

Far East Hospitality Trust

Lower hospitality contribution due to high base effect

Singapore | REIT | 1Q25 UPDATE



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- 1Q25 revenue/NPI declined by 6.8%/8.3% YoY to S\$25.2mn/S\$23mn, which is in line with our expectations and forms 23% of our FY25e estimates. Due to the absence of major events compared to FY24, the lower contribution from the hospitality segment was the main factor behind the decline of the YoY performance.
- While DPU was not disclosed, revenue from the commercial segment rose by 4.9% YoY to S\$4.6mn in 1Q25, partially offsetting the weakness in the hospitality segment. Hotel RevPAR declined by 6% YoY to S\$135 in 1Q25, driven by a 4.4% YoY drop in ADR.
- We lower our FY25e–26e DPU forecasts by 5%, reflecting the weaker-than-expected contribution from the hospitality segment. We maintain our BUY rating with a lower DDM-TP of S\$0.70 (prev. S\$0.73). FEHT remains confident of achieving low-single-digit RevPAR growth in FY25e, supported by healthy forward bookings for 2Q25. We expect DPU upside to be driven by interest savings and potential capital top-ups, as the cost of borrowing declined by 0.2ppt QoQ and is expected to trend lower with a newly secured swap at a lower SORA rate. FEHT also has S\$9.7mn in remaining proceeds from the Central Square divestment to be distributed. The REIT is trading at FY25 dividend yield of 6.9% and 0.62x P/NAV.

Result at a glance

(\$ Mn)	1Q24	1Q23	(%)	Comments
Gross Revenue	25.236	27.1	-6.8%	Lower contribution from hotels segment
Net Property Income	23.02	25.1	-8.3%	Higher property tax
RevPAR	135.0	144.0	-6.3%	
ADR	171.0	179.5	-4.7%	Absence of mega concerts
Occupancy rate	79.0	80.4	1.4ppt	
Average cost of debt	3.5%	3.7%	(0.2ppt)	
Leverage Ratio	31.2%	31.5%	(0.3ppt)	
Adjusted ICR	2.9x	3.5x	-17.0%	

Source: Company, PSR

The Positive

+ Commercial segment remains resilient. Revenue from the commercial segment increased by 4.9% YoY to S\$4.6mn, supported by mid-single-digit rental reversion and a 5.3ppts improvement in occupancy rate, resulting in a 2.1ppts rise in its contribution to the portfolio from 18.1% in 1Q24. We expect commercial properties to continue providing stable support to the portfolio, driven by robust demand in the CBD area.

+ The cost of borrowing is sliding. It declined by 0.2ppt QoQ to 3.5%. We expect the cost of borrowing to trend marginally lower, as the REIT recently secured a S\$97mn interest rate swap, with an all-in cost of debt around 3%, which will take effect in 2H25 onwards.

The Negative

- Lower contribution from the hospitality segment. Hotel RevPAR declined by 6% YoY, driven by a 1.4ppts YoY drop in average occupancy and a 4.4% YoY decrease in ADR. The serviced residence segment was not immune to the broad-based downward trend, with RevPAR falling 6.5% YoY to S\$206, primarily due to a 9.7ppts YoY drop in average occupancy to 73.6%, impacted by lift replacement works at VRRQ and the transition following the concurrent departure of several large groups. However, ADR increased by 5.9% YoY in 1Q25, driven by higher rates from shorter-stay guests. We expect the recovery in international tourism to continue supporting ADR growth, as there remains a 6.6ppts gap between the current occupancy rate and pre-COVID levels.

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.55
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 0.70
TOTAL RETURN	33.7%

COMPANY DATA

BLOOMBERG CODE:	FEHT SP Equity
O/S SHARES (MN):	2,022
MARKET CAP (USD mn / SGD mn):	851 / 1112
52 - WK HI/LO (SGD):	0.66 / 0.5
3M Average Daily T/O (mn):	1.83

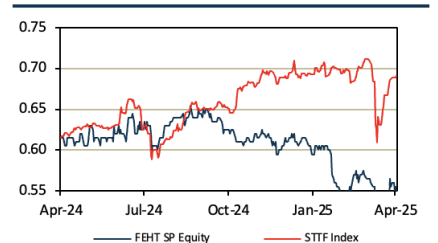
MAJOR SHAREHOLDERS

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

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(1.8)	(3.3)	(5.7)
STTF RETURN	(3.2)	1.7	2.5

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (\$mn)	106.8	108.7	103.6	106.1
Dist. Inc. (\$mn)	81.9	81.4	78.0	74.4
P/NAV (x)	0.59	0.61	0.62	0.62
DPU (cents)	4.09	4.04	3.80	3.60
Dist. Yield (%)	7.43	7.34	6.90	6.54

Source: Company, PSR

VALUATION METHOD

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

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Outlook

FEHT shared that forward bookings for 2Q25 remain healthy, as Singapore continues solidifying its position as Southeast Asia's premier entertainment hub, supported by a robust pipeline of international concerts and MICE events (e.g. LIV Golf Singapore 2025 and SEMICON SEA 2025).

We expect FY25e RevPAR to be supported by an improvement in occupancy rates, as FEHT refines its strategy to collaborate with both free independent traveller (FIT) and wholesale channels. The company targets occupancy levels above the 80% range for both serviced residences (1Q25: 73.6%) and hotels (1Q25: 79%).

FEHT recently completed the acquisition of Sheraton Nagoya, which is expected to be 1.7% DPU accretive. Operating metrics showed YoY improvement in 1Q25, and using a master lease structure provides downside protection. Leveraging Marriott Bonvoy's extensive membership base of 228 million and the strength of Japan's tourism recovery, we expect a positive DPU contribution from this acquisition.

Maintain BUY with a lower TP of S\$0.70 (prev: S\$0.73)

We have revised down our FY25e–26e DPU forecasts by 5% due to the softer-than-expected contribution from the hospitality segment. We maintain our BUY rating with a lower DDM-TP of S\$0.70 (prev:S\$0.73). FEHT remains optimistic about achieving low-single-digit RevPAR growth in FY25e, supported by encouraging forward bookings for 2Q25. We see potential DPU upside from interest cost savings and capital top-ups, as the cost of borrowing edged down 0.2ppt QoQ and is expected to decline further with a recently secured swap at a lower SORA rate. In addition, FEHT still has S\$9.7mn of undistributed proceeds from the divestment of Central Square. The REIT is trading at FY25 dividend yield of 6.9% and 0.62x P/NAV.

Financials

Income Statement

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	83.58	106.81	108.71	103.59	106.14
Master Lease Rental	68.78	90.65	91.36	86.13	87.90
Retail & Office Revenue	14.80	16.16	17.34	17.46	18.24
Property Expense	-6.25	-8.06	-9.37	-9.53	-9.83
Net Property Income	77.33	98.74	99.34	94.06	96.30
Net financing cost	-16.79	-21.28	-27.43	-23.70	-21.70
Total return before tax	203.90	130.59	46.97	57.18	61.39
Tax Expense	-0.15	-0.28	-0.27	-0.04	-0.04
Net income after Tax	203.76	130.31	46.70	57.14	61.35
Distribution to unitholders	65.02	81.91	81.40	78.04	74.42

Per unit data

Y/E Dec, (\$)	FY22	FY23	FY24	FY25e	FY26e
NAV (\$)	0.90	0.93	0.91	0.89	0.89
DPU (\$ cents)	3.27	4.09	4.04	3.80	3.60

Cash Flow

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Total return before tax	203.90	130.59	46.97	57.18	61.39
Adjustments	-128.89	-34.11	47.10	30.91	28.93
WC changes	-3.07	0.78	-0.43	2.21	-1.08
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	90.30	89.25
CFI					
CAPEX	-3.62	0.00	-3.45	0.00	0.00
Cashflow from investments	261.54	15.58	-0.35	1.24	1.24
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	-102.98	-97.36
Net change in cash	44.12	13.32	-43.43	-11.43	-6.87
Cash at the start of the period	11.69	49.77	63.09	19.66	8.23
Ending cash	55.81	63.09	19.66	8.23	1.36

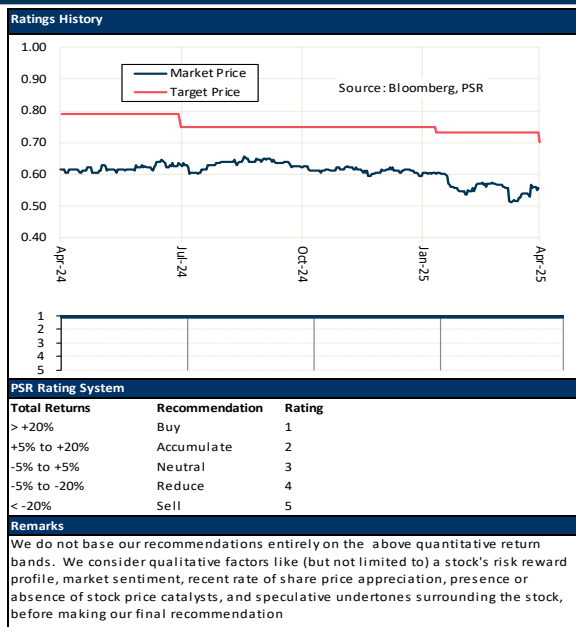
Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Cash and short term deposit	49.77	63.09	19.66	8.23	1.36
Prepayments, deposits etc	45.49	47.50	47.94	45.58	46.70
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	2518.67	2518.67
Total Assets	2555.09	2622.46	2586.52	2572.72	2566.98
LIABILITIES					
Other payables and accruals	2.70	3.35	3.73	3.63	3.71
Loans and borrowings	0.00	0.00	0.00	0.00	0.00
Others	5.98	4.10	3.99	3.99	3.99
Total current liabilities	10.61	9.35	10.00	9.89	9.98
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	734.61	734.70
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)	0.61	0.59	0.61	0.62	0.62
Distribution Yield (%)	5.95	7.43	7.34	6.90	6.54
Growth & Margins					
Growth					
Revenue		27.8%	1.8%	-4.7%	2.5%
Distributable income		81.5%	-4.9%	-24.1%	-19.6%
DPU		24.9%	-1.2%	-6.0%	-5.2%
Key Ratios					
ROE	12.6%	8.1%	2.7%	3.1%	6.6%
Gearing	30.2%	31.3%	31.3%	31.3%	28.5%



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