

COMPANY RESULTS

Far East Hospitality Trust (FEHT SP)

3Q24: Healthy Seasonal Strength Driven By Chinese Tourists

RevPAR for FEHT's hotels grew 2.8% yoy and 10.8% qoq to S\$154 in 3Q24, driven by a higher volume of Chinese tourists, while hotels that exited government contracts continued to ramp up. Serviced residences provide stable contributions with RevPAR rising 2.5% yoy and 6.1% qoq to S\$245. FEHT's low aggregate leverage of 30.8% provides ample debt headroom for acquisitions locally and gateway cities overseas. It provides 2024 distribution yield of 6.6%. Maintain BUY. Target price: S\$0.82.

3Q24 RESULTS

Year to 31 Dec (\$m)	3Q24	yoy % chg	Remarks
Gross Revenue	28.7	-4.8	
Hotels	21.4	-8.2	Hotels RevPAR: +2.8% yoy to S\$154 in 3Q24.
Serviced Residence	3.0	+3.0	Serviced residences: RevPAR: +2.5% yoy to S\$245 in 3Q24.
Commercial Premises	4.3	+9.9	Benefitting from higher rents and higher occupancies.
Net Property Income (NPI)	26.2	-6.8	

Source: FEHT, UOB Kay Hian

RESULTS

- Far East Hospitality Trust (FEHT) provided its 3Q24 business update with gross revenue and NPI declining 4.8% and 6.8% yoy respectively.
- Hotels: Steady rise in RevPAR.** Average daily rate (ADR) increased 4.2% yoy to S\$180 in 3Q24. Occupancy eased marginally by 1.2ppt yoy to 85.5%. Oasia Hotel Novena and Village Hotel Albert Court exited government contracts in Oct 23 and Dec 23 respectively. The two hotels continued to ramp up, which resulted in an improvement in the hotels' overall operating performance. RevPAR for hotels grew 2.8% yoy to S\$154 in 3Q24.
- 3Q23 boosted by one-off revenue.** Revenue from hotels declined 8.2% yoy in 3Q24 due to the absence of one-off revenue from government contracts for isolation purposes in 3Q23. Excluding one-off revenue, gross revenue from hotels increased 3.9% yoy.
- Benefitting from return of Chinese tourists.** FEHT's upscale and mid-tier hotels captured a bigger slice of the surge in Chinese tourists. Chinese guests accounted for 20% of its hotel guests, which is double the contribution compared with pre-pandemic levels. Management expects demand from Chinese tourists to remain healthy due to the increase in number of flights and the mutual visa-free arrangement.

KEY FINANCIALS

Year to 31 Dec (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	84	107	112	118	118
EBITDA	67	87	91	97	97
Operating profit	67	87	91	97	97
Net profit (rep./act.)	204	130	62	70	71
Net profit (adj.)	50	84	59	70	71
EPU (S\$ cent)	2.5	4.2	2.9	3.5	3.5
DPU (S\$ cent)	3.3	4.1	4.0	4.1	3.8
PE (x)	24.7	14.7	21.1	17.9	17.7
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU Yld (%)	5.3	6.6	6.5	6.6	6.2
Net margin (%)	243.8	122.0	55.5	59.3	60.1
Net debt/(cash) to equity (%)	38.2	36.1	37.5	38.3	39.0
Interest cover (x)	4.0	4.1	3.0	3.3	3.4
ROE (%)	11.8	7.1	3.3	3.8	3.8
Consensus DPU (S\$ cent)	-	-	4.1	4.1	4.1
UOBKH/Consensus (x)	-	-	0.98	1.00	0.94

Source: Far East Hospitality Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.62
Target Price	S\$0.82
Upside	+32.3%
(Previous TP)	S\$0.80

COMPANY DESCRIPTION

FEHT is a Singapore-focused hotel and serviced residences hospitality trust. It has a portfolio of 12 hospitality properties, comprising nine hotels and three serviced residences with 3,015 rooms.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	FEHT SP
Shares issued (m):	2,011.2
Market cap (S\$m):	1,247.0
Market cap (US\$m):	943.0
3-mth avg daily t'over (US\$m):	0.5

Price Performance (%)

52-week high/low	S\$0.68/S\$0.575			
1mth	3mth	6mth	1yr	YTD
(3.9)	(1.6)	0.8	6.0	(6.8)

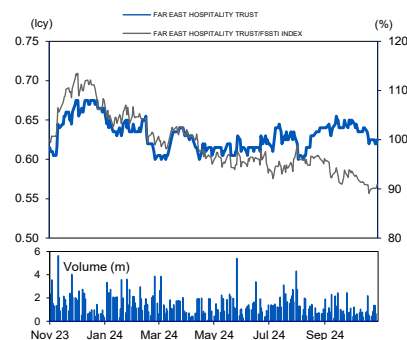
Major Shareholders

Golden Development	22.4
Far East Organization	16.7
Golden Landmark	10.3

FY24 NAV/Share (S\$) 0.93

FY24 Net Debt/Share (S\$) 0.35

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- SRs: Higher ADR from more short-stay guests.** RevPAU for serviced residences (SR) increased 2.5% yoy to S\$245 in 3Q24. FEHT was able to secure a greater mix of higher paying short-stay guests. Thus, ADR grew 3.3% yoy to S\$278. Average occupancy was stable at 88%. Demand was predominantly derived from the services, banking & finance, electronics & manufacturing and oil & gas industries.
- Increased contributions from commercial premises.** Gross revenue from commercial premises expanded 9.9% yoy to S\$4.3m in 3Q24 due to higher retail occupancies and rental rates. Rendezvous Hotel Singapore and Village Hotel Changi have secured new F&B operators for the retail space within the hotels since exiting from government contracts.
- Completing early refinancing.** Aggregate leverage was stable at 30.8% as of Sep 24, one of the lowest among S-REITs. Interest coverage ratio is healthy at 2.9x. FEHT is working on completing the refinancing for term loans of S\$157m by end-24, ahead of maturity in 2025.
- Benefitting from rate cuts.** The average cost of debt was stable at 4.1% in 3Q24. The proportion of total debt hedged to fixed interest rates was 40%. FEHT is expected to benefit from lower SORA in 2H24 and 2025.

STOCK IMPACT

- Recovery supported by MICE events and increased flight connectivity.** Management expects the 30-day visa exemption arrangement to have a positive impact on visitor arrivals from China. Major events lined up for 2H24 include World Aquatics Swimming World Cup and World Chess Championship. Many global companies have set up their regional headquarters and Asian hubs in Singapore, which will lead to more corporate travellers staying at hotels in Singapore.
- On track to meet STB's targets.** Singapore Tourism Board (STB) expects international visitor arrivals to reach 15m-16m in 2024 (2023: 13.6m), bringing in tourism receipts of S\$26.0b-27.5b (2023: S\$27.2b). Visitor arrivals to Singapore increased 14.2% yoy to 4.4m in 3Q24, accounting for 88% of pre-pandemic levels. The average length of stay has increased to 3.6 days in 9M24, compared with 3.4 days in 2019. Tourism receipts could hit the pre-pandemic high of S\$27.7b seen in 2019.
- Growing via acquisitions.** FEHT has debt headroom of S\$415m based on aggregate leverage of 40% for acquisitions locally and overseas. Locally, it could consider acquiring The Clan Hotel and Village Residence West Coast from its sponsor Far East Organisation (FEO). Other assets in the sponsor pipeline include the balance 70% stake in Village Hotel, Outpost Hotel and The Barracks on Sentosa. FEHT is also scouting for opportunities to invest in limited-service, midscale and upscale hotels at gateway cities in developed markets overseas.

EARNINGS REVISION/RISK

- We raise our 2025 DPU forecast by 2% as the return of Chinese tourists has improved the visibility of continued growth in 2025.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$0.82 is based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

SHARE PRICE CATALYST

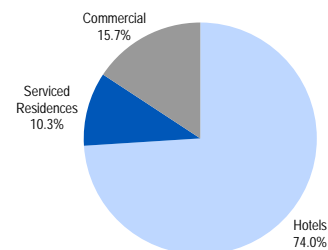
- Recovery in occupancy, ADR and RevPAR in 2H24 and 2025.
- Pursuing acquisitions in local and overseas markets.
- Acquiring The Clan Hotel, Village Residence West Coast and the remaining 70% stake of three Sentosa hotels from sponsor FEO.

KEY OPERATING METRICS

	3Q23	4Q23	1Q24	2Q24	3Q24	yoy % Chg	qoq % Chg*
DPU (\$ cents)	n.a.	2.17	n.a.	1.96	n.a.	n.a.	n.a.
Aggregate Leverage	32.2%	31.3%	31.5%	30.8%	30.8%	-1.4ppt	Oppt
Average Cost of Debt	3.2%	3.3%	3.7%	4.1%	4.1%	0.9ppt	Oppt
Weighted Debt Maturity (years)	3.2	3.8	3.5	3.3	3.1	-0.1yrs	-0.2yrs
% Borrowings in Fixed Rate	40.6%	42.6%	42.6%	35.9%	40.1%	-0.5ppt	4.2ppt

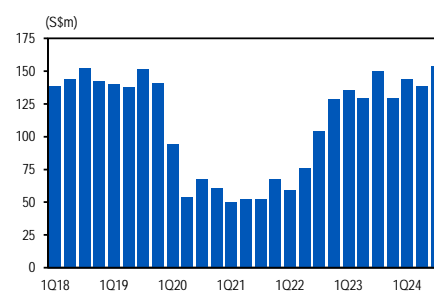
Source: FEHT, UOB Kay Hian * hoh % chg for DPU

BREAKDOWN OF GROSS REVENUE (9M24)



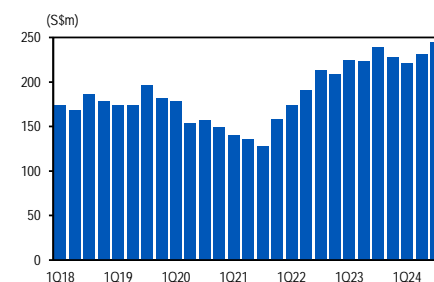
Source: FEHT

REVPAR – HOTELS



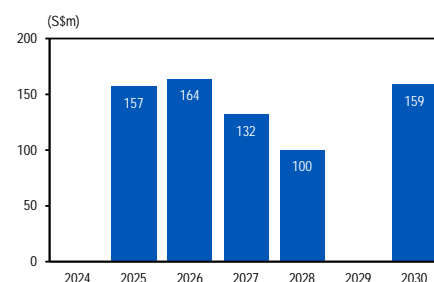
Source: FEHT

REVPAR – SERVICED RESIDENCES



Source: FEHT

DEBT MATURITY PROFILE



Source: FEHT

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	106.8	111.5	117.9	117.9
EBITDA	87.0	90.7	96.7	96.7
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	87.0	90.7	96.7	96.7
Total other non-operating income	64.9	0.4	0.0	0.0
Associate contributions	0.0	0.8	2.4	2.4
Net interest income/(expense)	(21.3)	(29.8)	(29.2)	(28.3)
Pre-tax profit	130.6	62.1	69.9	70.8
Tax	(0.3)	(0.1)	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	130.3	61.9	69.9	70.8
Net profit (adj.)	84.1	58.8	69.9	70.8

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	97.3	83.0	97.4	99.9
Pre-tax profit	130.6	62.1	69.9	70.8
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	(0.8)	(2.4)	(2.4)
Working capital changes	0.9	7.9	2.6	0.8
Non-cash items	(36.8)	3.1	6.1	6.1
Other operating cashflows	2.5	10.8	21.2	24.7
Investing	15.6	(4.0)	(4.0)	(4.0)
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(4.4)	(4.0)	(4.0)	(4.0)
Proceeds from sale of assets	17.9	0.0	0.0	0.0
Others	2.1	0.0	0.0	0.0
Financing	(99.5)	(86.6)	(95.9)	(96.7)
Distribution to unitholders	(72.8)	(67.7)	(75.9)	(77.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	225.0	13.2	10.0	10.0
Loan repayment	(225.0)	0.0	0.0	0.0
Others/interest paid	(26.7)	(32.1)	(30.0)	(29.1)
Net cash inflow (outflow)	13.3	(7.5)	(2.5)	(0.8)
Beginning cash & cash equivalent	49.8	63.1	55.6	53.1
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	63.1	55.6	53.1	52.3

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	2,509.6	2,512.8	2,516.8	2,520.8
Other LT assets	1.0	0.4	1.2	1.2
Cash/ST investment	63.1	55.6	53.1	52.3
Other current assets	48.9	55.1	57.5	57.5
Total assets	2,622.5	2,623.8	2,628.5	2,631.8
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	9.4	11.6	11.9	11.9
LT debt	736.8	750.0	760.0	770.0
Other LT liabilities	9.6	8.4	8.7	8.7
Shareholders' equity	1,866.7	1,853.8	1,847.9	1,841.1
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	2,622.5	2,623.8	2,628.5	2,631.8

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	81.4	81.4	82.0	82.0
Pre-tax margin	122.3	55.6	59.3	60.1
Net margin	122.0	55.5	59.3	60.1
ROA	5.0	2.4	2.7	2.7
ROE	7.1	3.3	3.8	3.8
Growth				
Turnover	27.8	4.4	5.7	0.0
EBITDA	30.7	4.3	6.6	(0.0)
Pre-tax profit	(36.0)	(52.5)	12.7	1.3
Net profit	(36.0)	(52.5)	12.9	1.3
Net profit (adj.)	69.5	(30.0)	18.8	1.3
EPU	68.2	(30.4)	18.2	0.8
Leverage				
Debt to total capital	28.3	28.8	29.1	29.5
Debt to equity	39.5	40.5	41.1	41.8
Net debt/(cash) to equity	36.1	37.5	38.3	39.0
Interest cover (x)	4.1	3.0	3.3	3.4