



## CDL HOSPITALITY TRUSTS

FOR IMMEDIATE RELEASE

27 Oct 2017

### CDL HOSPITALITY TRUSTS REPORTS TOTAL DISTRIBUTION OF S\$27.4 MILLION FOR 3Q 2017

- Net property income increased by 15.9% to S\$40.4 million for 3Q 2017 and 11.3% to S\$111.1 million for YTD Sep 2017
- Stellar performance from Grand Millennium Auckland and inorganic contribution from The Lowry Hotel and Pullman Hotel Munich boosted portfolio performance
- Total distribution to Stapled Securityholders grew accordingly by 13.3% to S\$27.4 million for 3Q 2017 and 12.0% to S\$76.4 million for YTD Sep 2017
- CDLHT continues to pursue suitable acquisitions and asset enhancement initiatives to diversify income sources and augment returns

**Singapore, 27 October 2017** – CDL Hospitality Trusts (“CDLHT” or the “Group”), a stapled group comprising CDL Hospitality Real Estate Investment Trust (“H-REIT”), a real estate investment trust, and CDL Hospitality Business Trust (“HBT”), a business trust, today announced its results for the third quarter (“3Q 2017”) and nine months (“YTD Sep 2017”) ended 30 September 2017.

#### Third Quarter ended 30 September 2017

In 3Q 2017, CDLHT recorded net property income (“NPI”) of S\$40.4 million, an increase of 15.9% compared to 3Q 2016. Inorganic contribution from The Lowry Hotel in Manchester, United Kingdom (“UK”) and Pullman Hotel Munich in Germany<sup>1</sup>, coupled with robust operating performance from the New Zealand (“NZ”) Hotel, boosted the portfolio’s performance. In addition, there was also modest incremental contribution from the Singapore Hotels and Claymore Connect.

However, the growth in NPI was partially offset by softer trading performance from the Japan Hotels and Maldives Resorts, as well as lower contribution from Hilton Cambridge City Centre which was further affected by a weakened Sterling pound.

Overall, CDLHT recorded robust year-on-year (“yoy”) growth of 13.3% in total distribution to Stapled Securityholders (after retention for working capital) to S\$27.4 million for 3Q 2017<sup>2</sup>. Distribution per Stapled Security (“DPS”) for 3Q 2017 was 2.29 cents, as compared to 2.36 cents<sup>3</sup> in 3Q 2016. Excluding the effect of the rights issue which was completed in August 2017<sup>4</sup>, DPS for 3Q 2017 would be 2.74 cents, an increase of 12.3% yoy.

#### Nine months ended 30 September 2017

NPI for YTD Sep 2017 increased by 11.3% to S\$111.1 million, supported by fresh contribution from The Lowry Hotel and Pullman Hotel Munich, as well as strong performance by the NZ Hotel, which recorded an NPI growth of 79.5%. NPI of the Singapore Hotels remained stable while there was higher contribution from Claymore Connect.

This improvement helped to offset weaker contributions from the Japan Hotels and Maldives Resorts, as well as lower contribution from Hilton Cambridge City Centre due to a weakened Sterling pound and recognition of one-off expenses.

<sup>1</sup> The acquisition of Pullman Hotel Munich was completed on 14 July 2017.

<sup>2</sup> The third quarter contribution from the Japan Hotels has not been included in the total distribution for 3Q and YTD Sep 2017. Distribution from the Japan Hotels occurs twice yearly, at six months intervals (contribution from 1 October to 31 March will be distributed in 2Q and that of 1 April to 30 September in 4Q).

<sup>3</sup> For the quarter ended 30 September 2016, DPS has been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities.

<sup>4</sup> The rights issue was completed on 2 August 2017 where CDLHT issued 199,545,741 new Stapled Securities to raise total gross proceeds of S\$255.4 million.



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Net finance costs for YTD Sep 2017 increased by S\$4.4 million to S\$22.7 million, mainly due to foreign exchange differences relating to the repayment of a foreign currency denominated loan, which has no impact on the distributable income of CDLHT.

Overall, total distribution to Stapled Securityholders (after retention for working capital) for YTD Sep 2017, which includes six months of income from the Japan Hotels<sup>5</sup> and capital distribution from the Group's overseas properties, increased 12.0% yoy to S\$76.4 million. DPS for YTD Sep 2017 was 6.39 cents as compared to 6.66 cents<sup>6</sup> in the same period last year. Excluding the effect of the rights issue, DPS for YTD Sep 2017 would be 7.65 cents, an increase of 11.0% yoy.

Mr Vincent Yeo, Chief Executive Officer of CDLHT's managers, said, "We are pleased that our new acquisitions, The Lowry Hotel in Manchester and Pullman Hotel Munich, have helped to support our income growth. In addition, our core market, Singapore, has shown incremental contribution this quarter despite the competitive trading conditions. Our strategic acquisitions of quality assets have enabled us to build a well-balanced portfolio with diversified geographic exposure and we continue to be focused on enhancing returns for Stapled Securityholders."

### Review of Portfolio's Performance and Outlook

The combined weighted average statistics for CDLHT's Singapore Hotels are as follows:

	3Q 2017	3Q 2016	Increase/ (Decrease)	YTD Sep 2017	YTD Sep 2016	Increase/ (Decrease)
<b>Average Occupancy Rate</b>	88.7%	90.7%	(2.0)pp	87.8%	86.0%	1.8pp
<b>Average Daily Rate</b>	S\$187	S\$186	0.8%	S\$182	S\$188	(3.2)%
<b>Revenue per Available Room ("RevPAR")</b>	S\$166	S\$168	(1.4)%	S\$160	S\$162	(1.2)%

### Singapore

The trading environment of the Singapore Hotels continued to face price competition from the increased supply of hotel rooms. Despite this, the Singapore Hotels managed to maintain a stable average daily rate and consequently, overall RevPAR decreased marginally by 1.4% yoy for 3Q 2017. With the net supply for hotel inventory estimated to increase by 2,517<sup>7</sup> rooms or 3.9% in 2017, of which an estimated 1,532 remaining rooms are expected to open in 4Q 2017, room rates are likely to remain competitive in the near term.

On the demand front, visitor arrivals to Singapore increased 4.0% yoy to 11.7 million for the first eight months of 2017, mainly due to an increase in arrivals from China and India<sup>8</sup>. The recent extension of the F1 Singapore Grand Prix to 2021<sup>9</sup> and successful growth of Singapore's MICE pipeline up to 2024, most of which are inaugural events in the region, continue to enhance Singapore's position as a vibrant events

<sup>5</sup> Following the completion of audit and tax filing of the Japan Hotels for its six-month fiscal period ended 31 March 2017, contribution from the Japan Hotels for the period from 1 October 2016 to 31 March 2017 was included in the distribution for YTD Sep 2017.

<sup>6</sup> For the period ended 30 September 2016, DPS has been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities.

<sup>7</sup> Based on Horwath data (July 2017) and CDLHT research

<sup>8</sup> Singapore Tourism Board ("STB")

<sup>9</sup> STB, "Singapore to host the Formula 1 World Championship until 2021", 15 September 2017



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destination. These events include major world congresses from the medical and industrial solutions sectors, as well as travel and technology to F&B tradeshows<sup>10</sup>.

The Chinese gourmet restaurant in Orchard Hotel, Hua Ting, is undergoing renovation and is expected to re-open by December 2017. Refurbishment works are being planned for the guest rooms in one wing of the hotel in mid-December 2017 and are expected to be completed by April 2018. While the hotel faces some disruption and revenue loss in the short term, the completed refurbishment exercise will improve overall guest experience and enhance the competitiveness of the asset.

### **Japan**

Tourism demand in Japan continues to be healthy with a 17.9% yoy increase in visitor arrivals to 21.2 million for the first nine months of 2017<sup>11</sup>. However, increasing competition in Tokyo's economy hotel market has diluted average room rates across the market. Consequently, these have moderated the performance of the Japan Hotels where RevPAR for 3Q 2017 declined 2.5% yoy despite the strong occupancy levels recorded.

### **New Zealand**

The tourism sector in New Zealand continues to be buoyant with international visitor arrivals increasing 7.4% yoy to a record 2.6 million<sup>12</sup> for the first nine months of 2017, supported by increased new international air services. Accordingly, the NZ Hotel achieved higher average room rates and volume increases in all segments, resulting in a stellar yoy RevPAR growth of 32.1%.

### **Maldives**

In the Maldives, the increase in new rooms supply, which has intensified price competition amongst resorts, coupled with the decline in visitor arrivals from China, continue to affect trading conditions. As a result, the Maldives Resorts posted a collective yoy RevPAR decline of 24.6% for 3Q 2017.

On 1 September 2017, CDLHT transitioned one of the Maldives Resorts to a new operator, AccorHotels, which following enhancements in late 2018, will be repositioned to join the iconic collection of Raffles Hotels and Resorts. This transition process will lead to sub-optimal revenue contribution until the asset enhancement and full re-branding exercise is completed.

To strengthen Angsana Velavaru's product offering and market positioning, a refurbishment exercise is also being planned for the resort in the low season of 2018 to upgrade 28 land villas.

### **United Kingdom**

The RevPAR performance of the UK Hotels remained stable yoy<sup>13</sup> despite the recent terror incidents in the country and closure of the Manchester Arena until mid-September 2017. Tourism demand is healthy in the UK with visitor arrivals increasing 8.3% for the first seven months of 2017<sup>14</sup>, driven in part by the relatively weaker Sterling pound<sup>15</sup>. Total arrivals are expected to grow by 6.0% in 2017<sup>16</sup> but economic and political uncertainty may weigh on corporate demand<sup>17</sup>.

<sup>10</sup> STB, "Singapore maintains robust pipeline of business event notable events secured for the first time", 28 September 2017

<sup>11</sup> Japan National Tourism Organization

<sup>12</sup> Tourism – Statistics New Zealand

<sup>13</sup> The yoy RevPAR comparison assumes CDLHT owned The Lowry Hotel in 3Q 2016.

<sup>14</sup> International Passenger Survey, Office for National Statistics

<sup>15</sup> The Guardian, "UK draws record overseas tourists after pound's Brexit plunge", 22 September 2017

<sup>16</sup> 2017 Inbound Tourism Forecast – VisitBritain

<sup>17</sup> IHS Markit / CIPS UK Services PMI, "Business activity growth edges up from August's recent low", 4 October 2017



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### **Germany**

In Germany, the hotel's volume strategy mitigated the slight impact of softer demand from the Middle Eastern markets due to Qatar's dispute with its neighbours.

Business optimism in Germany remains strong<sup>18</sup> and total visitor arrivals to Munich increased by 6.4% yoy for the first seven months of 2017<sup>19</sup>. Looking ahead, while there is an increase in new rooms supply in the city, the strong pipeline of trade shows over the next two years<sup>20</sup> will be supportive for the Munich hospitality market.

Mr Yeo concluded: "Following the recently completed equity fund raising exercise which has strengthened our balance sheet, we will actively pursue suitable acquisitions and asset enhancement initiatives to generate growth in returns for Stapled Securityholders."

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<sup>18</sup> IHS Markit Flash Germany PMI, "German PMI rises to six-and-a-half year high as manufacturing booms", 22 September 2017

<sup>19</sup> Muenchen.de

<sup>20</sup> Events Eye



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**Financial Highlights:**

	1 Jul 2017 to 30 Sep 2017 S\$'000 ("3Q 2017")	1 Jul 2016 to 30 Sep 2016 S\$'000 ("3Q 2016")	Increase/ (Decrease) (%)	1 Jan 2017 to 30 Sep 2017 S\$'000 ("YTD Sep 2017")	1 Jan 2016 to 30 Sep 2016 S\$'000 ("YTD Sep 2016")	Increase/ (Decrease) (%)
<b>Gross revenue</b>	54,826	45,408	20.7	149,075	132,531	12.5
<b>NPI</b>	40,358	34,832	15.9	111,136	99,866	11.3
<b>Income to be distributed to Stapled Securityholders (after retention)</b>	27,389	24,175	13.3	74,193	67,464	10.0
<b>Capital distribution</b>	-	-	-	2,215	738	N.M.
<b>Total distribution to Stapled Securityholders (after retention and including capital distribution)</b>	27,389	24,175	13.3	76,408	68,202	12.0
<b>DPS (after retention and including capital distribution) (cents)<sup>21</sup></b>	2.29	2.36	(3.0)	6.39	6.66	(4.1)
<b><u>For information only</u></b>						
<b>DPS excluding effect of rights issue (after retention and including capital distribution) (cents)</b>	2.74	2.44	12.3	7.65	6.89	11.0

<sup>21</sup> DPS before and after retention for the quarter and period ended 30 September 2017 include the effect of the rights issue. On 2 August 2017, 199,545,741 new Stapled Securities were issued pursuant to the rights issue. The new rights Stapled Securities rank pari passu in all respects with the existing Stapled Securities in issue and issuable as at the date of issue of the rights Stapled Securities.

For the quarter and period ended 30 September 2016, DPS have been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities.



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### About CDL Hospitality Trusts

CDL Hospitality Trusts (“CDLHT”) is one of Asia’s leading hospitality trusts with assets valued at S\$2.7 billion. CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust (“H-REIT”), a real estate investment trust, and CDL Hospitality Business Trust (“HBT”), a business trust. CDLHT was listed on the Singapore Exchange Securities Trading Limited on 19 July 2006. M&C REIT Management Limited is the manager of H-REIT, the first hotel real estate investment trust in Singapore, and M&C Business Trust Management Limited is the trustee-manager of HBT.

CDLHT was established with the principal investment strategy of investing in a portfolio of hospitality and/or hospitality-related real estate assets. As at 30 September 2017, CDLHT owns 17 hotels and two resorts comprising a total of 5,414 rooms as well as a retail mall. The properties under CDLHT’s portfolio include:

- (i) six hotels in the gateway city of Singapore (Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King’s Hotel, Novotel Singapore Clarke Quay and Studio M Hotel) as well as a retail mall adjoining Orchard Hotel (Claymore Connect);
- (ii) five hotels in Brisbane and Perth, Australia (Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth);
- (iii) two hotels in Japan’s gateway city of Tokyo (Hotel MyStays Asakusabashi and Hotel MyStays Kamata);
- (iv) one hotel in New Zealand’s gateway city of Auckland (Grand Millennium Auckland, formerly known as Rendezvous Hotel Auckland);
- (v) two hotels in United Kingdom (Hilton Cambridge City Centre in Cambridge and The Lowry Hotel in Manchester);
- (vi) one hotel in Germany’s gateway city of Munich (namely Pullman Hotel Munich); and
- (vii) two resorts in Maldives (Angsana Velavaru and Dhevanafushi Maldives Luxury Resort, Managed by AccorHotels (previously known as Jumeirah Dhevanafushi)).