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TIP #1: Know all our features!

Insights & Discussions

Stock Estimates

Stock-specific News & Data

Full Research Reports

Full Corporate Calendar

InvestAcademy For New Investors

Top community members

Investors' Marketplace

Watchlist

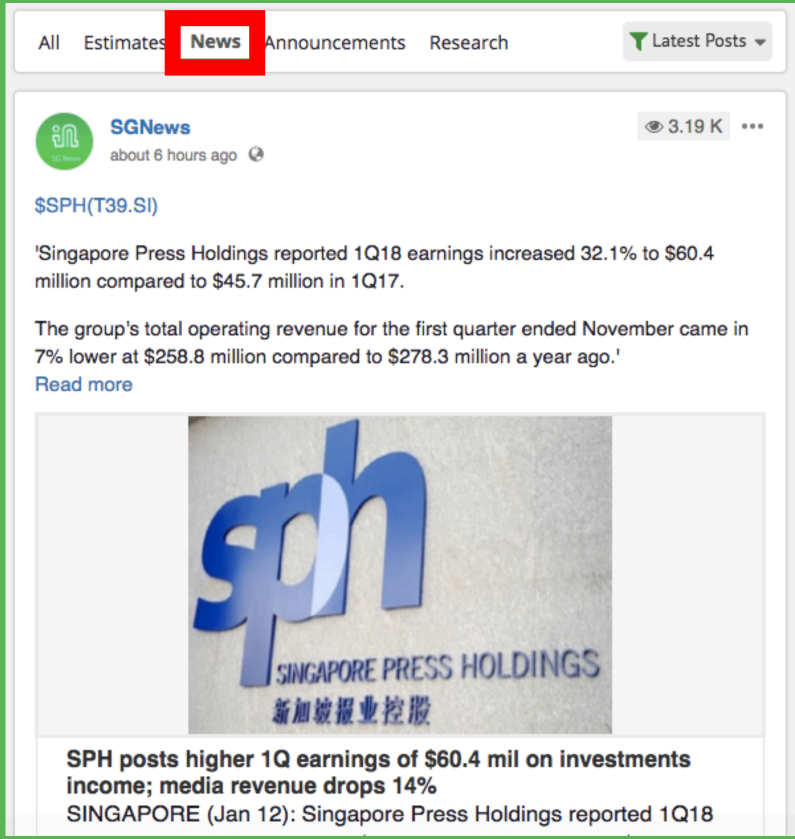
Virtual Portfolio

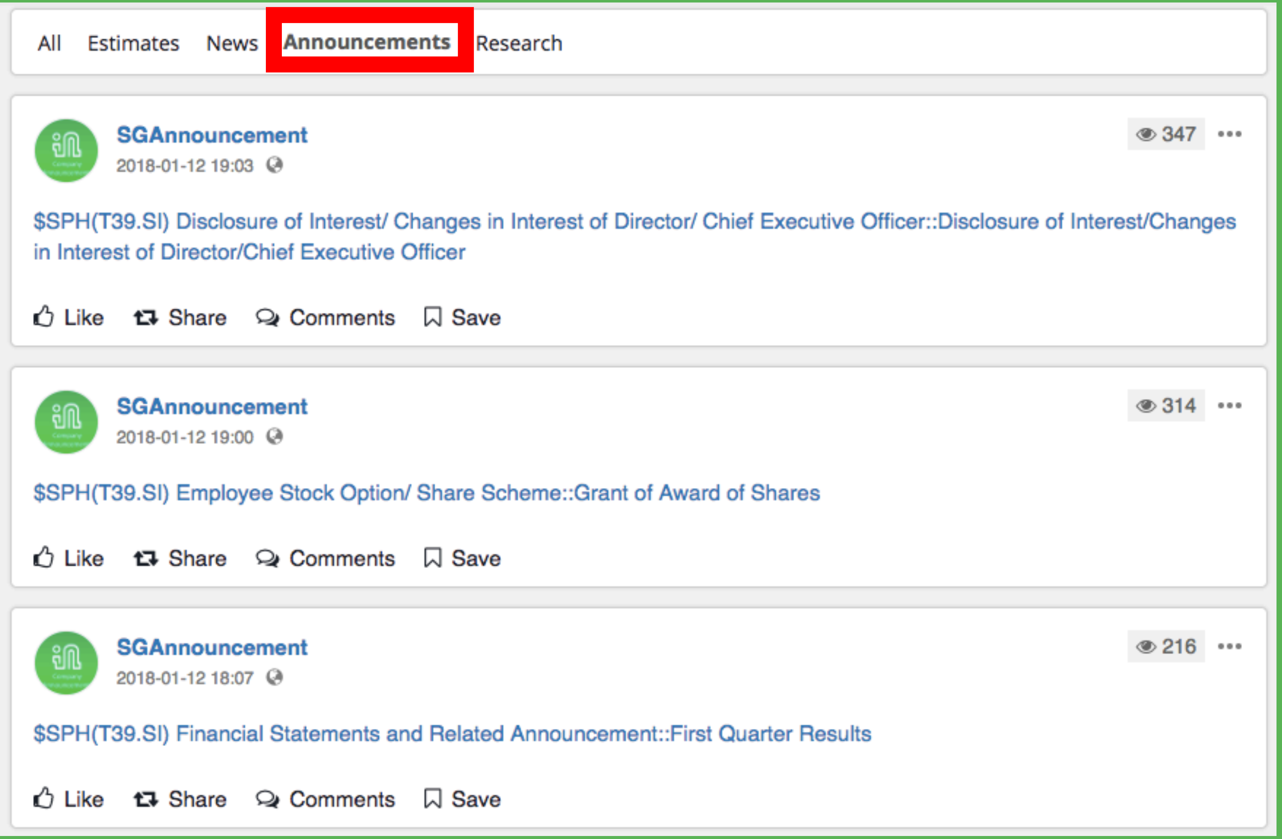
Stock-Specific News & Data

All stock specific news & data can be found by searching for a stock.

Stock-Specific News & Announcements

Search for any stock and see the latest news and announcements.





Stock-Specific News & Data

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Access key financial ratios, company profile, financials and corporate calendar.

Stock-Specific News & Announcements

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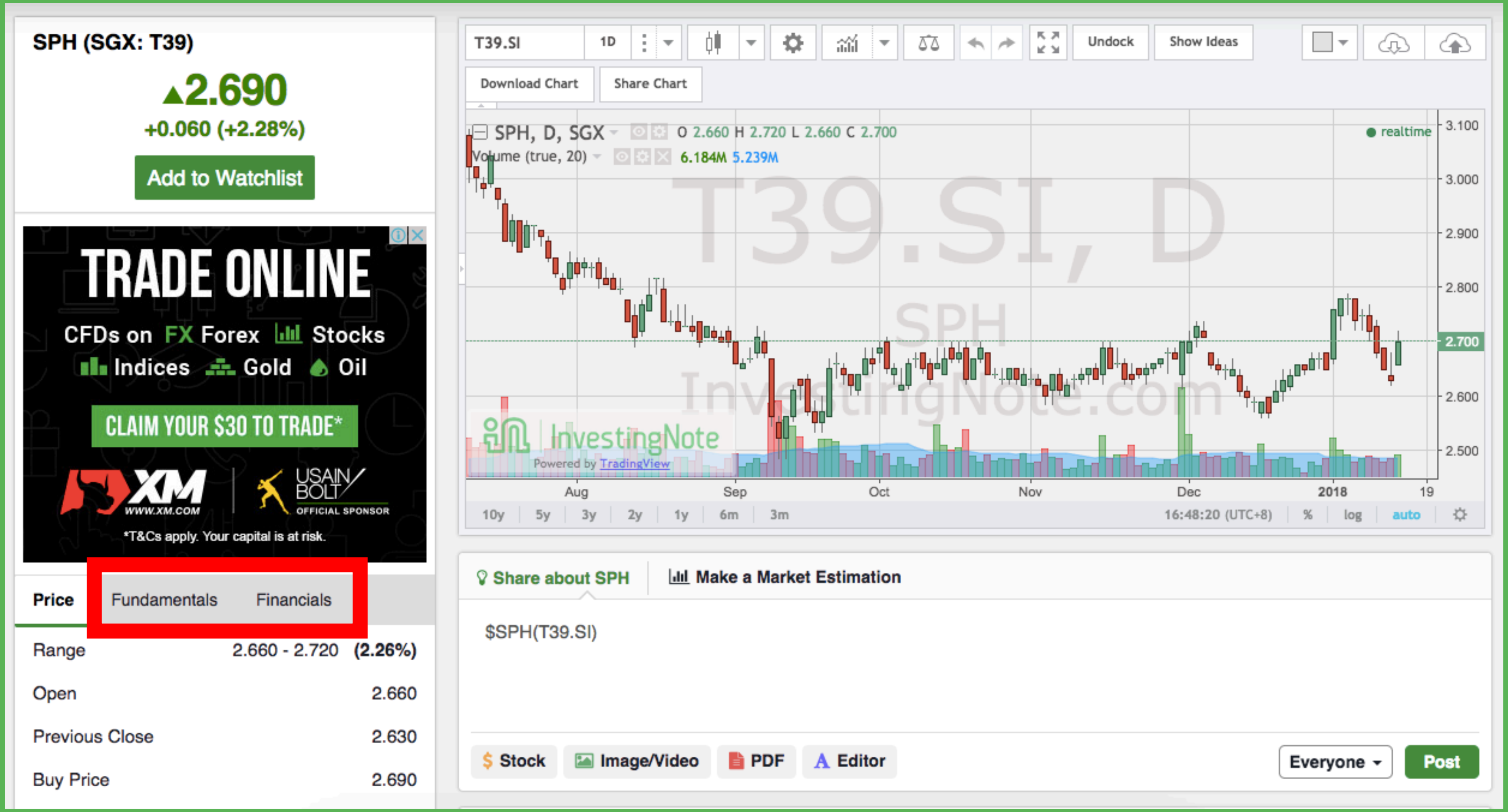

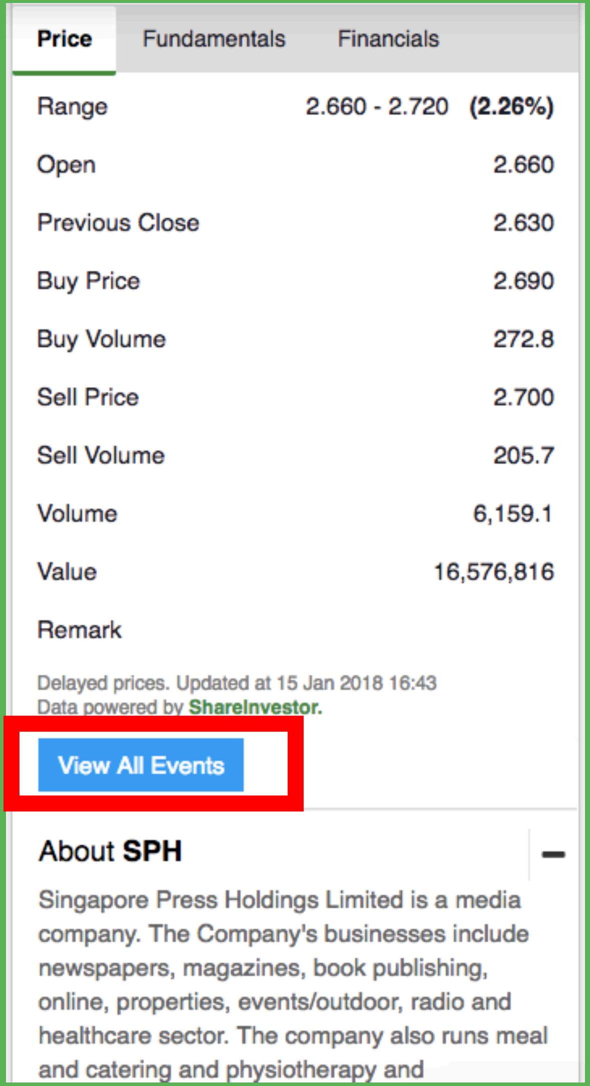

Full Research Reports

Full research reports are uploaded by our community for sharing.

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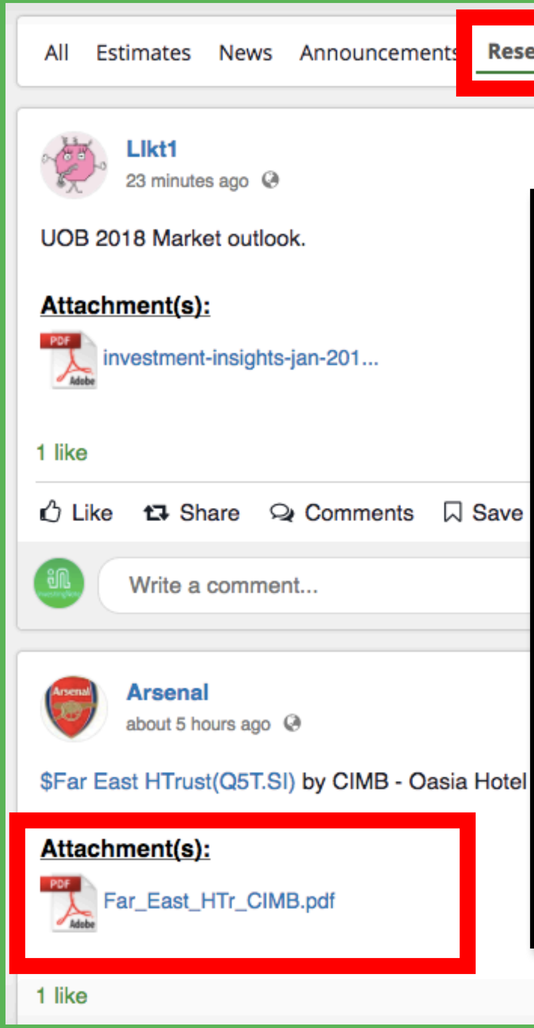
Stock-Specific News & Announcements



REIT | Singapore | January 12, 2018

CIMB

Company Note

Singapore

ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 3	Sell 1

Current price:	S$0.72
Target price:	S$0.82
Previous target:	S$0.84
Up/downside:	13.4%
CIMB / Consensus:	9.8%
Reuters:	FAEH.SI
Bloomberg:	FEHT SP
Market cap:	US$1,002m
	S$1,335m
Average daily turnover:	US$0.68m
	S$0.92m
Current shares o/s:	1,793m
Free float:	44.6%

*Source: Bloomberg

Key changes in this note

- FY18-19F DPU decreased by 2.5-2.6%.

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.1	2.1	20
Relative (%)	0.6	-5	2.9

Far East Hospitality Trust

Oasia Hotel Downtown has crystallised

- FEHT has proposed the acquisition of sponsor's Oasia Hotel Downtown for S$210m (3.7% disc. to avg. independent valuation) which translates to attractive c.S$669k/key.
- Funded by c.90% debt at 2.5% interest cost, the manager expects a 4% DPU accretion. The entry NPI yield for the property is 4.6%.
- We see significant growth potential for Oasia Hotel Downtown, which is yielding S$170 RevPAR currently.
- At S$210 RevPAR, which is what the industry average is generating, we forecast a c.5% yield on cost for what a more matured Oasia Downtown could achieve.
- Reiterate Add with lower TP of S$0.82. We project c.19% total returns for 2018F.

Proposed acquisition of Oasia Hotel Downtown

As anticipated, FEHT has proposed the acquisition of sponsor's Oasia Hotel Downtown. The purchase consideration of the hotel is S$210m or a 3.7% discount to average independent valuation. At annualised 9M17 NPI (S$9.6m), entry NPI yield for the property is 4.6%. Inputting 2.5% interest cost (c.90% of total acquisition cost will be funded by debt; c.10% from proceeds of the distribution reinvestment plan), the manager expects a 4% DPU accretion from the acquisition.

Attractive valuation from a per key perspective

The property is an upscale 314-room hotel located in Tanjong Pagar, a key business district. We note that FEHT's leasehold interests in the property is 65 years (underlying land lease is c.93 years). Nonetheless, the S$210m price tag translates to c.S$669k/key, which is attractive compared against past transactions and current asking prices. We expect the acquisition to be completed in Apr 2018. Post-completion, the manager expects gearing to increase to c.37.5% (9M17: 32.1%).

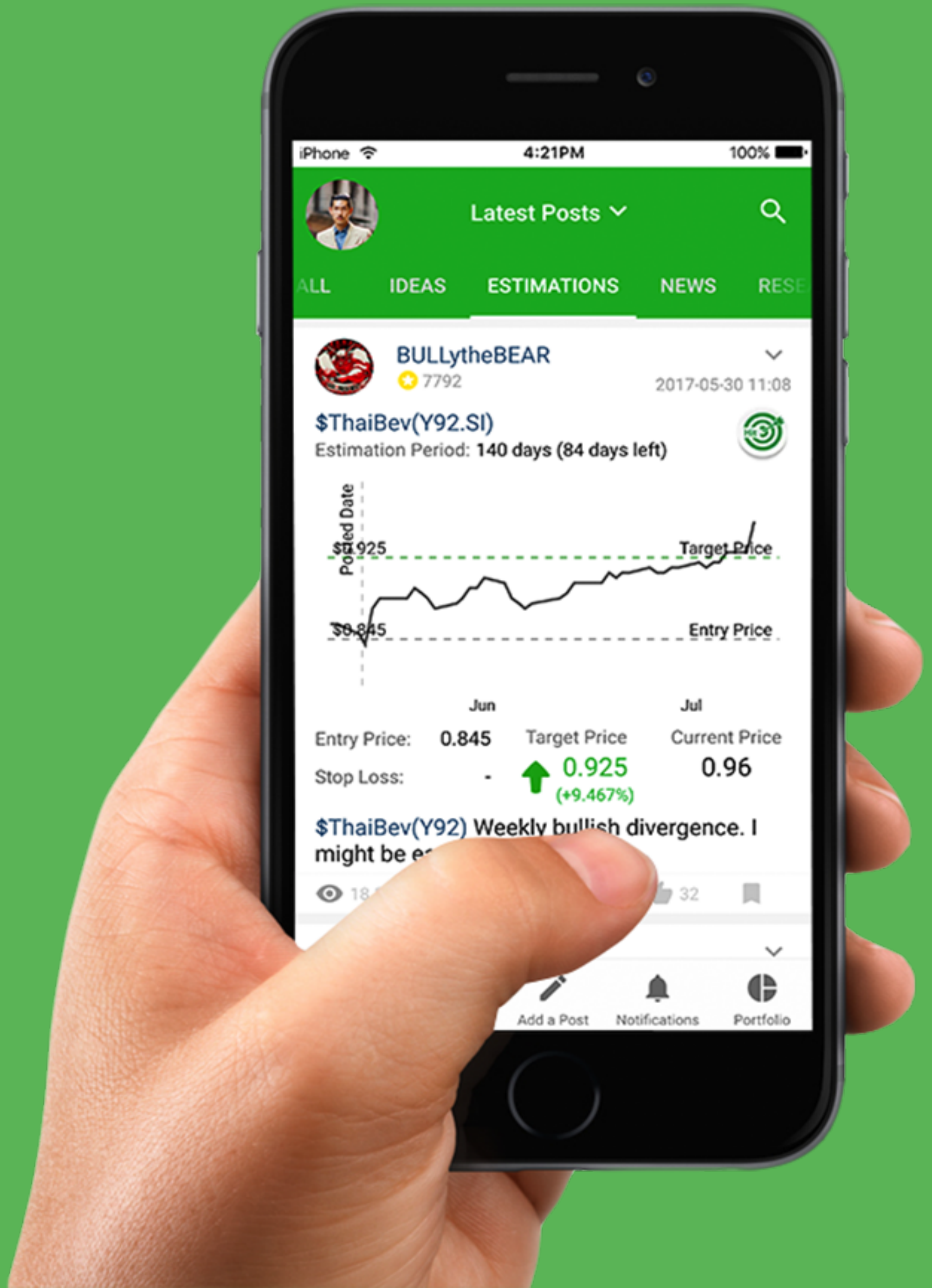
Earn-out agreement – we believe the S$9.9m NPI condition would be easily met

As part of the acquisition, an additional S$15m worth of units will be issued to the vendor if the NPI of the property is at least S$9.9m for two consecutive fiscal years. For 9M17, the hotel was generating S$170 RevPAR (est. S$205 ARR and 82% average occupancy) which roughly translates to S$9.6m annualised NPI. We calculate that RevPAR would need to increase to S$177 to meet the S$9.9m NPI condition. Meanwhile, the Singapore hotel industry is generating an average S$201 RevPAR; upscale hotels generate S$226.

How we see earnings trajectory for Oasia Hotel Downtown

Accordingly, given the RevPAR growth potential, we believe the S$9.9m NPI condition would be easily met, and we factor in S$15m new units issuance in FY20F. We assume S$170 RevPAR for FY18F; and expect RevPAR to grow 8% yoy in FY19F and another 10% in FY20F to S$201. This translates to c.S$11.3m NPI (or c.5% yield on cost) which we believe what a matured Oasia Downtown could achieve. The hotel is relatively new and opened in Apr 16. Further upside could come from tight supply in FY20F.

Both individuals and our corporate partners actively upload reports daily.



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