Asia Credit Research

OCBC Bank

Ascendas Hospitality Trust: New Credit Review

Wednesday, March 08, 2017

Recommendations Summary

Issuer Profile:	Bond Recommendation:	
Neutral	ASCHTS 3.3 '20	**Neutral**
Fundamental Analysis Considerations • Decent results with benign outlook • Mitigated FX risks • Manageable credit metrics	Technical Analysis Considerations • No cross guarantees between issuing entities • Cap on asset leverage • Ascendas brand name	

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: **ASCHTS**

Treasury Advisory
Corporate FX & Structured Products
Tel: 6349-1888 / 1881
Interest Rate Derivatives
Tel: 6349-1899
Investments & Structured Products
Tel: 6349-1886

GT Institutional Sales
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Key credit considerations

- **Decent recent results with a benign operating outlook:** 9MFY2017 revenue rose 3.3% y/y to SGD167mn with NPI increasing 8.8% y/y to SGD73.4mn, mainly driven by the outperformance in Hotel Sunroute Osaka due to an improved rent structure while the Australia hotels delivered higher RevPAR. Looking ahead, Ascendas Hospitality Trust ("AHT"), with 52% NPI exposure to Australia, may continue to ride on the growth of tourism in Australia due to increasing international flight routes to Australia with higher Chinese tourist arrivals. AHT may also benefit from the tailwind in Japan (25% of NPI) with the Japan National Tourism Organization setting a target of 40mn visitors by 2020 (2016: 24mn).

- **Cushioning FX and earnings volatility with natural hedges and some geographical diversification:** AHT is naturally FX-hedged with 43.5% and 39.3% of debt in AUD and JPY respectively. Although the concentration by NPI to Australia is high, we note that the assets are somewhat diversified across several states (each with its own dynamics) while the outperformance in Sydney has more than offset the weak operating environment in Brisbane. In addition to Japan, AHT is present in Singapore (15% NPI) and China (8% NPI). While Singapore is seeing a slowdown in the hospitality market, the performance is buffered by the master lease arrangement for AHT's hotel in Singapore.

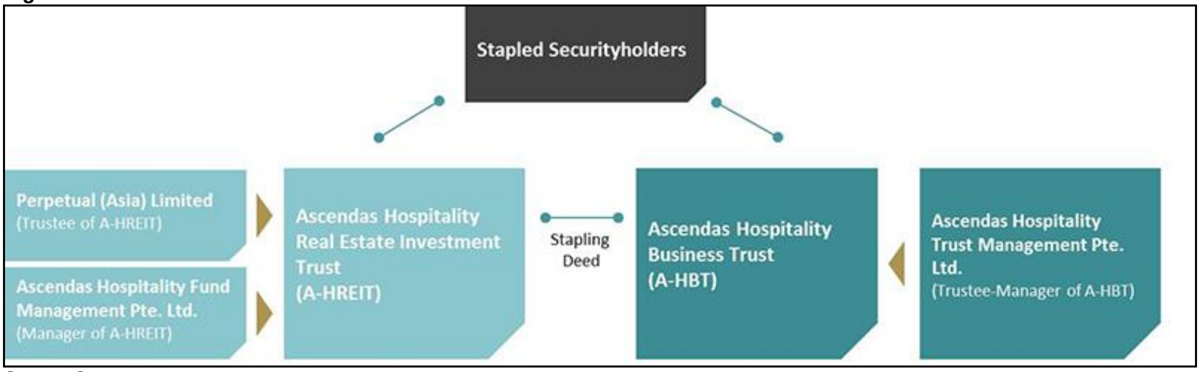
- **Manageable credit metrics:** The asset leverage at 0.33x is manageable, in our view, in comparison to peers such as Ascott Residence Trust (0.37x post rights, or 0.41x after adjusting perpetuals as 50% debt) and Frasers Hospitality Trust (0.34x, 0.36x after adjusting for perpetuals). While AHT is not a pure REIT as it comprises a business trust and a REIT, asset leverage is limited to 0.45x due to the bond financial covenant. The sponsorship of Ascendas, with Temasek as the ultimate holding company, would likely improve AHT's access to financing.

- **Structural Factors**: Different from the typical bond with a single issuer, AHT's bond ("ASCHTS") is offered as stapled notes of two issuers – Ascendas Hospitality Real Estate Investment Trust ("A-HREIT") and Ascendas Hospitality Business Trust ("A-HBT"). We think this structure is slightly weaker than an issue from a combined entity as there is no cross guarantees between the entities. Nevertheless, we think the structural weakness is manageable given the cap on asset leverage of A-HBT (0.6x) and A-HREIT (0.45x). Despite potential risks for privatisation (acquisition talks were ongoing till 5 Apr 2016), bondholders are protected as bonds can be redeemed when AHT no longer trades on the SGX. Meanwhile, for investors who like the Ascendas name, we think ASCHTS '20s offers a fair yield of 2.76% for a 3.1 year paper.

I) Company Background

Listed in Singapore on 27 Jul 2012, Ascendas Hospitality Trust ("AHT") is a SGD849mn market cap (as of 01 Mar 2017) hospitality trust which owns a portfolio of 11 income-producing hotels in Australia, China, Japan and Singapore. AHT is a stapled group comprising Ascendas Hospitality Real Estate Investment Trust ("A-HREIT") and Ascendas Hospitality Business Trust ("A-HBT").

Figure 1: AHT structure



Source: Company

Ascendas Hospitality Fund Management Pte Ltd ("AHFM") is the Manager of A-HREIT while Ascendas Hospitality Trust Management Pte Ltd ("AHTM") is the Trustee-Manager of A-HBT. Ascendas Land International Pte Ltd is the sponsor of AHFM, which is a wholly-owned subsidiary of Ascendas Pte Ltd. AHTM is a wholly-owned subsidiary of Ascendas Investment Pte Ltd, which is in turn wholly-owned by Ascendas Pte Ltd. Ascendas Pte Ltd is part of the Ascendas Group (member of Ascendas-Singbridge, which is jointly owned by Temasek and JTC Corp).

Figure 2: Property Portfolio

Property	Location	Room	Contract/Lease	Valuation (SGD mn)
Held under A-HREIT				
Hotel Sunroute Ariake		790	Master lease[1]	
Oakwood Apartments Ariake Tokyo	Tokyo	122	Mgmt contract	261.5
Park Hotel Clarke Quay	Singapore	336	Master lease[2]	316.0
Subtotal (A-HREIT)		**1,248**		**577.1**
Held under A-HBT				
Pullman Sydney Hyde Park	Sydney	241	Mgmt contract	140.1
Novotel Sydney Central	Sydney	255	Mgmt contract	130.3
Novotel Sydney Parramatta	Sydney	194	Mgmt contract	54.3
Courtyard by Marriott North Ryde	Sydney	196	Mgmt contract	49.1
Pullman Melbourne Albert Park		169	Mgmt contract	
Mercure Melbourne Albert Park	Melbourne	209	Mgmt contract	130.8
Pullman Brisbane King George Square		210	Mgmt contract	
Mercure Brisbane King George Square	Brisbane	228	Mgmt contract	118.9
Novotel Beijing Sanyuan	Beijing	306	Mgmt contract	51.6
Ibis Beijing Sanyuan	Beijing	397	Mgmt contract	61.2
Hotel Sunroute Osaka Namba	Osaka	698	Master lease[3]	210.8
Subtotal (A-HBT)		**3,355**		**947.1**
Total (AHT)		**4,603**		**1,525**

Source: Company

[1] Sunroute Co Ltd is the lessee, with lease term of 15 years commencing on 19 June 2009. Rent includes fixed rent of JPY81.8mn monthly rent, JPY4.1mn consumption tax (assuming 5% tax) and 35% of the excess of annual room charge sales over JPY2.4bn

[2] Master leased to Park Hotel CQ Pte Ltd, which is a member of Park Hotel Group for an initial term of 10 years (est. commencing on 28 June 2013). Rent includes fixed rent of SGD11.5mn for the first year with 3% p.a. escalation and a variable rent component.

[3] Sunroute Hotels Co Ltd is the lessee, with lease term of 10 years commencing on 1 Jan 2016. Rent is not disclosed, though the rents are 13% higher than the previous rents and structured to be the higher of the fixed rent or a proportion of gross revenue.

AHT's hotels are managed by professional operators such as Accor, Huazhu, Marriot, Oakwood, Park Hotel and Sunroute. The operator agreements are structured as a master lease (with a fixed rent component) or a management contract. The various hotel brands target different market segments. Pullman caters to the upscale market, Novotel, Mercure, Park Hotel and Courtyard Marriott target the midscale segment, Sunroute and Ibis target the economy segment while Oakwood caters to the serviced apartments segment.

Background of lessees
Sunroute Co Ltd ("Sunroute") was established in 1970 and has 62 direct operating or franchise hotels in Japan. Sunroute is a subsidiary of Sotetsu Holdings Inc ("Sotetsu"), which operates railways, retail, real estate/development and hotels. Sotetsu is listed on the Tokyo Stock Exchange with a market cap of JPY275bn (SGD3.4bn).

Established in 1961, Park Hotel Group manages a portfolio of 11 hotels in Singapore (5), China (3), Japan (1), Hong Kong (1) and Indonesia (1). The hotel brands include the luxury Grand Park and the upscale Park Hotel. The CEO is Allen Law, who graduated from King's College London. Mr Law is married to the granddaughter of Singapore billionaire Wee Cho Yaw. Mr Law's father, Law Kar Po, chairs the Park Hotel Group and is Hong Kong's 13th richest person (Forbes).

Figure 3: Revenue by region, 4Q16-3Q17

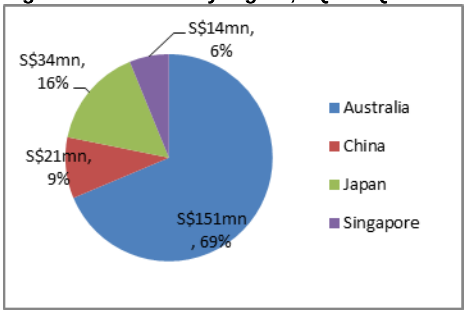
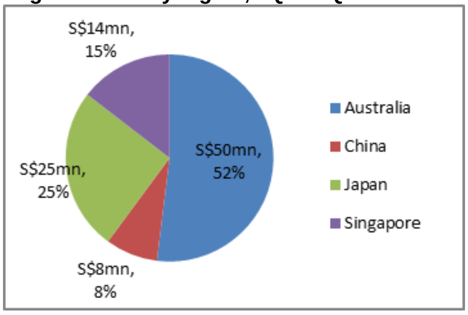


Figure 4: NPI by region, 4Q16-3Q17



Source: Company

Hotels in Australia contributed 69% of revenue and a smaller 52% of the total NPI as management contracts command a smaller margin. Since AHT's listing in 2012, AHT has acquired Park Hotel Clarke Quay in Singapore (Jun 2013) and Hotel Sunroute Osaka Namba in Japan (Mar 2014). In Jun 2015, AHT divested Pullman Cairns International in Australia. In Dec 2015, AHT agreed to purchase Aurora Melbourne Central in Australia for AUD120mn.

II) Ownership and Management

Figure 5: Major shareholder as at 08/03/17

Investor	Shares	Stake
Ascendas Pte Ltd	303,800,057	27.02%
Tang Yigang	88,601,500	7.88%
Tong Jinquan	55,464,400	4.93%
Aberdeen	55,284,800	4.92%

Source: Bloomberg, Company

Ascendas Pte Ltd (parent of the sponsor) owns the largest stake at 27.02%.

Tang Yigang @ Tang Gordon has been the Chairman of American Pacific International Capital (APIC) since 2003, and has been a board member at and key shareholder of Singhaiyi Group Ltd since 2013. Mr Tang became a substantial shareholder following the purchase of 54.9mn shares announced on 26 Jul 2016. Mr Tang appears to be a passive shareholder thus far.

Tong Jinquan is a Chinese billionaire who chairs real estate developer Summit Group. Mr Tong has been a passive shareholder.

Aberdeen is a global investment management group.

III) Company Overview & Analysis

- **Decent 3QFY2017 results:** 3QFY2017 (for the quarter ending 31 Dec 2016) revenue rose 8.0% y/y to SGD59.2mn, with NPI increasing by 12.9% y/y to SGD26.4mn. The strong performance was helped by RevPAR increases in Australia (2.6%) and China (2.7%), an improved rent structure at Hotel Sunroute Osaka Namba (+68.5% y/y NPI) while a stronger JPY and AUD boosted the figures in SGD terms. YTD performance has also been decent thus far, with 9MFY2017 revenue higher by 3.3% y/y and NPI increasing by 8.8% y/y, driven mainly by the outperformance in Hotel Sunroute Osaka and stronger performance in Australia.

- **Benign operating environment to bolster performance amidst increasing supply:** Looking ahead, Australia inbound tourism may continue growing. The International Convention Centre Sydney, which opened in Dec 2016, is expected to boost Sydney's hospitality sector with a series of events[4] lined up for the year. According to Tourism Research Australia, 2017 and 2018 international arrivals are expected to grow by 6.7% and 5.9% respectively, with China expected to be the largest source of inbound arrivals. This is likely helped by increasing international flight routes to Australia. Meanwhile, hotel supply growth may remain lower than arrivals growth, according to Jones Lang LaSalle, with 4% p.a. growth in Sydney and Melbourne over 2016 to 2019. Japan's international visitors surged to a record 24m in 2016 (2015: 19.7mn), and visitor numbers are expected to continue growing with Japan National Tourism Organization setting a target of 40mn by 2020. In the near term, visitor arrivals may be supported by the opening of the expansion of Kansai International Airport in Jan 2017. On the other hand, international arrivals to Beijing may slow due to air quality issues while Singapore's hospitality sector is still experiencing an overhang from a huge hotel pipeline. Nevertheless, this is manageable as AHT's exposure to Beijing and Singapore account for just 23% of its total NPI.

- **Master lease and some geographical diversification partly cushions earnings volatility:** The master lease at Clarke Quay (till Jun 2023) has provided SGD11.5mn fixed rent p.a. since 2013, with 3% p.a. escalation, which buffers against the slowdown in the Singapore hospitality market. Hotel Sunroute Ariake and Hotel Sunroute Osaka Namba are also on master leases, though it is likely that most of the rent is variable given the run up in Japan's hospitality market. We think the exposure to Australia (52% of NPI) is manageable given AHT's diversification across several states (each with its own dynamics). For example, Sydney's outperformance has more than offset the weak operating environment in Brisbane. AHT's presence in Singapore, Japan and China further diversifies geographical risks.

- **Forward purchase of Aurora Melbourne Central likely to be manageable:** A-HBT will be buying Aurora Melbourne Central for AUD120mn, which is scheduled for completion in 2019. The hotel will be located in the heart of Melbourne and is part of a 92-storey mixed-use development with a gross development value of AUD770mn. A-HBT will not bear any development risk, and in any case A-HBT paid only AUD5mn in deposit, with the balance to be paid upon completion. The NPI is estimated by AHT to be AUD9.1mn in the first year, and UEM Sunrise (the vendor) will top up any shortfall (up to AUD3mn) during the first two years of operation. AHT has yet to decide the source of funding for the balance AUD115mn as it is too early to raise capital. While the acquisition increases the concentration risks in Australia and AHT takes on market risks as the operating environment could change by 2019, the projected high NPI yield (7.6%) provides some buffer. On a net basis, putting together the divestment of Pullman Cairns International for AUD75.1mn, the net increase in exposure (AUD44.9mn) to Australia is not significant (Total AHT assets: SGD1.6bn). In any case, the Australian tourism industry and Melbourne hospitality market continue to look healthy.

- **Upside of sponsorship by Ascendas is capped by the potential for takeover:** We like the sponsorship backing as Ascendas is part of the Ascendas-Singbridge group, which was

[4] Including the recently concluded RTX Sydney 2017, International Chamber of Commerce World Chambers Federation 2017, World Chambers Congress 2017

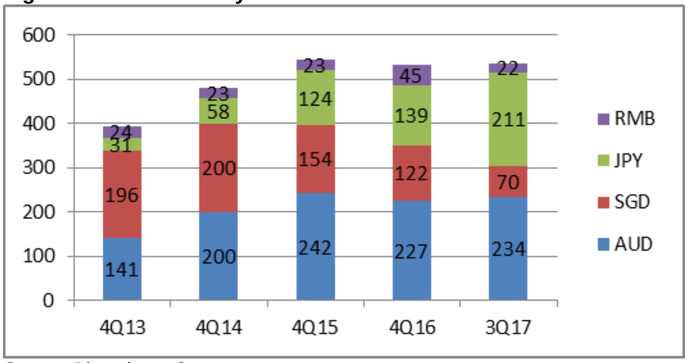
formed following the merger between Ascendas Pte and Singbridge Pte Ltd on 10 June 2015. With Temasek Holdings Pte Ltd as the ultimate holding company, we can expect AHT to find improved access to financing and capital raising. On the other hand, we see potential risks for privatisation or change of control, even though the last acquisition talks have ceased as of 5 April 2016 in relation to an unsolicited expression of interest for the shares of AHT. Nevertheless, we think that this merely caps the upside of having Ascendas as the sponsor. Bondholders are protected against a privatisation event as bonds can be redeemed when AHT no longer trade on the SGX, though we note the lack of change of control provision.

IV) Financial Analysis

- **Decent credit metrics:** AHT's asset leverage at 0.33x is relatively healthy, in our view, in comparison to peers such as Ascott Residence Trust ("ART") (0.37x post rights, or 0.41x after adjusting perpetuals as 50% debt) and Frasers Hospitality Trust ("FHT") (0.34x, or 0.36x after adjusting for perpetuals). Without stapling together AHT's individual entities, the asset leverage at A-HBT (0.37x) is manageable and A-HREIT (0.26x) looks healthy. While A-HBT can lever up to 0.6x (covenant limit), which is higher than the 0.45x regulatory cap on REITs, we are not worried because AHT's overall gearing limit is 0.45x (covenant). We think EBITDA/Total Interest remains manageable for A-HBT (4.4x), A-HREIT (7.0x) and AHT (4.9x), compared to ART (3.9x) and FHT (5.3x). Furthermore, AHT's asset leverage may fall if its properties are revalued higher, as RevPAR has increased for its Australia and China hotels while the RBA has moved rates down to 1.5% since Aug 2016. If Aurora Melbourne Central is fully debt-funded, AHT's asset leverage would increase to a still manageable 0.38x.

- **Mitigating FX mismatch with natural hedges:** As at 3QFY17, 43.5% of debt is in AUD while 39.3% is in JPY, which provides a natural hedge to the properties located in Australia and Japan. We note this is a significant improvement from FY13, when most of the debt was denominated in SGD (resulting in translation losses on currency swings). However, we do not think that currency forwards are effective to hedge the FX balance sheet risk as this mainly hedges the cash flows (which mitigates risks at the dividend level).

Figure 6: Debt Currency Profile



Source: Bloomberg, Company

- **Near-term refinancing needs buffered by access to financing:** The weighted average debt to maturity is 2.6 years, with SGD112mn bank loans maturing in 2017 and another SGD204mn bank loans maturing in 2018. While the maturing loans are sizeable in comparison to the total borrowings of SGD537.5mn, we think that AHT will be able to refinance, given its healthy asset leverage ratios and Ascendas sponsorship, though 44% of the borrowings are secured. We also note the access to the capital markets, including the issuance of SGD70mn bond in Sep 2016, SGD50mn private placement in Mar 2014 to partially fund the Osaka hotel, and SGD200mn equity fund raising for Park Hotel Clarke Quay in June 2013. Meanwhile, interest rate risk is manageable with 65.8% of the debt on fixed rate. We also note the potential to divest assets (e.g. 50% stake in Pullman Cairns was divested in June 2015 with net proceeds of AUD20.2mn), though the Australian assets are likely to be substantially encumbered in favour of the AUD224mn secured term loan.

V) Technical Considerations

Positives

- Cap on asset leverage
- Option to redeem upon AHT ceasing to trade on SGX ("delisting put")
- Ascendas brand name

Negatives

- No cross guarantees between A-HBT and A-HREIT
- Lack of credit rating
- Low liquidity

The ASCHTS bondis offered as stapled notes issued by the A-HBT issuer and the A-HREIT issuer (unlike typical REIT bonds issued by a single entity owned by the REIT). The structure is slightly weaker than a bond issued by a combined entity as there is no cross guarantees between A-HBT and A-HREIT. In other words, A-HBT is not obliged to make good the financial obligations, debts or any other liabilities of A-HREIT and vice versa. However, we think the structural weakness is manageable given the cap on asset leverage of A-HBT (0.6x) and A-HREIT (0.45x). In addition, as a group, the combined asset leverage of A-HBT and A-HREIT shall not exceed 0.45x. We are not worried about structural weakness in liquidity as A-HREIT and A-HBT may on-lend monies to each other for the purpose of furthering the interests of investors of AHT.

Relative Value

Issue	Maturity	Ask YTW	Yield Spread	Bond Rating	Debt/Asset
ASCHTS 3.3 '20	07/04/2020	2.76%	92	NR/NR/NR	0.33x
ARTSP 4.205 '22	23/11/2022	3.26%	105.2	NR/Baa3/NR	0.37x
ARTSP 4.68 '49	Perp-c'20	4.01%	212.9	NR/NR/NR	0.37x
FHREIT 4.45 '49	Perp-c'21	3.89%	186.7	NR/NR/NR	0.34x
JTCSP 2.68 '21	10/05/2021	2.65%	61.4	NR/NR/NR	0.65x**
JTCSP 2.965 '21	16/03/2021	2.56%	53.7	NR/NR/NR	0.65x**

*Indicative spreads based on offer prices from Bloomberg on 08/03/17
** Information from Ascendas-Singbridge Annual Report 2016 (YE 31 Mar)

The closest comparable is ARTSP 4.205 '22s as the issuers of both bonds own income-producing hospitality assets and have a diversified geographical presence. Both bonds are also straight bonds. With a healthier asset leverage ratio and shorter duration, ASCHTS '20s trades at tighter yield spreads.

We also compare to FHREIT '49s as the issuer also owns income-producing hospitality assets with diversified geographical presence. Adjusting for 108bps spread between the yield spread of a perpetual bond and a straight bond, by comparing ARTSP 4.205 '22s with ARTSP '49s, a straight bond of FHREIT should trade at 79bps yield spread. We think it is justified for a FHREIT straight bond to trade inside of the ASCHTS curve given FHREIT's larger asset size (SGD2.4bn vs SGD1.6bn), a more geographically diversified portfolio with a lower concentration in Australia and an issuer credit rating by Moody's while AHT and its entities are not rated.

VI) Conclusion & Recommendation

The credit profile of AHT is manageable with lower asset leverage relative to peers, sponsorship by Ascendas and mitigation of FX risks through natural hedges. While there is lower earnings visibility relative to other types of REITs (e.g. industrial, retail, office) as AHT does not have many long-term leases, this is mitigated by geographical diversification and tailwinds in the Australian and Japan hospitality market. We initiate AHT with a **Neutral Issuer Profile**.

We initiate **ASCHTS '20s with a Neutral recommendation** as we think it is around fair value offering 2.76% yield for a 3.1 year paper. For investors who like the Ascendas name, ASCHTS '20s offers 11bps-20bps pickup over JTCSP 2.68 '21s and JTCSP 2.965 '21s.

Ascendas Hospitality Trust

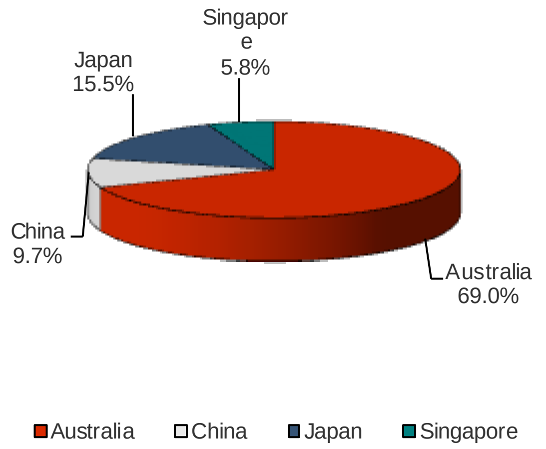
Table 1: Summary Financials

Year Ended 31st March	FY2015	FY2016	9M2017
Income Statement (SGD'mn)			
Revenue	227.1	215.1	167.1
EBITDA	85.0	82.4	66.4
EBIT	58.0	56.7	46.0
Gross interest expense	18.0	19.2	13.6
Profit Before Tax	38.6	184.0	36.9
Net profit	28.6	146.6	31.6
Balance Sheet (SGD'mn)			
Cash and bank deposits	88.1	94.6	63.9
Total assets	1,459.7	1,631.9	1,613.9
Gross debt	547.7	533.3	537.5
Net debt	459.6	438.7	473.5
Shareholders' equity	826.1	963.3	951.5
Total capitalization	1,373.8	1,496.7	1,489.0
Net capitalization	1,285.7	1,402.1	1,425.1
Cash Flow (SGD'mn)			
Funds from operations (FFO)	55.6	172.4	52.0
* CFO	55.6	69.5	38.3
Capex	10.3	21.9	3.9
Acquisitions	110.3	0.0	4.1
Disposals	0.0	3.0	0.0
Dividends	56.9	58.2	60.8
Free Cash Flow (FCF)	45.3	47.6	34.4
* FCF Adjusted	-121.9	-7.6	-30.4
Key Ratios			
EBITDA margin (%)	37.4	38.3	39.8
Net margin (%)	12.6	68.1	18.9
Gross debt to EBITDA (x)	6.4	6.5	6.1
Net debt to EBITDA (x)	5.4	5.3	5.3
Gross Debt to Equity (x)	0.66	0.55	0.56
Net Debt to Equity (x)	0.56	0.46	0.50
Gross debt/total capitalisation (%)	39.9	35.6	36.1
Net debt/net capitalisation (%)	35.7	31.3	33.2
Cash/current borrowings (x)	1.2	1.6	0.6
EBITDA/Total Interest (x)	4.7	4.3	4.9

Source: Company, OCBC estimates

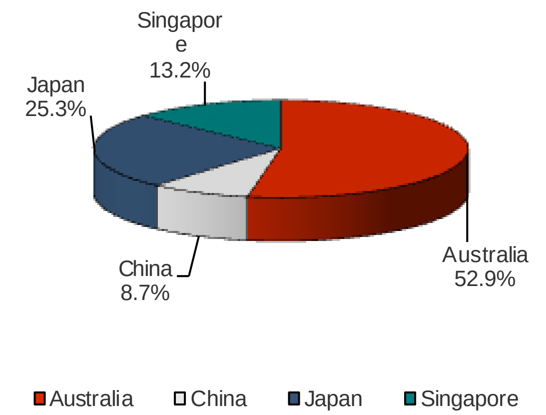
**FCF Adjusted = FCF - Acquisitions - Dividends + Disposals | *CFO before deducting interest expense*

Figure 1: Revenue breakdown by Geography - 9M2017



Source: Company

Figure 2: NPI breakdown by Geography - 9M2017



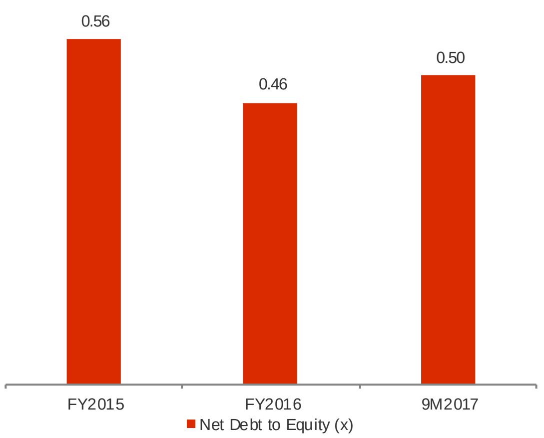
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 31/12/2016	% of debt
Amount repayable in one year or less, or on demand		
Secured	NA	NA
Unsecured	NA	NA
	112.1	**20.9%**
Amount repayable after a year		
Secured	NA	NA
Unsecured	NA	NA
	425.3	**79.1%**
Total	**537.5**	**100.0%**

*Source: Company | *Excludes transaction expense*

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

OCBC Bank

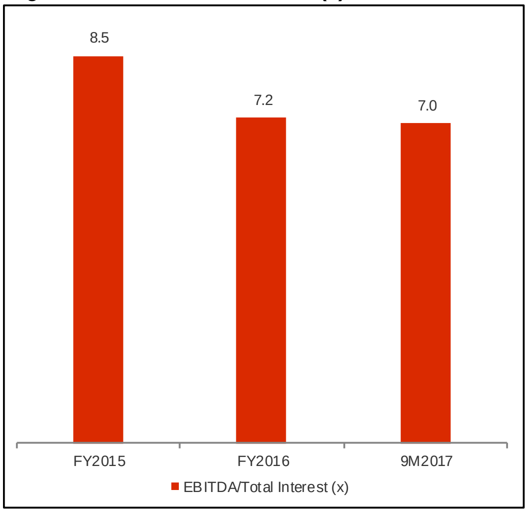
Ascendas Hospitality REIT

Table 1: Summary Financials

Year Ended 31st March	FY2015	FY2016	9M2017
Income Statement (SGD'mn)			
Revenue	31.2	32.3	23.2
EBITDA	24.0	25.1	17.2
EBIT	24.0	25.1	17.2
Gross interest expense	2.8	3.5	2.4
Profit Before Tax	27.6	77.3	10.7
Net profit	25.5	65.0	9.9
Balance Sheet (SGD'mn)			
Cash and bank deposits	19.9	22.9	18.9
Total assets	539.7	609.7	612.6
Gross debt	152.0	157.4	159.5
Net debt	132.1	134.5	140.6
Shareholders' equity	370.5	420.6	420.9
Total capitalization	522.6	578.0	580.5
Net capitalization	502.6	555.0	561.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	25.5	65.0	9.9
* CFO	19.7	20.4	15.6
Capex	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Dividends	26.6	20.3	20.3
Free Cash Flow (FCF)	19.7	20.4	15.6
* FCF Adjusted	-6.9	0.2	-4.7
Key Ratios			
EBITDA margin (%)	76.7	77.7	74.4
Net margin (%)	81.7	201.0	42.7
Gross debt to EBITDA (x)	6.3	6.3	6.9
Net debt to EBITDA (x)	5.5	5.4	6.1
Gross Debt to Equity (x)	0.41	0.37	0.38
Net Debt to Equity (x)	0.36	0.32	0.33
Gross debt/total capitalisation (%)	29.1	27.2	27.5
Net debt/net capitalisation (%)	26.3	24.2	25.0
Cash/current borrowings (x)	0.4	NM	0.3
EBITDA/Total Interest (x)	8.5	7.2	7.0

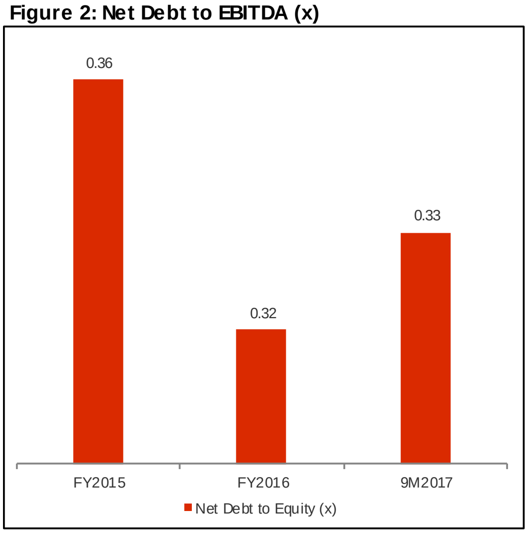
Source: Company, OCBC estimates

Figure 1: EBITDA/Total Interest (x)



Source: Company

Figure 2: Net Debt to EBITDA (x)



Source: Company

**FCF Adjusted = FCF - Acquisitions - Dividends + Disposals | *CFO before deducting interest expense*

Ascendas Hospitality Business Trust

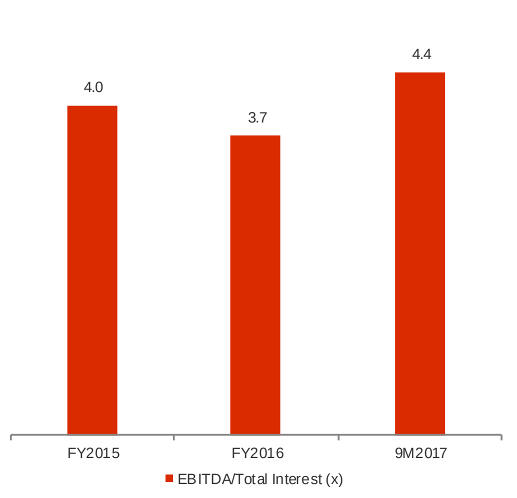
Table 1: Summary Financials

Year Ended 31st March	FY2015	FY2016	9M2017
Income Statement (SGD'mn)			
Revenue	211.6	199.1	157.4
EBITDA	61.2	57.5	49.5
EBIT	34.2	31.8	29.0
Gross interest expense	15.1	15.7	11.1
Profit Before Tax	11.3	106.8	26.5
Net profit	3.3	81.9	21.9
Balance Sheet (SGD'mn)			
Cash and bank deposits	68.2	71.7	45.0
Total assets	925.6	1,028.9	1,008.8
Gross debt	391.7	375.9	377.9
Net debt	323.5	304.3	332.9
Shareholders' equity	458.7	545.7	533.7
Total capitalization	850.3	921.7	911.6
Net capitalization	782.2	850.0	866.6
Cash Flow (SGD'mn)			
Funds from operations (FFO)	30.3	107.7	42.4
* CFO	35.9	49.0	22.7
Capex	10.3	21.7	0.0
Acquisitions	110.3	0.0	7.9
Disposals	0.0	3.0	0.0
Dividends	30.6	38.2	40.7
Free Cash Flow (FCF)	25.6	27.3	22.7
* FCF Adjusted	-115.2	-7.8	-25.9
Key Ratios			
EBITDA margin (%)	28.9	28.9	31.4
Net margin (%)	1.6	41.1	13.9
Gross debt to EBITDA (x)	6.4	6.5	5.7
Net debt to EBITDA (x)	5.3	5.3	5.0
Gross Debt to Equity (x)	0.85	0.69	0.71
Net Debt to Equity (x)	0.71	0.56	0.62
Gross debt/total capitalisation (%)	46.1	40.8	41.5
Net debt/net capitalisation (%)	41.4	35.8	38.4
Cash/current borrowings (x)	2.7	1.2	0.9
EBITDA/Total Interest (x)	4.0	3.7	4.4

Source: Company, OCBC estimates

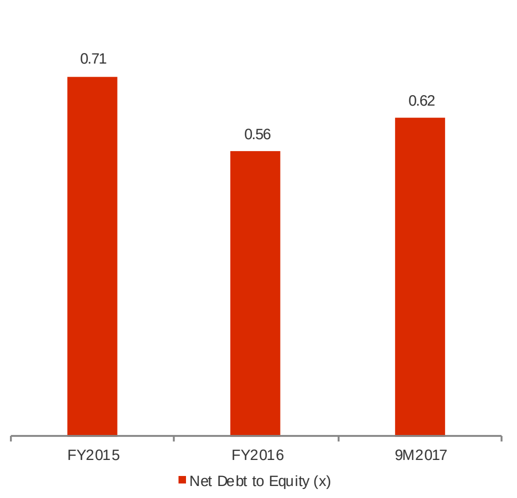
**FCF Adjusted = FCF - Acquisitions - Dividends + Disposals | *CFO before deducting interest expense*

Figure 1: EBITDA/Total Interest (x)



Source: Company

Figure 2: Net Debt to EBITDA (x)



Source: Company