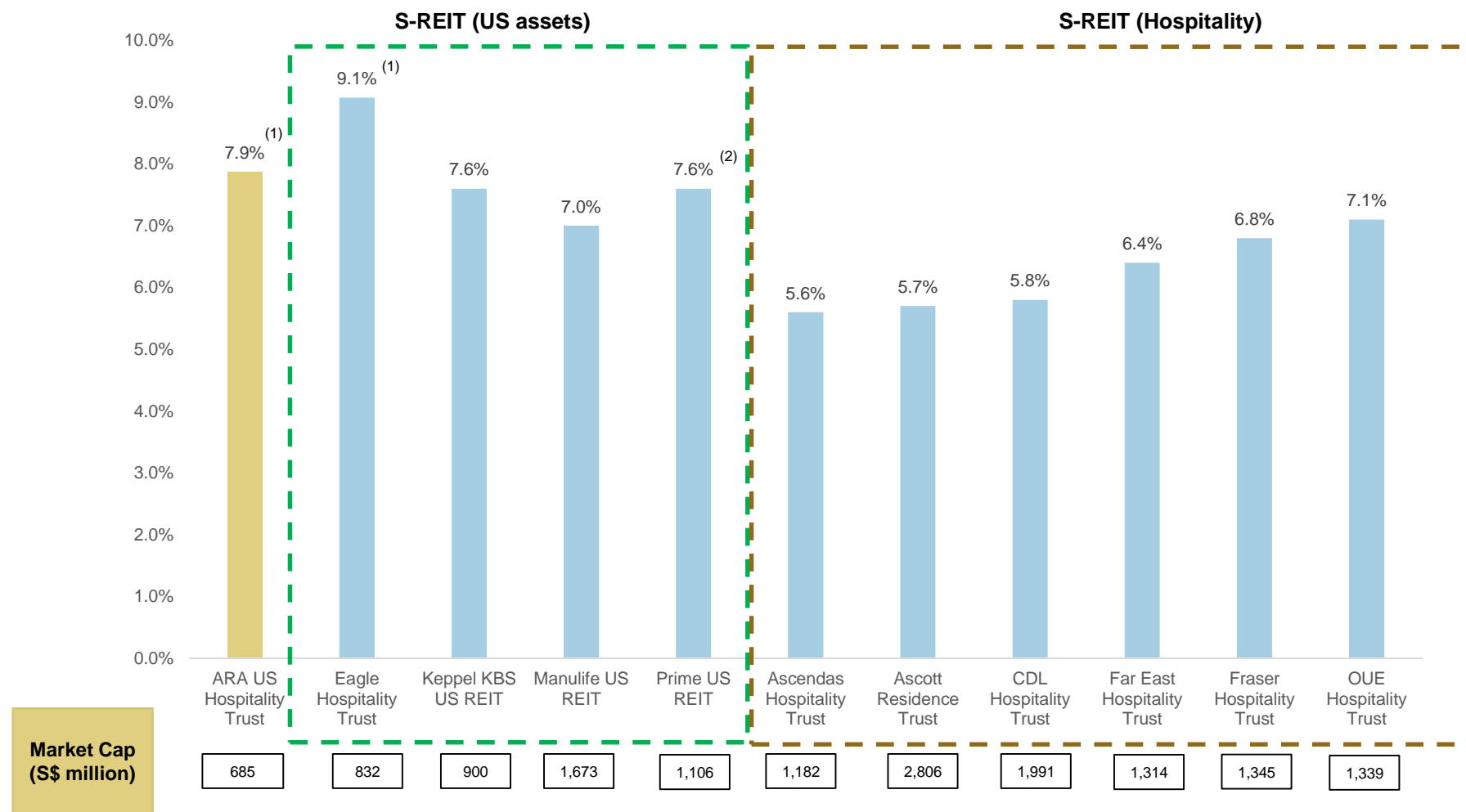
(3) Bureau of Labor Statistics, United States Department of Labor (July 2019).

(4) RevPAR growth for the US Lodging demand in 2Q 2019 compared to the same period last year (STR 2Q 2019 Report).

# Distribution Yield Remains Attractive



**S-REIT (Hospitality) is trading at a weighted-average forward yield of 6.2%**



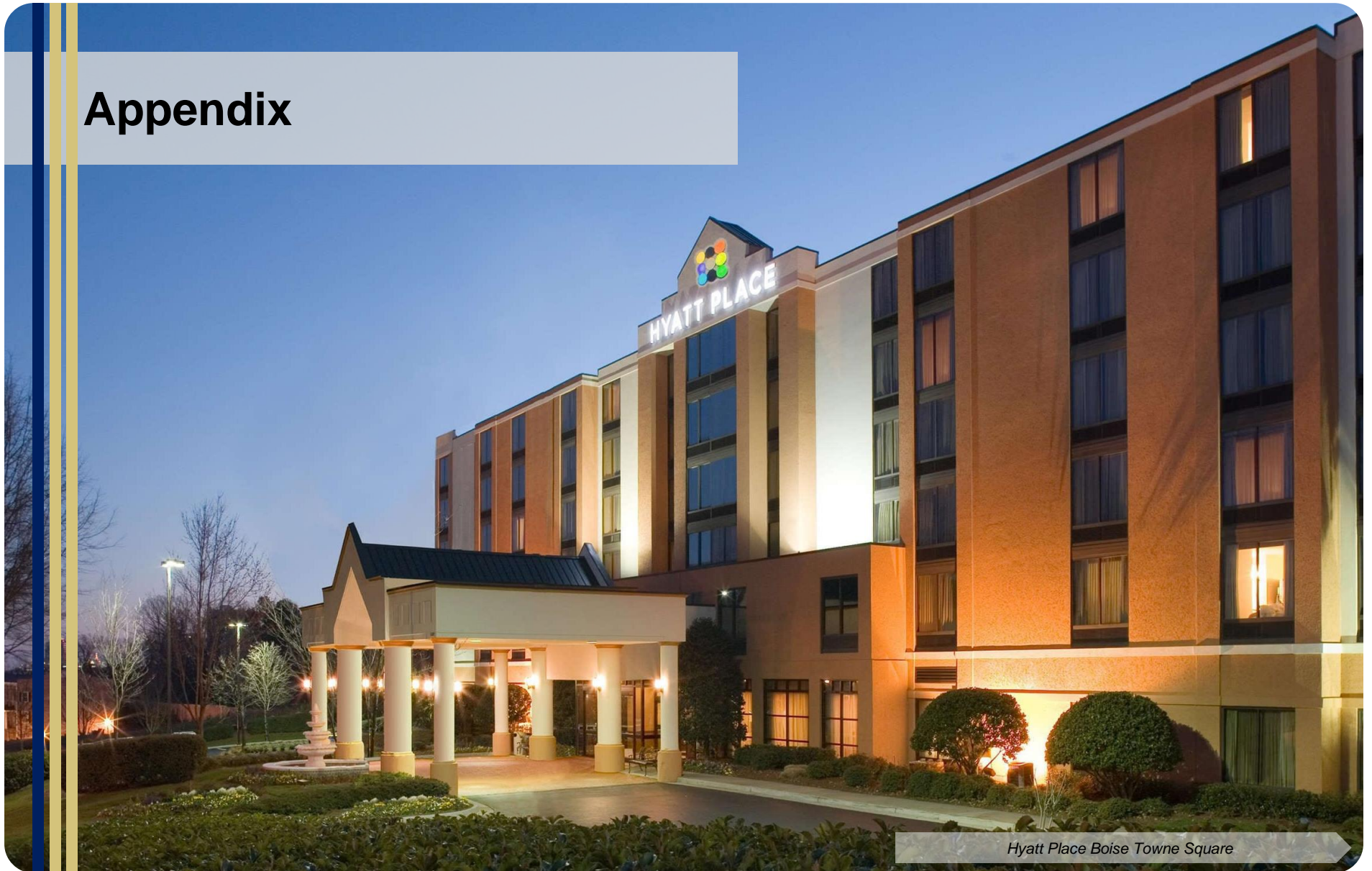
**Market Cap (\$ million)**

Source: Bloomberg as at 15 July 2019  
Exchange rate of US\$1 : S\$1.36

(1) Based on projected distribution reflected in prospectus and closing price as at 15 July 2019.  
(2) Based on projected distribution reflected in prospectus and IPO price of US\$0.88 as at 19 July 2019.



# Appendix



*Hyatt Place Boise Towne Square*

# Key Investment Highlights

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## Macroeconomics

1

### **Strong US macroeconomic outlook and favourable hospitality fundamentals**

- Positive and continued economic growth outlook in the US
  - Favourable US hospitality market demand and supply dynamics
- 

## Sector Advantage

2

### **First pure-play US Upscale Select-service hospitality portfolio listed on the SGX-ST with superior operating performance**

- Select-service hotels in the US outperform Full-service hotels
  - Upscale Select-service hotels achieve the highest operating margins
- 

## Portfolio & Management

3

### **Quality and geographically diversified Initial Portfolio of Upscale Select-service hotels**

- Recently refurbished high quality Initial Portfolio
- 36 out of 38 properties with freehold titles
- Geographically diversified Initial Portfolio with strategic concentration in the South and Northeast regions

4

### **Premier hotel branding with experienced hotel operator**

- Hotels are branded under associated brands of Hyatt - one of the largest global hotel brands
- Hotels are managed by Aimbridge - the largest independent hotel management company in the US

5

### **Committed and reputable Sponsor with strong network and experienced management team**

- ARA Group is a premier global integrated real assets fund manager with vast experience in the REIT sector
  - Management team comprises experienced professionals with deep experience in real estate
  - Rich opportunities for future growth in the world's largest lodging market
- 

## Financials

6

### **Stable operational cashflows backed by prudent capital structure**

- Attractive distribution yield and total return
  - Prudent capital structure and active capital management approach
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# Overview of the Sponsor



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



- ARA is a global premier real assets fund manager. As of 31 Dec 2018, gross assets managed by ARA were approximately S\$80.1b<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>	SGX-ST & HKEEx	SGX-ST	HKEEx	SGX-ST	HKEEx	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 HKEEx: 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\$498	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.

# Management Team



## Executive Officers

## ARA Hotel Manager



**Lee Jin Yong**  
Chief Executive Officer

- Real estate professional with over 25 years of relevant hotel management and investing experience
- Stellar track record and reputation as a disciplined and creative deal maker, successfully completed over US\$3.5b in hotel and real estate transactions
- Formerly Managing Partner of Probitry Investors, an advisory firm to Carlyle and ARA
- Formerly Chief Investment Officer of Thayer Lodging (now Brookfield) and Senior Vice President of Acquisitions at HEI Hotels & Resorts
- Developed in-depth hotel knowledge at Marriott, Kimpton and Ritz-Carlton
- Received a Bachelor Degree in Hotel Administration from Cornell University and an MBA from University of California, Irvine



**James S. Jung**  
Head of Investments

- Real estate professional with over 10 years of relevant industry experience, involved in the full life cycle of hotel acquisition, asset management and disposition
- Formerly Vice President of Investments for HEI Hotels & Resorts
- Held various key managerial roles under HEI Hotel & Resort's three discretionary funds
- Received a Masters of Management in Hospitality (Real Estate Finance) from Cornell University



**Ling Hong Liang**  
Finance Director

- Finance professional with over 16 years of experience in real estate industry and audit
- Formerly Vice President, Group Deputy Controller of Global Logistic Properties from 2011 to 2019.
- Formerly Senior Audit Manager at Deloitte Singapore from 2002 to 2011.
- Received a Bachelor of Accountancy from Nanyang Technological University of Singapore and is a Chartered Accountant with the Institute of Singapore Chartered Accountants



**Aaron Goh**  
Investor Relations Manager

- Over 5 years of experience in portfolio management and investment
- Formerly an Assistant Manager of ARA Private Funds
- Assisted in approximately US\$1.3b in real estate transactions in Singapore and Australia
- Relevant experience in investor relations, asset management, and portfolio management for ARA private fund investments in Malaysia, Singapore and Australia
- Received a Bachelor of Finance (Corporate Finance and Investment Management) from The Australian National University



**Lisa Swain<sup>1</sup>**  
Director of Asset Management

- Hotel real estate professional with over 25 years of practical, hands-on experience and operational expertise in revenue management, sales and e-commerce
- Formerly Vice President of Asset Management at Clarion Partners, overseeing a portfolio of 26 Select-service and 6 Full-service hotels (US\$1b AUM)
- Additional relevant experience includes hotel real estate investment consulting (5 years) and property-level hotel management (14 years)
- Received a Bachelor Degree in Business Administration (Hotel, Restaurant and Tourism Administration) from University of South Carolina

### ✓ Wealth of experience in the hospitality sector

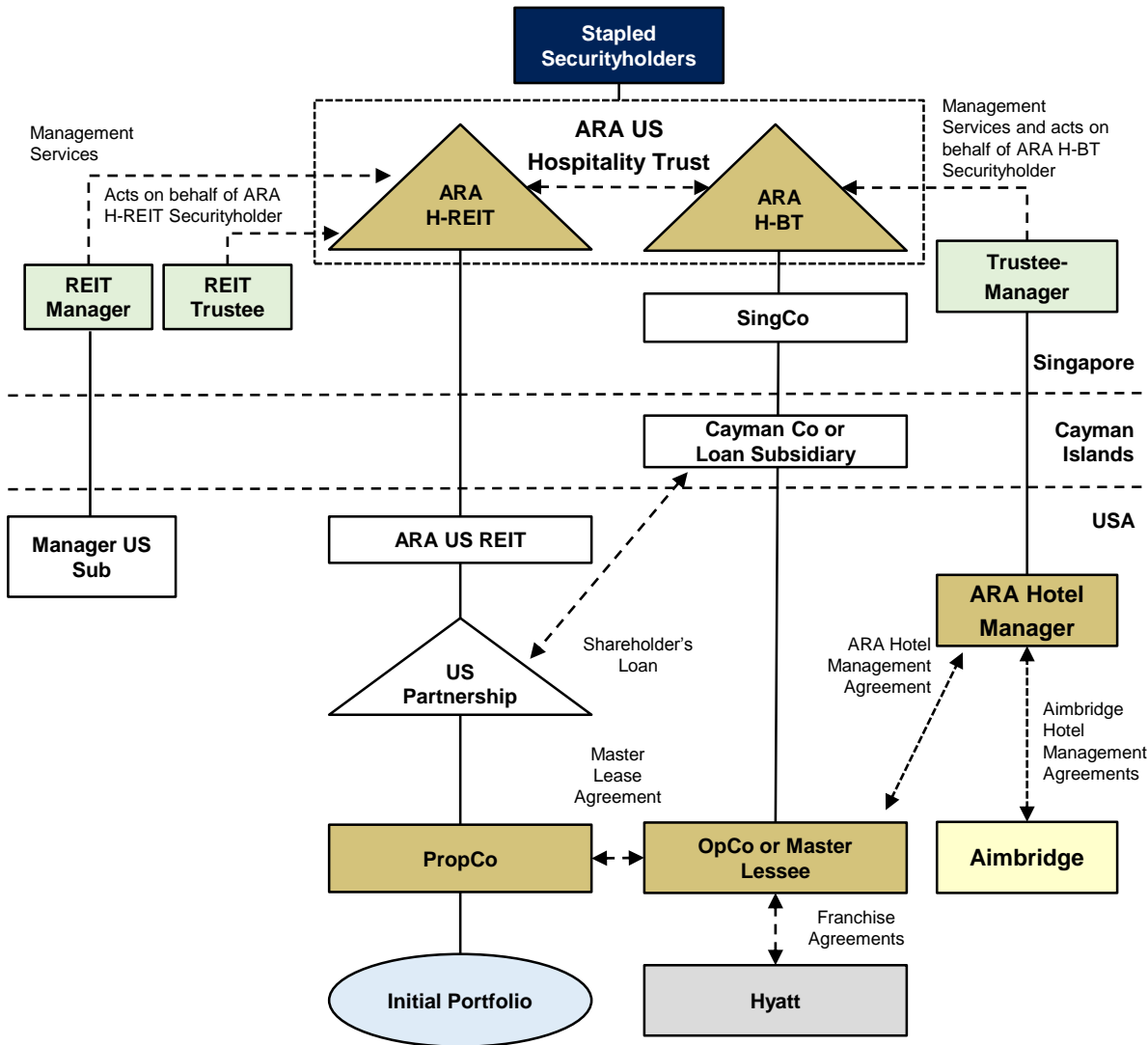
- CEO, Head of Investments and Director of Asset Management have worked in all aspects of the hospitality industry

### ✓ Seasoned real estate professionals

- Management team has an average of over 16 years in the real estate industry

(1) Lisa Swain will be employed by the ARA Hotel Manager (a wholly-owned subsidiary of the Trustee-Manager) which is appointed to operate and manage (through Aimbridge) the hotel operations of the Initial Portfolio in the US

# 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**

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