

# Far East Hospitality Trust

## Analyst Briefing Key Takeaways

SINGAPORE | REAL ESTATE (REIT) | NON-RATED NOTE

04 November 2015

### What is the news?

Far East Hospitality Trust (FEHT) announced its 3Q15 financial results on 03 November before trading hours, and we dialled in for the conference call following the announcement. Generally, we felt **Neutral** on FEHT given that overall international visitor arrivals into Singapore remains optimistic, while DPU could be under pressure given the delay of AEI works as well as weak corporate travel demand.

### Results at a glance

(SGD mn)	3Q15	3Q14	y-y (%)	Comments
Gross revenue	29.7	31.1	(4.8)	Softer hotel and serviced residence performance
Net property income	26.9	28.2	(4.6)	
Distributable income	21.6	23.5	(8.0)	Increase in finance costs amid higher short term interest rates
DPU (Cents)	1.20	1.32	(9.1)	

Source: Company, Phillip Securities Research (Singapore)

### Analyst briefing key takeaways

- 3Q15 hotel revenue per available room (RevPAR) declined y-o-y amid lower average daily room rate (ADR).** RevPAR fell 5.6% y-o-y to \$151 from \$160 due to a 6% drop in ADR to \$172 while average occupancy was up slightly (87.1%). Management cited that weaker demand from corporate travel, the haze that started in August as well as relatively strong Singapore dollar, had led to the weaker performance. However, we note that occupancy rates continued to improve for the year boosted by a stronger growth in tourist arrivals.
- Buoyant patronage of visitors from North Asia – China in hotel segment.** Visitors from North Asia was up 2.1% points y-o-y to 25.7%, driven by a larger growth of Chinese visitors. However, contribution from the Southeast Asia market saw a decline of 2.8% points y-o-y, mainly due to the relatively strong Singapore dollar against other Southeast Asian countries. We view the development to be consistent with the most recent [hospitality](#) sector report that we have published.
- Weak demand continued into 3Q15 for serviced residences.** ADR of serviced residences dropped 2.0% points and 7.2% y-o-y amid weaker demand from corporate travels and project groups. Consequently, RevPAU saw a 9.2% y-o-y decline to \$209. Additionally, contributions from corporate segments dipped 0.3% points to 82.5% in 3Q15. Management plans to diversify revenue sources by sourcing for more areas of corporate groups.
- Management intends to focus on organic growth.** Following the completion of asset enhancement initiatives (AEI) at Regency House through the refurbishment of studio units, FEHT is currently refurbishing 2 and 3-bedroom units at the same property with a completion date of 1Q16. The trust plans to complete AEI works for Village Hotel Changi where the completion date has been shifted back from 4Q15 to ~1Q16, and Village Residence Clarke Quay by 4Q15.

### Investment Action

No stock rating or target price provided, as we do not have coverage on FEHT.

### Non-rated

LAST DONE PRICE	SGD 0.675
FORECAST DIV	N/A
TARGET PRICE	N/A
TOTAL RETURN	N/A

### COMPANY DATA

O/S SHARES (MN) :	1,789
MARKET CAP (USD mn / SGD mn) :	863 / 1208
52 - WK HI/LO (SGD) :	0.87 / 0.56
3M Average Daily T/O (mn) :	0.91

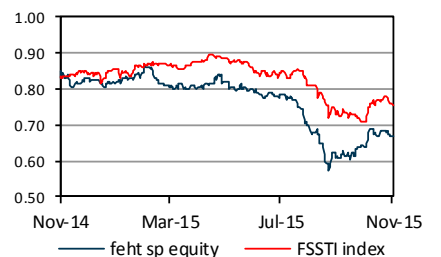
### MAJOR SHAREHOLDERS (%)

GOLDEN DEVELOPMENT PTE LTD	19.4%
GOLDEN LANDMARK PTE LTD	10.7%
FAR EAST ORGANIZATION	10.2%
OXLEY HILL PROPERTIES PTE LTD	8.6%

### PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	4.7	(2.6)	(14.1)
STIRETURN	6.6	(6.3)	(6.1)

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Mar	FY 13	FY 14
Gross Rev. (SGD mn)	122.5	121.7
NPI (SGD mn)	111.9	110.0
Dist. Inc. (SGD mn)	128.2	116.8
P/NAV (x)	0.85	0.84
DPU, adj (Cents)	0.06	0.05
Distribution Yield, %	6.7	6.3

Source: Company Data, PSR est.

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