



**FAR EAST**  
HOSPITALITY  
TRUST

Presentation at  
10<sup>th</sup> Annual General Meeting

21 April 2022

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# Agenda

- Year in Review:
  - Financial & Portfolio Performance
  - Capital Management
  - Portfolio Optimisation – Divestment of Central Square
  - Asset Enhancement Initiatives
  - Sustainability & Corporate Governance
- Outlook



## Financial & Operational Performance

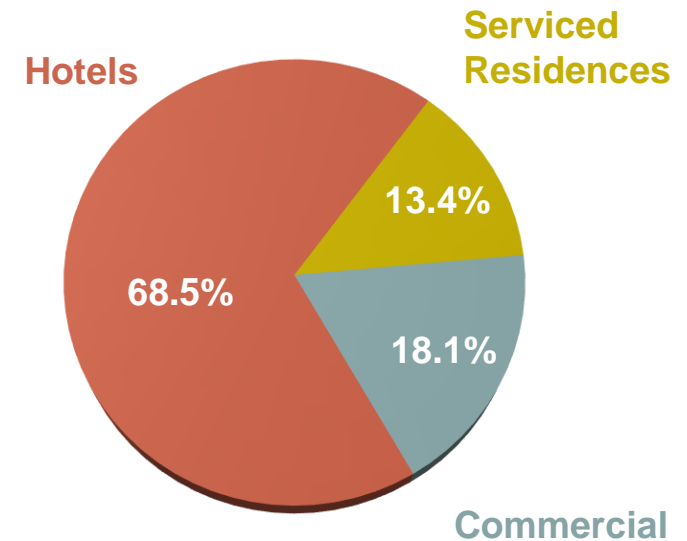


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# FY 2021 Financial Performance

	FY 2021 S\$'000	YoY Variance %
Gross Revenue	83,248	(0.0)
Net Property Income	75,172	4.1
Income Available for Distribution	54,847	14.5
Distribution per Stapled Security (cents)	2.63	9.1

## Breakdown of Revenue by Segment



- Gross Revenue for FY 2021 was S\$83.2 million, on par with FY2020. Net Property Income was 4.1% higher.
- Finance Expenses decreased mainly due to lower short-term interest rates and lower fixed interest rates on interest rate swap contracts.
- Distribution to Stapled Securityholders was S\$52.0 million resulting in a DPS of 2.63 cents, 9.1% higher year-on-year.

# Portfolio Performance – Hotels

## Operating Performance

Average Occupancy

**79.4%**

Average Daily Rate

**S\$70**

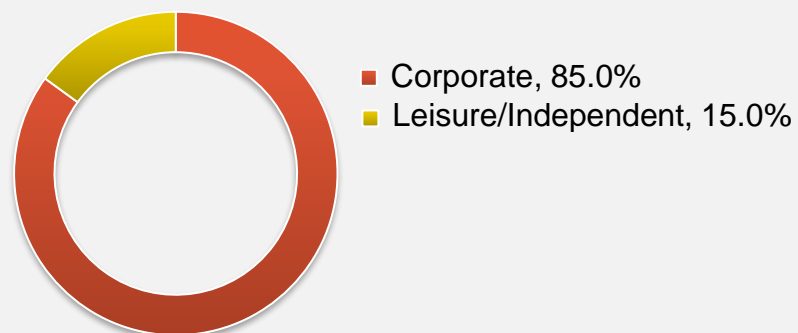
Revenue per Available Room

**S\$56**

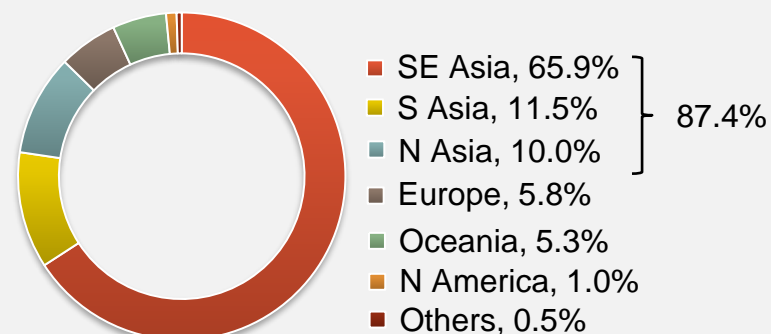
- For FY 2021, overall portfolio occupancy was largely supported by Government contracts.

## Revenue Contribution

**By Market Segment**



**By Region**



- Revenue contribution by the Corporate segment was 85.0%, supported mainly by long-term Government contracts and companies requiring accommodation for their workers. The remaining 15% was contributed by the Leisure segment, supported mainly by domestic staycation demand as border closures continued to limit inbound travel bookings.
- Revenue contribution by the Asian region grew 6.8pp to 87.4%, reflecting the nationality of guests under Government contracts, companies requiring long stay accommodation for their foreign workers and domestic staycation demand.

# Portfolio Performance – Serviced Residences

## Operating Performance

Average Occupancy

**77.5%**

Average Daily Rate

**S\$181**

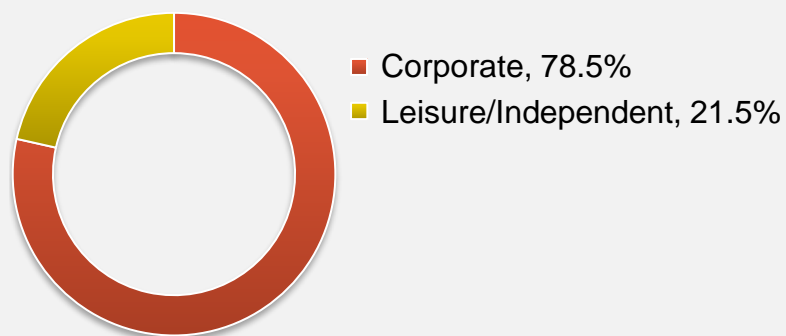
Revenue per Available Unit

**S\$140**

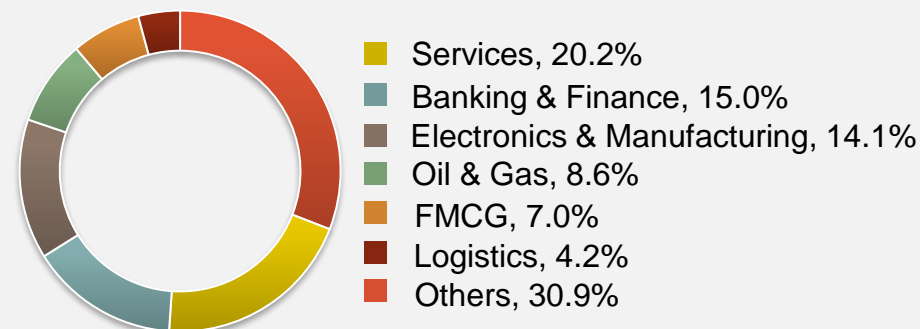
- For FY 2021, the Serviced Residences performed more robustly compared to the Hotels, relying on a healthy base of long-stay contracts, relocation business and lease renewals.

## Revenue Contribution

**By Market Segment**



**By Industry**



- Revenue contribution by the Corporate segment was 78.5%, supported by pre-existing long leases, project groups and relocation business.
- The Services and Banking & Finance industries represented the biggest contributors to revenue.

# Portfolio Performance – Commercial Premises

## Performance

Revenue

**S\$15.1 million**

Average Occupancy

**70%**

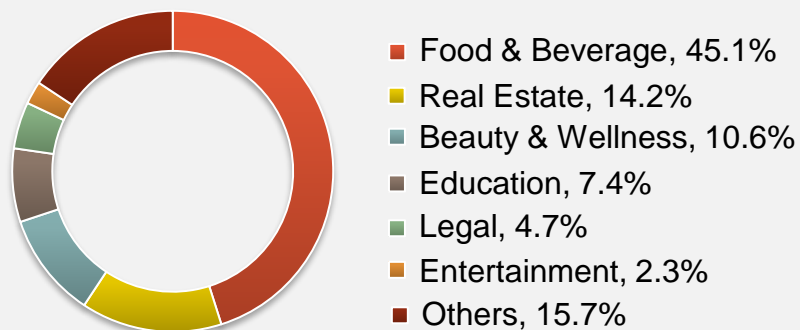
WALE

**1.18 Years**

- For FY 2021, revenue from the Retail and Office spaces decreased 8.8% year-on-year to S\$15.1 million due to lower occupancy at the Hotels contracted to the Government for isolation purposes.
- New leases entered during the year had a WALE of 2.23 years and made up 8.2% of Retail and Office revenue for the year.

## Revenue Contribution

### Trade Sector Mix of Tenants by Revenue



### Top 10 Tenants (Revenue Contribution)

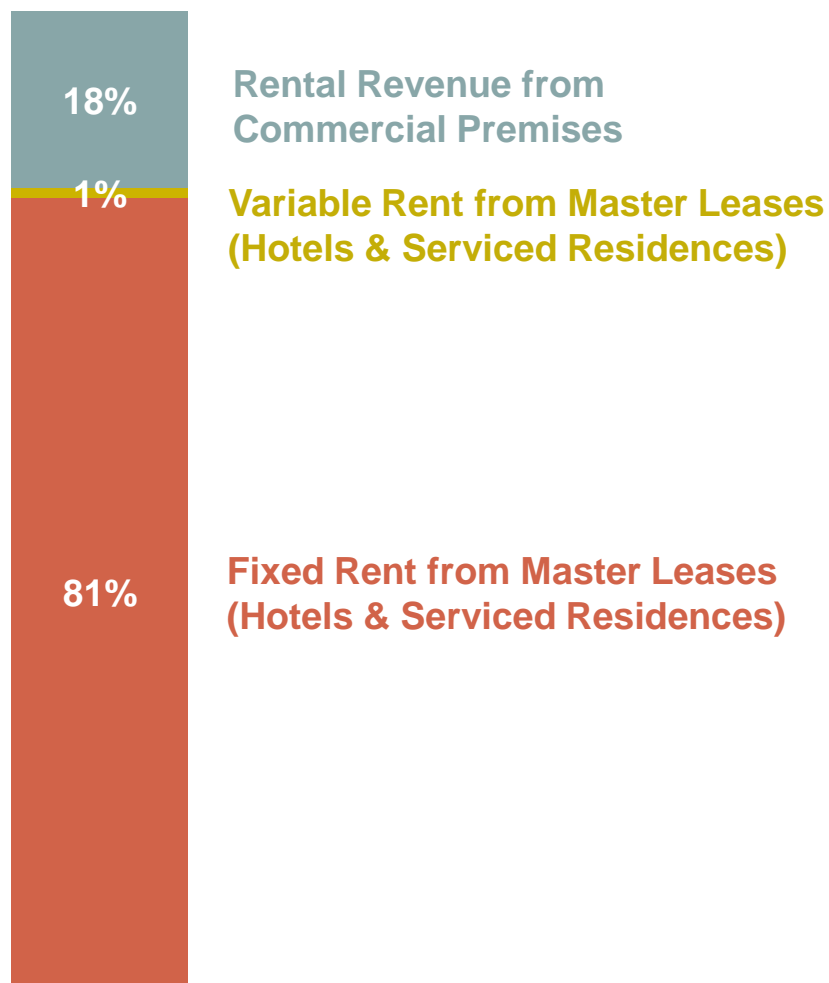
1.	Far East Organization entities	10.1%
2.	Akashi Japanese Restaurant OPH Pte Ltd	6.5%
3.	Club Chinois Pte Ltd	5.8%
4.	Sivasanta Group Pte Ltd	3.2%
5.	Singapore Hospitality Group Pte Ltd	3.2%
6.	SPH Media Limited	2.5%
7.	Kam Boat Chinese Cuisine Pte Ltd	2.3%
8.	G & R Fusion Pte Ltd	2.1%
9.	Boffi Singapore Pte Ltd	2.1%
10.	Commonwealth Concepts Pte Ltd	2.1%

- Top 10 tenants contributed about 39.9% of Retail and Office revenue.



# Breakdown of Rental Revenue

## Revenue Mix



### Fixed rent makes up large proportion of revenue

- Fixed rent from Hotels and Serviced Residences formed about 80% of gross revenue.
- The minimum rental payment provided downside protection for Stapled Securityholders and mitigated the impact of volatility experienced during adverse economic circumstances.
- 20-year master leases with the Sponsor for all properties remain unchanged.
- All master leases have remaining tenures of more than 10 years.

## Capital Management

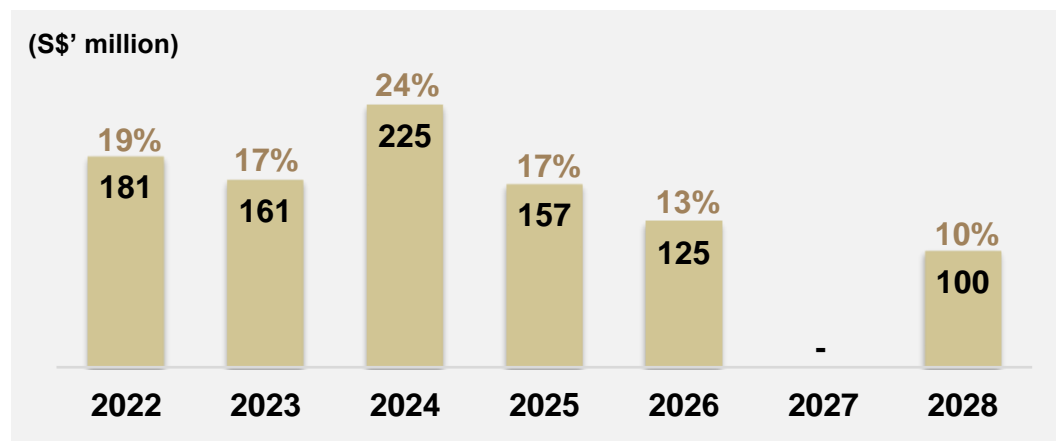


# Capital Management

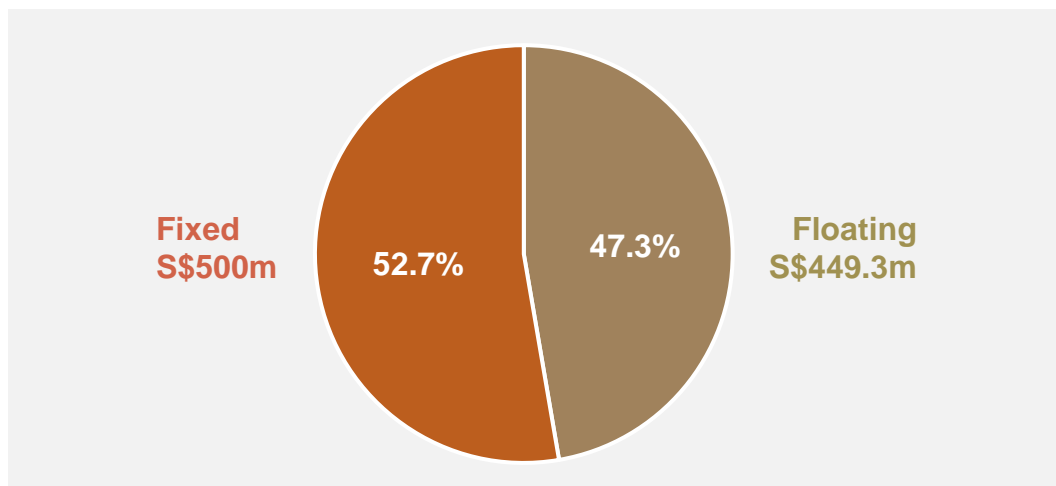
## As at 31 Dec 2021

<b>Total Debt</b>	S\$949.3m
<b>Available Revolving Facility</b>	S\$300.0m
<b>Aggregate Leverage</b>	38.3%
<b>Unencumbered Asset as % of Total asset</b>	100%
<b>Proportion of Fixed Rate</b>	52.7%
<b>Weighted Average Debt Maturity</b>	2.7 years
<b>Average Cost of Debt</b>	1.9%
<b>Interest Coverage Ratio<sup>1</sup></b>	3.4x

## Debt Maturity Profile



## Interest Rate Profile



<sup>1</sup> Interest coverage ratio is computed based on EBITDA over interest expense as per the definition in the loan covenants. This would be 3.1x based on the definition prescribed by Appendix 6 of the Code on Collective Investment Schemes.

- **Financial Flexibility**

- Unencumbered assets: 13 properties with total value of S\$2.61 billion<sup>1</sup>.
- Ample financial ability and flexibility to fund future asset enhancement initiatives and acquisitions.
- Available and undrawn facility: S\$300 million<sup>1</sup>.

- **Minimisation of Refinancing Risk**

- Well-spread debt maturity profile to minimise refinancing risk – no more than 24% of debt due for refinancing in any year.
- Refinanced a S\$125 million term loan to a maiden 5-year sustainability-linked loan in March 2021.
- Weighted average debt to maturity of 2.7 years<sup>1</sup>.

- **Appropriate Hedging Strategies**

- Maintaining appropriate proportion of interest rate hedges to manage interest rate risk.
- Executed a sustainability-linked interest rate swap of S\$85 million over a 2.5-year term.
- 52.7%<sup>1</sup> of borrowings on fixed rates with interest rate swaps.

<sup>1</sup> As at 31 December 2021

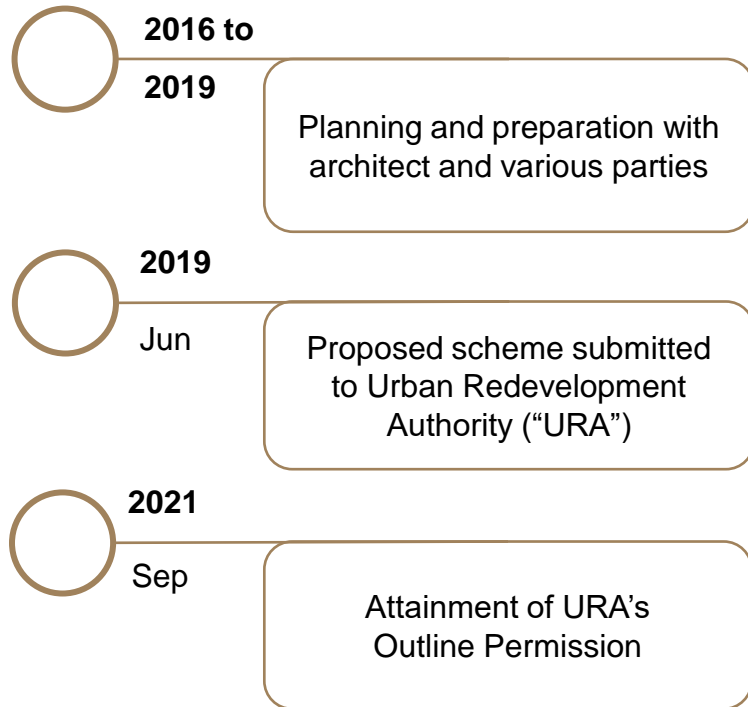
## Portfolio Optimisation

- Divestment of Central Square



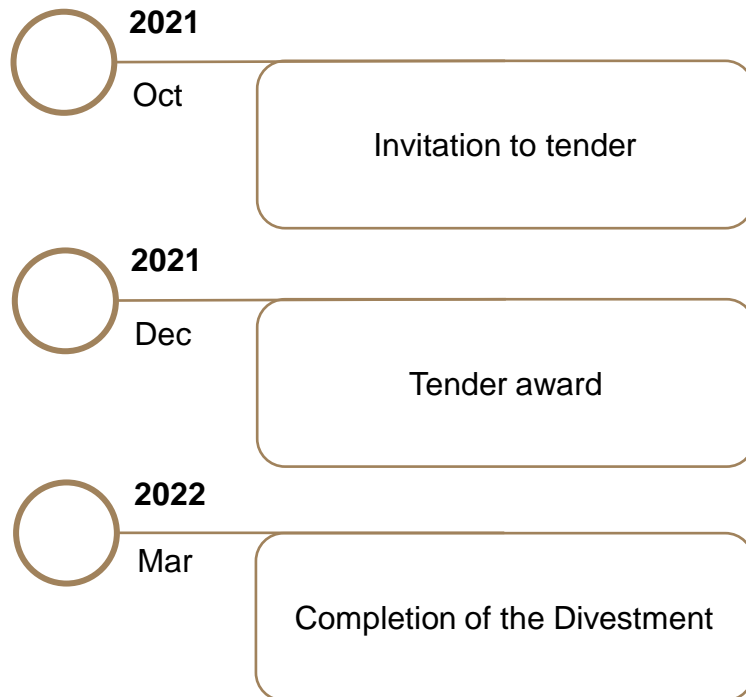
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# Preparation to Obtain Planning Approval



- Attainment of URA's Outline Permission in September 2021, supporting the rezoning of the site and an increase in maximum permissible Gross Floor Area ("GFA") by 78% to 31,758 sqm.

# Crystallisation of Value Created



## **Deliberation of options**

- Decision to divest was made after careful consideration, with factors such as the long gestation period and development threshold for REITs.

## **A tender was held to secure the best offer for Central Square**

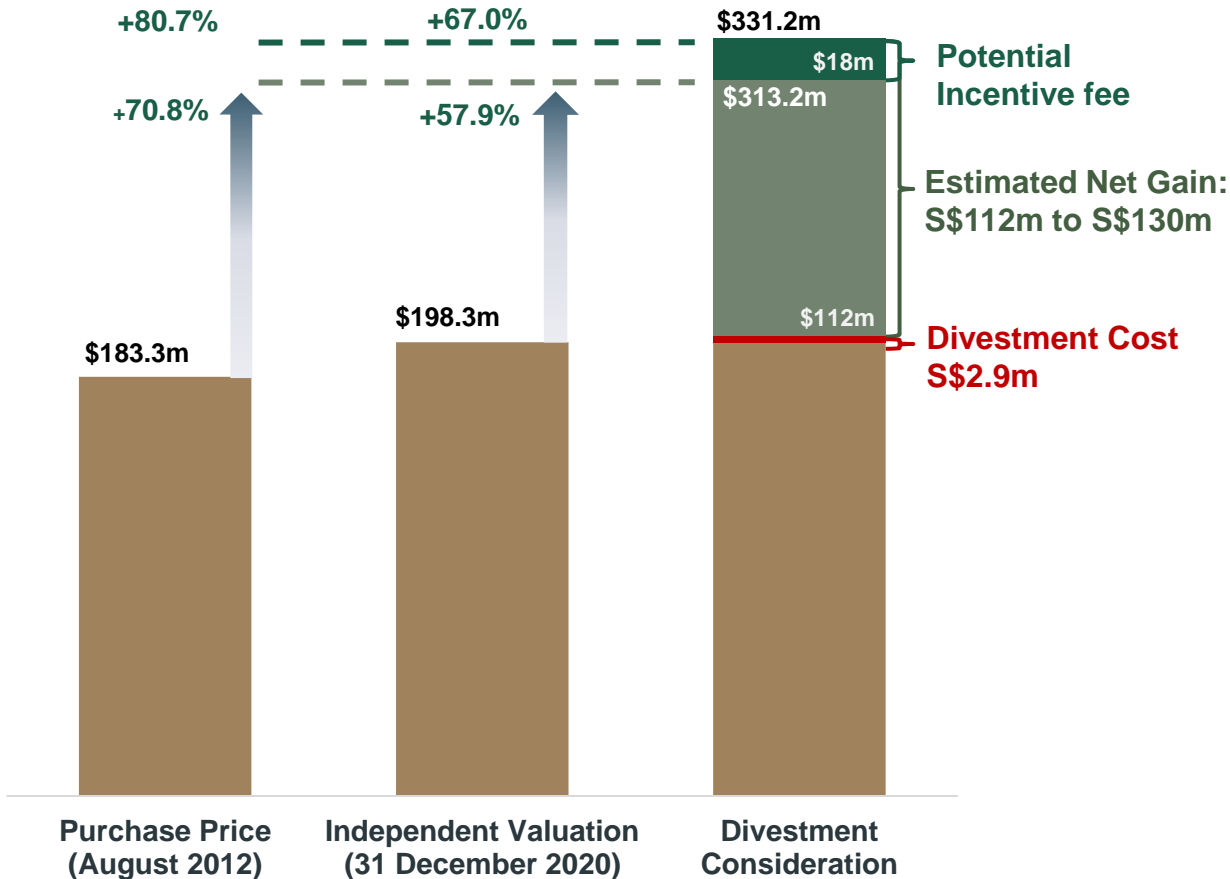
- Appointment of Knight Frank Pte Ltd as the marketing agent.
- An independent valuer was commissioned by the Trustee and REIT Manager.
- Independent auditor was appointed to witness the tender opening.

## **CDL emerged as the highest bidder in the tender**

- Agreement signed with CDL.
- Divestment completed on 24 March 2022.

# Key Benefits from Divestment

## Unlocked Asset Potential to Realise Value



- Divestment consideration of S\$313.2m with an additional incentive fee of up to S\$18.0m, subject to certain conditions being fulfilled by 31 December 2023.
- Divestment represented an attractive exit yield of 1.8%<sup>1</sup>.
- Premium:
  - ↑ 71% to 81% over purchase price.
  - ↑ 58% to 67% over valuation as at 31 December 2020.
- Estimated net gain of about S\$112m to S\$130m.

<sup>1</sup> Exit yield is calculated based on FY 2020 Net Property Income

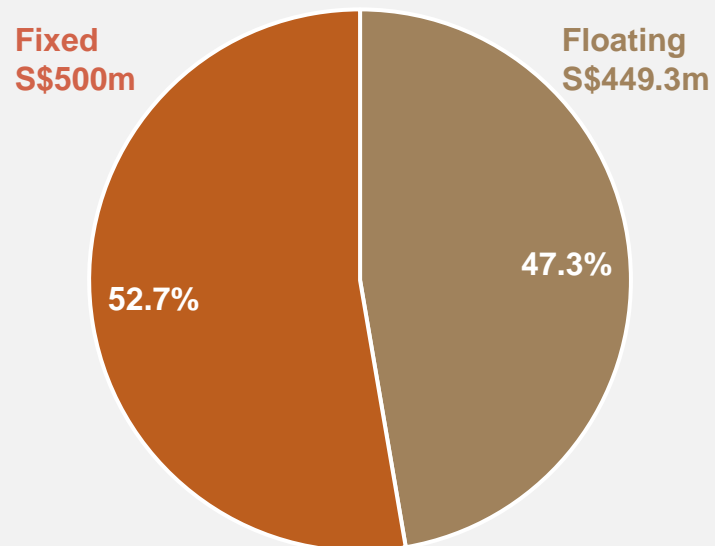


# Key Benefits from Divestment

## Reduction of Floating Rate Loans

### Interest Rate Profile

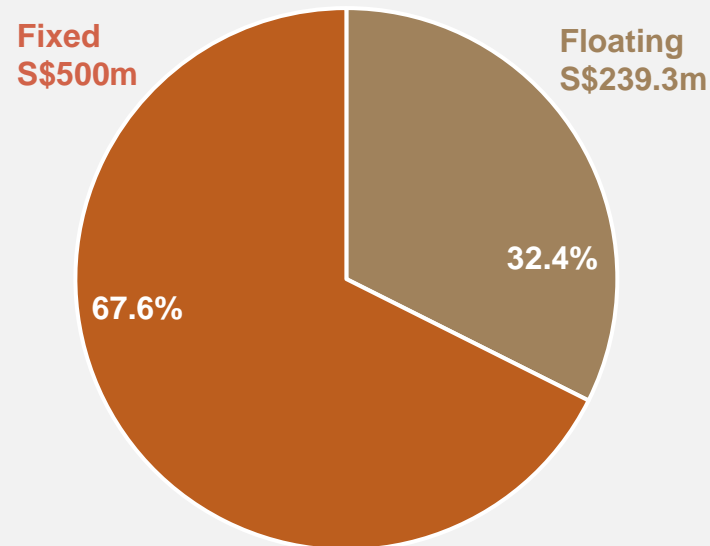
As at 31 December 2021



Total Debt of S\$949.3m



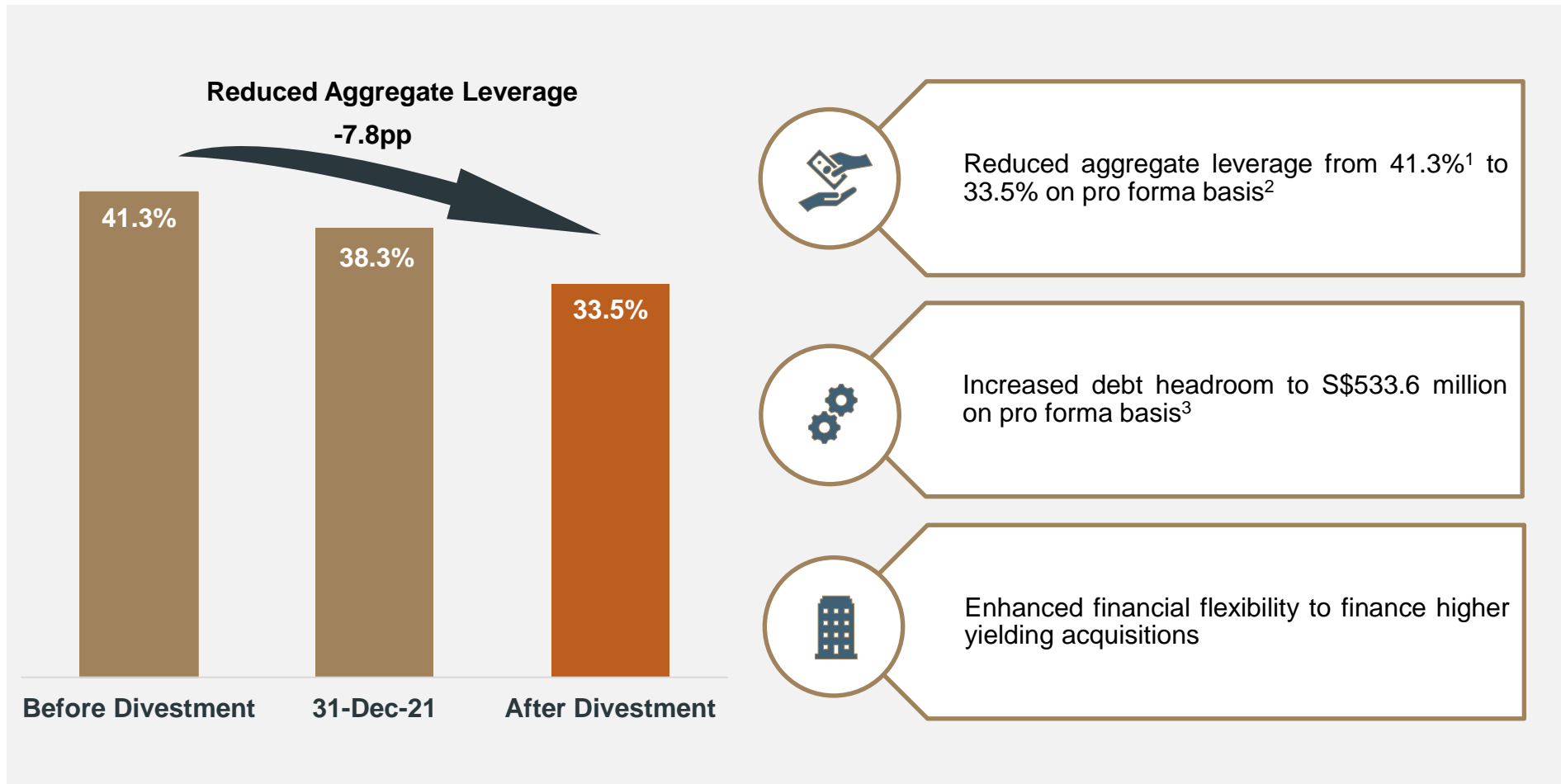
After divestment



Total Debt of S\$739.3m

# Key Benefits from Divestment

## Strengthened Balance Sheet & Increased Financial Flexibility



1 As at 30 June 2021

2 Assuming 83.9% of the net divestment proceeds are used to repay outstanding borrowings

3 Assuming aggregate leverage limit of 45%

## Asset Enhancement Initiatives



# Completed Initiatives

## Village Hotel Bugis



Major plant and machinery were upgraded, resulting in substantial savings in energy savings and BCA's Green Mark Gold Plus Certification.

## Village Hotel Changi



Replacement of the cooling towers were undertaken, resulting in better cooling efficiency and energy savings.

## Oasia Hotel Novena



Overhaul of one of the building's chillers was carried out which improved the overall energy efficiency.



# Enhancement Works in 2022

## Orchard Rendezvous Hotel

Renovation of the outdoor refreshment area and forecourt





# Orchard Rendezvous Hotel – New F&B Concepts



\*Images shown are based on artist impression



# Orchard Rendezvous Hotel – New F&B Concepts

WHITE *by Otto*  
MARBLE



うんかい  
UNKAI  
SUSHI



White Marble



White Marble



Unkai Sushi



# Enhancement Works in 2022

## Regency House

Refurbishment of the lobby



Reception area\*



Lounge area\*



\*Artist impression



# Enhancement Works in 2022

## The Elizabeth Hotel

Upgrading of reception, common areas and guestrooms



Lobby\*



Family room\*



\*Artist impression

## Sustainability & Corporate Governance



# Highlights on Sustainability Efforts

## FEHT's Sustainability Journey



## Key Highlights

- In October 2021, the Audit and Risk Committee was renamed as the Audit, Sustainability and Risk Committee to encapsulate the expanded scope and oversight over FEHT's sustainability efforts.
- With expertise from KPMG, a strategic review over FEHT's Environmental, Social and Governance framework, sustainability strategy and materiality topics was undertaken.



# Continued Commitment to Sustainability Efforts

## FEHT's Sustainability Strategy

### Responsible Stewardship

Far East H-Trust's sustainability vision is about partnering our stakeholders to positively impact communities and the environment in markets we operate in

#### Creating Lasting Value

We focus on long-term growth of our hospitality portfolio to unlock value for all stakeholders.



#### Securing Our Future

We collaborate with stakeholders to adopt energy-efficient initiatives and manage our resources responsibly to achieve climate resilience.



#### Impacting Lives

We proactively engage staff, tenants, customers, and communities to generate positive impacts.



### Good Governance

We strive to maintain stakeholders' trust through continuous strengthening of our governance policies (aligned to global best practices), which underpin all our sustainability efforts.

# Corporate Governance Highlights

## Alignment with Stapled Securityholders

Change in formula of Manager fee since 1 January 2020	Impact of change in formula on FY2021 fee
<b>Base fee</b> is reduced from 0.3% to <b>0.28% per annum of the value of the deposited property</b> of Far East H-REIT.	Decrease in base fee of <b>S\$0.5 million</b> or <b>6.7%</b>
<b>Performance fee</b> is reduced from 4.0% of the net property income to <b>4.0% of the net property income or 4.0% of the annual distributable amount</b> for that financial year, whichever is lower.	Decrease in performance fee of <b>S\$0.8 million</b> or <b>26.7%</b>

- The overall REIT Manager's Fees for **FY 2021** is lower by **S\$1.3 million** or **12.3%** based on the above changes in formula.



# Corporate Governance Highlights

## Singapore Governance and Transparency Index (REITS and Business Trust)

**Ranked 2<sup>nd</sup>**

- In August 2021, FEHT was ranked 2<sup>nd</sup> out of 43 REITs and Business Trusts, on the Singapore Governance and Transparency Index, improving on its 4th position from 2020.

## Governance Index for Trusts

**Ranked Joint 9<sup>th</sup>**

- In November 2021, FEHT was ranked joint 9<sup>th</sup> out of 45 REITs and Business Trusts, on the Governance Index for Trusts, maintaining its top 10 positioning from 2020.

## Council for Board Diversity

**Commended for attaining gender parity**

- In September 2021, FEHT was commended by the Council for Board Diversity (“CBD”) for having **attained gender parity**, with 50% female representation on the Board, **well above the national average of 18%** for the top 100 SGX-listed companies and **CBD’s recommendation of having 25% female representation** by 2025.



## **SIAS Investors' Choice Award**

### **Runner-up**

- In October 2021, FEHT was honoured as runner-up for the Shareholder Communications Excellence Award (REITs & Business Trusts category) in the 2021 SIAS Investor's Choice Awards, recognising FEHT's efforts in transparent disclosure and excellent communication with shareholders.

## **FTSE EPRA Nareit Global Developed Index**

### **Inclusion of FEHT**

- In September 2021, FEHT was included in the FTSE EPRA Nareit Global Developed Index. This inclusion supports our endeavour to improve the visibility of FEHT amongst institutional investors globally, allowing the Trust to further diversify its shareholder base and tap on a wider pool of capital going forward.



## Outlook

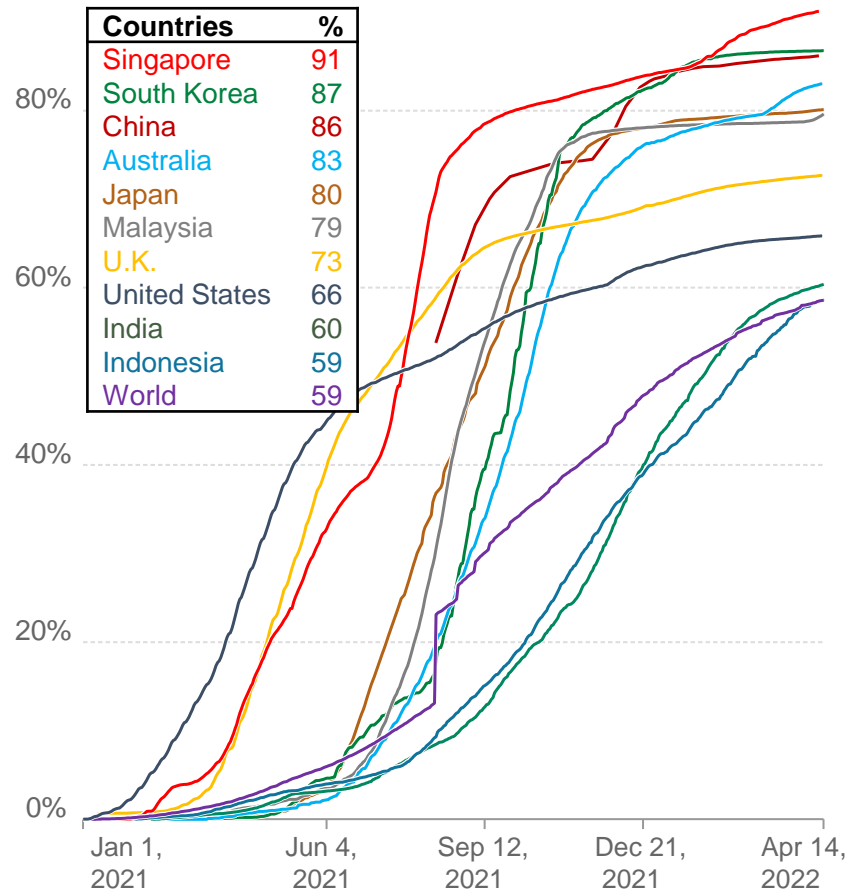


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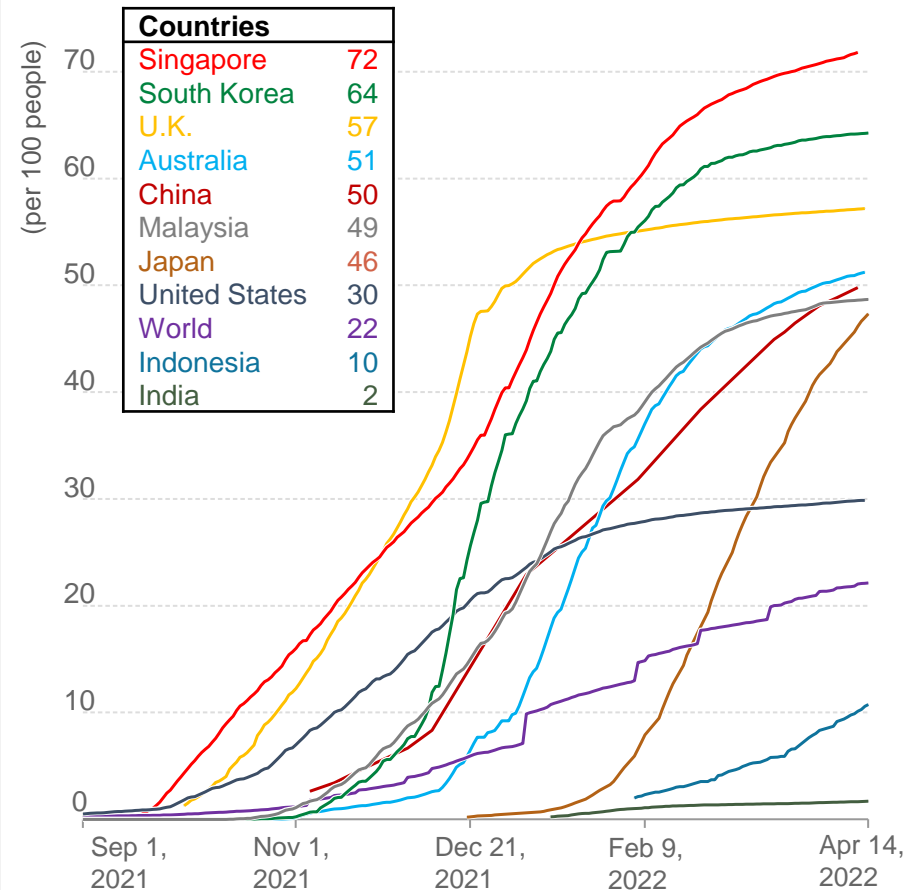
# Vaccination Rates and Boosters Administered in Key Markets

## Vaccination Rates



- Majority of people in key markets fully vaccinated.

## Boosters Administered



- Continued progress of booster shots being administered.

# Recovery of Air Passenger Numbers

## Passenger Numbers

SHARE OF 2019	2021	2022	2023	2024	2025
International	27%	69%	82%	92%	101%
Asia Pacific	40%	68%	84%	97%	109%

- IATA expects traffic to/from/within Asia Pacific to reach 68% of 2019 levels in 2022.
- Expected improvement of passenger numbers is due to the progressive relaxation or elimination of travel restrictions in many markets.
- Airlines have also been gradually adding capacity. For example, Singapore Airlines is back to operating at 56% of pre-pandemic seat capacity.

## Outlook for 2022

### **Gradual resumption of travel as the world transitions to living with COVID-19**

- Rising number of COVID-19 vaccinations and booster shots administered globally coupled with the development of alternative forms of COVID-19 treatment and effective rapid testing will facilitate the recovery in international travel.
- Streamlining of travel measures and easing of safe distancing measures will encourage more travellers and bigger scale events in Singapore.

### **Muted supply of new hotel rooms**

- Supply of 2,069 new rooms for 2022 is much lower than the average of 2,400 rooms added annually between 2015 and 2019<sup>(1)</sup>.

### **Mitigating factors for Far East H-Trust**

- Far East H-Trust's high fixed rent component in the master leases provides downside protection for the gross revenue of the Trust. The 20-year master leases on all portfolio assets are well-supported by the Sponsor, Far East Organization.

<sup>(1)</sup> Savills report issued as at March 2021

## Medium-Term Outlook

### **Growing business hub – Singapore continues to attract foreign investments**

- S\$11.8 billion in fixed asset investments in 2021, above the medium to long-term yearly target of between S\$8 billion and S\$10 billion set by the Economic Development Board.
- Strong investments by Electronics and Biomedical manufacturing firms with 67% and 13% of investment commitments coming from United States and Europe respectively.
- New investments expected to drive demand for accommodation from corporate travellers and project groups.

### **Expanding tourism offerings**

- S\$500m set aside by the Singapore Tourism Board for the next few years to strengthen Singapore's position as a global hub for business tourism and urban wellness haven.
- Major expansion of key tourism areas such as the revamp of Mandai Wildlife Reserve, Sentosa (*including development of Pulau Brani, collectively known as the Greater Southern Waterfront project*), and the Integrated Resorts.

### **Ongoing infrastructure projects to enable Singapore to remain connected and relevant to the world**

- Continued development of infrastructure projects such as Changi Airport Terminal 5, Tuas Mega port, the North South Corridor, and the Cross Island MRT line.



# Thank You

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