

COMPANY RESULTS

CapitaLand Ascott Trust (CLAS SP)

3Q22: Ideal Mix Of Recovery Potential And Resilient Balance Sheet

CLAS' portfolio RevPAU recovered 88% yoy and 6% qoq to S\$132 in 3Q22, which is 87% of pre-pandemic levels on a pro forma basis, due to higher occupancy (>70% in 3Q22) and ADR (9M22: +40% yoy). China and Singapore recorded strong sequential growth, while Australia and the US continued to perform at close to pre-pandemic levels. Aggregate leverage was healthy at 35.8%, while cost of debt was stable at 1.7%. 2023 distribution yield is attractive at 6.5%. Maintain BUY. Target price: S\$1.27.

RESULTS

- CapitaLand Ascott Trust (CLAS) reported its 3Q22 business update.
- Gross profit grew 70% yoy on same-store basis.** Growth in revenue and gross profit was driven by contributions from eight new properties and stronger operating performance of the existing portfolio. Gross profit accounted for 90% of pre-pandemic levels on a pro forma basis. Excluding the contributions from the eight properties, same-store gross profit grew 70% yoy in 3Q22.
- Recovery momentum sustained into 3Q22.** Portfolio RevPAU recovered 88% yoy and 6% qoq to S\$132 in 3Q22, which is 87% of pre-pandemic levels on a pro forma basis, due to higher occupancy (>70%) and average daily rates (ADR) (9M22: +40% yoy). China and Singapore recorded strong growth of 28% and 27% qoq respectively. Australia and the US continued to perform at close to pre-pandemic levels.
- China: Recovery led by pick-up in domestic corporate travel.** RevPAU rebounded 28% qoq but was flat yoy at Rmb278 in 3Q22. Occupancy recovered from 50% in 2Q22 to 70% in 3Q22 driven by corporate long stays and project groups. The average length of stay was 6.5 months. Domestic corporate transient demand picked up after the quarantine duration was shortened by half to seven days in Jun 22.
- Singapore: Tourists back for F1 Singapore Grand Prix and MICE events.** RevPAU for Citadines Mount Sophia (CMS) grew 174% yoy and 28% qoq to S\$178 in 3Q22. CMS' ADR is 30% above pre-pandemic levels, while occupancy was above 90%. Iyf one-north achieved occupancy of above 90% supported by long-stay bookings from companies and educational institutions located nearby. The two properties are expected to benefit from higher ADR in 4Q22 due to the year-end holiday season.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	370	394	561	648	686
EBITDA	128	146	240	319	338
Operating profit	94	114	206	285	304
Net profit (rep./act.)	(238)	296	89	152	166
Net profit (adj.)	67	(1)	95	152	166
EPU (S\$ cent)	2.2	(0.0)	2.8	4.4	4.8
DPU (S\$ cent)	3.0	4.3	5.4	6.2	6.6
PE (x)	44.3	n.m.	33.9	21.9	20.1
P/B (x)	0.8	0.8	0.8	0.9	0.9
DPU Yld (%)	3.2	4.5	5.6	6.5	6.9
Net margin (%)	(64.4)	75.0	15.9	23.5	24.3
Net debt/(cash) to equity (%)	49.8	55.6	63.2	66.2	68.8
Interest cover (x)	2.2	2.8	3.7	4.3	4.5
ROE (%)	n.a.	7.2	2.1	3.5	3.9
Consensus DPU (S\$ cent)	n.a.	n.a.	5.6	6.4	6.9
UOBKH/Consensus (x)	-	-	0.96	0.97	0.95

Source: Ascott Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.96
Target Price	S\$1.27
Upside	+32.3%

COMPANY DESCRIPTION

ART invests in income-producing real estate predominantly used as serviced residences, rental housing, student accommodation and other hospitality assets on a global basis.

STOCK DATA

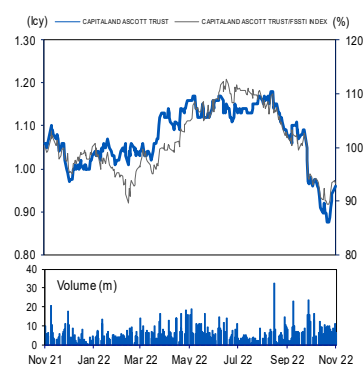
GICS sector	Real Estate
Bloomberg ticker:	CLAS SP
Shares issued (m):	3,442.0
Market cap (S\$m):	3,304.3
Market cap (US\$m):	2,341.3
3-mth avg daily t'over (US\$m):	5.9
Price Performance (%)	
52-week high/low	S\$1.18/S\$0.875

1mth	3mth	6mth	1yr	YTD
(2.0)	(17.2)	(17.2)	(9.4)	(6.8)

Major Shareholders

	%
Temasek Hldgs	39.6
-	-
-	-
FY22 NAV/Share (S\$)	1.14
FY22 Net Debt/Share (S\$)	0.79

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Australia: Growth momentum sustained by domestic leisure travel.** RevPAU increased 126% yoy to A\$129 in 3Q22, which is 96% of pre-pandemic levels, driven by higher ADR. The recovery was driven by domestic leisure travel with uplift from large-scale sporting and entertainment events. Its six hotels saw strong pick-up in 3Q22. Outlook is positive as travel confidence was restored.
- US: Domestic leisure demand drives higher occupancy.** RevPAU recovered 140% yoy to US\$209 in 3Q22, which is in line with pre-pandemic levels. Its three hotels achieved occupancy of 90% and ADR has exceeded pre-pandemic levels. Outlook is positive with New York City expected to host more events in 4Q22.
- Positive contributions from newly-acquired student accommodation properties.** Longer-stay properties registered occupancy of 95% and contributed 15% of gross profit in 3Q22. Student accommodation is 99% leased for the academic year 2022-23 (AY 2021-22: >95%) with rent growth of 6% yoy.
- Resilient balance sheet.** Aggregate leverage eased 1.7ppt qoq to 35.8% in 3Q22. Aggregate leverage would rise to 38.5% after completing the acquisition of nine properties from its sponsor The Ascott Limited in 4Q22. Cost of debt was stable at 1.7%. 76% of its borrowings are on fixed rates. The average term to maturity was 3.5 years. Management estimated that every 50bp change in benchmark rates is estimated to reduce DPU by 0.1 S cents per year.

STOCK IMPACT

- Raising room rates with sustained pent-up demand.** We expect continued recovery due to pent-up demand for travel and more countries reopening their international borders. 4Q22 is seasonally softer for corporate travel but forward booking for leisure travel remains robust. CLAS is able to generate profitable growth by raising room rates to cover rising utilities and labour costs. It will benefit from full-year contributions of student accommodation acquired last year.
- Japan: Bright prospects for strong recovery but offset by weakness in JPY.** RevPAU recovered 8% qoq to ¥4,633 in 3Q22, which is only 39% of pre-pandemic levels. Japan lifted border restrictions on 11 Oct 22, restored visa-free travel and removed the cap on daily arrivals. The government has introduced the National Travel Discount to boost domestic tourism. Japan will benefit from pent-up demand, while the weak Japanese yen makes Japan an affordable and attractive destination. CLAS owns 23 properties in Japan, which accounted for 18% of total assets.
- Setting sights on a higher goal.** Management has raised the asset allocation target for longer-stay assets by 10ppt from 15-20% to 25-30% in the medium term.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$1.27 is based on DDM (cost of equity: 7.5%, terminal growth: 2.6%).

SHARE PRICE CATALYST

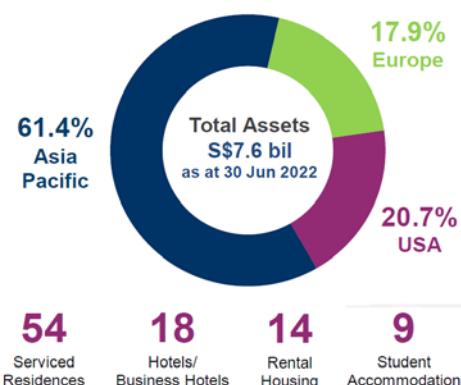
- Yield-accretive acquisitions for student accommodation and rental housing.
- Full-year contributions from maiden development project lyf one-north in 2022.
- Recovery of the hospitality industry in Europe, the US, Japan and Singapore, followed by other countries in the Asia Pacific region.

KEY OPERATING METRICS – CLAS

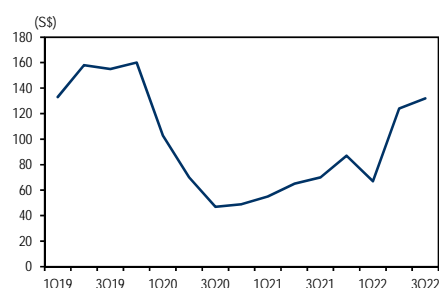
	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	yoy % Chg	qoq % Chg*
DPU (S cents)	n.a.	2.045	n.a.	2.270	n.a.	2.332	n.a.	n.a.	n.a.
Aggregate Leverage	36.1%	35.9%	35.3%	37.1%	37.8%	37.5%	35.8%	0.5ppt	-1.7ppt
Weighted All-in-Financing Cost	1.7%	1.6%	1.6%	1.6%	1.60%	1.70%	1.7%	0.1ppt	0ppt
% Borrowings in Fixed Rate	78%	80%	79%	74%	70.0%	79.0%	76.0	-3ppt	-3ppt
Weighted Debt Maturity (years)	3.0	3.2	2.9	2.7	2.6	3.1	3.5	0.6yrs	0.4yrs

Source: CLAS, UOB Kay Hian * hoh % chg for DPU

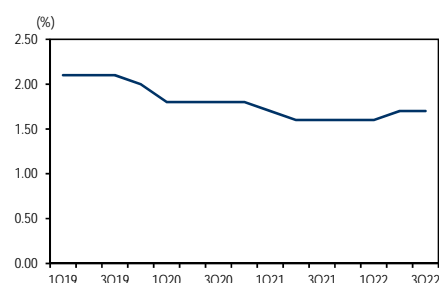
TOTAL ASSETS BY GEOGRAPHICAL REGION



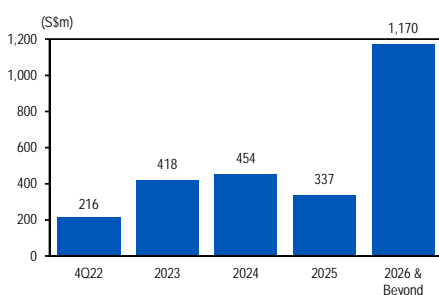
PORTFOLIO REVPAU



AVERAGE COST OF DEBTS



DEBT MATURITY PROFILE



PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	394.4	561.1	648.4	685.7
EBITDA	146.3	239.8	318.5	337.6
Deprec. & amort.	32.6	34.2	34.0	34.0
EBIT	113.7	205.6	284.5	303.6
Total other non-operating income	17.3	0.9	0.4	0.4
Associate contributions	(0.2)	(0.7)	0.0	0.0
Net interest income/(expense)	(52.9)	(64.6)	(73.4)	(74.7)
Pre-tax profit	374.9	135.8	211.6	229.3
Tax	(64.5)	(29.3)	(42.3)	(45.9)
Minorities	(1.1)	(3.7)	(3.6)	(3.6)
Preferred dividends	(13.5)	(13.4)	(13.5)	(13.5)
Net profit	295.8	89.3	152.1	166.3
Net profit (adj.)	(1.3)	94.7	152.1	166.3

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	7,225.5	7,554.0	7,587.0	7,587.0
Other LT assets	44.3	94.5	94.5	94.5
Cash/ST investment	346.3	371.3	352.3	336.3
Other current assets	117.1	186.4	205.0	211.5
Total assets	7,733.2	8,206.1	8,238.8	8,229.3
ST debt	764.2	625.8	625.8	625.8
Other current liabilities	207.7	268.0	299.0	309.9
LT debt	1,964.7	2,480.0	2,550.0	2,600.0
Other LT liabilities	428.9	423.8	414.9	404.6
Shareholders' equity	4,287.2	4,325.2	4,262.2	4,198.6
Minority interest	80.6	83.3	86.9	90.5
Total liabilities & equity	7,733.2	8,206.1	8,238.8	8,229.3

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	145.6	438.1	259.9	266.0
Pre-tax profit	374.9	135.8	211.6	229.3
Tax	(4.4)	(27.0)	(42.3)	(45.9)
Deprec. & amort.	32.6	34.2	34.0	34.0
Associates	0.2	0.7	0.0	0.0
Working capital changes	(45.6)	42.5	14.5	5.1
Non-cash items	(283.5)	22.8	25.4	26.1
Other operating cashflows	71.3	229.1	16.8	17.5
Investing	(538.6)	(536.6)	(53.0)	(20.0)
Capex (growth)	(733.1)	(516.6)	(33.0)	0.0
Capex (maintenance)	(37.7)	(20.0)	(20.0)	(20.0)
Proceeds from sale of assets	253.4	0.0	0.0	0.0
Others	(21.1)	0.0	0.0	0.0
Financing	258.6	123.4	(225.8)	(262.0)
Distribution to unitholders	(142.5)	(181.4)	(215.1)	(230.0)
Issue of shares	150.0	0.0	0.0	0.0
Proceeds from borrowings	755.0	376.8	70.0	50.0
Loan repayment	(448.2)	0.0	0.0	0.0
Others/interest paid	(55.6)	(72.0)	(80.6)	(82.0)
Net cash inflow (outflow)	(134.3)	24.9	(18.9)	(16.0)
Beginning cash & cash equivalent	486.7	346.3	371.3	352.3
Changes due to forex impact	(6.1)	0.0	0.0	0.0
Ending cash & cash equivalent	346.3	371.3	352.3	336.3

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	37.1	42.7	49.1	49.2
Pre-tax margin	95.1	24.2	32.6	33.4
Net margin	75.0	15.9	23.5	24.3
ROA	4.0	1.1	1.9	2.0
ROE	7.2	2.1	3.5	3.9
Growth				
Turnover	6.6	42.3	15.6	5.8
EBITDA	13.9	63.9	32.8	6.0
Pre-tax profit	n.a.	(63.8)	55.8	8.4
Net profit	n.a.	(69.8)	70.3	9.3
Net profit (adj.)	(102.0)	n.a.	60.7	9.3
EPU	(102.0)	n.a.	54.9	8.5
Leverage				
Debt to total capital	38.5	41.3	42.2	42.9
Debt to equity	63.7	71.8	74.5	76.8
Net debt/(cash) to equity	55.6	63.2	66.2	68.8
Interest cover (x)	2.8	3.7	4.3	4.5

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