

CapitaLand Ascott Trust

Portfolio reconstitution efforts bearing fruit



SINGAPORE | REAL ESTATE (HOSPITALITY) | 3Q24 UPDATE

1 November 2024

- Limited financial details were provided in this business update. 3Q24 gross profit rose 8% YoY, driven by stronger operating performance and portfolio reconstitution initiatives, which included S\$350mn in acquisitions and S\$500mn in divestments at premium to book value YTD. Excluding acquisitions and divestments, gross profit rose 2% YoY.
- 3Q24 portfolio RevPAU increased 3% YoY to S\$158 despite the high base, reaching 105% of pre-Covid 3Q19 levels. This was due to a higher average occupancy of 79% (3Q23: 77%), which was 92% of pre-Covid levels. Revenue from France grew 11% YoY, driven by the Paris Olympic Games.
- Maintain BUY with an unchanged DDM-TP of S\$1.04. There has been no change in our estimates. CLAS remains our top pick in the sector owing to its mix of stable and growth income sources and geographical diversification, which provide resilience amidst global uncertainties. We have not factored in any capital gain top-ups from previous divestment gains in FY24e; any top-ups would represent potential upside. RevPAU YoY growth has reached its lowest level since 2Q21. We expect mid-single-digit portfolio RevPAU growth in FY25e, driven by improving occupancy, with overseas assets helping to offset softer demand in Singapore due to the absence of major concerts or events like Coldplay and Taylor Swift. The current share price implies an FY24e/25e dividend yield of 6.6%/7.1%.

The Positives

- Portfolio RevPAU continues to improve despite the high base in FY23.** 3Q24 portfolio RevPAU grew 3% YoY to S\$158, reaching 105% of pre-COVID 3Q19 pro-forma RevPAU. This was due to higher occupancy of 79% (3Q23: 77%), as average daily room rates (ADR) remained stable YoY at 15% above pre-Covid levels. RevPAU for CLAS's five key markets in Australia, Japan, Singapore, the UK, and the USA continued to match or exceed pre-COVID 3Q19 levels. All key markets experienced mid-single-digit growth in RevPAU (see Figure 1), except for Australia, where RevPAU fell by 11% due to a lighter events calendar in 3Q24, as the FIFA Women's World Cup took place in 3Q23. RevPAU in Singapore grew 5% YoY, benefitting from The Robertson House rebranding and increased leisure demand during the F1 Singapore Grand Prix.
- France saw a 11% jump in master lease revenue** due to higher rent from the eight master leases renewed in 2023 and 2024. Performance was boosted by the Paris Olympic Games, mainly from media and corporate group bookings. All three master leases due in 2024 have been renewed on fixed rent terms with annual indexation (previously fixed plus variable), with rents set c.4% higher than 2023 levels.
- Capital management continues to be stable.** Gearing was 38.3%, with effective borrowing cost unchanged QoQ at 3% and 79% of debt on fixed rates. Interest cover remains healthy at 3.6 times. Borrowing cost are expected to remain stable at 3% for FY24e and FY25e. Every 100bps decrease in floating rate will improve DPS by 0.2 Scents.
- Portfolio reconstitution efforts are taking shape.** YTD, CLAS has completed over S\$500mn in divestments at a premium to book value, unlocking S\$60mn in capital gains. This includes two recently announced divestments in Japan, with premiums of 40% and 55% over book value. CLAS also has S\$350mn in investments YTD, the latest being the proposed acquisition of Iyf Funan Singapore at an EBITDA yield of 4.7%, to be funded by previous divestment gains and debt. Five asset enhancement initiative (AEI) projects were completed in 9M24, with another three properties under AEI expected to be

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.905
FORECAST DIV	SGD 0.060
TARGET PRICE	SGD 1.040
TOTAL RETURN	21.5%

COMPANY DATA

BLOOMBERG CODE:	CLAS SP
O/S SHARES (MN):	3,792
MARKET CAP (USD mn / SGD mn):	2604 / 3450
52 - WK HI/LO (SGD):	1.01 / 0.85
3M Average Daily T/O (mn):	6.41

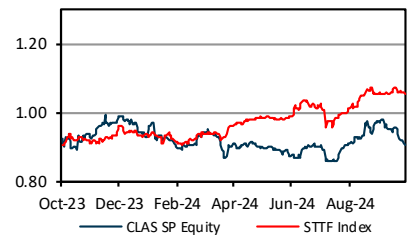
MAJOR SHAREHOLDERS (%)

TEMASEK HOLDINGS PTE LTD	25.1
VANGUARD GROUP	2.74
BLACKROCK INC	2.08

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(6.2)	4.0	(2.3)
STTF RETURN	0.6	7.1	15.8

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY22	FY23	FY24e	FY25e
Gross Rev. (S\$m)	621	745	800	821
Gross Profit (S\$m)	283	338	385	401
Dist. Inc. (S\$m)	203	251	241	259
P/NAV (x)	0.79	0.78	0.82	0.84
DPU (cents)	5.67	6.57	5.96	6.39
Distribution Yield	6.3%	7.3%	6.6%	7.1%

Source: Bloomberg, PSR

VALUATION METHOD

DDM (Cost of Equity: 7.96%; Terminal g: 1.75%)

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completed in phases from 4Q24 through FY26. This should further increase occupancy once finished.

The Negative

- **Limited room for ADR growth.** ADRs appear to have stabilised post pandemic, now at 15% above pre-Covid levels. Future RevPAU growth will likely come from increased occupancy, currently at 92% of pre-Covid levels.

Outlook

CLAS continues to focus on portfolio reconstitution, to divest mature assets and to reinvest the proceeds into more optimal uses to improve shareholder return. CLAS also has the flexibility to distribute over S\$300mn of previous divestment gains to mitigate the impact of ongoing AEs and portfolio reconstitution activities. CLAS's geographical diversification is expected to reap benefits, as overseas strength may offset some of the softening demand seen in the local Singapore market.

China as a source market continues to recover, now accounting for c.8.5% of the total guest count in 3Q24, compared to 11% in pre-Covid 3Q19. Revenue contributions from Chinese travellers have reached levels similar to those of 2019, indicating that they are spending more.

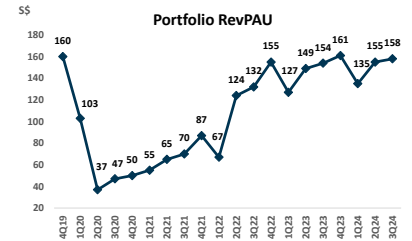
Maintain BUY, DDM-based TP unchanged at S\$1.04.

CLAS remains our top pick in the sector with its geographically diversified portfolio, wide range of lodging asset classes, stable income base which has proven its resilience through COVID-19, and a strong sponsor. The current share price implies an FY24e/25e dividend yield of 6.6%/7.1%.

Figure 1: RevPAU performance for CLAS's portfolio and key markets

RevPAU change YoY			
3Q24 Portfolio RevPAU		3%	
Australia	-11%	Singapore	3%
Japan	6%	UK	7%
US	3%		

Source: CLAS, PSR



Source: CLAS, PSR

Figure 2: Portfolio RevPAU recovery and occupancy

	S\$	QoQ	YoY	Portfolio Occupancy
1Q20	103	-36%	-23%	Above breakeven
2Q20	37	-64%	n.a.	c.30%
3Q20	47	27%	-70%	c.40%
4Q20	50	6%	-69%	c.45%
1Q21	55	10%	-47%	c.50%
2Q21	65	18%	76%	c.55%
3Q21	70	8%	49%	c.55%
4Q21	87	24%	74%	c.60%
1Q22	67	-23%	22%	c.50%
2Q22	124	85%	91%	c.70%
3Q22	132	6%	88%	> 70%
4Q22	155	17%	78%	78%
1Q23	127	-18%	90%	73%
2Q23	149	17%	20%	75%
3Q23	154	3%	17%	77%
4Q23	161	5%	4%	77%
1Q24	135	-16%	6%	73%
2Q24	155	15%	4%	75%
3Q24	158	2%	3%	79%

Source: CLAS, PSR

RevPAU: Revenue per available unit

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
Gross revenue	394	621	745	800	821
Direct expenses	(221)	(338)	(406)	(415)	(420)
Gross Profit	173	283	338	385	401
Net finance (expense)/inc.	(53)	(68)	(82)	(101)	(101)
Manager's fees	(25)	(30)	(34)	(35)	(36)
Others	(19)	(38)	10	(22)	(22)
Net income	74	131	210	208	221
FV changes	147	128	77	-	-
Others	(19)	(38)	10	(22)	(22)
Total return before tax	375	260	302	208	221
Taxation	(65)	(34)	(72)	(50)	(53)
Total return after tax	310	226	230	158	168
Distribution adjustments	(158)	(20)	19	87	95
Distributable income	151	203	251	241	259

Per share data (cents)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
NAV	1.19	1.15	1.16	1.10	1.08
DPU	4.32	5.67	6.57	5.96	6.39

Cash Flow

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
CFO					
Net income	375	260	302	208	221
Adjustments	(179)	51	70	168	171
WC changes	(46)	7	(40)	9	3
Cash generated from ops	150	318	332	385	395
Others	(4)	(32)	(32)	(15)	(20)
Cashflow from operations	145	286	301	370	375
CFI					
CAPEX, net	(101)	(36)	(56)	(27)	(18)
Net Investments in SR & PPE	(621)	(283)	(280)	(105)	(105)
Others	184	11	39	5	5
Cashflow from investments	(539)	(309)	(297)	(127)	(118)
CFF					
Share issuance, net	150	170	303	-	-
Loans, net of repayments	332	166	81	-	-
Dividends	(157)	(184)	(215)	(244)	(262)
Others	(67)	(81)	(104)	(106)	(105)
Cashflow from financing	259	71	64	(350)	(368)
Net increase (decrease) in CCE	(134)	45	68	(108)	(112)
Ending cash	344	364	459	350	238
Restricted cash deposits	3	3	3	3	3

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
SR properties and PPE	7,225	7,434	7,734	7,831	7,917
Others	44	88	88	88	88
Total non-current assets	7,270	7,522	7,821	7,919	8,005
Trade Receivables	104	112	197	212	217
Cash	346	364	461	353	241
Others	44	88	88	88	88
Total current assets	463	502	683	590	483
Total Assets	7,733	8,024	8,505	8,508	8,488
LIABILITIES					
LT Borrowings	1,965	2,473	2,465	2,663	2,506
Others	429	435	468	495	520
Total non-current liabilities	2,394	2,908	2,933	3,158	3,026
Trade Payables	167	244	314	338	347
ST Borrowings	764	402	530	332	489
Others	429	435	468	495	520
Total non-current liabilities	2,394	2,908	2,933	3,158	3,026
Total Liabilities	3,366	3,579	3,802	3,853	3,886
Net assets	4,368	4,445	4,702	4,655	4,602

Represented by:

Unitholders' funds	3,891	3,965	4,228	4,180	4,125
Perpetual securities hold	396	396	396	396	396
Non-controlling interests	81	83	78	79	80

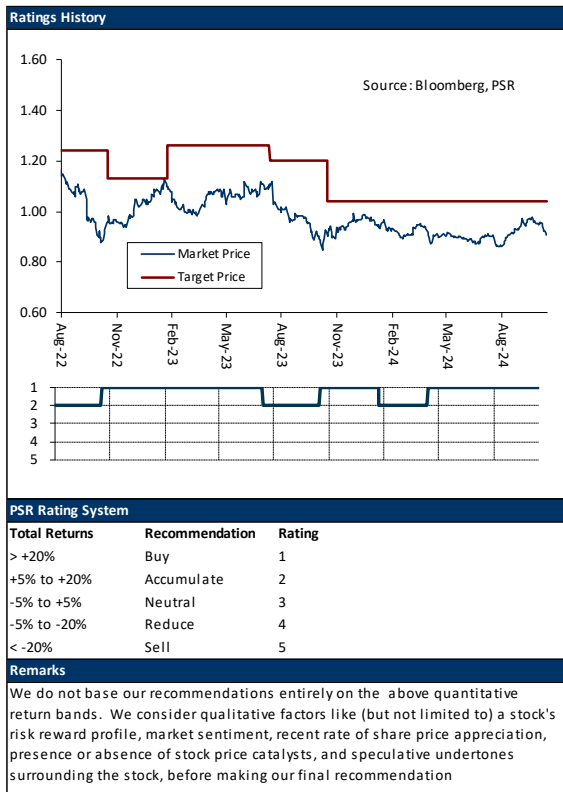
*Some numbers may not tally due to rounding errors

Valuation Ratios

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/NAV (x)	0.76	0.79	0.78	0.82	0.84
Distribution Yield (%)	4.8%	6.3%	7.3%	6.6%	7.1%
NPI** yield (%)	2.5%	4.0%	4.6%	5.0%	5.2%

Growth & Margins (%)

Growth					
Revenue	6.6%	57.5%	19.8%	7.5%	2.5%
Gross profit	15.8%	63.2%	19.6%	13.9%	4.1%
Net income	26.7%	76.5%	59.5%	-0.9%	6.4%
DPU	42.6%	31.3%	15.9%	-9.2%	7.2%
Margins					
Gross profit	43.9%	45.5%	45.4%	48.1%	48.9%
NPAT	78.7%	36.4%	30.9%	19.7%	20.5%
Key Ratios					
Gearing	37.8%	38.7%	38.7%	38.2%	37.8%
ROA	4.2%	2.8%	2.8%	1.8%	1.9%
ROE	8.3%	5.7%	5.6%	3.7%	3.9%



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