INITIATION

REIT ▪ Singapore

ARA US Hospitality Trust

(ARAUS SP)

A strategically superior, high yielding, pure-play REIT

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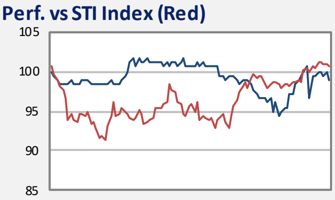
- ARA US Hospitality Trust (ARA) is a pure-play U.S. hospitality REIT, with a recently refurbished portfolio of 38 Hyatt-branded upscale select-service hotels. This segment of the industry has been seeing a relatively strong growth rate due to its ability to fetch higher margins
- The select-service segment is projected to see a four year RevPAR compound annual growth rate (CAGR) of 2.0%, as compared to 1.3% for full-service hotels, as well as projected four year demand CAGR of c. 3.2%, as compared to 2.0% for full-service hotels.
- We initiate coverage on ARA with an OUTPERFORM recommendation. Our target price of US$0.96 represents a total upside of 16.7%, inclusive of FY19F dividend yield of 8.1%.

Outperform - Initiation			
Price as of 2 Oct 19 (USD)	0.88	**Performance (Absolute)**	
12M TP (USD)	0.96	1 Month (%)	3.5
Previous TP (USD)	-	3 Month (%)	-2.2
Upside, incl div (%)	16.68	12 Month (%)	
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap (USD mn)	496		
Issued Shares (mn)	566		
Vol - 3M Daily avg (mn)	0.4		
Val - 3M Daily avg (USD mn)	0.4		
Free Float (%)	43.2		
Major Shareholders		**Previous Recommendations**	
ARA Asset Mgt	9.5%		
Yu Duan	8.5%		
Yang Shi Ying	8.0%		



Financials & Key Operating Statistics

YE Dec USD mn	2017	2018	2019F	2020F	2021F
Gross revenue*	-	-	129.1	192.4	197.7
Net property income*	-	-	58.4	59.6	61.3
Distributable income*	-	-	26.8	40.7	42.0
DPU^ (US cents)	-	-	7.0	7.2	7.4
DPU growth (%)	-	-	-	2.3	2.3
Div Yield (%)	-	-	8.1	8.2	8.4
NAV (US cents)	-	-	0.9	0.9	0.9
Price / Book (x)	-	-	1.0	1.0	1.0
NPI Margin* (%)	-	-	32.8	31.0	31.0
Net Margin* (%)	-	-	10.0	8.0	8.3
Gearing (%)	-	-	32.3	32.3	32.3
ROE* (%)	-	-	2.6	3.1	3.4

** 2019F figures are for a period of 8 months, 1 May to 31 December 2019; ^ Annualised 2019F figure*
Source: ARA, KGI Research

Investment Thesis

A win-win proposition. Made up of upscale, branded, select-service hotels, ARA's hotel model tends to offer the highest gross profit margins for operators, as revenue is less affected by labour wages, food & beverage (F&B) expenses, and other non-essential service offerings such as recreational facilities. Select-service hotels are also increasingly coveted especially among younger, millennial, and business travellers, as prices are more affordable. Amenities or F&B options offered by full-service hotels are also easily replaceable by cheaper and/or better alternatives elsewhere.

Premier hotel branding with a solid loyalty base. Although select-service hotels may offer fewer amenities and facilities, the Hyatt branding may provide for an added assurance of accommodation experience, room quality and comfort. The World of Hyatt loyalty program has also grown by 6 million members, from 10 million in 2017 to 16 million in 2018. With its sights also set on other premium brands such as Marriott and Hilton, we believe that there may be much more for ARA to leverage on and be privy to.

Geographically rewarding portfolio. Of its entire portfolio across the United States, more than 50% of its portfolio is in the economically-stronger South and West regions, with the latter achieving real GDP CAGR of 1.0% higher than the national rate. A large portion of its portfolio is also located in the densely-populated Northeast area, where the region's cornerstone, New York's Wall Street, and multiple world-renowned hospitals reside. While the lack of land for new developments in the Northeast might result in slightly sluggish economic growth, this also inadvertently translates into being able to command higher average daily room rates (ADRs) due to constrained supply, boosting margins further. Management has also indicated its desire to expand further into aforementioned South and West regions, to increase its portfolio weightage in areas of stronger economic growth.

Valuation & Action

We initiate coverage on ARA with an OUTPERFORM recommendation with a target price of US$0.96, representing an upside of 16.7%, inclusive of FY19F dividend yield of 8.1%. We used the DDM methodology for the valuation with a cost of equity of 9.1% and terminal growth rate of 1.5%.

ARA currently trades at a FY19F/FY20F P/B ratio of 1.0x, a slight premium over the average of its peers at 0.9x, but we believe that it is justifiable due to its promising portfolio in the high growth, high margin upscale select-service segment.

Key Risks

Key risks include a high correlation between GDP growth and hotel demand, excess supply in key markets especially with Airbnb as a competitor, finalisation of U.S. tax regulation (Section 267A), and foreign currency fluctuations. We also note that all its properties are dependent on: (1) the success of Aimbridge Hotel Manager, in managing and operating its hotels, and (2) Hyatt as a sole franchisor, and its respective brand equity.

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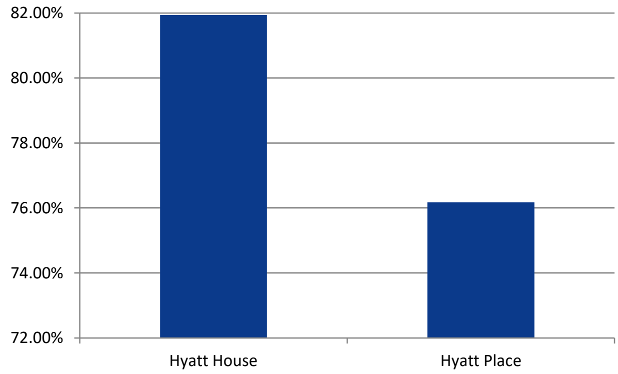
INVESTMENT THESIS

A win-win proposition

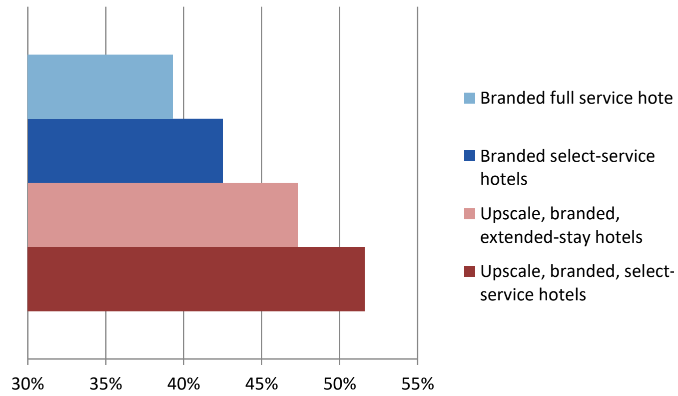
Higher gross profit margins. By offering only an essential range of services, select-service and extended-stay properties are able to keep costs relatively low. Extended-stay properties, such as Hyatt House, are also associated with higher occupancy rates resulting from longer guest stays, enabling them to better leverage economies of scale and enjoy a more efficient operating model.

Figure 1: ARA's average occupancy rates for the 12 months ending 31st Dec 2018



Source: ARA, KGI Research

Figure 2: Gross profit margin of varying service-level hotels

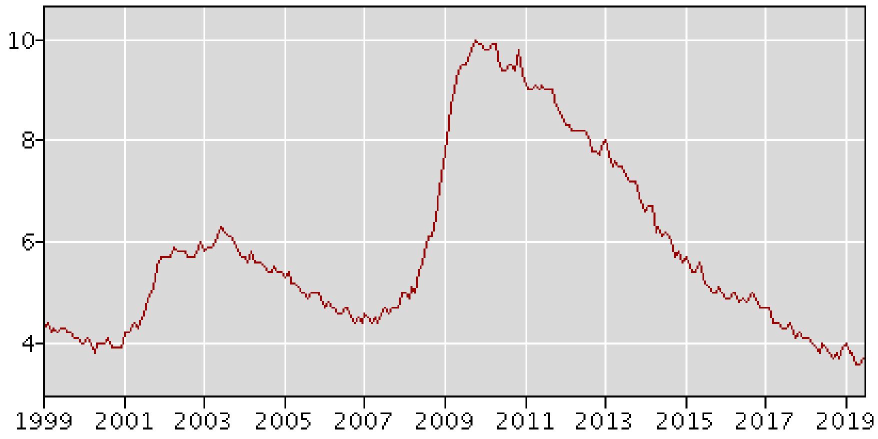


Source: CBRE, Highland Group, JLL, KGI Research

According to CBRE, gross profit margin of select-service hotels average at 42.5%, compared to 39.3% for full-service hotels. Moreover, this figure was 51.6% for select-service hotels backed by high-end upscale brands like Hyatt for an added assurance of room quality and comfort.

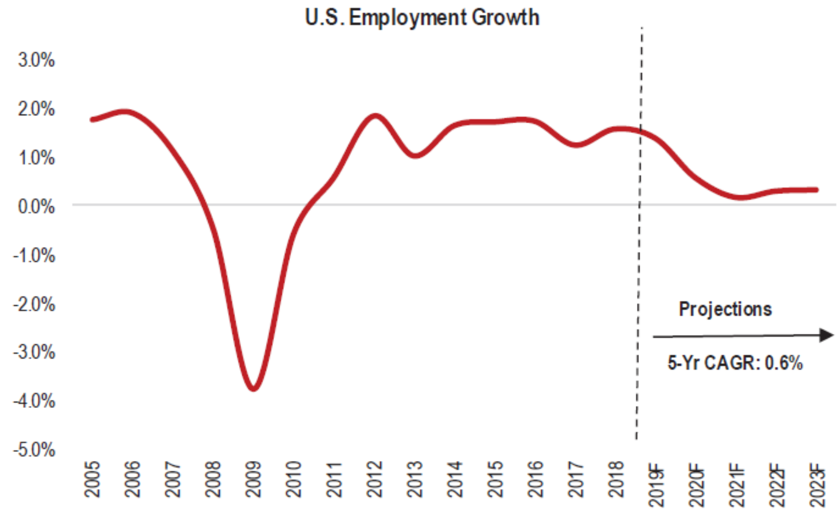
More resilient revenue streams. According to the U.S. Bureau of Labor Statistics (BLS), unemployment rates are at a 20 year low, resulting in tighter labour market conditions and we believe that this may further push wages even higher. As a result, operating margins at select-service hotels are better insulated from rising labour costs in the current economic environment, given that their operations are significantly less labour intensive than their full-service peers.

Figure 3: U.S. Unemployment rate, 1999-2019



Source: U.S. BLS, KGI Research

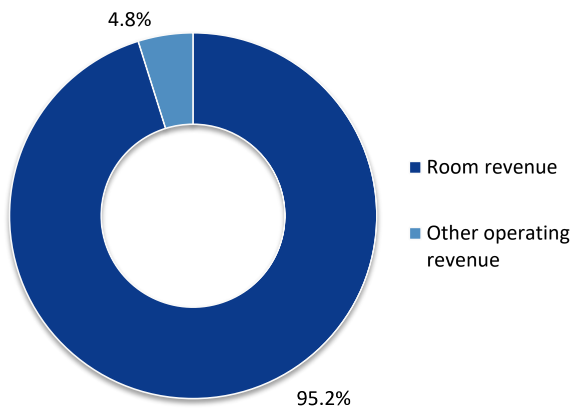
Figure 4: Projected U.S. employment growth, 2019F-2023F



Source: U.S. BLS, Oxford Economics, JLL, KGI Research

Also owing to a smaller range of other services provided by select-service hotels, it is less dependent and thus less affected by the more variable revenue streams from segments such as food and beverage or event hosting, as the case may be for full-service hotels. 95% of ARA's revenue is derived from room revenue, and only 5% from other operating revenue that relates to F&B and ancillary operations such as meeting spaces rental, sundry sales and guest laundry.

Figure 5: Revenue breakdown by department



Source: ARA, KGI Research

Enhanced customer value. These cost advantages also benefit guests who look for cost-effective options while travelling, both on business and leisure trips. Evolving consumer preferences and vast improvements in technology have also deemed redundant the *necessity* of on-site restaurants, room service, concierge services, and other full-service hotel amenities.

Figure 6: Hyatt Place, Oklahoma City, Oklahoma, South Region

Source: ARA, KGI Research

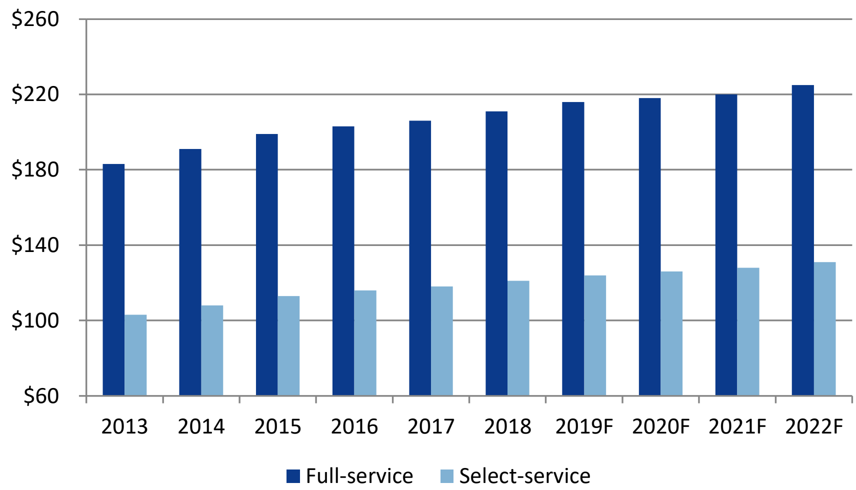
Figure 7: Hyatt House, Shelton, Connecticut, Northeast Region

Source: ARA, KGI Research

According to a Forbes interview with Berkshire Hathaway Travel Protection's (BHTP) CEO Dean Sivley, millennial travellers today are seeking and placing increasing importance on transformational experiences, trips that can "create authentic and memorable experiences" when they travel. As a result, we believe that most leisure travellers would generally want to spend more time outside the four walls of their hotel rooms.

In a similar vein for business travellers, select-service, yet still upscale, lodging options is the preferable choice. They provide quality rooms (often with design and fixtures equal to or exceeding full-Service hotels) with essential amenities, but without the exorbitant price tag. ADRs for select-service hotels may cost more than 40% less than those for full service hotels, as per Smith Travel Research (STR) and CBRE's data.

Figure 8: Average daily room rates for full-service vs select-service hotels



Source: STR, CBRE, JLL, KGI Research

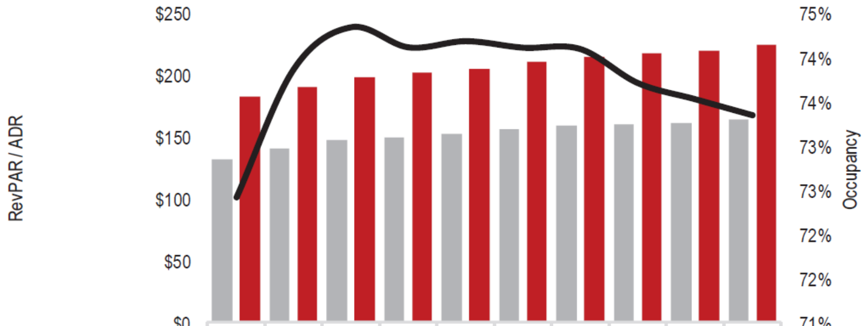
Almost all the hotels are also recently refurbished, with more than US$55m expended on capital expenditure since 2015. The only property that was last refurbished in 2013 is Hyatt Place Omaha Downtown Old Market (refer to p. 23 for a full list of renovation completion dates). This is significant as it not only translates into being able to command higher ADRs and a more pleasant stay for guests, but also less future revenue disruptions for renovation and refurbishment works.

Blooming demand and supply. Relative to full-service hotels, we believe that demand and supply will remain more resilient for the foreseeable future due to mutual cost advantages.

Select-service hotels have realised a higher rate of RevPAR growth than full-service hotels in the last 5 years. Between 2013 and 2018, RevPAR CAGR was 4.6% for select-service hotels compared to 3.4% for full-service hotels. This trend is expected to continue between 2019 and 2022, with projected RevPAR CAGR of 2.0% for select-service hotels, as compared to 1.3% for full-service hotels.

Concurrently, demand growth between 2019 and 2022 at select-service hotels is projected at a CAGR of approximately 3.2%, as compared to 2.0% for full-service hotels.

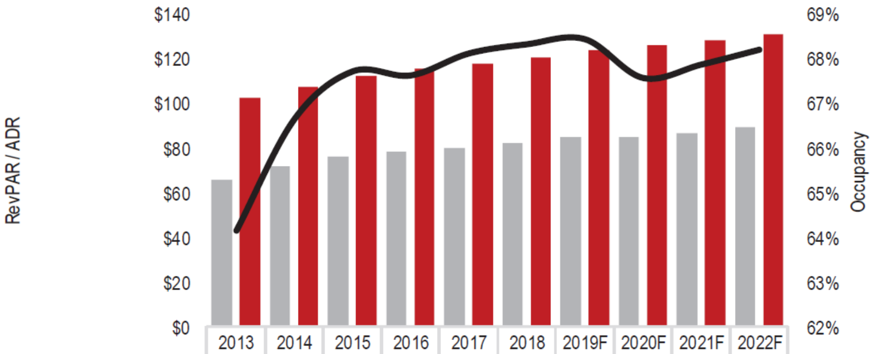
Figure 9: U.S. full service hotels performance



	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F
RevPAR	$132	$141	$148	$150	$153	$157	$160	$161	$162	$165
RevPAR % Chg		6.7%	4.5%	1.9%	1.7%	2.5%	2.1%	0.6%	0.7%	1.8%
ADR	$183	$191	$199	$203	$206	$211	$216	$218	$220	$225
Occcupancy	72.4%	73.9%	74.3%	74.1%	74.2%	74.1%	74.1%	73.7%	73.5%	73.4%

Source: STR, CBRE, JLL, KGI Research

Figure 10: U.S. select-service hotels performance



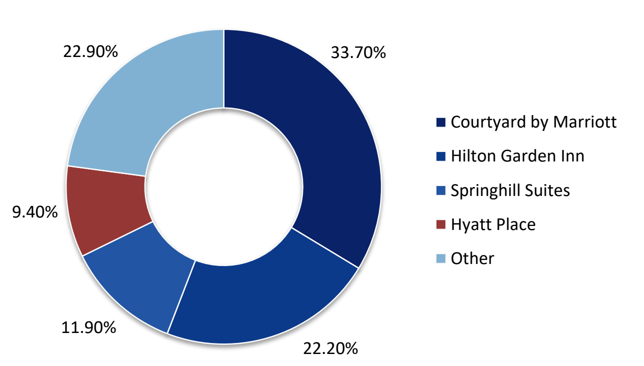
	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F
RevPAR	$66	$72	$76	$78	$80	$82	$85	$85	$87	$89
RevPAR % Chg		9.1%	6.1%	2.7%	2.5%	2.7%	2.8%	0.5%	1.9%	2.7%
ADR	$103	$108	$113	$116	$118	$121	$124	$126	$128	$131
Occcupancy	64.2%	66.6%	67.7%	67.6%	68.1%	68.3%	68.4%	67.6%	67.9%	68.2%

Source: STR, CBRE, JLL, KGI Research

Premier hotel branding with a solid loyalty base

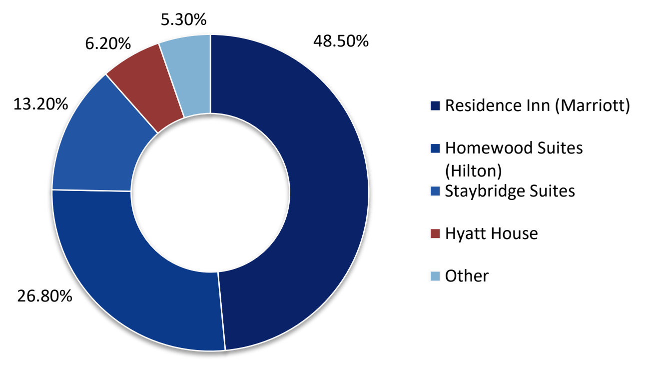
Superior brand recognition. Hyatt Hotels is one of the largest, fastest growing and most well-respected hospitality corporations in the world with 19 brands covering more than 850 properties in 60 countries, as of 31 December 2018. More recently, Hyatt has also been aggressive in expanding its footprint worldwide, further boosting its brand recognition and equity globally. This will ultimately benefit ARA as the brand becomes more internationally recognized, and grows to be of a higher standing in the hospitality sector. According to STR, the Hyatt Place and Hyatt House brands are also both the fourth largest brand in the upscale select-service, and upscale extended-stay segments respectively. Over the past 5 years, the Hyatt Place and Hyatt House brands have grown 42% and experienced a record-setting 2017 with 48 hotel openings worldwide.

Figure 11: Distribution of upscale select-service rooms supply in the U.S. by brand



Source: STR, JLL, ARA, KGI Research

Figure 12: Distribution of upscale extended-stay rooms supply in the U.S. by brand



Source: STR, JLL, ARA, KGI Research

In 2019, Hyatt has announced plans for 21 new luxury hotels and resorts to open in Asia Pacific by the end of 2020, boosting its luxury portfolio in the region by more than 25%. In addition to a pipeline of more than 100 properties in Greater China, Hyatt has entered into a joint venture to unveil hotels under a new brand, UrCove, across gateway cities such as Shanghai, Beijing, Guangzhou and Shenzhen to cater to the under-served upper midscale segment. Also in China, Hyatt unveiled its second property under The Unbound Collection - The Lost Stone Villas & Spa in Yunnan.

Over in Europe, plans are underway for: the first Hyatt-branded resort in Malta, on the scenic coastal destination of St Julian’s less than 20 minutes from the UNESCO World Heritage City of Valletta; the first Hyatt-branded hotel in Lisbon, Portugal, a five-minute drive from Lisbon’s two UNESCO World Heritage sites - the Bélem Tower and the Jéronimos Monastery; and the first Hyatt-branded hotel - Hyatt Place - in Krakow, Poland, minutes from the city’s main attractions.

With a larger and more distinguished asset base, Hyatt, and ARA, is bound to benefit from increased visibility as tourists traverse across continents and regions around the world and synonymizes the brand with an assurance of unparalleled comfort, luxury and service. In 2018, the World Tourism Organization (UNTWO) recorded 1.4 billion tourist arrivals globally, with the most popular destinations being Europe, China and the U.S., all of which Hyatt has pipelines in.

World of Hyatt loyalty program. With a 16 million loyalty base, the ARA's hotels truly benefit from Hyatt's large and robust reservations systems, marketing platforms and guest loyalty programs, which are able to contribute to lodging demand.

The World of Hyatt loyalty program has also grown more than 50% in a span of one year, from 10 million members in 2017 to over 16 million in 2018. We believe that this proves increasing support for the Hyatt brand, especially since Hyatt re-launched their loyalty program early 2017.

We believe that the loyalty programme will be synergistic towards ARA as members are given preferential treatment such as complimentary breakfast and discounted daily rates. Such perks would sit well with the audience market that the select-service segment directly targets - consumers that are more conscientious in spending.

Figure 13: Basic hotel perks of World of Hyatt membership

Hotel Perks	Member	Discoverist	Explorist	Globalist
Complimentary Internet	Standard	Premium as available	Premium as available	Premium as available
Free breakfast at **participating Hyatt Place hotels**	✓	✓	✓	✓
Resort fee waived	On free night awards	On free night awards	On free night awards	On free night awards and eligible rates

Source: Hyatt, KGI Research

Staying in touch. Hyatt recently announced its redesigned World of Hyatt mobile application accompanying its revamped loyalty program, with new features that enable loyalty members to enjoy a more seamless and comfortable experience before, during and after their stay. Building on key functions such as the ability to search and book more than 900 hotels, the new features allow members to access and stream personal content directly to the in-room television through SONIFI's patent-pending Staycast™ powered by Google Chromecast, unlock guest rooms via Hyatt Mobile Entry, and make requests or chat in real time to hotel staff.

Earlier in 2019, Hyatt also announced its collaboration with Google to pilot a new capability of the Google Assistant – Interpreter Mode. With this feature, guests and colleagues are able to receive translations for dozens of languages and conduct conversations in real time via a Google Home Hub. Ultimately, its continuous efforts to innovate and connect more effectively with guests will ensure that Hyatt remains a preferred hotel brand among travellers.

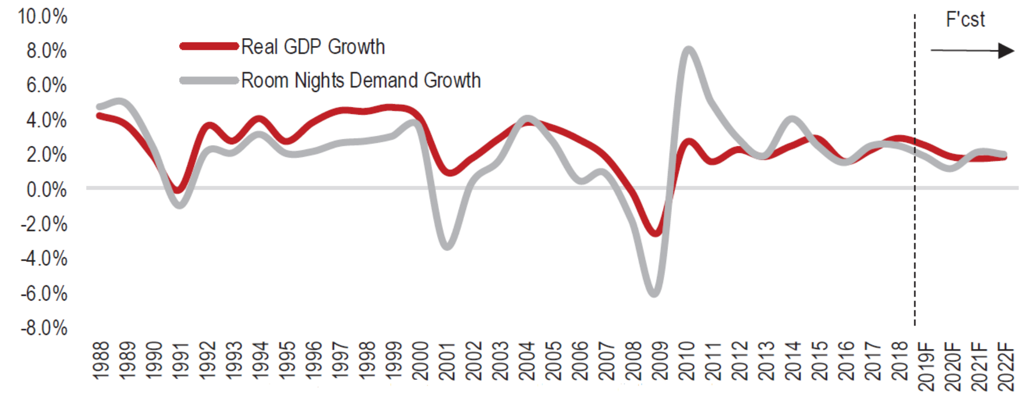
Maintaining corporate social responsibility. Hyatt is a proud and longstanding advocate of LGBT equality, and has earned the Human Rights Campaign Foundation's title as one of the "Best Places to Work for LGBT Equality" for the 12th year in a row, in 2018. In their commitment to fostering a more understanding and inclusive world, they took part in the WorldPride 2019 festivities in New York City, as well as several hotel dining and entertainment experiences globally.

They also celebrated Global Wellness Day 2019 with more than 400 of its properties worldwide, including Hyatt's Miraval and Exhale brands and the Hyatt's regional and corporate offices, hosting health and wellness-related events reflecting their specific destination and local communities. Leading by example, Hyatt's global headquarters offered its colleagues a guided yoga and meditation class, and a healthy breakfast to start the day.

Geographically rewarding portfolio

One of the most notable trends in the hospitality industry is the close correlation between real GDP growth and the demand for room nights. Nominal GDP takes into account inflation rates, which are not directly related to lodging demand, and therefore we see a closer correlation between real GDP and demand. According to STR, an increase in real GDP drives lodging demand as personal income growth enhances consumers' propensity for leisure travel, while increases in business activity and corporate profits drive corporate travel.

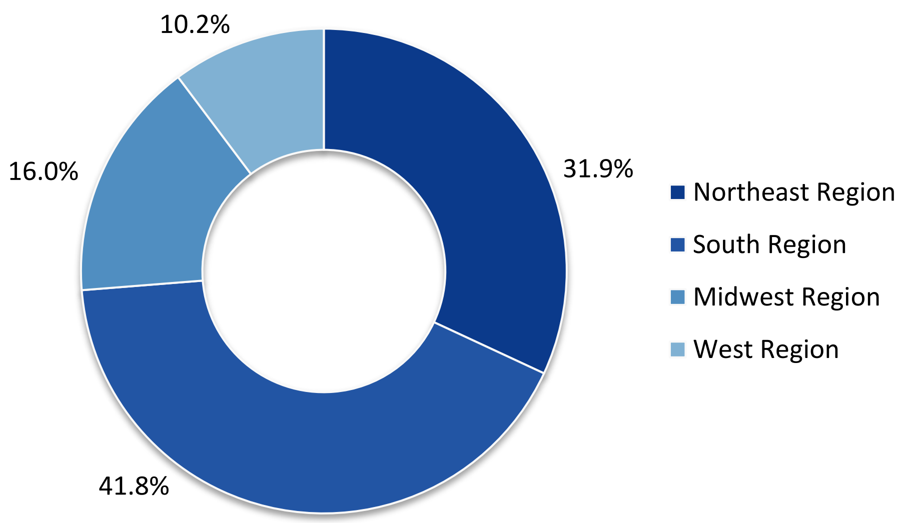
Figure 14: Real GDP growth vs room nights demand growth



Source: U.S. Bureau of Economic Analysis (BEA), STR, Oxford Economics, CBRE, JLL, KGI Research

That being said, about 52% of ARA's portfolio is strategically located in the economically healthy South and West regions, and we believe that this could substantially and sustainably support its profitability in the long term.

Figure 15: Total rooms inventory breakdown by region

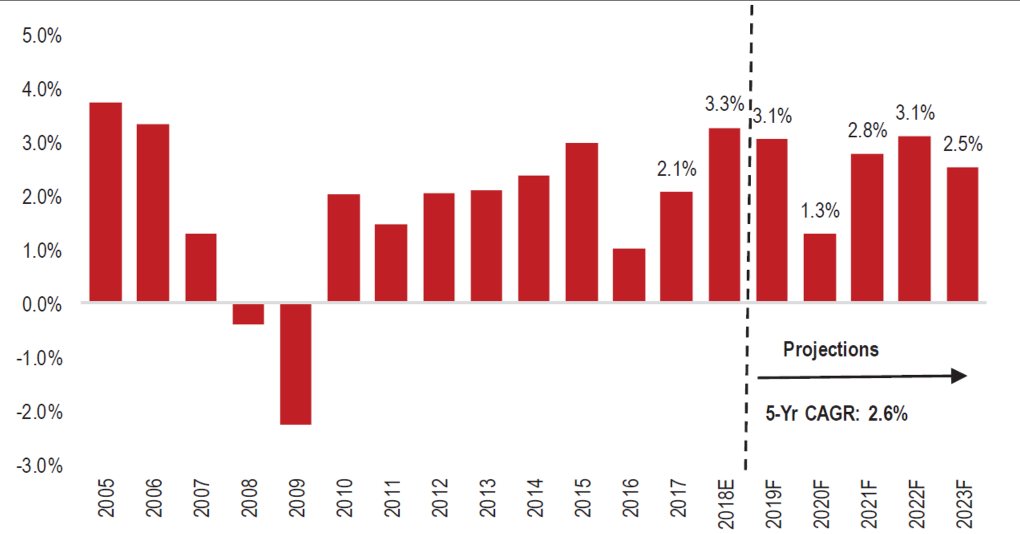


Source: ARA, KGI Research

South region. Between 2013 and 2018, the South region achieved a similar rate and slightly outpaced national growth and employment rates respectively. Moody's Analytics have since projected that economic growth will further accelerate and surpass national growth rates in the South, as it has benefitted from several key trends which are broadly expected to continue in the next few years.

Neither of its two largest states, Texas nor Florida, has state income taxes. This has significantly attracted business activity to the region, alongside more favourable business costs. Increases in military spending and the U.S. energy industry's recovery have also greatly benefited the region, given that the South contributes the most active-duty military personnel, and significant oil production takes place in Texas and along the U.S. Gulf Coast.

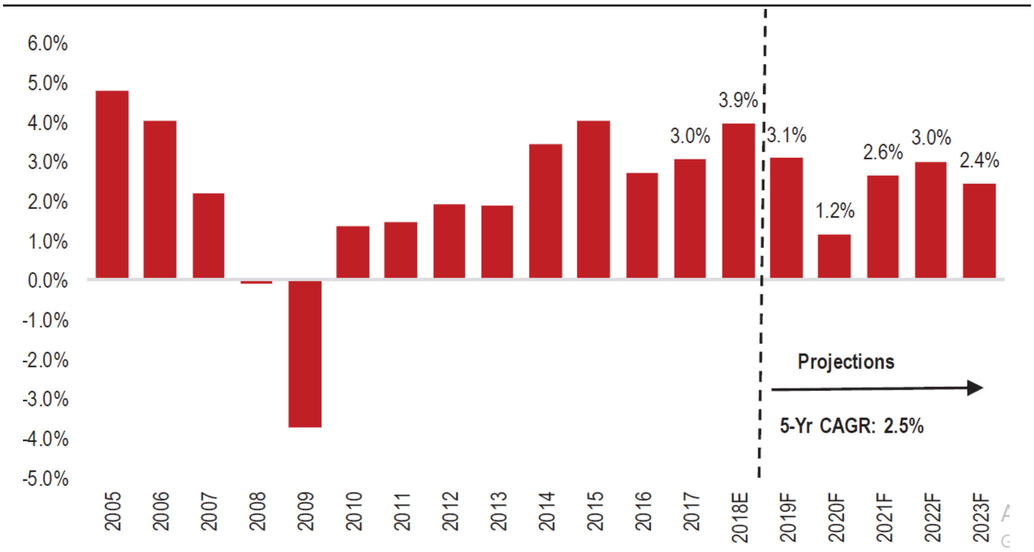
Figure 16: South region real GDP growth



Source: U.S. BEA, U.S. BLS, Moody's Analytics, JLL, KGI Research

West region. The West region has particularly benefitted from its exposure to high-tech manufacturing, high-tech services and energy industries, making it the fastest-growing economy among the four U.S. Census regions. It has seen a c.3.4% compound annual growth rate (CAGR) in real GDP as compared to a national c.2.4%. These key trends again are expected to stay for at least the next five years, as technological advancements persist.

Figure 17: West region real GDP growth

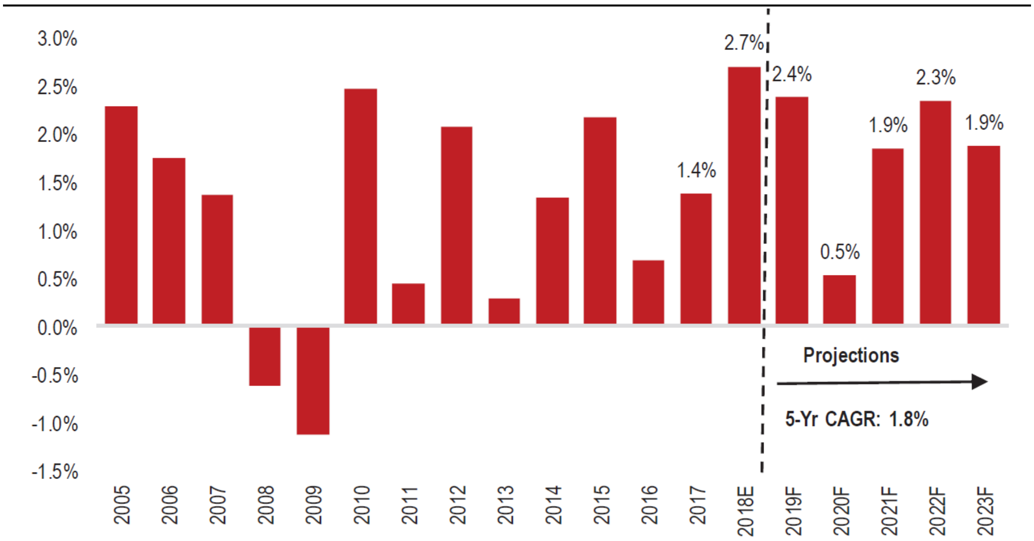


Source: U.S. BEA, U.S. BLS, Moody's Analytics, JLL, KGI Research

Northeast region. According to U.S. Bureau of Economic Analysis (BEA) and BLS, real GDP in the Northeast grew at a CAGR of c.1.7% per year, as compared to c.2.4% for the U.S., and employment increased at a CAGR of c.1.3% as compared to c.1.8% for the U.S. While relatively lower, these figures are somewhat expected as the Northeast presents a relatively mature economy along with a scarcity of available land for new developments. These factors tend to result in slower, but less volatile economic growth prospects.

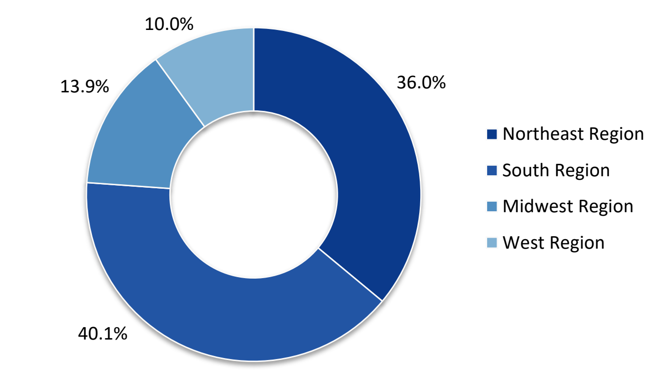
Notwithstanding, its portfolio in the Northeast region still contributed a significant portion of revenue in FY2018, due to its ability to command higher average daily room rates (ADR). Average ADR in the Northeast were more than 10% higher than its counterparts in the South, and more than 15% than rooms in the West and Midwest.

Figure 18: Northeast region real GDP growth



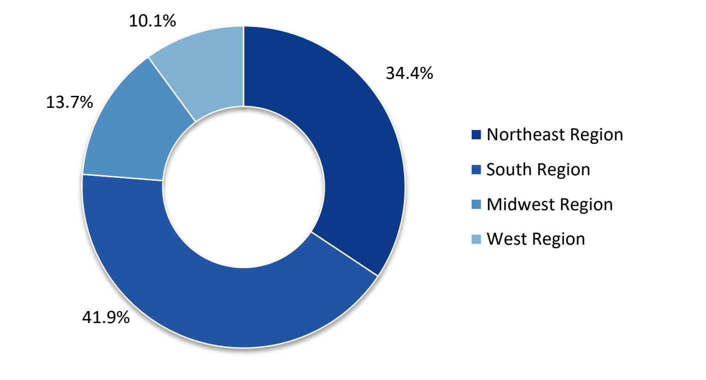
Source: U.S. BEA, U.S. BLS, Moody's Analytics, JLL, KGI Research

Figure 19: Total revenue breakdown by region



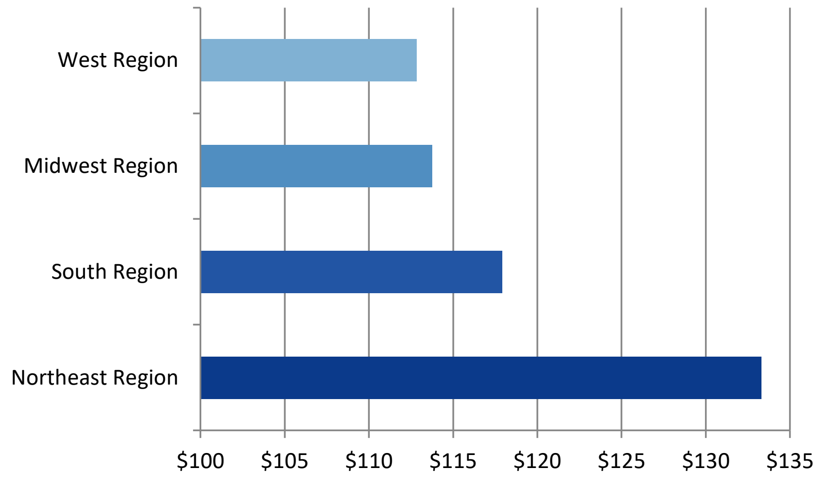
Source: ARA, KGI Research

Figure 20: Net property income (NPI) breakdown by region



Source: ARA, KGI Research

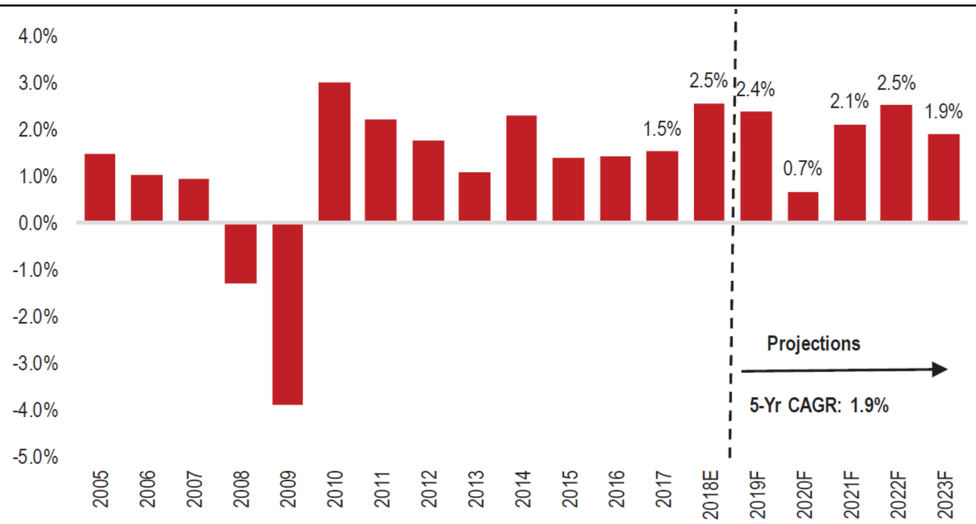
Figure 21: ARA's average ADR by region



Source: ARA, KGI Research

Midwest region. Similar to the Northeast, the Midwest region also realised slower economic growth than the national CAGR of c.2.4%, at c.1.8%. While the Midwest benefits from lower living costs than the rest of the U.S., helping it to attract businesses and migrants, its population growth has remained and is expected to remain weak, affecting the region's economic growth potential. As a result, unfortunately, the region's real GDP is expected to continue lagging slightly behind national growth rates in the next five years.

Figure 22: Midwest region real GDP growth



Source: U.S. BEA, U.S. BLS, Moody's Analytics, JLL, KGI Research

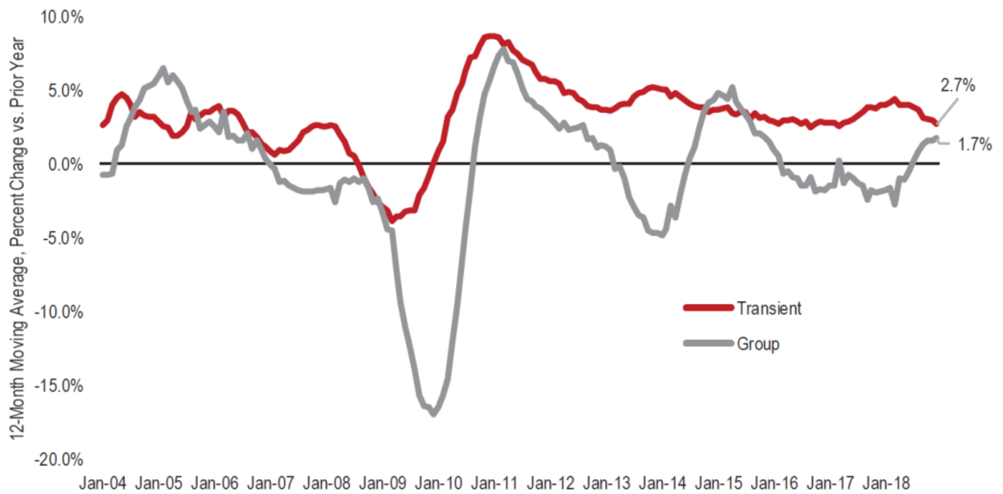
Overall, while the Midwest's and Northeast's GDP forecasts are rather dismal, we still believe that there is enough of a significant portion of ARA's portfolio that is either backed by strong GDP growth that will support lodging demand – a total of about 50% in rooms and revenue in the South and West regions, or offers a relatively higher ADR to compensate for its slightly lagging GDP growth – about 32% in rooms and 36% of revenue in the Northeast region.

Stronger transient demand. Transient lodging demand growth has consistently outpaced group demand growth during the current cycle, except for a brief time in early 2015. Likewise, in 2018, ARA derived 82% of its occupied room nights from transient demand, which is defined as rooms sold to individuals or groups occupying less than 10 rooms per night.

According to JLL, transient ADR is also typically higher than group ADR; as of 2017, transient ADR for all U.S. hotels amounted to $129.93, compared to group ADR of $126.61. As a result, the transient segment's share of total lodging demand has increased from approximately 59% in 2006 to 70% in 2018.

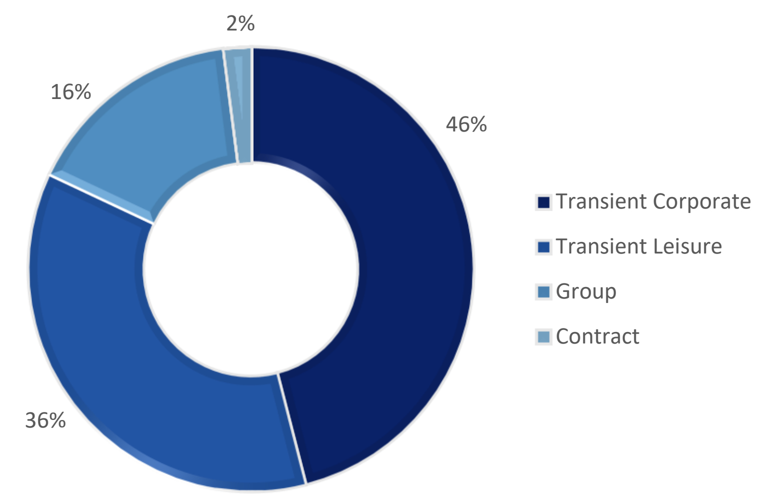
Demand from the group segment (guests travelling in groups occupying 10 or more rooms per night for business purposes, such as meetings and training, or leisure purposes) is limited for ARA given the modest meeting and function space at its select-service and extended-stay hotels. In any case, U.S. companies have also generally been reluctant to spend heavily on group travel, despite rising corporate profits.

Figure 23: Group vs transient demand growth, 2004-2018



Source: ARA, STR, JLL, KGI Research

Figure 24: ARA's revenue segmentation by type of demand



Source: ARA, STR, JLL, KGI Research

VALUATION

We derive a target price of US$0.96 based on DDM valuation. Our target price represents an upside of 16.7%, inclusive of a forward 2019* dividend yield forecasted at 8.1%.

Revenues: We expect gross revenue to grow from USD129mn in 2019* to USD192.4mn/USD197.7mn for FY20F/FY21F, due to an anticipated growth in occupancy and ADRs in the South and West regions. We maintained a constant 5% of other revenues from ancillary operations as we believe that ARA will keep its focus on generating room revenue.

* Forecasts for 2019 cover a period of 8 months (May-Dec 2019), and may seem stronger due to the omission of typically lower occupancy winter months

Operating Statistics: Occupancy rates in the South and West regions were assumed to grow by 1% YoY, capped at 84% and 88% respectively, as economic growth spurs on, especially in the West where high-tech manufacturing, high-tech services and energy industries are expected to flourish in the near future. ADR and revenue per available room (RevPAR) in these regions are also expected to match inflation at about 2%. However, we factored a constant occupancy rate of 82% and lagging 1% growth in ADR in the Northeast region, due to aggressive competition and a generally lagging GDP growth.

NPI Margins: We estimate NPI margins to stagnate at 31.0% in our forecasts.

Income available for distribution: Without factoring in fair value changes in properties, our forecasted income available for distribution increased to USD40.8mn/USD42.5mn for FY20F/FY21F. Distributions are declared in USD on a semi-annual basis, but will be paid in its equivalent SGD (unless elected otherwise by the Stapled Securityholder).

DPU: We derived a DPU of 7.2UScents/7.4UScents for FY20F/FY21F based on a 100% pay-out ratio.

Cost of Equity: We used a cost of equity rate of 9.1% and a conservative terminal growth rate of 1.5%.

Figure 25: Dividend Discount Model

Fiscal year ending December 31	FY18	FY19*	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Distribution per unit (US cents)	7.21	7.04	7.21	7.37	7.53	7.71	7.90	8.09	8.29
YoY Growth (%)				*2.3%*	*2.1%*	*2.5%*	*2.4%*	*2.4%*	*1.5%*
Terminal value per unit (US cents)								109.28	
Cost of equity	9.08%								
Target price (US$)	**0.96**								
Capital appreciation	9.2%								
FY19 forward dividend yield	8.1%								

** Figures for 2019 are for the period of 8 months, from 1 May 2019 to 31 December 2019*

Source: KGI Research

PEER COMPARISON

We compare ARA to other Singapore and US-listed hospitality REITs, and Singapore-listed US REITs.

We note that at its forward P/B ratio of 1.0x, ARA trades at a slight premium compared to other U.S. based S-REITs, averaging at about 0.9x. We think that the slight price premium is justifiable given ARA's portfolio of high-margin upscale select-service hotels that will only be increasingly strategically located. While ARA's FY20F dividend yield is on the lower end of the spectrum at 8.2% compared to peer average at 8.3%, we expect dividend yields to catch up quickly enough.

Given the foreign exchange risks arising from ARA's income that is in USD, the 160bps spread in dividend yield over its Singapore-based hospitality peers should provide sufficient buffer to compensate investors in the event of the USD depreciating.

Figure 26: Local and global peer comparables

BB ticker	Company Name	Last Price (local $)	Currency Adj. Market Cap (US$ m)	Dividend Yield (%)			P/B (x)			6M Average daily trading volume (S$ '000)	YTD Price Performance (%)	1YR Price Performance (%)
				Current	FY19F	FY20F	Current	FY19F	FY20F			
ARAUS SP	ARA US HOSPITALITY TRUST	USD 0.88	496	-	5.4	8.2	-	1.0	1.0	491	-	-0.6
	SINGAPORE LISTED HOSPITALITY REITS (Average)		**7,870**	**7.0**	**6.4**	**6.6**	**1.0**	**0.9**	**0.9**	**2,224.8**	**16.6**	**7.3**
ART SP	ASCOTT RESIDENCE TRUST	SGD 1.31	2,057	6.6	5.5	5.6	1.0	1.1	1.1	5,155	21.3	19.1
CDREIT SP	CDL HOSPITALITY TRUSTS	SGD 1.64	1,434	6.3	-	5.8	1.1	1.1	1.1	3,234	12.3	2.5
FHT SP	FRASERS HOSPITALITY TRUST	SGD 0.72	977	6.8	6.3	6.4	1.0	0.9	-	763	2.1	0.0
OUEHT SP	OUE HOSPITALITY TRUST	SGD 0.73	968	7.4	6.8	7.0	1.0	1.0	1.0	841	9.7	2.8
FEHT SP	FAR EAST HOSPITALITY TRUST	SGD 0.69	957	6.6	5.8	6.1	0.8	0.8	0.8	1,490	14.0	7.8
EAGLEHT SP	EAGLE HOSPITALITY TRUST	USD 0.68	591	7.7	8.7	9.7	0.8	0.8	0.8	2,082	-	-12.8
ASCHT SP	ASCENDAS HOSPITALITY TRUST	SGD 1.08	886	7.7	5.4	5.4	1.1	-	-	2,010	40.3	31.7
								-	-			
	SINGAPORE LISTED US REITS (Average)		**3,425**	**7.5**	**7.8**	**8.2**	**1.0**	**0.9**	**0.9**	**4,789.9**	**21.5**	**2.2**
MUST SP	MANULIFE US REAL ESTATE INV	USD 0.90	1,336	7.2	6.7	6.9	1.1	1.1	1.1	1,560	16.7	13.0
KORE SP	KEPPEL PACIFIC OAK US REIT	USD 0.77	634	-	7.9	8.1	1.0	1.0	1.0	846	26.2	2.5
PRIME SP	PRIME US REIT	USD 0.94	864	7.7	-	-	-	-	-	302	-	6.3
EAGLEHT SP	EAGLE HOSPITALITY TRUST	USD 0.68	591	7.7	8.7	9.7	0.8	0.8	0.8	2,082	-	-12.8
	US LISTED SELECT-SERVICE HOSPITALITY REITS		**12,949**	**8.1**	**6.9**	**7.4**	**1.2**	**0.9**	**1.0**	**73,342.5**	**9.9**	**(12.4)**
SVC US	SERVICE PROPERTIES TRUST	USD 25.79	4,241	8.8	8.4	8.6	1.6	-	-	21,093	8.0	-9.6
APLE US	APPLE HOSPITALITY REIT INC	USD 16.58	3,712	8.4	5.2	7.2	1.1	-	-	19,203	16.3	-4.7
RLJ US	RLJ LODGING TRUST	USD 16.99	2,925	8.0	7.8	7.8	1.0	0.9	0.9	21,589	3.6	-22.0
INN US	SUMMIT HOTEL PROPERTIES INC	USD 11.60	1,219	7.4	6.2	6.2	1.3	1.0	1.1	7,233	19.2	-13.8
CLDT US	CHATHAM LODGING TRUST	USD 18.15	852	7.7	-	7.3	1.1	-	-	4,225	2.7	-12.0
	US LISTED FULL-SERVICE HOSPITALITY REITS		**44,081**	**7.4**	**6.0**	**6.0**	**14.6**	**2.4**	**2.5**	**334,446.4**	**9.9**	**(15.7)**
HST US	HOST HOTELS & RESORTS INC	USD 17.29	12,620	5.1	4.9	5.0	1.7	1.7	1.8	121,351	3.7	-17.5
MGP US	MGM GROWTH PROPERTIES LLC-A	USD 30.05	8,652	6.6	6.4	6.0	1.4	1.4	1.9	23,797	13.8	2.5
PK US	PARK HOTELS & RESORTS INC	USD 24.97	5,987	10.5	8.0	8.0	0.9	0.9	1.1	63,004	-3.9	-23.5
RHP US	RYMAN HOSPITALITY PROPERTIES	USD 81.81	4,209	5.1	-	4.5	9.7	10.7	11.0	22,483	22.7	-4.4
PEB US	PEBBLEBROOK HOTEL TRUST	USD 27.82	3,634	5.4	5.5	5.5	1.1	-	-	29,893	-1.7	-22.3
SHO US	SUNSTONE HOTEL INVESTORS INC	USD 13.74	3,090	5.3	3.5	4.7	1.3	1.2	1.2	26,088	5.6	-14.8
XHR US	XENIA HOTELS & RESORTS INC	USD 21.12	2,379	6.4	5.6	5.5	1.3	1.4	1.5	14,602	22.8	-10.7
DRH US	DIAMONDROCK HOSPITALITY CO	USD 10.25	2,052	5.5	4.9	4.9	1.1	1.2	1.2	22,010	12.9	-11.2
HT US	HERSHA HOSPITALITY TRUST	USD 14.88	584	6.4	7.5	7.5	1.2	0.5	0.6	5,201	-15.2	-33.5
AHT US	ASHFORD HOSPITALITY TRUST	USD 3.31	338	12.0	7.3	7.3	-	-	-	3,348	-17.3	-45.8
BHR US	BRAEMAR HOTELS & RESORTS INC	USD 9.39	309	7.2	6.8	6.8	0.7	-	-	1,930	5.2	-16.8
CDOR US	CONDOR HOSPITALITY TRUST INC	USD 11.05	132	11.3	-	-	1.4	-	-	518	60.4	0.5
SOHO US	SOTHERLY HOTELS INC	USD 6.69	95	8.8	-	-	152.8	-	-	220	19.3	-6.0

Source: KGI Research

KEY RISKS

Too close a correlation between GDP and demand

While close correlation between real GDP growth and the demand for room nights may present attractive upsides in times of flourishing economic activity, the downside during recessions may be equally adverse. ARA's entire portfolio is invested in U.S. properties, and its financial operations and positions is highly dependent on the general state of the economy in the U.S. Escalating trade tensions between the U.S. and China may also have undesirable impacts on U.S.'s GDP growth, inflation, and employment rates. The Federal Reserve's latest interest rate cut, the first in more in a decade, have already been sending recession signals. While its move was dubbed a precautionary measure rather than an effort to rescue a failing U.S. economy, there is still lingering uncertainty amongst investors over the trade war, and the extent of its potential effects on the economy.

We also draw reference from Hospitality Properties Trust (HPT)'s performance during the 2007-2008 GFC. While not an exact match in terms of portfolio, structure and size, we believe that there are sufficient similarities to provide an insight into how ARA may perform should the economy take a turn for the worse. HPT is listed on NASDAQ, and as of 31 December 2008, owned 289 hotels with a total of 42,881 rooms or suites, across the U.S., Canada and Puerto Rico. HPT operated hotels in all three segments – full-service, select-service and limited service, with a focus on extended-stay (a subset of select-service) and full-service hotels. Brands include Hyatt, Marriott, Intercontinental, and Radisson – in addition to operating travel centres throughout the U.S. In 2009, HPT's properties experienced a 20.5% decline in RevPAR, and a 42.4% decline in cash flow available to pay its minimum returns and rents, as compared to 2008. Additionally, while distributions still remained relatively stable in 2008, net income available to common shareholders plunged more than 60%, resulting in suspended distributions in 2009. Distributions only resumed in 2010. HPT's stock prices also plummeted almost 80% in a year's span from 2008 to 2009, and only recovered to its original position about four years later in 2013.

While ARA has not expressed its ability to receive any income support from its sponsor should a similar recession occur, we are of the view that ARA is much better positioned with its portfolio of upscale, branded, select-service hotels than HPT, and should not have to suspend distributions even in a bearish market. Based on our calculations for worst case scenarios at 55-60% occupancy, DPU remains between 4-5% with 100% payout ratio, due to its ability to maintain a higher gross operating margin, and despite a fully variable cost structure.

Excess supply in key markets

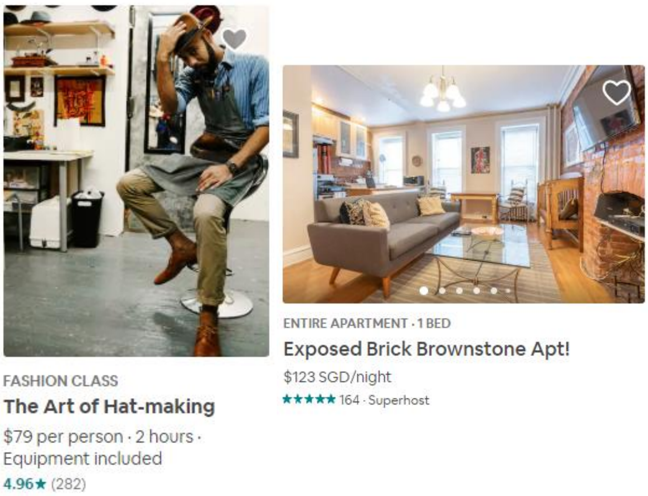
While we do not expect supply growth to increase considerably in the next five years, the hospitality industry is highly competitive, and on-going completion of new hotels or renovations of competing hotel properties can reduce the competitiveness of ARA's older or existing properties.

Additionally, new competition from alternative lodging options facilitated by modern technology, such as Airbnb, increases or is likely to increase the rental inventory as compared to historic norms. Airbnb is an online marketplace for hosts and travellers to list their space and book unique accommodations anywhere in the world. For most properties on Airbnb, prices per night are also relatively affordable, and those with steeper prices often have unique characteristics such as ocean views or offer an entire pool house that may compensate for the higher prices, as they may appeal to demand for eco-tourism or those seeking an authentic local experience.

We think that this could potentially impact the occupancy rates of the ARA's hotels should these options flood the market, especially since the level of service provided with Airbnb apartments are comparable to select-service hotels. Airbnb may be less of a competitor to a full-service hotel on the other hand, as guests who are looking for the full array of services (such as laundry and in-room dining) will not tend to settle for an Airbnb as an accommodation option.

However, we do also note that some of ARA's hotels are strategically located in less dense areas, where there are may not be an abundance of other hotel rooms and/or apartments for sharing, and this will help reduce direct competition from Airbnb.

Figure 27: A top rated "Airbnb Experience" (LHS) and a one-bedroom apartment for rent (RHS) in New York City, in U.S.'s Northeast region



Source: Airbnb Inc, KGI Research

All its properties are managed by Aimbridge, and dependent on its ability to successfully operate them

ARA is wholly dependent on the Aimbridge Hotel Manager for the day-to-day operations, the administration and management of the hotels. While Aimbridge is subject to certain performance indicators pursuant to the Aimbridge Hotel Management Agreement, if terminated, ARA may face a substantial disruption in the operation of the Hotels, especially if they are unable to find a suitable third party operator to operate the hotels on a timely basis.

All its properties are dependent on Hyatt as its sole franchisor, and its brand name

The maintenance of the brand licenses for the properties is subject to ARA's ability to observe property improvement plans ("PIPs"), which set forth renovation requirements, on the basis that periodic capital improvements are required to bring the physical condition of the properties into compliance with Hyatt's specifications and standards. PIPs are imposed on 12 of the properties, being Hyatt Place Omaha Downtown Old Market and the Hyatt House properties (refer to p.23 for full list of ARA's properties). There are current plans for US$14.7 million of PIP renovations and other capital expenditure expected in 2019, and US$4.0 million in 2020, which will be funded from existing cash balances of ARA US Hospitality Trust.

While the failure to comply with the PIP requirements for a specific property would not affect the other properties as each property has its own Franchise Agreement with Hyatt, the affected hotel(s) could no longer be operated under the Hyatt brand system. Furthermore, the loss of a franchise license at a particular hotel could harm the relationship with Hyatt, and impede the ARA's ability to operate its other Hyatt-branded hotels, limit the ability to obtain new franchise licenses from Hyatt in the future on favourable terms, if at all.

In addition, any negative publicity affecting the Hyatt brand name may materially affect ARA's operations and financial performance, whose portfolio is entirely reliant on consumers' confidence in the brand.

Right of first refusal/offer for certain properties

Hyatt Place Secaucus Meadowlands's franchise agreement contains a right of first refusal exercisable by HMGL LLC, and Hyatt Place Omaha Downtown Old Market's franchise agreement contains a right of first offer exercisable by Hyatt. Where these purchase rights exist, ARA has to offer the asset first to the HMGL LLC or Hyatt and may limit third party offers for these assets.

Taxation-related risks

ARA's current tax structure minimizes tax incidence in Singapore and US, as the bulk of distributions are repatriated to Singapore via the shareholder's loan extended by ARA H-BT (via CaymanCo). The residual is subject to U.S. withholding tax and U.S. corporate taxes on repatriation. However, changes in tax ruling or treatment of any of its directly or indirectly wholly-owned entities as having a taxable presence or permanent establishment outside their place of formation or incorporation will result in higher taxes.

Foreign currency fluctuations and exchange rate risk

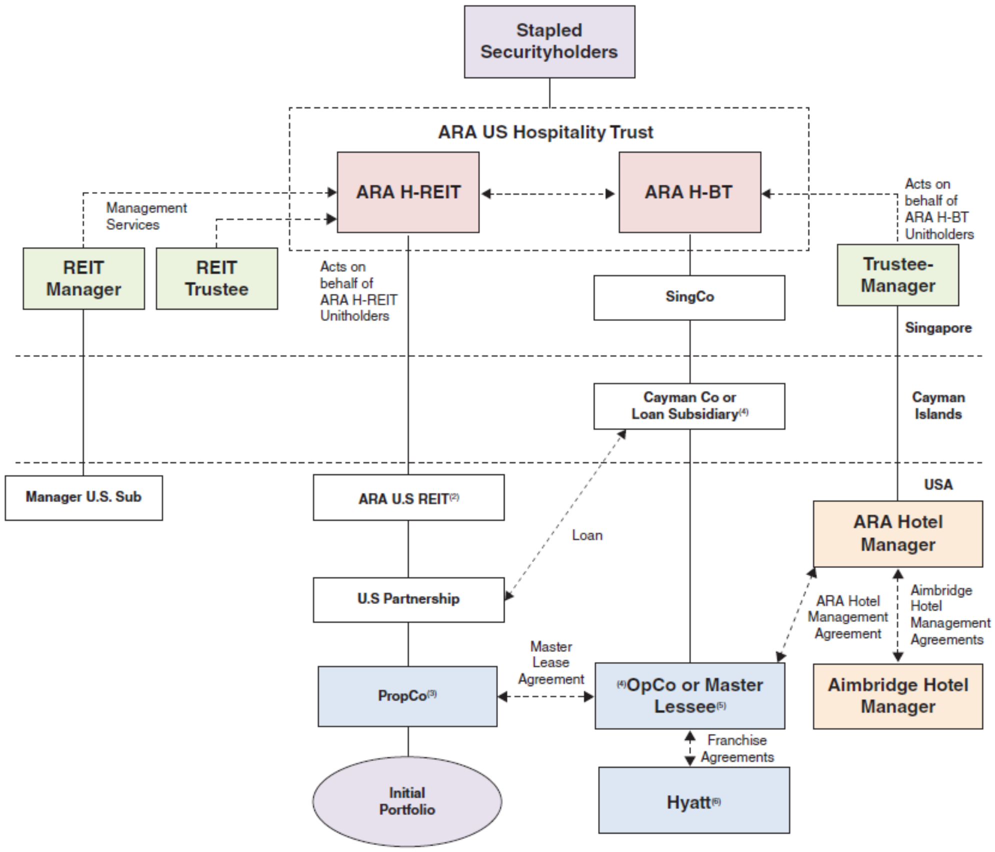
Since distributions are declared in USD, unitholders who choose to receive declared distributions in SGD will be exposed to exchange rate fluctuations. Upcoming changes in the U.S. political and economic conditions could potentially have adverse effects on the USD. Moreover, the NAV of the units, and foreign currency value of any proceeds received upon the sale of units in Singapore would also be affected.

COMPANY OVERVIEW

First pure-play U.S. upscale select-service hospitality trust listed in Singapore

ARA US Hospitality Trust (ARA) is a hospitality stapled group comprising ARA H-REIT, a real estate investment trust constituted in Singapore, and ARA H-BT, a registered business trust (BT) constituted in Singapore. The Managers presently intend for ARA H-REIT to hold income-producing real estate while ARA H-BT will be the master-lessee and manage and operate these assets.

Figure 28: Structure of ARA



Source: ARA, KGI Research

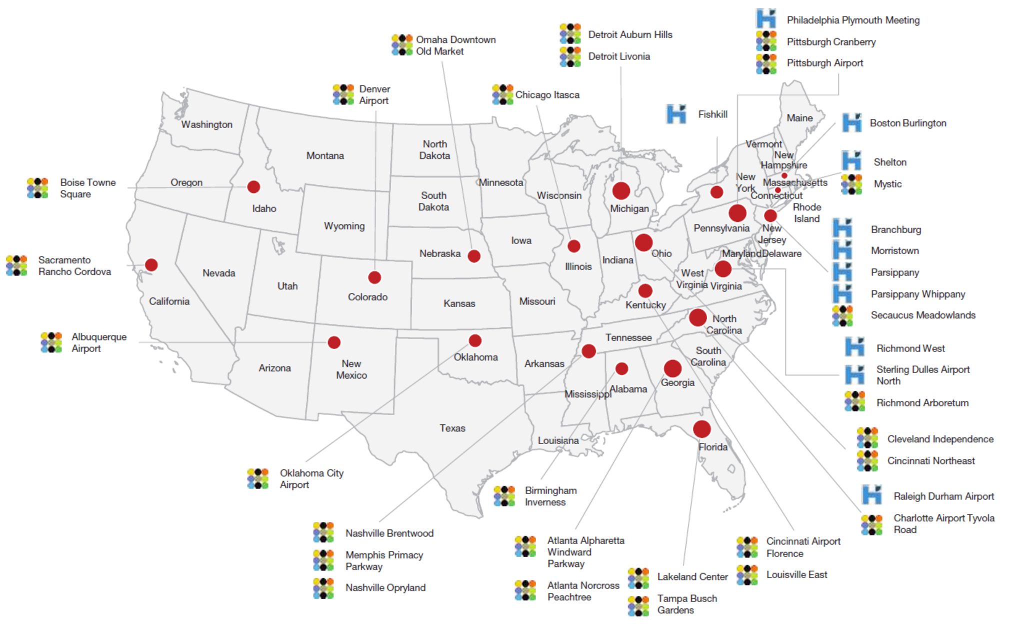
Property portfolio

All of ARA's properties are franchised under the Hyatt Place and Hyatt House brands, which belong to Hyatt – one of the largest global hotel brands; and managed by Aimbridge Hospitality, LLC – the largest independent hotel management company in the U.S.

At December 31, 2018, the World of Hyatt loyalty program had over 16 million members and during 2018, represented approximately 38% of total room nights system wide. World of Hyatt comes in third just after Marriott Bonvoy and Wyndham Rewards, by Forbes's latest ranking of Hotel Rewards Programs for 2019-2020. The World of Hyatt loyalty program generates substantial repeat guest business by rewarding frequent stays with points.

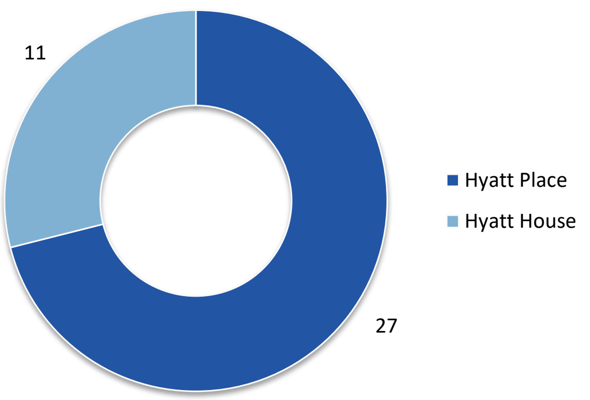
ARA's portfolio of 38 upscale select-service hotels is located across 21 states in the U.S., with 36 out of the 38 properties with freehold land titles. Of the 38 hotels, 27 are franchised under Hyatt Place, and 11 under Hyatt House. With a total of 4,950 rooms, its portfolio AUM was appraised to be US$719.5million as at December 1, 2018.

Figure 29: Portfolio distribution



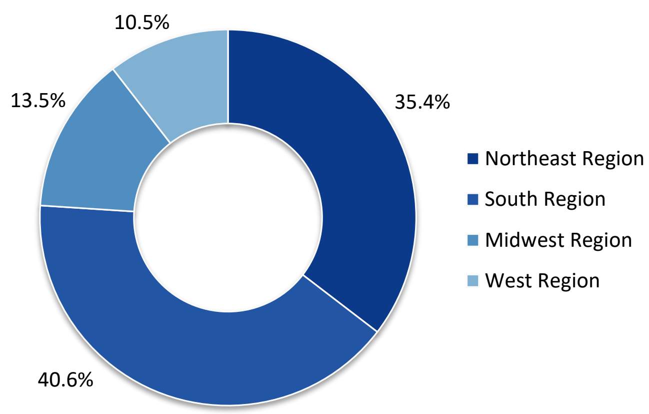
Source: ARA, KGI Research

Figure 30: Portfolio breakdown by brand



Source: ARA, KGI Research

Figure 31: Portfolio AUM breakdown by region



Source: ARA, KGI Research

Hyatt Place, a “select-service” hotel, typically offers limited meeting space, modified recreational and retail amenities, and a limited food and beverage offering. Extended-stay hotels such as Hyatt House, are a subcategory of select-service hotels.

Extended-stay hotels typically accommodate guests for extended periods, and are distinguished by a more residential-design and furnishings, defined living and sleeping areas, and a fully-equipped kitchenette. Typically located in urban, airport, and suburban areas, Hyatt House hotels cater to extended-stay business travellers, as well as leisure travellers and families, as they are also well suited to serve small meetings and events.

In comparison, a “full-service” hotel, such as Hyatt Regency, typically provides a wide array of services and amenities including, but not limited to, restaurants, room service, meeting and conference facilities, retail shops, spa and fitness facilities, parking service, laundry service, bell and luggage services, transportation and concierge services.

Figure 32: Sample floorplans of Hyatt Place (LHS) and Hyatt House (RHS)

Source: Hyatt, KGI Research

Aimbridge Hotel Manager

Aimbridge Hospitality, LLC, is appointed as the hotel manager for ARA's portfolio and operates the portfolio on behalf of OpCo, the Master Lessee. Aimbridge is the largest independent hotel management company in North America and the Caribbean. With a portfolio of approximately 800 upscale, independent and branded hotels including Marriott, Hilton and Intercontinental, and more than 100,000 rooms across the U.S., Canada and the Caribbean, Aimbridge Hospitality has a proven track record for delivering superior returns for its strategic partners.

Amongst its responsibilities are providing corporate oversight on marketing, management and e-commerce activities; maintain records of the permits and licenses required for and held by ARA's operation of the hotels; and establishing and preparing hotel refurbishment plans.

Backed by a seasoned sponsor

ARA's sponsor is ARA Real Estate Investors 23 Pte. Ltd., an indirect wholly-owned subsidiary of ARA Asset Management Limited (ARA Group). ARA Group is a premier global integrated real assets fund manager headquartered in Singapore. As at 31 December 2018, the gross assets managed by ARA Group and its associates is approximately S$80.1 billion across 100 cities in 23 countries. Their businesses include: (1) Real estate investment trusts (REITs); (2) Private real estate funds; (3) Country desks; (4) Infrastructure; and (5) Real estate management services.

The Group directly manages Fortune REIT which is primary listed in Hong Kong and secondary listed in Singapore; Suntec REIT and Cache Logistics Trust which are listed in Singapore; and Hui Xian REIT and Prosperity REIT which are listed in Hong Kong. It also indirectly manages real estate investment trusts in Japan, Australia, Singapore and Malaysia through its associate companies.

Figure 33: Overview of ARA Group

	FORTUNE REIT	SUNTEC	PROSPERITY REIT	CACHE LOGISTICS TRUST	HUI XIAN REIT	ARA US HOSPITALITY TRUST	ARA-NPS REITs	ARA-ShinYoung REITs	ARA-Alpharium REIT	ARA Korea Global REIT[1]
Listing Venue	SGX-ST & HKEx	SGX-ST	HKEx	SGX-ST	HKEx	SGX-ST	Private REITs (South Korea)	Private REITs (South Korea)	Private REITs (South Korea)	Private REITs (South Korea)
Listing Year / Establishment Year	SGX-ST: 2003 HKEx: 2010	2004	2005	2010	2011	2019	2007, 2010	2015, 2016	2017	2017
Focus	Suburban retail properties in Hong Kong	Prime office & retail properties in Singapore & Australia	Office & Industrial properties in Hong Kong	Logistics properties in the Asia Pacific region	Commercial properties in China	Hospitality properties in United States	Office properties in South Korea	Residential properties in South Korea	Office property in South Korea	Dividend-paying Investment REIT
Market Cap / Value[2]	US$2.3b	US$3.5b	US$598m	US$551m	US$2.6b	US$498	US$561m	US$90m	US$544m	US$13m

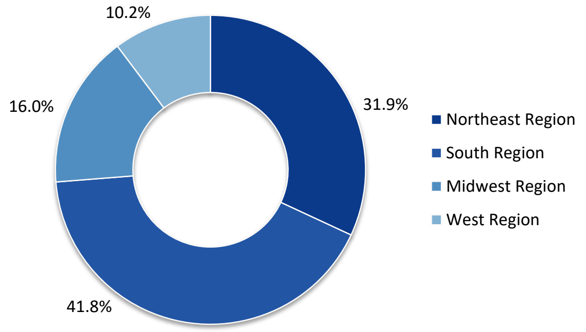
(1) Includes assets under management by the Group, its Associates and Joint Ventures
(2) Exchange rate of USD:SGD 1.35, USD:KRW 1,120, USD:MYR 4.0, USD:CNY 6.8, USD:HKD 7.8 assumed. As at 31 Dec 2018. For ARA US Hospitality Trust, based on IPO price of US$0.88.

Source: ARA, KGI Research

Geographical exposure

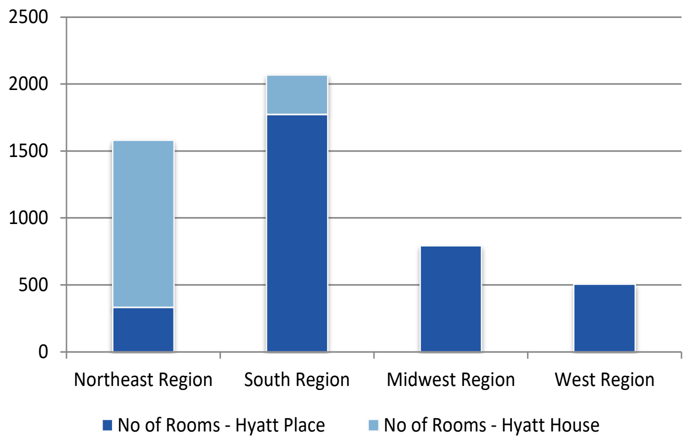
The majority of ARA's portfolio is saturated in the Northeast and South regions of the U.S., both of which are prime locations for the hospitality sector. 32% of its total rooms inventory is located in the Northeast, and a substantial 42% in the South.

Figure 34: Total rooms inventory breakdown by region



Source: ARA, KGI Research

Figure 35: Brand breakdown by number of available rooms and regions



Source: ARA, KGI Research

As the most densely populated area of the U.S., the Northeast houses 5 of the 6 top-ranked national universities in 2019, according to U.S. News and World Report. The world-renowned Boston's Massachusetts General Hospital, the New York's Wall Street and the financial and investment institutions that depend upon it.

The South, similarly, benefits from high-profile landmarks such as the Hartsfield-Jackson Atlanta International Airport in Georgia, the busiest airport by passenger volume in the world. JLL also highlights Florida's Walt Disney World, the most visited vacation destination in the world with 52 million visitors annually. The Southern region also enjoys a relatively mild weather (annual range of 13ºC to 26ºC in Florida), and offers lush beaches to its leisure visitors.

Company properties

	Hotel	State	Property Type	No. of Available Rooms	Title	Year Commenced Operations	Year of Last Renovation	RevPAR 18 (US$)	Appraised value (US$'m)
	Northeast Region								
1	Hyatt House Boston Burlington	Massachusetts	Extended-stay	150	Freehold	1998	2016	133.13	37.8
2	Hyatt House Morristown	New Jersey	Extended-stay	132	Freehold	1997	2016	142.74	36
3	Hyatt House Branchburg	New Jersey	Extended-stay	139	Freehold	2004	2016	111.33	26.1
4	Hyatt House Parsippany Whippany	New Jersey	Extended-stay	135	Freehold	1997	2016	122.46	26
5	Hyatt House Parsippany	New Jersey	Extended-stay	140	Freehold	2004	2015	112.6	25.1
6	Hyatt House Secaucus Meadowlands	New Jersey	Select-service	159	Leasehold expiring in June 2071	1998	2014	128.53	24.1
7	Hyatt House Fishkill	New York	Extended-stay	135	Freehold	2006	2016	109.78	17.9
8	Hyatt House Shelton	Connecticut	Extended-stay	127	Freehold	2010	2017	93.91	15.8
9	Hyatt House Philadelphia Plymouth Meeting	Pennsylvania	Extended-stay	131	Freehold	2000	2016	91.73	13.3
10	Hyatt Place Pittsburgh Cranberry	Pennsylvania	Select-service	127	Freehold	1998	2015	69.35	12.4
11	Hyatt Place Mystic	Connecticut	Select-service	79	Freehold	1999	2014	104.22	11.8
12	Hyatt Place Pittsburgh Airport	Pennsylvania	Select-service	127	Freehold	1998	2014	64.52	8.5
	Subtotal			**1581**					**254.8**
	South Region								
13	Hyatt House Richmond West	Virginia	Extended-stay	134	Freehold*	2009	2017	115.3	30.1
14	Hyatt House Sterling Dulles Airport North	Virginia	Select-service	162	Freehold	2007	2016	85.69	17.9
15	Hyatt Place Nashville Opryland	Tennessee	Extended-stay	123	Freehold	1990	2015	127.82	26
16	Hyatt Place Atlanta Alpharetta Windward Parkway	Georgia	Select-service	127	Freehold	1998	2016	100.8	22.9
17	Hyatt Place Raleigh Durham Airport	North Carolina	Extended-stay	141	Freehold	2009	2016	88.52	21.3
18	Hyatt Place Cincinnati Airport Florence	Kentucky	Select-service	126	Freehold	1997	2017	102.63	20.8
19	Hyatt Place Nashville Brentwood	Tennessee	Select-service	124	Freehold	1991	2015	103.49	20.4
20	Hyatt Place Charlotte Airport Tyvola Road	North Carolina	Select-service	127	Freehold	1999	2014	98.87	20.3
21	Hyatt Place Lakeland Center	Florida	Select-service	127	Leasehold expiring in July 2073	1999	2016	91.28	16.7
22	Hyatt Place Tampa Busch Garden	Florida	Select-service	126	Freehold	1997	2014	97.56	16.3
23	Hyatt Place Richmond Arboretum	Virginia	Select-service	127	Freehold	1997	2015	73.66	14.7
24	Hyatt Place Louisville East	Kentucky	Select-service	121	Freehold	1994	2015	87.2	14.3
25	Hyatt Place Memphis Primacy Parkway	Tennessee	Select-service	126	Freehold	1996	2015	83.96	14.3
26	Hyatt Place Atlanta Norcross Peachtree	Georgia	Select-service	126	Freehold	1996	2016	75.81	13.4
27	Hyatt Place Oklahoma City Airport	Oklahoma	Select-service	126	Freehold	1997	2015	72.18	12.7
28	Hyatt Place Birmingham Inverness	Alabama	Select-service	126	Freehold	1997	2015	64.63	10.1
	Subtotal			**2069**					**292.2**
	Midwest Region								
29	Hyatt Place Omaha Downtown Old Market	Nebraska	Select-service	159	Freehold	2013	2013	101.51	29.6
30	Hyatt Place Detroit Livonia	Michigan	Select-service	127	Freehold	1998	2016	90.25	18.1
31	Hyatt Place Detroit Auburn Hills	Michigan	Select-service	127	Freehold	1996	2016	82.03	15.4
32	Hyatt Place Cleveland Independence	Ohio	Select-service	127	Freehold	1996	2016	68.36	11.8
33	Hyatt Place Chicago Itasca	Illinois	Select-service	126	Freehold	1996	2015	69.4	11.4
34	Hyatt Place Cincinnati Northeast	Ohio	Select-service	127	Freehold	1999	2015	76.89	10.8
	Subtotal			**793**					**97.1**
	West Region								
35	Hyatt Place Sacremento Rancho Cordova	California	Select-service	127	Freehold	1999	2014	102.87	24
36	Hyatt Place Denver Airport	Colorado	Select-service	126	Freehold	1998	2014	106.19	19.7
37	Hyatt Place Boise Towne Square	Idaho	Select-service	127	Freehold	1999	2015	85.46	18.2
38	Hyatt Place Albuquerque Airport	New Mexico	Select-service	127	Freehold	1998	2016	80.02	13.5
	Subtotal			**507**					**75.4**

FINANCIAL FORECASTS

Figure 36: Forecasted Financials (2017A – 2021F)

FYE 31 December					
INCOME STATEMENT (USD mn)	**2017A**	**2018A**	**2019F***	**2020F**	**2021F**
Gross revenue	-	-	129	192.4	197.7
Property expenses	-	-	(86.8)	(132.7)	(136.4)
Net property income	-	-	**58.4**	**59.6**	**61.3**
REIT Manager's & Trustee-Manager's Management fees	-	-	(2.8)	(4.5)	(4.9)
REIT & Trustee-Manager's Trustee's fees	-	-	(0.2)	(0.2)	(0.2)
Net interest expense	-	-	(7.3)	(10.2)	(10.2)
Other expenses	-	-	(1.7)	(2.5)	(2.5)
Net profit/(loss)	-	-	**14.2**	**17.1**	**18.3**
Change in fair value - investment ppty	-	-	12.7	4.0	0.0
Total return before tax	-	-	**14.2**	**17.1**	**18.3**
Income tax	-	-	(1.3)	(1.7)	(1.8)
Total return after tax	-	-	12.9	15.3	16.5
Distributable income	-	-	26.8	40.7	42.0
BALANCE SHEET (USD mn)			**2019F^**	**2020F**	**2021F**
Cash and cash equivalents	-	-	31.1	29.5	29.9
Trade and other receivables	-	-	4.4	4.5	4.6
Other current assets	-	-	0.3	0.3	0.3
Total current assets	-	-	**35.9**	**34.3**	**34.9**
Property, plant and equipment	-	-	719.5	719.5	719.5
Intangibles, others	-	-	0.0	0.0	0.0
Total assets	-	-	**755.4**	**753.8**	**754.4**
Trade and other payables	-	-	10.8	11.1	11.4
Other current liabilities	-	-	0.0	0.0	0.0
Total current liabilities	-	-	**10.8**	**11.1**	**11.4**
LT Borrowings	-	-	243.7	243.7	243.7
Other non-current liabilities	-	-	7.6	7.6	7.6
Total liabilities	-	-	262.1	262.4	262.7
Unitholders' funds and reserves	-	-	493.2	491.5	491.7
Total liabilities and equity	-	-	**755.4**	**753.8**	**754.4**
CASH FLOW STATEMENT (USD mn)			**2019F***	**2020F**	**2021F**
Total return before tax	-	-	**14.2**	**17.1**	**18.3**
Depreciation & Amortisation	-	-	14.3	25.1	25.1
Management fees paid/payable in Stapled Securities	-	-	1.4	2.2	2.4
Changes in working capital	-	-	1.5	0.4	0.4
Taxes paid	-	-	(1.3)	(1.7)	(1.8)
Cash flows from operations	-	-	**36.6**	**53.3**	**54.7**
Capital expenditure	-	-	(14.7)	(4.0)	(2.0)
Acquisition of investment properties	-	-	0.0	0.0	0.0
Other investing cashflow	-	-	0.0	0.0	0.0
Cash flows from investing	-	-	**(14.7)**	**(4.0)**	**(2.0)**
Borrowings raised / (repaid)	-	-	(295.7)	0.0	0.0
Equity raised / (bought back)	-	-	323.4	0.0	0.0
Dividends paid	-	-	(26.8)	(40.7)	(42.0)
Other financing cashflow	-	-	(24.0)	(10.2)	(10.2)
Cash flows from financing	-	-	**(23.0)**	**(50.9)**	**(52.3)**
FX Effects, Others	-	-	0.0	0.0	0.0
Net increase in cash	-	-	**(1.2)**	**(1.6)**	**0.4**
Beginning Cash	-	-	32.3	31.1	29.5
Ending cash	-	-	**31.1**	**29.5**	**29.9**

* Figures for 2019 are for the period of 8 months, from 1 May 2019 to 31 December 2019
^ Figures annualised for 2019F

Source: KGI Research

KEY RATIOS

Figure 37: Key Ratios (2017A – 2021F)

KEY RATIOS			2019F	2020F	2021F
DPU^ (USD cents)	-	-	7.0	7.2	7.4
Dividend yield^ (%)	-	-	8.1	8.2	8.4
NAV per stapled security (USD cents)	-	-	0.9	0.9	0.9
Price/NAV (x)	-	-	1.0	1.0	1.0
Profitability* (%)					
NPI Margin	-	-	32.8	31.0	31.0
Net Margin	-	-	10.0	8.0	8.3
ROE	-	-	2.6	3.1	3.4
ROA	-	-	1.7	2.0	2.2
Financial Structure					
Interest Coverage* (x)	-	-	5.2	5.1	5.2
Gearing (%)	-	-	32.3	32.3	32.3

* 2019F figures are for the period of 8 months, from 1 May 2019 to 31 December 2019
^ Figures annualised for 2019F

Source: KGI Research

OPERATING STATISTICS

Figure 38: Operating Statistics (2017A – 2021F)

	2017A	2018A	2019F*	2020F	2021F
OCCUPANCY (%)					
Northeast Region	79.3	80.2	80.8	79.3	80.0
South Region	78.9	76.3	78.1	79.2	80.0
Midwest Region	72.8	70.4	74.2	72.7	73.0
West Region	84.8	81.0	82.6	80.3	81.1
Weighted Average	78.7	77.1	78.8	78.3	79.0
ADR (US$)					
Northeast Region	136.0	136.0	142.0	145.0	147.9
South Region	117.0	117.0	120.1	122.5	124.9
Midwest Region	116.0	114.0	120.0	122.0	123.2
West Region	112.0	113.0	115.1	117.4	119.7
Weighted Average	122.4	122.2	126.6	129.1	131.5
REVPAR (US$)					
Northeast Region	108.0	109.0	114.7	115.0	118.3
South Region	93.0	89.0	93.8	97.0	100.0
Midwest Region	85.0	80.0	89.0	88.7	90.0
West Region	95.0	92.0	95.0	94.3	97.1
Weighted Average	96.7	94.3	99.8	101.1	103.9
REVENUE (US$mn)					
Northeast Region	62.2	62.9	46.6	66.4	68.3
South Region	69.7	67.4	51.5	73.3	75.5
Midwest Region	24.4	23.2	18.3	25.7	26.0
West Region	17.6	16.9	12.8	17.5	18.0
Total	174.0	170.5	129.1	182.8	187.8

2019F figures are for the period of 8 months, from 1 May 2019 to 31 December 2019
Source: KGI Research

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Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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