

Far East Hospitality Trust

RevPAR growth is expected to continue in FY25e

Singapore | REIT | FY24 RESULT

- FY24 gross revenue is in line with expectations, inching up by 1.8% YoY to S\$108 on the back of broad-based tailwinds. Notably, revenue from commercial premises surged by 7.3% YoY while hotel RevPAR improved by 5.7% YoY, leading to a 0.9% YoY increase in hotel. NPI increased by 0.2% YoY to S\$99.3mn, meeting our FY24e forecast despite higher property tax.
- DPU stands at 4.04 cents in FY24, sliding 1.4% YoY and underperforming our estimates by 6%. The decline is attributed to a 30% reduction in the REIT manager's fee in units to 60%. Distributable income would have increased by 4.9% YoY without the change.
- We lower our FY25e-26e DPU forecasts by 3% to 3.99–3.94 cents due to a reduced NPI margin, driven by higher property taxes and uncertainty around capital top-ups. FEHT is actively sourcing acquisition targets, which may lead to proceeds (c.13mn incentive fees from divestment of Central Square) being redeployed for acquisitions. We maintain our BUY rating with a lower DDM-TP of S\$0.73 (prev: S\$0.75). FEHT remains confident in achieving low-single-digit RevPAR growth in FY25e. FY25e DPU is likely to be supported by improved GOP margins from lower utility and manpower costs, which should, in turn, boost variable rents.

Result at a glance

(\$ Mn)	FY24	FY23	(%)	Comments
Gross Revenue	108.7	106.8	1.8%	Hotel & commercial premises revenue growth
Net Property Income	99.3	98.7	0.6%	
RevPAR	144.0	136.0	5.9%	Improved occupancy rate & ADR
ADR	178.0	170.0	4.7%	
Occupancy rate	81.0%	80.1%	0.9ppt	
Average cost of debt	4.10%	3.30%	0.8ppt	
Leverage Ratio	30.8%	31.3%	(0.5ppt)	
Adjusted ICR (x)	3.0	2.9	3.4%	
DPU	4.04	4.09	-1.2%	30% reduction in REIT Manager's fee paid/payable in units

Source: Company, PSR

The Positives

+ Resilient hotel RevPAR growth. RevPAR rose 5.7% YoY to S\$144. The improvement was driven by a 4.5% YoY increase in ADR, while occupancy inched up 0.9% YoY to 81%, as Changi Village is still ramping up its occupancy after exiting its government contract in FY24. FEHT actively promotes direct website bookings and corporate bookings to reduce commission costs paid to travel agents. However, OTAs still account for 50% of total bookings. FEHT has observed a growing contribution from Chinese and Indian travellers, while demand from Malaysia and Indonesia lags due to the strong SGD. With STB targeting international visitors' arrival to recover back to 95% of pre-COVID level in FY25e (4Q24: 82%), we believe RevPAR could continue to be supported by an improvement in occupancy rate. At the same time, ADR may see modest growth on the back of the stabilizing supply.

+ The commercial segment leads the performance while serviced residences remain stable.

FEHT achieved a rental reversion of c.4.5% in FY24, with occupancy for its commercial properties improving by 5.1ppts. We believe demand in the CBD remains strong, and positive rental reversions may extend into FY25e, given FEHT's relatively lower asking rents compared to other prime Orchard retail spaces. Meanwhile, occupancy for serviced residences dipped 3.6ppts in FY24 to 84.2%, as 21% of Village Residence Robertson Quay's inventory was under maintenance. This resulted in a slight 0.4% YoY decline in RevPAU to S\$228, despite a 4% YoY increase in ADR to S\$271, driven by limited new supply and higher pricing for short-term leisure bookings. We anticipate low-single-digit RevPAU growth in FY25e, supported by the recovery of business activities and resilient corporate demand in Singapore.



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13 February 2025

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.60
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 0.73
TOTAL RETURN	28.5%

COMPANY DATA

BLOOMBERG CODE:	FEHT SP Equity
O/S SHARES (MN):	2,016
MARKET CAP (USD mn / SGD mn):	893 / 1210
52 - WK HI/LO (SGD):	0.66 / 0.59
3M Average Daily T/O (mn):	1.04

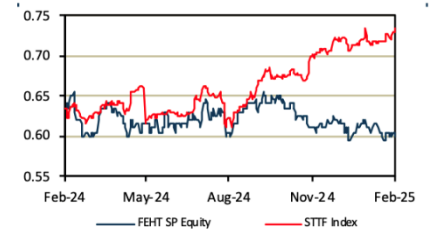
MAJOR SHAREHOLDERS

Golden Development Ptd Ltd	22.5%
Far East Organization Centre Ptd Ltd	9.8%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(1.6)	(0.8)	(0.8)
STTF RETURN	1.0	5.3	2.3

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (\$mn)	106.8	108.7	110.8	113.4
Dist. Inc. (\$mn)	81.9	81.4	82.1	81.5
P/NAV (x)	0.66	0.67	0.68	0.69
DPU (cents)	4.09	4.04	3.99	3.94
Dist. Yield (%)	6.70	6.62	6.55	6.46

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity: 7.6%; Terminal g: 1.5%)

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+ The cost of borrowing is tapering off. It stood flat QoQ at 4.1%. With the early refinancing of the S\$157.2mn term loan at a lower margin, FEHT is looking at 10-20bps savings on interest cost in FY25e, and no more refinancing obligations.

The Negative

- NIL

Outlook

FEHT shared that forward bookings for 1Q25 appear healthy, driven by Chinese New Year demand, and the decline in 1Q25 RevPAR from the absence of mega concerts wouldn't be sharp. We are factoring in a mid-single-digit RevPAR decrease in 1Q25 and low-single-digit improvement on a full-year basis, given that new supply is tapering off with 1% GAGR for the next 3 years and various MICE events such as LIV Golf Singapore 2025 and SEMICON SEA 2025. Leisure demand may continue to be driven by several major attractions such as Minion Land and Super Nintendo World at Universal Studios Singapore, and the expanded S.E.A. Aquarium which is anticipated to draw family groups.

FEHT is considering the option of a DPU top-up in 2025 as there are still c. S\$13mn in proceeds from the divestment of Central Square. Another possible use would be to fund acquisition, with Japan being the preferred location given its positive yield spread.

Maintain BUY with a lower TP of S\$0.73 (prev: S\$0.75)

FEHT is trading at an FY25e dividend yield of 6.6%, with an attractive valuation of 0.7x P/NAV. We trim our FY25e-26e DPU forecasts by 3% to 3.99–3.94 cents, reflecting a narrower NPI margin due to higher property taxes and uncertainty over capital top-ups. We maintain our BUY rating with a lower DDM-TP of S\$0.73 (prev: S\$0.75).

Financials

Income Statement

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	83.58	106.81	108.71	110.82	113.38
Master Lease Rental	68.78	90.65	91.36	93.36	95.15
Retail & Office Revenue	14.80	16.16	17.34	17.46	18.24
Property Expense	-6.25	-8.06	-9.37	-9.97	-10.27
Net Property Income	77.33	98.74	99.34	100.85	103.12
Net financing cost	-16.79	-21.28	-27.43	-23.70	-21.70
Total return before tax	203.90	130.59	46.97	63.77	68.00
Tax Expense	-0.15	-0.28	-0.03	-0.05	-0.05
Net income after Tax	203.76	130.31	46.94	63.72	67.95
Distribution to unitholders	65.02	81.91	81.40	82.13	81.53

Per unit data

Y/E Dec, (\$)	FY22	FY23	FY24	FY25e	FY26e
NAV (\$)	0.90	0.93	0.91	0.90	0.89
DPU (\$ cents)	3.27	4.09	4.04	3.99	3.94

Cash Flow

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Total return before tax	203.90	130.59	46.97	63.77	68.00
Adjustments	-128.89	-34.11	47.10	31.03	29.05
WC changes	-3.07	0.78	-0.43	4.04	-1.20
Tax paid and interest received	-0.07	0.00	0.00	0.00	0.00
Cash generated from ops	71.87	97.26	93.63	98.84	95.85
CFI					
CAPEX	-3.62	0.00	-3.45	0.00	0.00
Cashflow from investments	261.54	15.58	-0.35	0.00	0.00
Investing					
CFF					
Proceeds from borrowing	149.97	225.00	159.43	0.00	0.00
Repayments of bank loans	-359.97	-225.00	-183.03	0.00	0.00
Interest Paid	-18.46	-26.68	-30.15	-24.94	-22.94
Cashflow from financing	-289.30	-99.52	-136.71	-107.07	-104.47
Net change in cash	44.12	13.32	-43.43	-8.24	-8.62
Cash at the start of the period	11.69	49.77	63.09	19.66	11.43
Ending cash	55.81	63.09	19.66	11.43	2.81

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Cash and short term deposit	49.77	63.09	19.66	11.43	2.81
Prepayments, deposits etc	45.49	47.50	47.94	44.33	45.35
Total current assets	48.60	54.46	99.36	111.95	67.85
Investment properties	2446.75	2509.55	2515.50	2515.50	2515.50
Total non-current assets	2455.73	2510.50	2518.67	2515.50	2515.50
Total Assets	2555.09	2622.46	2586.52	2571.25	2563.66
LIABILITIES					
Other payables and accruals	2.70	3.35	3.73	4.43	4.54
Loans and borrowings	0.00	0.00	0.00	0.00	0.00
Others	5.98	4.10	3.99	0.00	0.00
Total current liabilities	10.61	9.35	10.00	4.80	4.91
Loans and borrowings	737.82	736.75	716.49	716.49	716.49
Non-Current Security Depo	6.09	0.00	0.00	0.00	0.00
Total non-current liabilities	744.69	746.39	724.72	724.72	724.72
Total Liabilities	755.30	755.75	734.72	729.52	729.62
Net assets	1681.25	1557.68	1648.39	1799.80	1866.71

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.68	0.66	0.67	0.68	0.69
Distribution Yield (%)	5.36	6.70	6.62	6.55	6.46
Growth & Margins					
Growth					
Revenue		27.8%	1.8%	1.9%	2.3%
Distributable income		#REF!	#REF!	#REF!	#REF!
DPU		24.9%	-1.2%	-1.1%	-1.3%
Key Ratios					
ROE	12.6%	8.1%	2.7%	3.5%	7.3%
Gearing	30.2%	31.3%	31.3%	31.3%	28.5%

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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