

CapitaLand Ascott Trust

Downside protected from stable income sources



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SINGAPORE | REAL ESTATE (HOSPITALITY) | 1Q25 UPDATE

29 April 2025

- Limited financials were provided in this business update. 1Q25 gross profit rose 4% YoY, driven by improved operating performance and contributions from new properties, which offset the lost income from divestments. Excluding acquisitions and divestments, gross profit rose 1% YoY.
- 1Q25 portfolio RevPAU increased 4% YoY to S\$141 due to higher average occupancy of 77% (1Q24: 73%). Two DPU-accretive acquisitions (1.6%) were made in Japan in 1Q25, namely Ibis Styles Tokyo Ginza and Chisun Budget Kanazawa Ekimae, at a blended NOI yield of 4.3%.
- Maintain BUY with an unchanged DDM-TP of S\$1.05. We lower our FY25e/26e DPU estimates by 4% to account for downtime from upcoming AEIs. CLAS remains our top pick in the sector, supported by its mix of stable (70%) and growth income sources and geographical diversification, which enhance resilience amidst potential weakness in consumer sentiment from global uncertainties. We expect mid-single-digit portfolio RevPAU growth in FY25e, driven by improving occupancy and six AEI completions in FY24. CLAS has over S\$300mn in prior divestment gains on its balance sheet, which the manager may deploy to offset the absence of contributions from assets undergoing AEIs. The current share price implies an FY25e dividend yield of 7%.

The Positives

- Portfolio RevPAU grew 4% YoY despite the high base.** Most key markets recorded YoY growth, except Japan, which fell 11% (see Figure 1) due to the acquisition of the Kanazawa property with a lower RevPAU. Excluding this, Japan's RevPAU rose 17%. In Singapore, excluding acquisitions and divestments, RevPAU declined 3% YoY due to the absence of major concerts and the Singapore Airshow, which aligns with estimates.
- Lower borrowing costs.** The effective borrowing cost fell 0.1ppt QoQ to 2.9%, due to JPY borrowings to fund the acquisitions and lower floating rates on EUR and GBP loans. Gearing rose from 38.3% to 39.9% QoQ and is expected to fall by 0.3% following the repayment using proceeds from the Somerset Tianjin divestment. The cost of borrowing is expected to remain stable for FY25e.

The Negative

- nil

Outlook

Tariffs had no negative impact, with forward bookings in 2Q25 remaining stable. However, demand is shifting toward domestic travel and more short-haul flights. CLAS's properties, primarily positioned in the mid-tier segment, are well-placed to cater to travellers seeking more affordable options amid downtrading. Two master leases in Japan and Australia are up for renewal in 2H25, presenting potential upside. The redevelopment of Somerset Liang Court remains on track for completion by end-2026. Corporate demand remains strong, with efforts underway to secure longer-term bookings. CLAS's geographical diversification is expected to help mitigate softening demand in Singapore, with overseas markets such as Japan providing resilience. Acquisition opportunities are being explored, particularly in longer-stay assets such as rental housing in Japan. Stable income sources from master leases and management contracts with minimum guaranteed income, which contributed 70% of 1Q25 gross profit, offer downside protection in the event of an economic slowdown.

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.855
FORECAST DIV	SGD 0.060
TARGET PRICE	SGD 1.050
TOTAL RETURN	29.8%

COMPANY DATA

BLOOMBERG CODE:	CLAS SP
O/S SHARES (MN):	3,811
MARKET CAP (USD mn / SGD mn):	2489 / 3259
52 - WK HI/LO (SGD):	0.97 / 0.77
3M Average Daily T/O (mn):	6.21

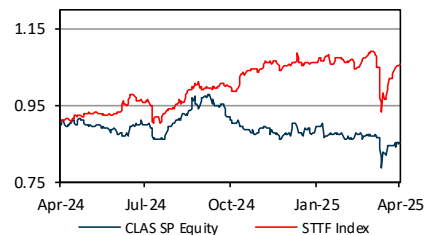
MAJOR SHAREHOLDERS (%)

TEMASEK HOLDINGS PTE LTD	25.1
VANGUARD GROUP	2.74
BLACKROCK INC	2.08

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(2.3)	(1.2)	1.7
STTF RETURN	(3.3)	1.6	2.4

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev. (\$\$mn)	745	810	811	827
Gross Profit (\$\$mn)	338	371	387	394
Dist. Inc. (\$\$mn)	251	246	242	264
P/NAV (x)	0.74	0.74	0.75	0.77
DPU (cents)	6.57	6.10	5.96	6.48
Distribution Yield	7.7%	7.1%	7.0%	7.6%

Source: Bloomberg, PSR

VALUATION METHOD

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

Darren Chan (+65 6212 1849)
Senior Research Analyst
darrenchanrx@phillip.com.sg

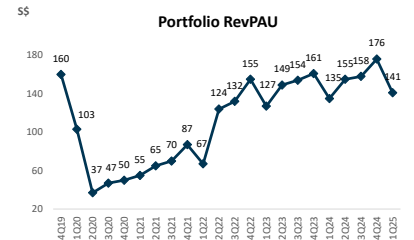
Maintain BUY, with an unchanged DDM-based TP of S\$1.05.

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 FY25e dividend yield of 7%.

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

RevPAU change YoY			
1Q25 Portfolio RevPAU		4%	
Australia	4%	Singapore	1%
Japan	-11%	UK	12%
US	11%		

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%
4Q24	176	11%	9%	81%
1Q25	141	-20%	4%	77%

Source: CLAS, PSR

RevPAU: Revenue per available unit

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
Gross revenue	621	745	810	811	827
Direct expenses	(338)	(406)	(439)	(425)	(434)
Gross Profit	283	338	371	387	394
Net finance (expense)/inc.	(68)	(82)	(99)	(105)	(89)
Manager's fees	(30)	(34)	(36)	(35)	(35)
Others	(38)	10	(40)	(22)	(23)
Net income	131	210	182	205	227
FV changes	128	77	46	-	-
Others	(38)	10	(40)	(22)	(23)
Total return before tax	260	302	289	205	227
Taxation	(34)	(72)	(45)	(49)	(54)
Total return after tax	226	230	244	156	172
Distribution adjustments	(20)	19	4	90	95
Distributable income	203	251	246	242	264

Per share data (cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
NAV	1.15	1.16	1.15	1.14	1.11
DPU	5.67	6.57	6.10	5.96	6.48

Cash Flow

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
CFO					
Net income	260	302	289	205	227
Adjustments	51	70	104	170	157
WC changes	7	(40)	(54)	0	2
Cash generated from ops	318	332	339	376	386
Others	(32)	(32)	(23)	(19)	(21)
Cashflow from operations	286	301	316	357	365
CFI					
CAPEX, net	(36)	(56)	(26)	(17)	(17)
Net Investments in SR & PPE	(283)	(280)	198	(77)	(75)
Others	11	39	4	6	6
Cashflow from investments	(309)	(297)	176	(88)	(86)
CFF					
Share issuance, net	170	303	150	-	-
Loans, net of repayments	166	81	93	-	-
Dividends	(184)	(215)	(230)	(245)	(266)
Others	(81)	(104)	(273)	(120)	(103)
Cashflow from financing	71	64	(260)	(365)	(370)
Net increase (decrease) in CCE	45	68	233	(96)	(91)
Ending cash	361	423	638	543	452
Restricted cash deposits	2	10	6	6	6

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
SR properties and PPE	7,434	7,771	7,848	7,909	7,968
Others	88	102	113	113	113
Total non-current assets	7,522	7,873	7,961	8,022	8,081
Trade Receivables	112	110	112	113	115
Cash	364	433	644	548	457
Others	26	315	102	102	102
Total current assets	502	857	859	763	675
Total Assets	8,024	8,731	8,820	8,785	8,756
LIABILITIES					
LT Borrowings	2,473	2,486	2,873	2,873	2,873
Others	435	474	523	545	571
Total non-current liabilities	2,908	2,960	3,396	3,419	3,444
Trade Payables	244	352	233	233	238
ST Borrowings	402	562	300	300	300
Others	25	27	50	26	26
Total current liabilities	671	941	582	559	563
Total Liabilities	3,579	3,901	3,979	3,978	4,008
Net assets	4,445	4,830	4,841	4,808	4,748

Represented by:

Unitholders' funds	3,965	4,356	4,377	4,343	4,283
Perpetual securities hold	396	396	396	396	396
Non-controlling interests	83	78	68	69	69

*Some numbers may not tally due to rounding errors

Valuation Ratios

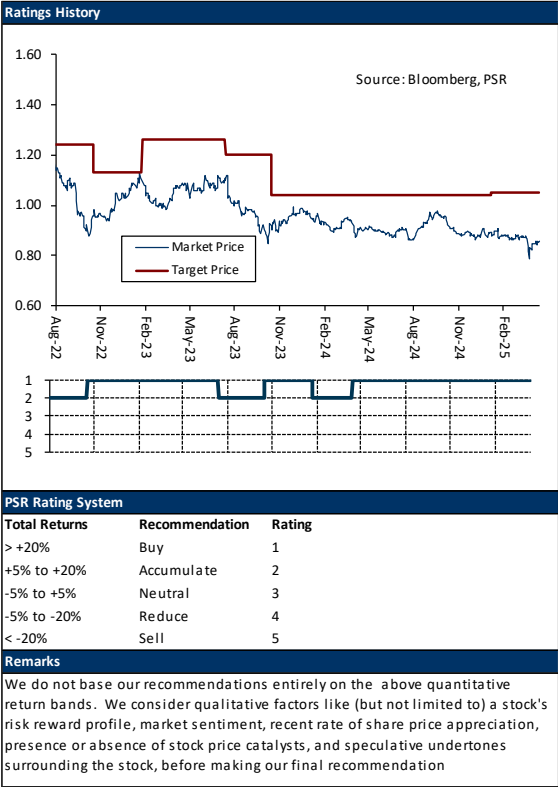
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.74	0.74	0.74	0.75	0.77
Distribution Yield (%)	6.6%	7.7%	7.1%	7.0%	7.6%
NPI** yield (%)	4.0%	4.5%	4.9%	5.1%	5.1%

Growth & Margins (%)

Growth					
Revenue	57.5%	19.8%	8.7%	0.2%	2.0%
Gross profit	63.2%	19.6%	9.7%	4.2%	1.9%
Net income	76.5%	59.5%	-13.2%	12.8%	10.6%
DPU	31.3%	15.9%	-7.2%	-2.3%	8.8%
Margins					
Gross profit	45.5%	45.4%	45.8%	47.6%	47.6%
NPAT	36.4%	30.9%	30.2%	19.2%	20.8%

Key Ratios

Gearing	38.7%	39.2%	40.4%	40.1%	39.8%
ROA	2.8%	2.8%	2.7%	1.7%	1.9%
ROE	5.7%	5.6%	5.5%	3.5%	3.9%



Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli - qystina@phillip.com.sg

Technical Analyst

Zane Aw – zaneawyx@phillip.com.sg

Property | REITs

Darren Chan – darrenchanrx@phillip.com.sg

Property | REITs

Liu Miaomiao – liumm@phillip.com.sg

Banking & Finance

Glenn Thum – glenthumjc@phillip.com.sg

Construction

Yik Ban Chong (Ben) – chongyb@phillip.com.sg

US Tech Analyst (Hardware/E-commerce/ETF)

Helena Wang – helenawang@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler

Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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