



CDL HOSPITALITY TRUSTS

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FOR IMMEDIATE RELEASE

27 JUNE 2017

CDL HOSPITALITY TRUSTS MARKS MAIDEN ENTRY INTO THE LARGEST ECONOMY IN EUROPE THROUGH MUNICH, GERMANY AND LAUNCHES S\$255.4 MILLION RIGHTS ISSUE

- **Acquisition of a hotel with a 4-star rating, located in close proximity to major business districts, which will be fully funded by debt financing**
- **Property price of €98.9 million with net property income yield of 5.6% for FY 2016**
- **Rare opportunity to acquire a high quality asset in Munich with exposure to diversified demand drivers and to capitalise on the low funding environment**
- **Strengthens portfolio and earnings base through diversification**
- **Rights issue to enhance financial flexibility through reduced gearing and increased debt headroom**

Singapore, 27 June 2017 – CDL Hospitality Trusts ("CDLHT" or the "Group"), a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust, has today announced the acquisition of Pullman Hotel Munich (the "Hotel") and its office and retail components (the "Commercial Components", and together with the Hotel, the "Property") for €98.9 million (approximately S\$153.8 million¹), which will be fully funded by debt financing and is accretive with a net property income yield of 5.6% for FY 2016³.

Mr Vincent Yeo, Chief Executive Officer of CDLHT's managers, said, "Munich is a compelling destination for our first acquisition in continental Europe, allowing CDLHT to benefit from a potential economic recovery in the region through exposure to the largest economy in Europe. Besides being an important business hub and trade fair destination within Germany, Munich is also home to famous cultural and sporting attractions."

To realign CDLHT's capital structure, through partially repaying its existing borrowings, CDLHT has today also launched a fully underwritten and renounceable rights issue to raise S\$255.4 million. This is expected to enhance CDLHT's financial flexibility through reduced gearing and increased debt headroom. The partial repayment of existing higher interest-bearing borrowings⁴ will also lower its weighted average cost of debt and further improve its interest coverage ratio.

¹ Unless otherwise stated in this press release, all conversions are based on an assumed exchange rate of €1.00 = S\$1.5546.

² €98.9 million (approximately S\$153.8 million), is the payment of property price (the "Property Consideration") pursuant to H-REIT's effective interest of 94.5% in the Property (on the basis of 100% ownership interest in the Property, property price is €104.7 million (approximately S\$162.7 million)). Together with payment of €1.7 million (approximately S\$2.6 million) based on the estimated net working capital and cash of the entities holding the Property, the purchase consideration for the acquisition is €100.6 million (approximately S\$156.3 million).

³ Assuming CDLHT owned the Property from 1 January 2016 and not including The Lowry Hotel, which was acquired on 4 May 2017.

⁴ For the avoidance of doubt, the existing borrowings to be repaid shall not include the loan facilities drawn down to finance CDLHT's acquisition of The Lowry Hotel (Manchester, United Kingdom ("UK")), which was announced on 4 May 2017, and to be drawn down for Pullman Hotel Munich (Munich, Germany), which was announced on 27 June 2017.



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Mr Yeo added, “The acquisition of Pullman Hotel Munich facilitates CDLHT with a strategic entry into Germany and allows us to penetrate a highly sought-after hospitality market while enjoying a spread between the attractive property yield and ultra-low borrowing rates. This equity fund raising exercise will strengthen our balance sheet and enhance financial flexibility, allowing CDLHT to pursue future growth opportunities, through acquisitions and asset enhancement initiatives.”

After the completion of the acquisition of the Property and taking into account the acquisition of The Lowry Hotel, which was announced and completed on 4 May 2017, CDLHT’s gearing is expected to increase from 36.8% (as at 31 March 2017) to 42.6%, not including the rights issue. Including the rights issue, CDLHT’s gearing will be approximately 33.6%, with an enlarged regulatory debt headroom of S\$577.2 million.

On a standalone basis, assuming CDLHT owned the Property from 1 January 2016 on 100% debt financing, the pro forma FY 2016 DPS accretion is approximately 3.8%⁵.

Assuming CDLHT owned the Property and The Lowry Hotel from 1 January 2016, both on 100% debt financing, and proceeded with a rights issue on 1 January 2016 with proceeds raised to partially repay sufficient existing borrowings to maintain the gearing of CDLHT at 36.8%, the acquisitions are expected to be accretive.

LEASE STRUCTURE OF HOTEL

Upon Completion, the Hotel will be leased based on a management lease agreement for 20 years commencing from completion date. The lease structure provides both downside protection and upside participation where rent received is around 90% of the Net Operating Profit of the hotel, subject to a guaranteed fixed rent of €3.6 million (approximately S\$5.6 million). The guaranteed fixed rent is subject to inflationary adjustments with a floor at €3.6 million.

DESCRIPTION OF PROPERTY

The Property is a mixed-use complex on two freehold land plots located in Munich, Germany, consisting predominantly of a purpose-built hotel with a 4-star rating with a comprehensive suite of facilities, as well as secondary spaces currently let out to four retail and seven office tenants. It is strategically located adjacent to the commercial district of “Parkstadt Schwabing”, which is home to a variety of national and international companies, including Amazon, GE Healthcare and the German headquarters of Fujitsu, Microsoft, IBM and Munich Re.

The Property boasts convenient accessibility, with motorways connecting Munich to Berlin and Frankfurt within a two-minute drive away, and the Munich railway station and Munich International Airport being accessible via a short drive. Travellers also have direct access to Munich International Airport via the Lufthansa Express Bus service, which stops diagonally opposite the Property and runs at regular 15 minute intervals⁶, offering significant cost savings and ease of travel to the airport within 25 minutes. The Property is also in proximity to many of Munich’s popular tourist destinations including the English Garden, the BMW headquarters and Allianz Arena.

The Hotel opened in 1986 and underwent a full renovation and rebranding in 2012, following which it continued its operations under the “Pullman” brand. Between 2012 and 2016, a total of €17.6 million was invested towards renovation and refurbishment of the Property, including a full renovation of its 337 guest rooms, food and beverage (“F&B”) outlets, spa and lobby areas.

⁵ Based on the change of the pro forma DPS for FY 2016 of the enlarged portfolio over the DPS for FY 2016 of CDLHT.

⁶ Lufthansa Express Bus Munich Website



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Upon completion, the Hotel will continue to operate under the “Pullman” brand pursuant to its existing franchise agreement with AccorHotels, a leading hotel group operating more than 4,100 hotels in 95 countries⁷. In addition, the Hotel will continue to be leased and operated by EVENT Hotels, which is also the partner to H-REIT who holds the remaining interest in the Property. EVENT Hotels is the largest fully integrated hotel management platform in Germany which owns, operates and manages 59 hotels with approximately 11,000 keys throughout Europe, of which 30 hotels with approximately 8,000 keys are in Germany.

FUNDING OF ACQUISITION

The acquisition will be fully funded initially by debt financing through a loan facility and the acquisition is expected to be completed on or around 18 July 2017. Depending on market conditions, the loan could be refinanced by a term loan or other means, as determined by CDLHT’s managers.

INVESTMENT HIGHLIGHTS OF ACQUISITION

Maiden Entry into Continental Europe through Presence in Munich, Germany

This acquisition marks CDLHT’s first investment in Germany and in the Bavarian capital of Munich, further diversifying its portfolio. Germany is the largest economy in Europe⁸, which recorded a GDP growth of 1.9% in 2016⁹, its strongest growth in five years, which was largely driven by falling unemployment rates and strong growth in private consumption amidst a low interest rate environment, while Germany’s central bank and leading economic institutes have raised their GDP growth estimates for 2017 and 2018, pointing to a broad-based upswing driven by vibrant domestic demand¹⁰. German business confidence in May was reported to have hit its highest level since 1991, underpinned by positive data from manufacturing and construction¹¹ while private sector output in Germany also expanded at the sharpest rate in over six years in May¹². The continued economic resilience amongst its European counterparts has made the nation a highly sought-after destination for real estate investments¹³.

Opportunity to Penetrate a Highly Sought-After Market

The Munich real estate market has strong investor interest from domestic insurance and pension funds, other major European private equity funds as well as sovereign funds from the Middle East, seeking to establish a presence in this key gateway city¹⁴. With relatively higher land costs, Munich has considerably higher barriers to entry than other German cities and this acquisition presents a rare opportunity to penetrate a highly sought-after market.

Vibrant Hospitality Market with Diversified Demand Drivers

As an important business hub and trade fair destination within Germany, as well as a popular tourism destination renowned for its sporting and cultural appeal, Munich recorded about 7.0 million total arrivals and 14.0 million overnight stays in all accommodation facilities in 2016¹⁵. The city is one of Germany’s top performing hospitality markets¹⁶ where it posted the highest Average Daily Rate and Revenue per Available

7 AccorHotels Website

8 CIA World Factbook

9 Reuters, “German economy surges at fastest rate in five years”, 12 January 2017

10 Euronews, “Germany sticks to cautious growth outlook despite brighter prospects”, 16 June 2017

11 Business Times, “German business confidence hits highest level since 1991”, 23 May 2017

12 PMI by IHS Markit, IHS Markit Flash Germany PMI, 23 May 2017

13 Jones Lang LaSalle, Hotel Intelligence Munich, September 2016

14 CBRE Valuation Report dated 26 May 2017

15 Muenchen.de

16 Jones Lang LaSalle, Hotel Intelligence Munich, March 2017



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Room (“RevPAR”) in 2016 amongst the major German cities¹⁷.

Munich is home to high-tech industries, traditional production, information and communication technology, automotive engineering, medical engineering and finance, all of which are strong market drivers and the city is host to the headquarters of various companies listed on the Frankfurt Stock Exchange, including Siemens AG, Allianz, Linde, Munich RE and BMW.

Alongside the balanced mix of industries, Munich also has the strongest economy and purchasing power among major German cities and is the third largest office location in Europe, with 22.5 million sq m of existing office space¹⁸. The modern Messe München with 16 halls spread across 180,000 sq m of exhibition space also makes the city ideal for attracting meetings, incentives, conferencing and exhibitions (“MICE”) demand¹⁹. There are more than 70 trade shows set to take place in Munich from 2017-2018²⁰.

Munich is home to FC Bayern Munich, the dominant football team in Germany, with its homeground stadium being Allianz Arena. With the success of FC Bayern Munich due to its numerous accolades including winning the Bundesliga 27 times and Champions League five times²¹, as well as its huge fan base worldwide, football match days represent a significant business driver for the Hotel. In addition, Allianz Arena is also home to another Bundesliga football club, TSV 1860 Munich.

A vibrant tourist destination with important cultural attractions such as theatres, opera houses and museums as well as festivals, major sights in Munich include the Church of Our Lady, the city hall located within the historic city centre, Nymphenburg Castle, Allianz Arena and Olympiapark. The internationally renowned Oktoberfest, which is the world’s largest beer festival and funfair held in September, attracts close to six million visitors annually²².

As such, Munich has an attractive hospitality market given the strong mix of corporate, leisure and MICE guests, which generates stable demand throughout the year, although there is some year-to-year variability due to the local trade fair cycle as leading trade fairs take place on a triennial and biennial frequency respectively.

High Quality Asset with Excellent Location

The Hotel underwent complete renovation in 2012 and has a total of 337 guest rooms, including 24 suites, as well as a comprehensive suite of facilities including conference rooms, F&B outlets and a spa.

The Property is located in close proximity to a major business park, Parkstadt Schwabing, where it is home to industry heavyweights like Accenture, Amazon, MAN Financial Services, and Microsoft, as well as being adjacent to the headquarters of Munich RE, Zurich Financial Services and Stadtparkasse Munich, and is within a 10-minute drive to the BMW headquarters.

The Property is easily accessible to popular tourism destinations in Munich, with an entrance to the U-bahn (subway) located directly at its rear, connecting its guests to the main historic city centre and the trendy retail district of Schwabing. Allianz Arena – FC Bayern Munich’s football stadium – is only five stops away from the Property via the U-bahn.

New developments in proximity to the area include Schwabinger Tor, a mixed-use scheme of almost 90,000 sq m consisting of office and residential areas. CDLHT’s managers believe that with its strategic location, the Property will continue to benefit from a well-diversified mix of demand.

17 STR Global data

18 CBRE Valuation Report dated 26 May 2017

19 CBRE Valuation Report dated 26 May 2017

20 Events Eye, Trade Shows in Munich 2017-2018

21 FC Bayern Munich website

22 Oktoberfest.de website



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Capitalising on Low Funding Environment and Expected Economic Recovery in Europe

In line with CDLHT's strategy, the acquisition enables CDLHT to capitalise on the window of opportunity afforded by the extraordinarily low funding environment in Europe to enjoy an attractive spread between the property yield and borrowing rates. In addition, an European economic recovery is expected given the recent strong economic indicators, with the Eurozone recording its lowest unemployment rate in eight years and with factories reporting their highest levels of activity since 2011²³.

Broadening Earnings Base and Strengthening Portfolio through Diversification

The Property will provide Stapled Security Holders the benefit of geographical diversification while drawing on the resilience and potential growth of the German hospitality sector. The acquisition is also expected to benefit Stapled Security Holders by broadening CDLHT's earnings base.

Assuming CDLHT owned the Property from 1 January 2016, it would contribute approximately 5.9%²⁴ of CDLHT's total net property income on a pro forma basis for FY 2016. On the same basis and including The Lowry Hotel in CDLHT's portfolio from 1 January 2016, the Property would contribute approximately 5.7%.

RIGHTS ISSUE

The rights issue comprises an offer of 199,545,741 Rights Stapled Securities to Eligible Stapled Security Holders based on a rights ratio of 20 Rights Stapled Securities for every 100 existing Stapled Securities in CDLHT, at an issue price of S\$1.280 per Rights Stapled Security, to raise gross proceeds of approximately S\$255.4 million. This represents a discount of 23.8% to the closing price of S\$1.680 per Stapled Security on 27 June 2017 and a discount of 20.7% to the theoretical ex-rights price of S\$1.613 per Stapled Security²⁵.

To demonstrate its support for CDLHT and the rights issue, CDLHT's sponsor, Millennium & Copthorne Hotels plc, will through its wholly-owned subsidiaries, subscribe and pay in full for the total provisional allotment of the Rights Stapled Securities, which represents approximately 36.98% of the rights issue.

Of the S\$255.4 million gross proceeds raised from the rights issue, approximately S\$250.0 million will be used to partially repay CDLHT's existing borrowings, which shall not include the loan facilities drawn down to finance CDLHT's acquisition of The Lowry Hotel and Pullman Hotel Munich. Approximately S\$1.0 million will be used for working capital and capital expenditure purposes and approximately S\$4.4 million will be used to pay for the total costs and expenses relating to the rights issue.

Mr Yeo concluded, "The rights issue offers Eligible Stapled Security Holders an opportunity to subscribe for the Rights Stapled Securities at an attractive discount and to participate in CDLHT's future growth. Once our acquisition in Munich and equity fund raising are completed, CDLHT's portfolio will see the addition of two new European properties in 2017 and our total valuation of the portfolio will increase from S\$2.4 billion at end 2016 to S\$2.7 billion. Our enlarged portfolio and debt headroom, coupled with diversified income sources, will allow us to continue to generate long-term sustainable returns for our Stapled Security Holders."

²³ Financial Times, "Eurozone unemployment falls to its lowest rate in 8 years", 3 April 2017

²⁴ Pursuant to H-REIT's interest in the Property, based on the pro forma annualised pro rata NPI of the Property for FY 2016 of €5.6 million (approximately S\$8.7 million).

²⁵ Theoretical ex-rights price of S\$1.613 per Stapled Security is calculated as (Market capitalisation of CDLHT based on last trading day of the Stapled Securities prior to the announcement of the rights issue + Gross proceeds from the rights issue) / (Stapled Securities outstanding after the Rights Issue).



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Please refer to Appendix A for an indicative timetable relating to the rights issue.

– ENDS –

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About CDL Hospitality Trusts

CDL Hospitality Trusts (“CDLHT”) is one of Asia’s leading hospitality trusts with assets valued at S\$2.5 billion. CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust (“H-REIT”), a real estate investment trust, and CDL Hospitality Business Trust (“HBT”), a business trust. CDLHT was listed on the Singapore Exchange Securities Trading Limited on 19 July 2006. M&C REIT Management Limited is the manager of H-REIT, the first hotel real estate investment trust in Singapore, and M&C Business Trust Management Limited is the trustee-manager of HBT.

CDLHT was established with the principal investment strategy of investing in a diversified portfolio of hospitality and/or hospitality-related assets. As at 4 May 2017, CDLHT owns 16 hotels and two resorts comprising a total of 5,077 rooms as well as a retail mall. The properties under CDLHT’s portfolio are:

- (i) six hotels in the gateway city of Singapore (Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King’s Hotel, Novotel Singapore Clarke Quay and Studio M Hotel) as well as a retail mall adjoining Orchard Hotel (Claymore Connect);
- (ii) five hotels in Brisbane and Perth, Australia (Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth);
- (iii) two hotels in Japan’s gateway city of Tokyo (Hotel MyStays Asakusabashi and Hotel MyStays Kamata);
- (iv) one hotel in New Zealand’s gateway city of Auckland (Grand Millennium Auckland, formerly known as Rendezvous Hotel Auckland);
- (v) two hotels in United Kingdom (Hilton Cambridge City Centre in Cambridge and The Lowry Hotel in Manchester); and
- (vi) two resorts in Maldives (Angsana Velavaru and Jumeirah Dhevanafushi).



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IMPORTANT NOTICE

The value of stapled securities in CDL Hospitality Trusts (“**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, M&C REIT Management Limited (as the manager of CDL Hospitality Real Estate Investment Trust), M&C Business Trust Management Limited (as the trustee-manager of CDL 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 CDL Hospitality Trusts is not necessarily indicative of the future performance of CDL Hospitality Trusts.

This press release 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 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.

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Appendix A

INDICATIVE TIMETABLE

An indicative timeline for the Rights Issue is set out below (all references are to Singapore dates and times):

Event	Date and Time
Last day of “cum-rights” trading for the Rights Issue	30 June 2017
First day of “ex-rights” trading for the Rights Issue	3 July 2017
Lodgement of Offer Information Statement	5 July 2017
Rights Issue Books Closure Date	5 July 2017 at 5.00 p.m.
Despatch of the Offer Information Statement (together with the application forms) to Eligible Stapled Security Holders	10 July 2017
Commencement of trading of Rights Entitlements	10 July 2017 from 9.00 a.m.
Last date and time for trading of Rights Entitlements	18 July 2017 at 5.00 p.m.
Closing Date:	
Last date and time for acceptance of the Rights Entitlements and payment for Rights Stapled Securities	24 July 2017 at 5.00 p.m. ⁽¹⁾ (9.30 p.m. for Electronic Applications through ATMs of Participating Banks)
Last date and time for application and payment for Excess Rights Stapled Securities	24 July 2017 at 5.00 p.m. ⁽¹⁾ (9.30 p.m. for Electronic Applications through ATMs of Participating Banks)
Last date and time for acceptance of and payment by the renounee	24 July 2017 at 5.00 p.m.
Expected date for commencement of trading of Rights Stapled Securities on the SGX-ST	2 August 2017 from 9.00 a.m.

Note:

- (1) If acceptances of the Rights Entitlements and (if applicable) applications for Excess Rights Stapled Securities, as the case may be, are made through CDP in accordance with the ARE and the ARS.