



## Presentation at 9<sup>th</sup> Annual General Meeting

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22 April 2021

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# Agenda

- Overview of Far East Hospitality Trust
- Year in Review:
  - Financial & Operational Performance
  - Capital Management
  - COVID-19 Measures and Support
  - Asset Enhancement
  - Corporate Governance
- Industry Update and Outlook



## Overview of Far East Hospitality Trust



# Overview of Far East Hospitality Trust

- Singapore-focused hotel and serviced residence hospitality REIT
- Strong sponsor - Far East Organization, largest private property developer in Singapore
- Portfolio valued at about S\$2.53 billion as at 31 December 2020
  - 13 properties comprising 9 hotels and 4 serviced residences, with 3,143 hotel rooms and serviced residence units:
  - All properties under master lease agreements with the Sponsor's companies
- Holds a 30% stake in a joint venture with the Sponsor for the development of three hotels in Sentosa, which opened in 2019
- Acquisition pipeline of 7 properties under a right of first refusal with Sponsor



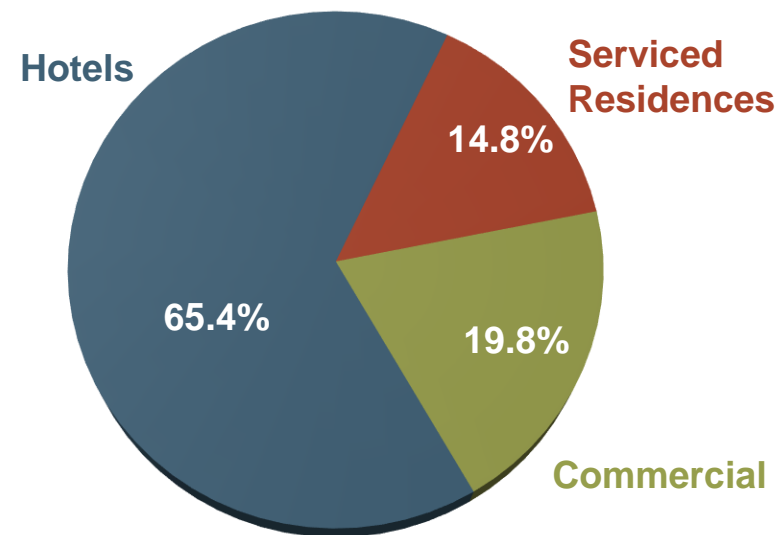
## Year in Review – Financial & Operational Performance



# Financial Performance FY 2020

	FY 2020 S\$'000	Year-on-year variance %
Gross Revenue	83,254	(27.9)
Net Property Income	72,179	(30.8)
Income Available for Distribution	47,887	(35.2)
Distribution per Stapled Security (cents)	2.41	(36.7)

## Breakdown of Revenue by Segment

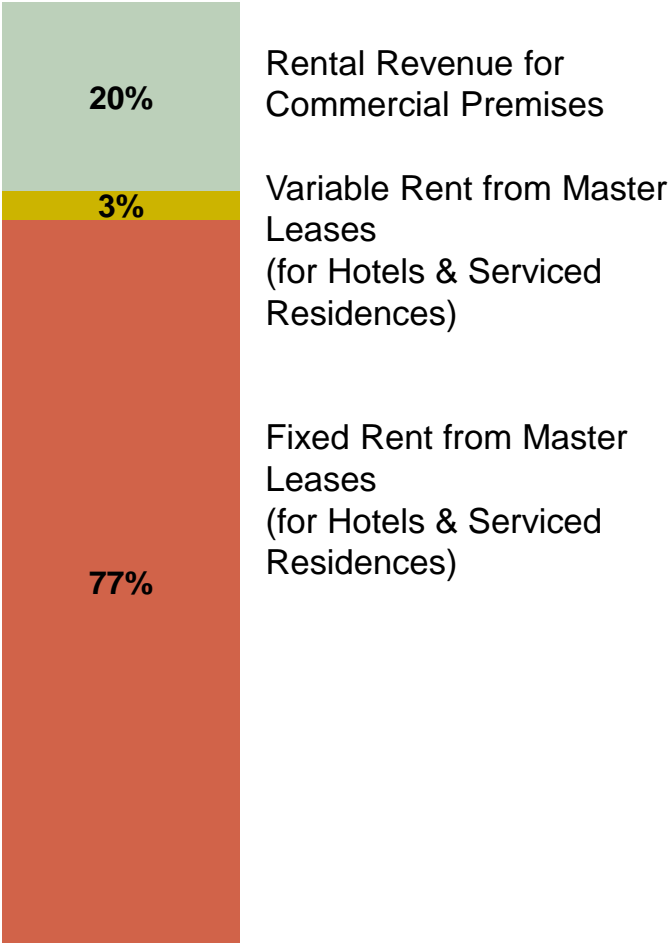


- Gross Revenue for FY 2020 was S\$83.3 million, 27.9% lower year-on-year, mainly due to a decline in master lease rental and rental rebates given to commercial tenants. Net Property Income was 30.8% lower year-on-year.
- Income Available for Distribution was S\$47.9 million, resulting in a DPS of 2.41 cents. FEHT distributed 100% of its taxable income for FY 2020.



# Revenue by Type of Rental Income FY 2020

## Breakdown of Revenue by Type (FY 2020)



**Fixed rent makes up large proportion of revenue**

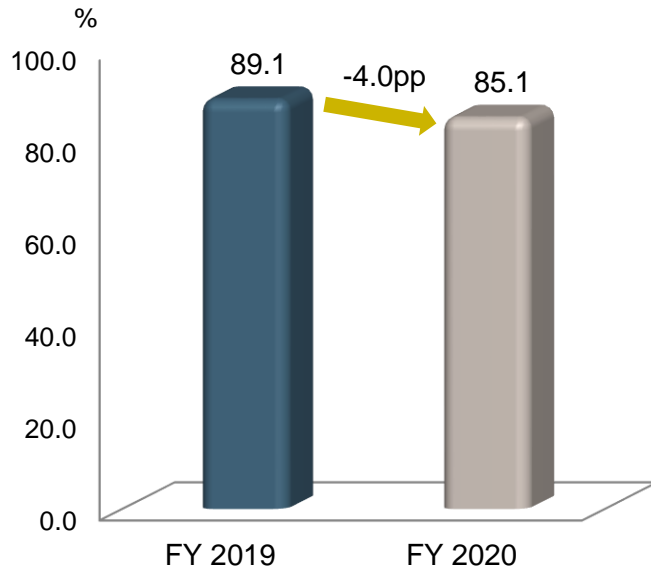
- Fixed rent for hotels and serviced residences formed about three quarters of gross revenue.
- The minimum rental payment provided downside protection for stapled securityholders and mitigated the impact of volatility experienced during adverse economic circumstances.
- 20-year master leases with the Sponsor for all properties remain unchanged and have a remaining tenure of more than 10 years.



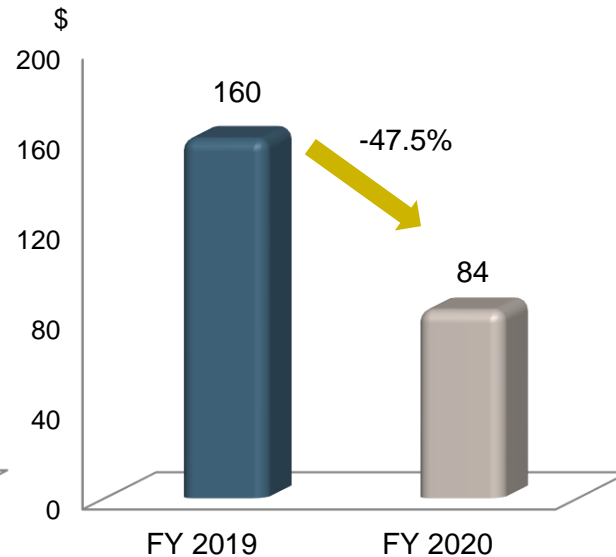


# Portfolio Performance FY 2020 – Hotels

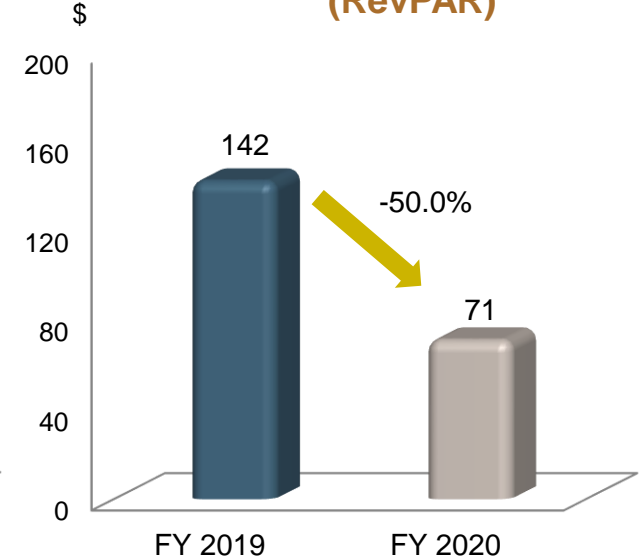
## Average Occupancy



## Average Daily Rate (ADR)



## Revenue Per Available Room (RevPAR)

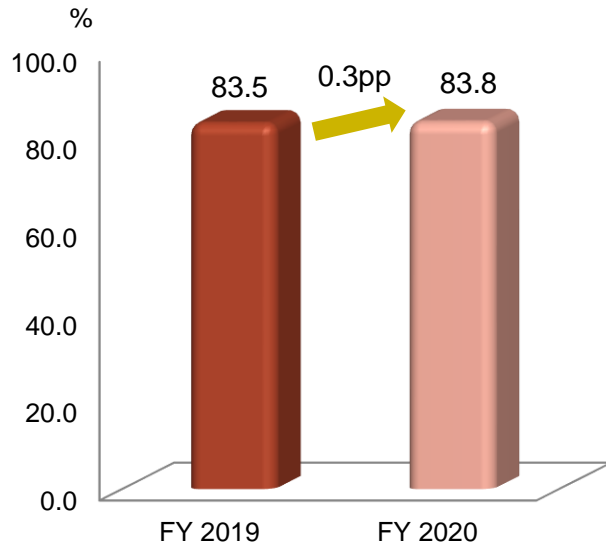


- Average occupancy of the hotels suffered in the initial phase of the COVID-19 pandemic but picked up in subsequent months as the hotels secured business from companies requiring accommodation for their workers and from the Government for isolation purposes. Average occupancy of 85.1% for FY 2020 was 4.0pp below the same period last year.
- ADR decreased 47.5% to \$84 as travel restrictions curtailed traditional sources of business for the hotels and reflected the nature of business opportunities available during this period.
- Accordingly, RevPAR declined by 50.0% to \$71.

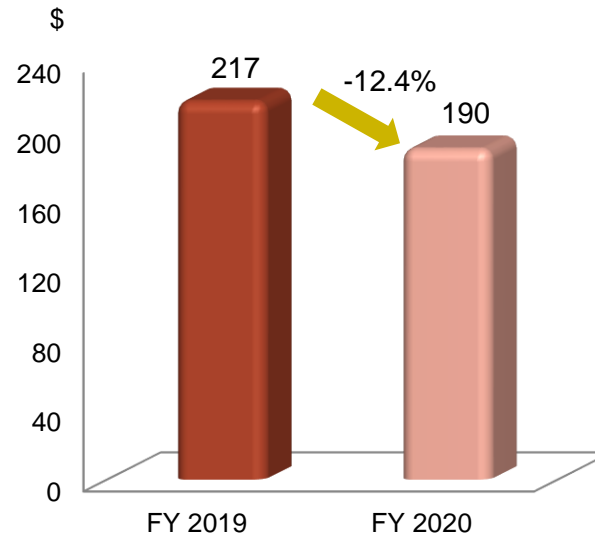


# Portfolio Performance FY 2020 – Serviced Residences

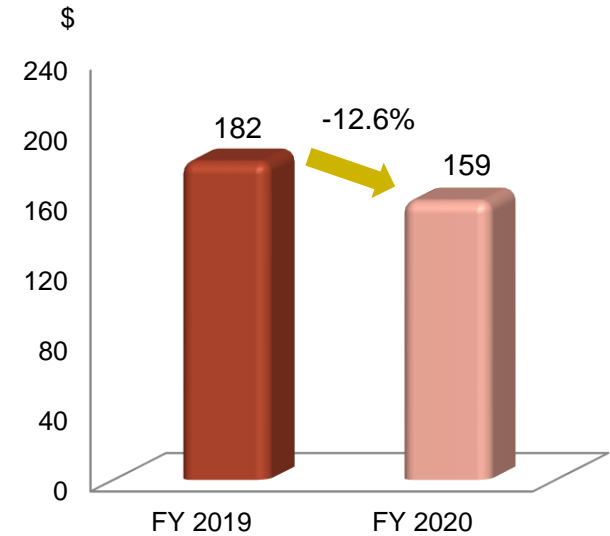
### Average Occupancy



### Average Daily Rate (ADR)



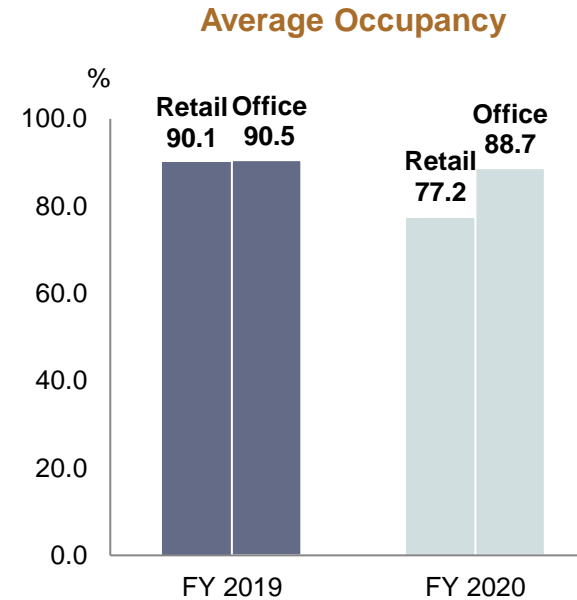
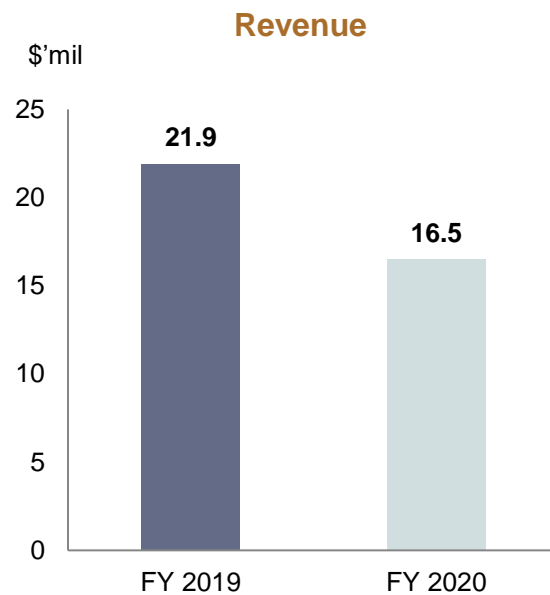
### Revenue Per Available Unit (RevPAU)



- The average occupancy for the SRs in FY 2020 improved 0.3pp year-on-year to 83.8% due to more corporate contracts being secured.
- The ADR fell 12.4% year-on-year to \$190 due to the nature of business available during this period. Consequently, RevPAU registered a 12.6% year-on-year decline to \$159.



# Operating Performance FY 2020 – Commercial Premises

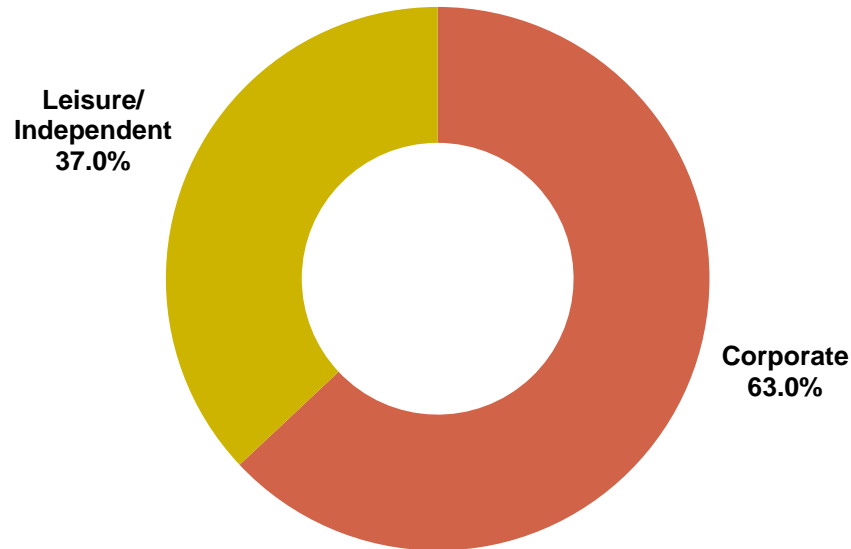


- Revenue from the retail and office spaces decreased 24.6% year-on-year to S\$16.5 million in FY 2020 due to rental support provided to tenants in relation to COVID-19 and lower occupancies.
- Occupancy of the retail spaces had decreased significantly due to non-renewals from some tenants who were affected by COVID-19 and slower pick up in new leases as a result of challenging retail conditions.
- Qualifying office and retail tenants received rental reliefs of 1 and 2 months respectively from Far East H-Trust in addition to government assistance, which comprised cash grants and property tax rebates.

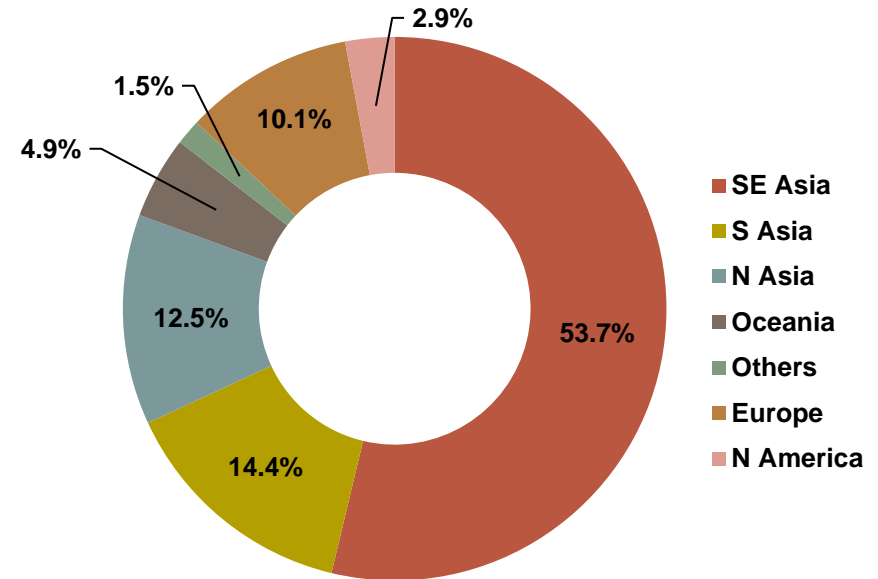


# Market Segmentation FY 2020 – Hotels

## Hotels (by Revenue)



## Hotels (by Region)

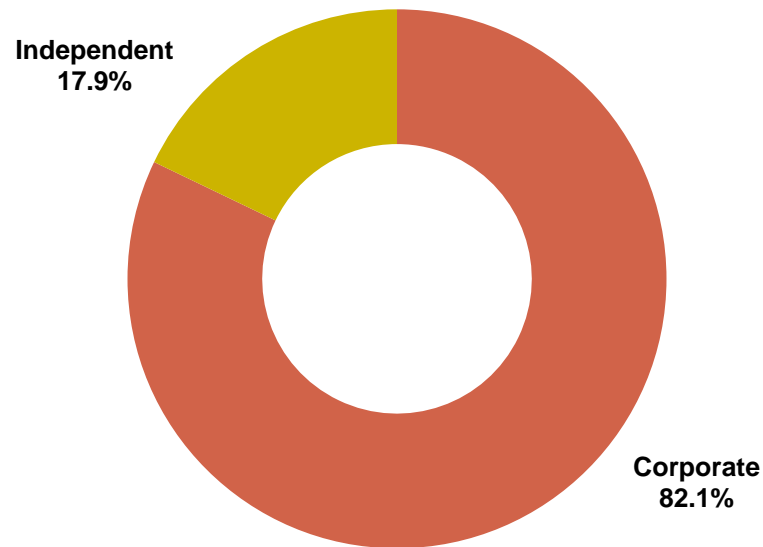


- The corporate segment contributed 63.0% to the overall hotel revenue comprising mainly contracts from the Government and from companies requiring accommodation for their workers.
- The proportion of revenue contribution from South-East Asia increased significantly as the proportions from other regions such as North Asia decreased.

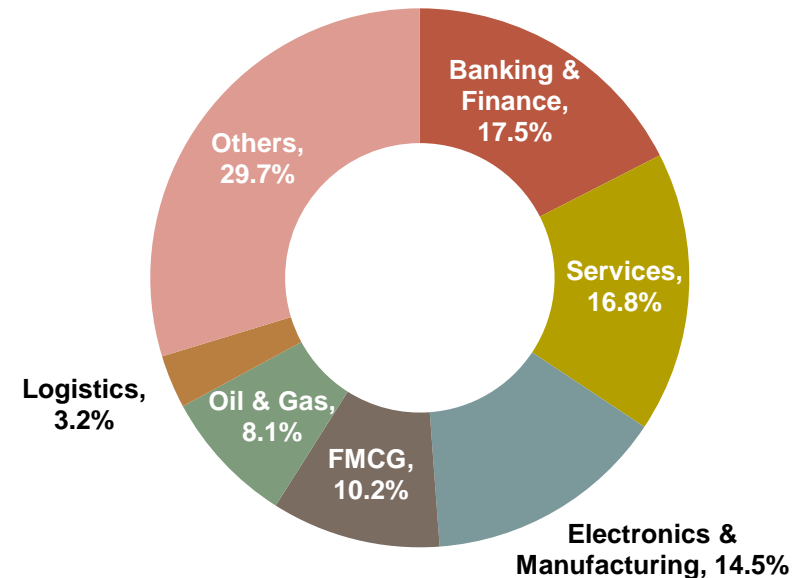


# Market Segmentation FY 2020 – Serviced Residences

## Serviced Residences (by Revenue)



## Serviced Residences (by Industry)



- Revenue contribution by the Corporate segment was higher in FY 2020 at 82.1% compared to 69.5% in FY 2019, supported by pre-existing long leases and lease extensions by corporate accounts. Contribution by the Independent segment was lower in FY 2020, due to general restrictions on cross-border travel.
- The Banking & Finance and Services industries represented the biggest industry contributors to revenue in FY 2020.



## Year in Review – Capital Management

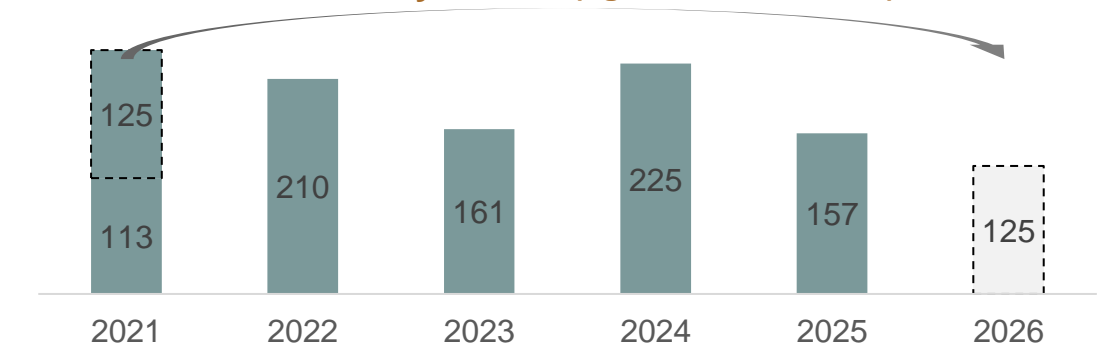


# Capital Management

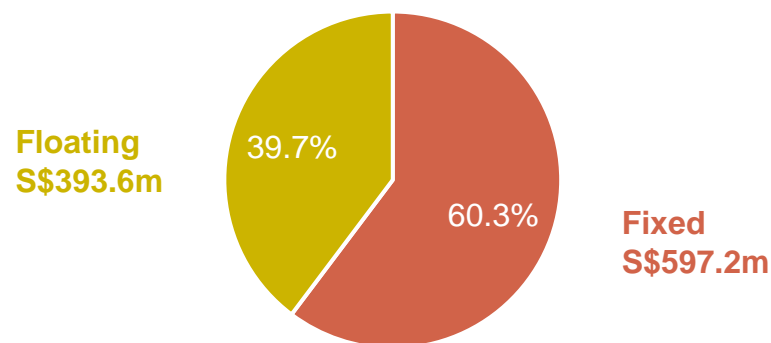
As at 31 Dec 2020

<b>Total Debt</b>	S\$990.8m
<b>Available revolving facility</b>	S\$287.1m
<b>Aggregate Leverage</b>	40.9%
<b>Unencumbered asset as % total asset</b>	100%
<b>Proportion of fixed rate</b>	60.3%
<b>Weighted average debt maturity</b>	2.3 years
<b>Average cost of debt</b>	2.4%
<b>Interest Coverage Ratio<sup>1</sup></b>	2.6x

Debt Maturity Profile (figures in S\$ million)



Interest Rate Profile



- Refinanced the term loan of S\$125 million due in March 2021 with a sustainability-linked loan facility for a term of 5 years. Post-refinancing, the weighted average debt to maturity would have been 2.9 years as at 31 Dec 2020 on a pro-forma basis.
- Discussions with lenders for the refinancing options of the S\$100 million term loan due in Dec 2021 are ongoing.

<sup>1</sup> Interest coverage ratio is computed based on EBITDA over interest expense as per the definition in the loan covenants. This would be 2.4x based on the definition prescribed by Appendix 6 of the Code on Collective Investment Schemes.

# Sound Capital Management

## ▪ **Financial Flexibility**

- Unencumbered assets: 13 investment properties with total value of S\$2.53 billion<sup>1</sup>
- Ample financial ability and flexibility to fund future asset enhancement initiatives and acquisitions
- Available and undrawn facility: S\$287.1 million<sup>1</sup>

## ▪ **Minimisation of Refinancing Risk**

- Well-spread debt maturity profile to minimise refinancing risk – no more than 24% of debt due for refinancing in any year
- Refinanced borrowings with maiden sustainability-linked loan facility worth S\$125 million for a term of 5 years in March 2021
- Weighted average debt to maturity of 2.3 years<sup>1</sup>. Post-refinancing, the weighted average debt to maturity would have been 2.9 years as at 31 Dec 2020 on a pro-forma basis.

## ▪ **Appropriate Hedging Strategies**

- Maintaining appropriate proportion of interest rate hedges to manage interest rate risk
- 60.3% of borrowings on fixed rates with interest rate swaps



<sup>1</sup> As at 31 December 2020



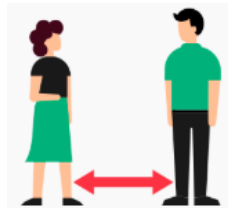
## Year in Review – COVID-19 Measures and Support



# COVID-19 Measures and Support

## 1 Covid-19 Guest Handling Procedures

- All hotels have been certified under the SG Clean Scheme
- Flexible reservation and cancellation policies
- Increased frequency of deep cleaning with hospital-grade solutions
- Temperature screening, SafeEntry check-ins and social distancing for all guests



# COVID-19 Measures and Support

## 2 Cost Containment at Properties

- Hiring freeze across all departments
- Moving certain outsourced functions in-house
- Deferment of non-critical expenses to 2021

## 3 Government Support for Hospitality Industry



### Job Support Scheme

- Wage support for the first \$4,600 of wages of 75% - 10%, gradually decreasing percentage from Oct 2019 to Sep 2021
- Support extended from Mar 2021 to Sep 2021 for Tier 1 sectors (Aviation, Tourism, Hospitality, Conventions & Exhibitions)



### SingapoRediscover

- \$320m of tourism vouchers for Singaporeans to spend on hotel stays, attractions and tours from Dec 2020 to Jun 2021
- \$45m 9-month marketing campaign to encourage locals to take a “Singapoliday”



### Quarantine and Isolation Facilities

- To prevent hospitals from overflowing with patients who do not require critical care, the Government block booked hotels for quarantine and isolation purposes
- In Jul 20, STB reported that more than half of the 67,000 hotel rooms in Singapore were used for such purposes

## Year in Review – Asset Enhancement



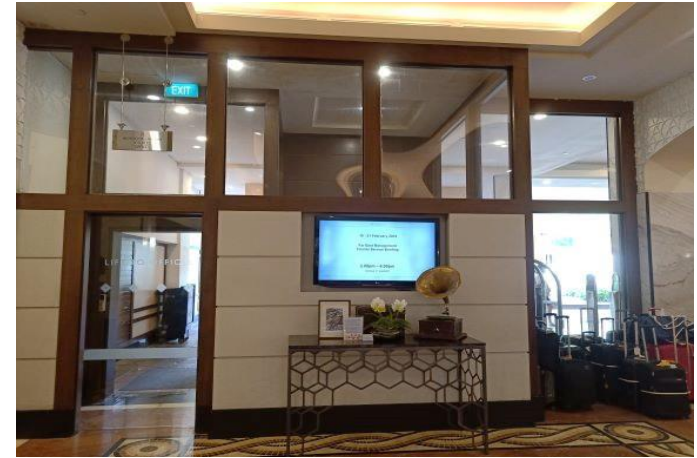
# Proactive Asset Enhancement

## Orchard Rendezvous Hotel

Upgrading of office podium, lobbies & corridors



After



Before



# Proactive Asset Enhancement

## Orchard Rendezvous Hotel

Upgrading of office podium, lobbies & corridors



After



Before



# Proactive Asset Enhancement

## Orchard Rendezvous Hotel Upgrading of electrical systems



**22KV High Tension Switchgear**



**Transformer No. 4**

- A comprehensive set of electrical systems including the high-tension switchgear, low-tension switchboard, transformer and cabling was upgraded at Orchard Rendezvous Hotel to future-proof the hotel's infrastructure.



# Ongoing and Upcoming

## The Elizabeth Hotel

Upgrading of rooms, reception and common areas



Artist impression of upgraded lobby



Artist impression of upgraded room





# Ongoing and Upcoming

**Orchard Rendezvous Hotel**  
Enhancement to outdoor refreshment area  
("ORA") and forecourt



Artist Impression of ORA and forecourt



# Ongoing and Upcoming

## Central Square

Outline Advice issued by URA under the Strategic Development Incentive Scheme



Artist Impression of Redeveloped Precinct

- An Outline Advice has been issued by URA in relation to Central Square under the Strategic Development Incentive Scheme in response to a joint application.
- The proposed plan is intended to rejuvenate the precinct with an integrated development and involves a potential rezoning and uplift in GFA, subject to approvals from the relevant authorities.
- The REIT Manager will explore various options for the site to deliver optimal value for stapled securityholders.

## Year in Review – Corporate Governance



# Enhancing Corporate Governance

## Singapore Governance and Transparency Index 2020

Rank 2020	Trust Name	Base Score*	Adjustments for Bonuses/ Penalties	Overall SGTI 2020 Score
1	CAPITALAND COMMERCIAL TRUST	85.5	27	112.5
2	CAPITALAND MALL TRUST	86.5	24	110.5
3	ASCOTT RESIDENCE TRUST	81.3	20	101.3
4	FAR EAST HOSPITALITY TRUST	80.2	19	99.2
5	NETLINK NBN TRUST	74.9	24	98.9
6	CAPITALAND RETAIL CHINA TRUST	83.2	15	98.2
7	CROMWELL EUROPEAN REIT	84.4	11	95.4
8	ASCENDAS REAL ESTATE INV TRUST	87.4	7	94.4
9	MANULIFE US REIT	79.8	14	93.8
10	QUE COMMERCIAL REIT	71.9	21	92.9
11	FRASERS LOGISTICS AND COMMERCIAL TRUST	78.5	14	92.5
12	KEPPEL PACIFIC OAK US REIT	73.5	18	91.5
13	LIPPO MALLS INDO REIT TRUST	75.5	15	90.5
14	MAPLETREE NORTH ASIA COMM TRUST	73.2	17	90.2
15	KEPPEL DC REIT	71.3	17	88.3

## Governance Index for Trusts 2020

Ranking	REIT/BT	Governance risk Score	Business risk Score	GIFT 2020
1	NetLink NBN Trust	71	19	90
2	Keppel DC REIT	57	18.5	75.5
3	AIMS APAC REIT	53	22	75
4	CapitaLand Commercial Trust	52	22	74
	Manulife US REIT	54	20	74
	Mapletree North Asia Commercial Trust	56.5	17.5	74
7	CapitaLand Mall Trust	52.5	21	73.5
	Far East Hospitality Trust	56.5	17	73.5
	Parkway Life REIT	52.5	21	73.5
10	Cromwell European REIT	55	18	73
	Keppel Pacific Oak US REIT	51	22	73
	Prime US REIT	51	22	73
13	Mapletree Industrial Trust	48	24	72
14	Mapletree Commercial Trust	48	23	71
15	Keppel REIT	58	12.5	70.5
16	Soilbuild Business Space REIT	56	13.5	69.5
17	Ascendas REIT	51.5	17	68.5
	Fraser's Centrepoint Trust	48.5	20	68.5

- In August 2020, Far East H-Trust was ranked **4** out of 45 REITs and Business Trusts, on the Singapore Governance and Transparency Index (“SGTI”), improving on its 6<sup>th</sup> position from 2019.
- In October 2020, Far East H-Trust was ranked **7** out of 45 REITs and Business Trusts, on the Governance Index for Trusts (“GIFT”), maintaining its top 10 positioning from 2019. Far East H-Trust received the 3<sup>rd</sup> highest Governance Risk score.



# Furthering of Stapled Securityholders' Interests

## Review of Management Fee Structure

- In late-2019, the Board and Management had carried out a review of the management fee structure of the REIT Manager, with the aim to lower management fees chargeable to the REIT.
- The Board, with the support of the Sponsor and Trustee, had approved the changes shown below with effect from 1 January 2020:

Change	Impact of change on FY 2020 fee
<b>Base fee</b> is reduced from 0.3% to <b>0.28% per annum of the value of the deposited property</b> of Far East H-REIT.	Reduction was approximately <b>S\$0.54 million</b> or <b>6.7%</b> compared to if there was no change.
<b>Performance fee</b> is reduced from 4.0% of the net property income to <b>4.0% of the net property income or 4.0% of the annual distributable amount</b> for that financial year, whichever is lower.	Reduction was approximately <b>S\$0.98 million</b> or <b>33.9%</b> compared to if there was no change.

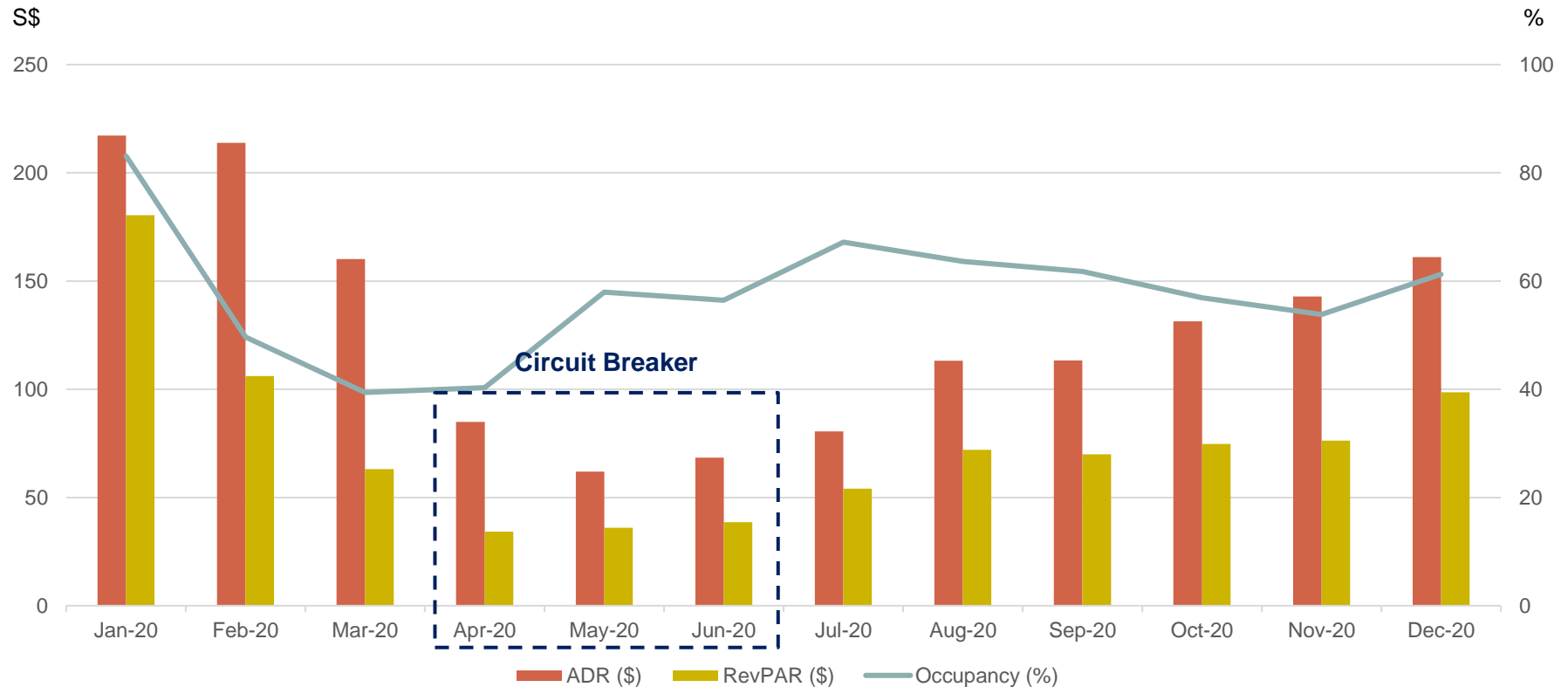
- The approved changes resulted in savings of **S\$1.52 million** or **13.9%** in FY 2020 compared to if there had been no change.



## Industry Update & Outlook



# Industry Update



- Industry RevPAR had a strong start to 2020 at \$180.4 (+3.7% yoy) in Jan 20. However, the COVID-19 outbreak led to a sharp fall from Feb-Apr 20. Since Mar 20, industry occupancy was supported by Government contracts and contracts from corporates requiring accommodation for their workers.
- In Jul 20, the STB allowed approved hotels to re-open for staycation guests. To further boost the tourism industry, the Government launched \$320 million worth of SingapoRediscovered Vouchers in Dec 20.



## Outlook for 2021

- **Global travel restrictions expected to continue impacting demand with near-term business supported by government contracts and long-stay corporate contracts.**
- **Widespread vaccination drives and travel arrangements expected to bring the industry closer normalcy from Q4 2021 onwards<sup>1</sup>**
- **Further easing of capacity restrictions on MICE events allowing events of up to 750 attendees**
- **Muted average new room supply of 1,842 rooms annually from 2021 to 2024 compared to an average of 2,400 annually from 2015 to 2019<sup>1</sup>**

<sup>(1)</sup> Savills report issued as at March 2021.





## Long-Term Outlook

### ▪ **Future-proofing infrastructure**

- Government strategy to future-proof local infrastructure with projects such as the Tuas Mega Port, Terminal 5, the North South Corridor, and the Cross Island MRT line

### ▪ **Growing business hub**

- Decade-high S\$17.2 billion in fixed asset investments secured in 2020 despite COVID-19
- Regional headquarters for firms which are critical nodes in the global value chain such as Alibaba (technology), Pfizer (pharmaceutical), Micron (electronics), and DHL (logistics)
- New infrastructure projects and investments will drive demand for accommodation from corporate travellers and project groups

### ▪ **Expanding tourism offerings**

- Major expansion of key tourism areas such as the Mandai precinct, Sentosa (*including development of Pulau Brani, collectively known as the Greater Southern Waterfront project*), and the Integrated Resorts



# Thank You

For more information please visit  
<http://www.fehtrust.com>



## **Resolution 1**

To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2020, comprising the audited Financial Statements of Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”) and the audited Financial Statements of Far East Hospitality Business Trust (“Far East H-BT”), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT (the “REIT Trustee”), the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the “REIT Manager”), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the “Trustee-Manager”), the Statement by the Chief Executive Officer of the Trustee-Manager, together with the Auditor’s Report thereon.



# Voting Results

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<b>For</b>	<b>Against</b>
1,391,102,764	89,747
99.99%	0.01%



## **Resolution 2**

To re-appoint Ernst & Young LLP as auditors of Far East H-Trust comprising Far East H-REIT and Far East H-BT to hold office until the conclusion of the next annual general meeting of Far East H-Trust and to authorise the REIT Manager and the Trustee-Manager to determine their remuneration.



# Voting Results

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<b>For</b>	<b>Against</b>
1,388,519,547	2,482,438
99.82%	0.18%



## **Resolution 3**

To authorise the REIT Manager and the Trustee-Manager to issue stapled securities and to make or grant convertible instruments.



# Voting Results

## Resolution 3

To authorise the REIT Manager and the Trustee-Manager to issue stapled securities and to make or grant convertible instruments.

<b>For</b>	<b>Against</b>
1,383,980,813	840,478
99.94%	0.06%





# Thank You

For more information please visit  
<http://www.fehtrust.com>

