

2 May 2024

Property | REITS

CDL Hospitality Trusts (CDREIT SP)

Buy (Maintained)

RevPAR Recovery Continues Across Markets; BUY

Target Price (Return): SGD1.20 (23.4%)
 Price (Market Cap): SGD0.98 (USD894m)
 ESG score: 3.2 (out of 4)
 Avg Daily Turnover (SGD/USD) 1.78m/1.32m

- **Keep Buy and SGD1.20 TP, 23% upside and c.6% yield.** CDL Hospitality Trust's 1Q operational and financial updates were in line. YoY revenue/available room (RevPAR) rose across all markets, with Singapore, Japan, and Italy leading the charge – this is set to continue for the rest of 2024. Net property income (NPI) growth though was moderated by FX impact and higher operational costs. Financing cost pressures are expected to persist in FY24, but are likely to peak by end of the year. CDREIT is trading at a >30% discount to book value.
- **Singapore RevPAR (1Q) jumped 17% YoY**, driven mainly by increases in hotel occupancy, which rose 14.2ppts to 82%, while average room rates declined 4% YoY. This was due to the volume strategy adopted by the REIT manager by targeting tour groups. This strategy is consistent with guidance earlier this year that the focus will be on increasing occupancy while holding room rates. Overall visitor arrivals to Singapore have recovered to c.93% of pre-pandemic levels (2019), supported by a strong recovery in Chinese travellers (now standing at 82% of 2019 levels for 1Q24 from c.60% levels last year). We forecast tourist arrivals to reach 85-95% of pre-COVID-19 levels in 2024, ie 16-18m, which betters the Singapore Tourism Board's expectations of 15-16m. Hotel RevPAR is expected to see a mid-to-high single-digit growth in 2024, mainly from increases in overall occupancy rates.
- **UK build-to-rent (BTR) project nearing completion.** The Castings (352 units) BTR asset in Manchester is on track for completion by mid-2024. 90% of the total project commitment sum of GBP73.4m has been funded. With favourable demand dynamics for the BTR segment, the project is likely to exceed its initial NPI yield estimate of c.5%. Asset enhancements are also planned for Ibis Perth and Grand Millenium Auckland, with room refurbishments expected to commence in phases from 2Q24.
- **Slight cost pressures in overseas portfolio, but RevPAR growth intact.** Among overseas markets Japan, Italy, and the Maldives saw healthy double-digit RevPAR growth – this was driven by a healthy influx of visitors resulting in better occupancy levels. NPI contributions from Australia, New Zealand, UK, and Germany did decline – impacted by cost pressures and FX.
- **1Q NPI up 7% YoY**, with Singapore, Japan, and Italy driving growth, offsetting declines in New Zealand, Australia, and the UK. 1Q NPI was at 23% of FY24 estimates – we expect a stronger 2H. Financing costs rose 10bps QoQ to 4.3%. It is set to be at mid-4% for FY24 with 51% of rents hedged.
- **We have tweaked lower our FY24-25F DPUs** by 0-1% by adjusting interest cost. CDREIT's ESG score of 3.2 (out of 4.0) is a notch above the 3.1 country score. Hence, our TP includes a 2% ESG premium.

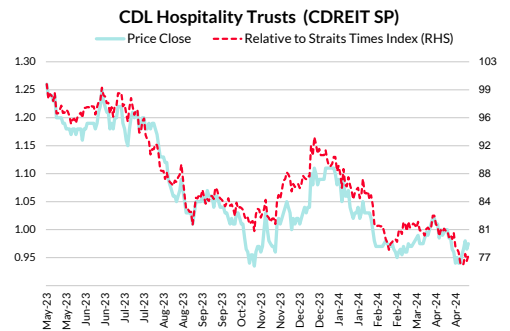
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(12.2)	(4.4)	(7.2)	1.6	(22.6)
Relative	(13.5)	(6.2)	(11.7)	(5.6)	(23.0)
52-wk Price low/high (SGD)	0.94 – 1.25				



Source: Bloomberg

Overall ESG Score: 3.2 (out of 4)

E: EXCELLENT

Aims to net zero by 2050 and has started disclosing more detailed Scopes 1, 2, and 3 emissions in FY23. On track to achieve 5-7% energy consumption reduction across portfolio by 2026, with 2019 as base year. Adoption of TCFD framework for climate risk reporting. Its Singapore hotels are rated highly in BCA green mark standards with a Gold or higher rating.

S: GOOD

Despite severe impact from COVID-19, CDREIT and its hotel operators strived to retain talent, keep jobs, and provide training for the employees where possible. Employees who were impacted by the pandemic were given access to all necessary assistance, including fair retrenchment packages and other forms of assistance.

G: GOOD

High level earnings and operating information disclosure and regular engagements and updates for stakeholders. It has a majority independent board. CDREIT also has a well laid-out plan on corporate governance matters and whistle blowing policies.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (SGDm)	229	258	276	282	287
Net property income (SGDm)	124	138	150	153	156
Reported net profit (SGDm)	216	125	44	23	24
Total distributable income (SGDm)	70.7	72.0	77.2	80.6	83.8
DPS (SGD)	0.06	0.06	0.06	0.06	0.07
DPS growth (%)	31.7	1.0	6.5	3.7	4.4
P/B (x)	0.68	0.65	0.66	0.67	0.69
Dividend Yield (%)	5.8	5.8	6.2	6.4	6.7
Return on average equity (%)	12.6	6.8	2.3	1.2	1.3
Return on average assets (%)	7.2	3.9	1.3	0.7	0.7

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Singapore	Recurring EPS (SGD)	0.17	0.10	0.03	0.02	0.02
Property	EPS (SGD)	0.17	0.10	0.03	0.02	0.02
CDL Hospitality Trusts	DPS (SGD)	0.06	0.06	0.06	0.06	0.07
CDREIT SP	BVPS (SGD)	1.44	1.50	1.48	1.45	1.41
Buy	Return on average equity (%)	12.6	6.8	2.3	1.2	1.3
	Weighted avg adjusted shares (m)	1,237.69	1,246.76	1,256.64	1,266.58	1,276.66
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
DDM	Recurring P/E (x)	5.58	9.73	28.16	54.42	52.48
	P/E (x)	5.58	9.73	28.16	54.42	52.48
	P/B (x)	0.7	0.6	0.7	0.7	0.7
	FCF Yield (%)	6.8	4.0	8.7	8.7	8.8
	Dividend Yield (%)	5.8	5.8	6.2	6.4	6.7
	EV/EBITDA (x)	8.18	8.01	7.20	7.10	7.00
	EV/EBIT (x)	8.18	8.01	7.20	7.10	7.00
Key drivers	Income statement (SGDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Continued RevPAR recovery across Singapore portfolio and European markets;	Total turnover	229	258	276	282	287
ii. Balanced mix of Master leases with management contracts;	EBITDA	110	124	136	139	142
iii. Strong and capable sponsor group.	Operating profit	110	124	136	139	142
	Net interest	(4)	(62)	(65)	(65)	(63)
	Pre-tax profit	224	143	66	47	50
	Taxation	(8)	(18)	(22)	(24)	(26)
	Recurring net profit	216	125	44	23	24
Key risks	Cash flow (SGDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Inflation and interest cost pressures;	Change in working capital	4	1	2	0	1
ii. Unexpected tourism slowdown due to faltering of economic;	Cash flow from operations	116	124	131	133	135
iii. Slower-than-anticipated Chinese and corporate travel recovery.	Capex	(34)	(75)	(25)	(25)	(25)
	Cash flow from investing activities	(98)	(87)	(44)	(39)	(40)
	Dividends paid	(63)	(76)	(60)	(63)	(67)
	Cash flow from financing activities	(52)	(62)	(88)	(93)	(103)
	Cash at beginning of period	139	97	72	69	70
	Net change in cash	(34)	(25)	(1)	1	(8)
	Ending balance cash	106	72	71	70	62
Company Profile	Balance sheet (SGDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
CDREIT is a stapled group comprising H-REIT and HBT. H-REIT is a real estate investment trust that invest in a portfolio of income-producing properties and HBT is a business trust. Its investment strategy is to invest in a diversified portfolio of real estate or development projects, which is or will be primarily used for hospitality, hospitality-related and other accommodation and/or lodging purposes globally.	Total cash and equivalents	97	72	69	70	62
	Total investments	2,105	2,233	2,280	2,305	2,311
	Total other assets	872	961	938	939	948
	Total assets	3,103	3,303	3,322	3,351	3,360
	Short-term debt	239	348	300	250	200
	Total long-term debt	972	942	1,014	1,119	1,204
	Total liabilities	1,310	1,416	1,443	1,503	1,545
	Shareholders' equity	1,786	1,878	1,871	1,839	1,806
	Minority interests	7	8	8	8	8
	Total equity	1,793	1,886	1,879	1,847	1,814
	Net debt	1,115	1,218	1,244	1,299	1,342
	Total liabilities & equity	3,103	3,303	3,322	3,351	3,360
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	45.4	12.3	7.2	2.0	2.0
	Recurrent EPS growth (%)	212.6	(42.7)	(65.5)	(48.3)	3.7
	Operating EBITDA margin (%)	48.1	48.1	49.2	49.5	49.5
	Net profit margin (%)	94.3	48.5	15.8	8.1	8.3
	Dividend payout ratio (%)	32.2	56.8	175.0	351.0	353.3
	Capex/sales (%)	14.8	29.1	8.9	8.9	8.9
	Interest cover (x)	2.45	1.95	2.06	2.12	2.23

Source: Company data, RHB

Figure 1: CDREIT - DDM valuation

	FY24F	FY25F	FY26F	FY27F	FY28F	Terminal Value
DPU (SGD cents)	6.06	6.29	6.56	6.64	6.86	130.28
Intrinsic value (SGD)	1.18					
ESG premium	0.02					
Fair value (SGD)	1.20					
Current price (SGD)	0.98					
Price upside (%)	22.8					
Distribution yield (%)	6.2					
Total return (%)	29.0					
Assumptions						
Risk-free rate (%)	2.8					
Beta	0.8					
Cost of equity (%)	7.4					
Terminal growth (%)	2.0					

Source: RHB

Figure 2: NPI breakdown by geography (1Q) - total: SGD34.9m

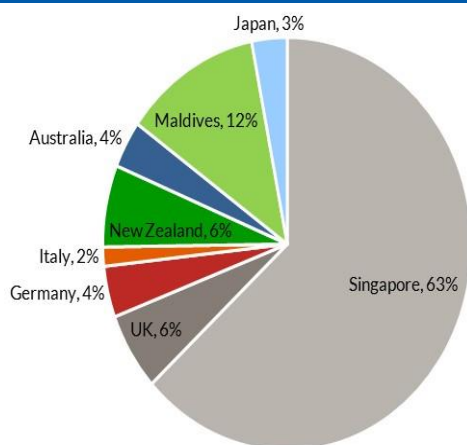
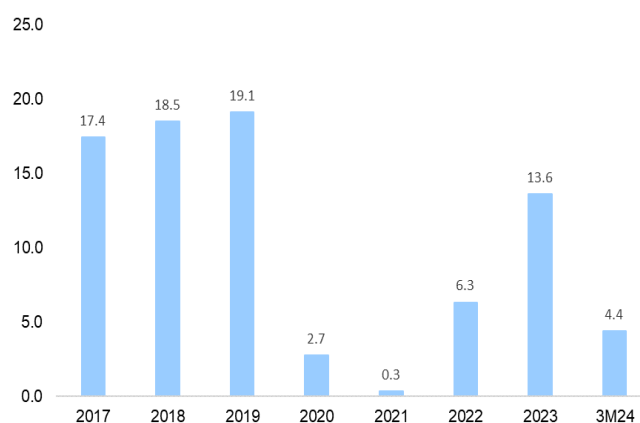


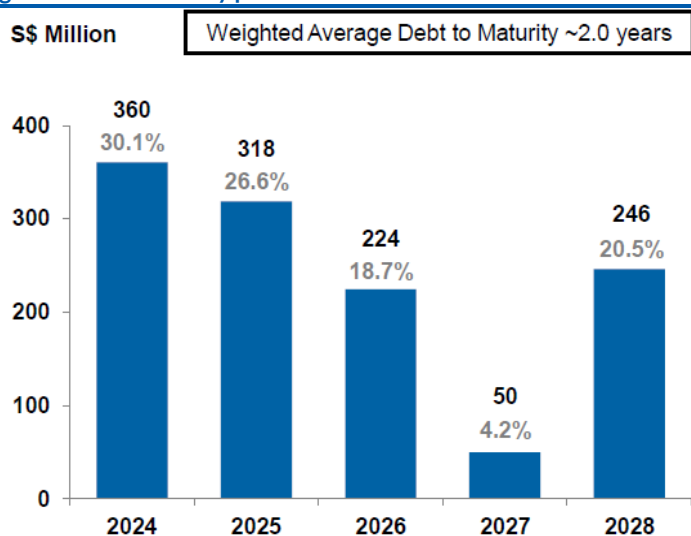
Figure 3: Singapore visitor arrivals



Source: Company data

Source: Singapore Tourism Board, RHB

Figure 4: Debt maturity profile



Currency	Amount	Type	Expiry
EUR	S\$53.9M	Term Loan fixed via EUR/USD CCS	Jul 2024
SGD	S\$70.0M	Fixed Term Loan	Aug 2024
USD	S\$87.5M	Fixed Term Loan	Dec 2024
Multi	S\$62.6M	Floating RCF	Dec 2024
GBP	S\$86.3M	Fixed Term Loan	Dec 2024
Multi	S\$107.5M	Floating RCF	Mar 2025
EUR	S\$64.1M	Fixed Term Loan	Apr 2025
JPY	S\$56.7M	Fixed Term Loan & TMK Bond	Sep 2025
EUR	S\$90.2M	Term Loan fixed via EUR/SGD CCS	Nov 2025
SGD	S\$83.6M	Floating Term Loan	Aug 2026
GBP	S\$91.6M	Floating Term Loan	Dec 2026
Multi	S\$49.0M	Fixed & Floating RCF	Dec 2026
SGD	S\$50.0M	Floating RCF	Jan 2027
SGD	S\$120.0M	Fixed & Floating Term Loan	Jun 2028
GBP	S\$84.8M	Floating Term Loan	Aug 2028
GBP	S\$40.9M	Fixed Term Loan	Dec 2028

(1) Based on exchange rates of US\$1 = S\$1.3469, €1 = S\$1.4563, £1 = S\$1.6968 and S\$1 = ¥112.3596

Source: Company Data

Emissions And ESG

Trend analysis

Total energy consumption for FY23 was 5% higher than FY19 baseline, but energy intensity was 12.5% lower. Water consumption and intensity fell 5% and 20% compared to FY19 baseline.

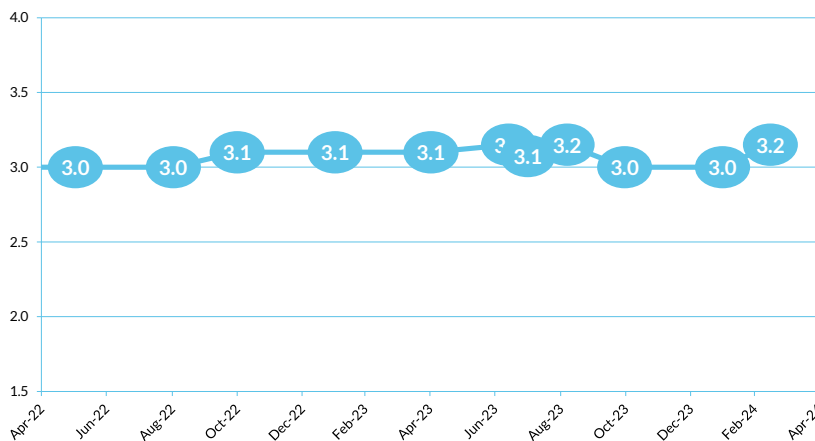
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	na	5,672	405
Scope 2	na	22,447	721
Scope 3	na	na	52,163
Total emissions	na	28,119	53,289

Source: Company data, RHB

Latest ESG-Related Developments

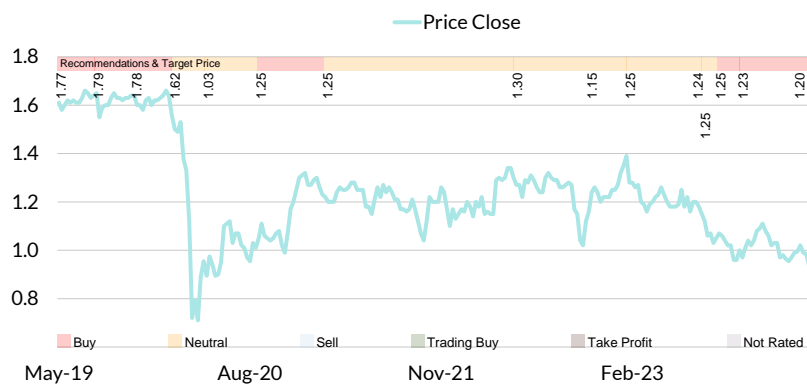
- More than half its properties have also replaced single-use bathroom products with reusable pumps.
- Implemented option to skip daily housekeeping, reducing carbon footprint.
- Completed installation of Solar Panels (Phase 1) across Maldives assets.
- Portfolio LED conversion completed across >80% of portfolio by value.
- Working to certify its Singapore portfolio for eco-tourism certifications.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-03-14	Buy	1.20	0.99
2023-10-29	Buy	1.23	0.96
2023-09-05	Buy	1.25	1.03
2023-07-30	Neutral	1.25	1.18
2023-07-12	Neutral	1.24	1.20
2023-01-31	Neutral	1.25	1.35
2022-10-30	Neutral	1.15	1.12
2022-07-31	Neutral	1.30	1.32
2022-05-03	Neutral	1.30	1.34
2022-03-13	Neutral	1.25	1.15
2021-10-31	Neutral	1.25	1.20
2021-02-01	Neutral	1.25	1.22
2020-11-01	Buy	1.25	0.99
2020-08-24	Buy	1.25	1.00
2020-04-20	Neutral	1.03	0.95

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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Not Rated:	Stock is not within regular research coverage

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