

REAL ESTATE EQUITY RESEARCH

Fraser's Hospitality Trust

SGX: ACV

Bloomberg: FHT:SP

ISIN code: SG1AA5000001

Country: Singapore

Industry: Real Estate, Specialized REIT

10 December 2021

RECOMMENDATION: BUY

Current price: S\$0.475

Target price: S\$0.548

Issued units: 1,926.07 million (30 September 2021)

Market capitalisation: S\$914.89 million

52-week range: S\$0.440 - S\$0.595

PRICE PERFORMANCE



COMPANY DESCRIPTION

Fraser's Hospitality Trust and its subsidiaries (collectively defined herein as FHT) is a hotel and serviced residence trust. FHT focuses on investing globally on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate and real estate-related assets used primarily for hospitality purposes. Its segments include Singapore, Australia, Malaysia, Japan, UK and Germany. As at 29 October 2021, FHT's portfolio includes 14 properties: eight hotels and six serviced residences.

SUMMARY

For the financial year ended 30 September 2021 (FY2021) FHT recorded revenue of S\$85.5 million, a decrease of 3.4% from S\$88.6 million over the same period a year ago. Net property income (NPI) also decreased by 3.7% from S\$59.8 million in FY2020 to S\$57.6 million in FY2021. The better performance in the first 5 months of FY2020 partially mitigated the adverse impact of the Covid-19 outbreak, whilst the performance for the entire period of FY2021 continued to be impacted by the Covid-19 pandemic which resulted in the decline in revenue and NPI in FY2021. With lower NPI and payment of management fees in cash, income available for distribution attributable to Stapled Securityholders decreased by 29.7% year on year (yoy) to S\$18.9 million. Further, FHT distributed 90% of its distributable income in FY2021. This led to a distribution per Stapled Security (DPS) of 0.98 cents for FY2021. During the period, FHT reported total return after tax of S\$16.3 million. Consequently, total return after tax attributable to Stapled Securityholders amounted to S\$13.6 million for FY2021, translating to an earnings per Stapled Security of 0.70 cents. In October 2021, FHT divested Sofitel Sydney Wentworth for S\$309.1 million. The net proceeds and net gain from the divestment are estimated to be S\$277.2 million and S\$23.7 million respectively.

RECOMMENDATION

Based on the adjusted NAV of S\$0.66, FHT currently has a P/B multiple of 0.72x and is trading at a discount of approximately 28% to NAV. Our peer comparison results show that FHT could be undervalued, given a lower P/B of 0.72x compared to its peer average P/B of 0.83x. Adopting a relative valuation approach, we estimate a target price of S\$0.548 if FHT's P/B were to adjust to the peer average P/B of 0.83x. This target price is a 15.37% upside from the current share price of S\$0.475. We believe this upside could be justified by the potential recovery in FHT's earnings as supported by the rising vaccination rates globally and the easing of international borders. Further, the divestment of Sofitel Sydney Wentworth would also increase FHT's financial flexibility to fund future acquisition or would allow FHT to enhance the returns for its Stapled Securityholders. Given the above, we believe a buy recommendation is warranted on FHT.

KEY FINANCIALS

| Year ended Sep 30 | Revenue (S\$ million) | Profit ⁽¹⁾ (S\$ million) | EPS (cents) | P/E (x) | DPS (cents) | Dividend | | NAV per unit (S\$) | P/B (x) |
|------------------------------------|--------------------------|--|----------------|--------------|----------------|--------------|-----------------------|-----------------------|------------|
| | | | | | | yield (%) | NAV per unit (S\$) | | |
| 2020 actual | 88.6 | (117.9) | (6.14) | NM | 1.40 | 2.9% | 0.65 | 0.73 | |
| 2021 actual | 85.5 | 13.6 | 0.70 | 67.86 | 0.98 | 2.1% | 0.65 | 0.73 | |
| 2022 forecast⁽²⁾ | 92.8 | 50.0 | 2.60 | 18.28 | 1.40 | 3.0% | 0.66 | 0.72 | |
| 2023 forecast | 114.8 | 42.7 | 2.22 | 21.41 | 2.17 | 4.6% | - | - | |

NM: not meaningful

Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S\$0.475

(1) Profit attributable to Stapled Securityholders

(2) Adjusted NAV as at 29 Oct 21, after the divestment of asset

Source: Fraser's Hospitality Trust, Limited, FPA Financial

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COMPANY OVERVIEW

In this section, we will discuss FHT's corporate profile, substantial Stapled Securityholders, sponsor of the FHT, FHT's structure and overview of the FHT's portfolio

(I) Corporate Profile

FHT is a global hotel and serviced residence trust listed in Singapore on 14 July 2014, comprising Frasers Hospitality Real Estate Investment Trust (FH-REIT) and Frasers Hospitality Business Trust (FH-BT). It is established with the principal strategy of investing globally, on a long-term basis, in income-producing real estate assets used primarily for hospitality purposes. As at 29 October 2021, FHT's geographically diversified portfolio of 14 quality assets, with a combined appraisal value of S\$1.98 billion, are in prime locations across 9 key cities in Asia, Australia and Europe. Collectively, they have a total of 3,477 rooms comprising 2,635 hotel rooms and 842 serviced residence units. Further, FHT had approximately total assets of S\$2.1 billion and net assets attributable to Stapled Securityholders of S\$1.3 billion.

(II) Substantial Stapled Securityholders

As at 24 November 2020, TCC Group Investments Limited is FHT's largest substantial stapled securityholders with 36.72% stake, followed by Frasers Property Hospitality Trust with 24.23% stake as shown in **Exhibit 1**. According to FHT's records, as at 24 November 2020, approximately 37% of the Stapled Securities in FHT are held in the hands of the public.

Exhibit 1: FHT's Register of Substantial Stapled Securityholders

| Shareholders | Type | Percentage of shares held ⁽¹⁾ |
|--|-------------|--|
| TCC Group Investments Limited | Corporation | 36.72% |
| Frasers Property Hospitality Trust Pte Ltd | Corporation | 24.23% |

⁽¹⁾ Based on the no. of issued shares as at 30.09.21

Source: Frasers Hospitality Trust

TCC Group Investments Limited (TCCG) invests in and develops a wide range of real estate projects globally, including hotels, office towers, retail centres, residences, serviced apartments, convention centres, golf courses and resorts. TCCG owns, among others, 21 retail shopping centres with approximately 515,000 square metres of retail space, 11 commercial offices with approximately 1,000,000 square metres of office space, and 47 hotels with 10,409 keys in Thailand and 6 countries worldwide.

(III) Sponsor of FHT

The Sponsor of FHT is Frasers Property Limited (Sponsor), a multi-national developer-owner-operator of real estate products and services across the property value chain. Listed on the Main Board of the Singapore Exchange Limited (SGX) and headquartered in Singapore, The Sponsor has total assets of approximately S\$40.3 billion as at 30 September 2021.

The Sponsor's multi-national businesses operate across five asset classes, namely, residential, retail, commercial & business parks, industrial & logistics as well as hospitality. The Sponsor has businesses in Southeast Asia, Australia, Europe and China, and its well-established hospitality business owns and/or operates serviced apartments and hotels in over 70 cities and 20 countries across Asia, Australia, Europe, the Middle East and Africa.

Frasers Property Limited is also the sponsor of two other real estate investment trusts (REITs) listed on the SGX. Frasers Centrepont Trust and Frasers Logistics & Commercial Trust are focused on retail, and industrial & commercial properties, respectively. In addition, the Sponsor has two REITs listed on the Stock Exchange of Thailand. Frasers Property (Thailand) Public Company Limited is the sponsor of Frasers Property Thailand Industrial Freehold & Leasehold REIT, which is focused on industrial & logistics properties in Thailand, and Golden Ventures Leasehold Real Estate Investment Trust, which is focused on commercial properties.

As mentioned on page 3, Frasers Property Hospitality Trust Pte Ltd is a substantial stapled securityholder of FHT with 24.23% holdings in FHT. Frasers Property Hospitality Trust Pte Ltd is also an investment holding company and a wholly-owned subsidiary of the Sponsor.

(IV) FHT's Structure

An overview of FHT's trust structure shows the roles of the individual entities within the trust structure and the relationship between these entities.

The units in Frasers Hospitality Real Estate Investment Trust (FH-REIT) and the units in Frasers Hospitality Business Trust (FH-BT) are stapled together under the terms of a stapling deed entered into between Frasers Hospitality Asset Management Pte. Ltd., as manager of FH-REIT (REIT Manager), Perpetual (Asia) Limited, as trustee of FH-REIT (REIT Trustee), and Frasers Hospitality Trust Management Pte. Ltd., as trustee-manager of FH-BT (Trustee-Manager) to form stapled securities in FHT. Each Stapled Security, consisting of one FH-REIT unit and one FH-BT unit, is treated as a single instrument.

Frasers Hospitality Real Estate Investment Trust

FH-REIT is a real estate investment trust constituted in Singapore by a trust deed dated 12 June 2014 made between the REIT Manager and the REIT Trustee. FH-REIT is a collective investment scheme under the Securities and Futures Act, Chapter 289 of Singapore.

Frasers Hospitality Business Trust

FH-BT is a business trust constituted in Singapore by a trust deed dated 20 June 2014. FH-BT is registered as a business trust under the Business Trusts Act, Chapter 31A of Singapore.

REIT Trustee

Perpetual (Asia) Limited (REIT Trustee) is under a duty to take into custody and hold the assets of FH-REIT held by it or through its subsidiaries in trust for the holders of units in FH-REIT. In accordance with the Securities and Futures Act (Chapter 289) of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes and the Listing Manual, the REIT Trustee shall monitor the activities of Frasers Hospitality Asset Management Pte. Ltd. (REIT Manager) for compliance with the limitations imposed on the investment and borrowing powers as set out in the Amended and Restated Trust Deed dated 20 June 2014 as amended or supplemented from time to time between the REIT Manager and the REIT Trustee in each annual accounting period and report thereon to Stapled Securityholders in an annual report.

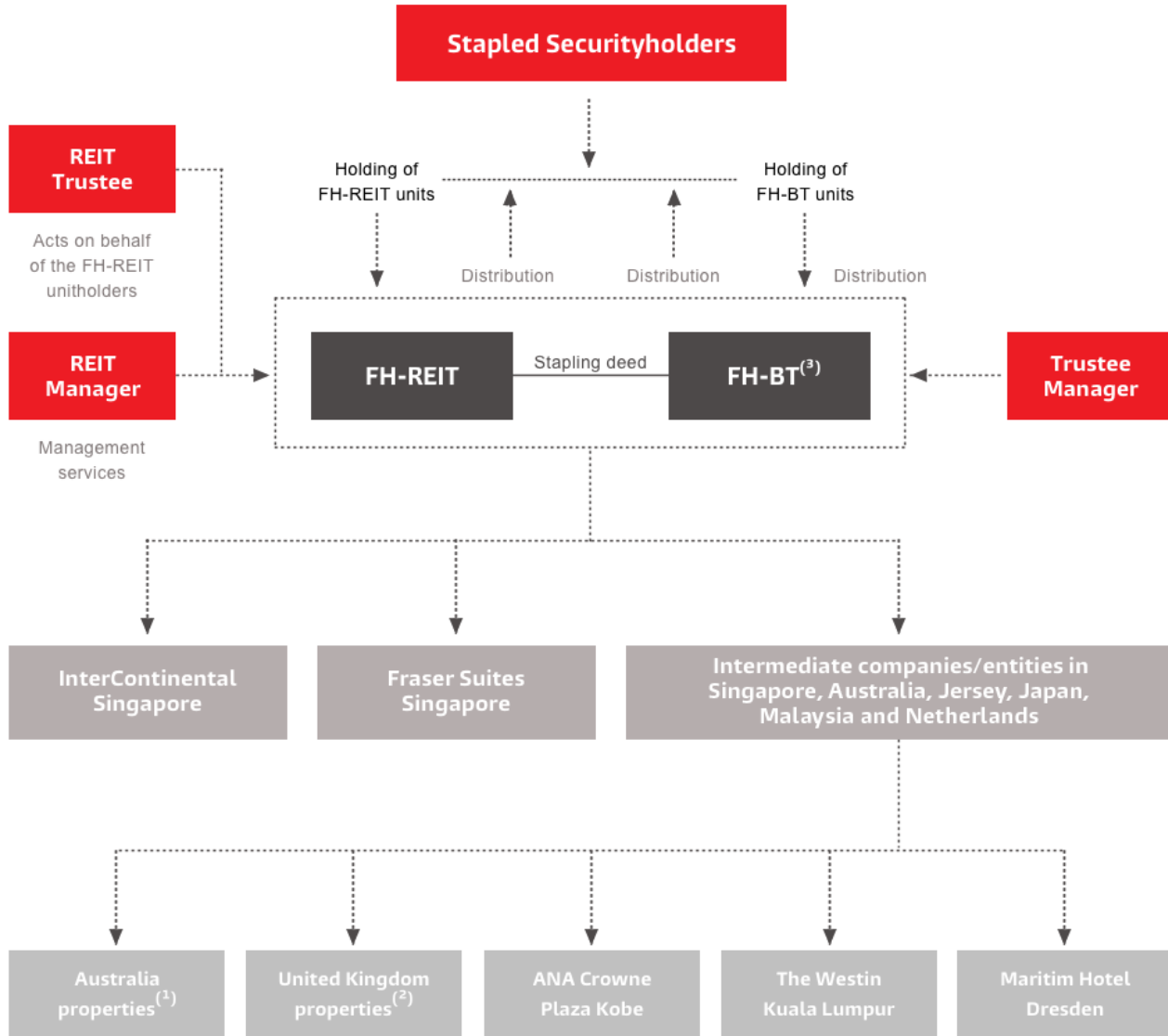
The Managers

Frasers Hospitality Asset Management Pte. Ltd (REIT-Manager) and Frasers Hospitality Trust Management Pte. Ltd (Trustee-Manager) (collectively known as The Managers) are wholly-owned subsidiaries of Frasers Property Limited. Each of the REIT Manager and the Trustee-Manager has general powers of management over the business and assets of FH-REIT and FH-BT, respectively.

The REIT Manager's main responsibility is to manage FH-REIT's assets and liabilities for the benefit of unitholders of FH-REIT. To this end, the REIT Manager is able to set the strategic direction of FH-REIT and make recommendations to the REIT Trustee, on acquisitions, divestments and enhancement of the assets of FHT. The role of the REIT Manager includes the pursuit of a business model that sustains the growth and enhances the value of FH-REIT and is focused on delivering regular and stable distribution to holders of the Stapled Securities of FHT. Other functions and responsibilities of the REIT Manager include preparing annual asset plans, undertaking regular individual asset performance analysis and market research analysis, and managing finance functions relating to FH-REIT (which includes financial and tax reporting, capital management, treasury, and preparation of consolidated budgets). The Trustee-Manager performs similar functions for FH-BT.

A diagrammatic representation of the trust structure of FHT is shown in **Exhibit 2** on the next page.

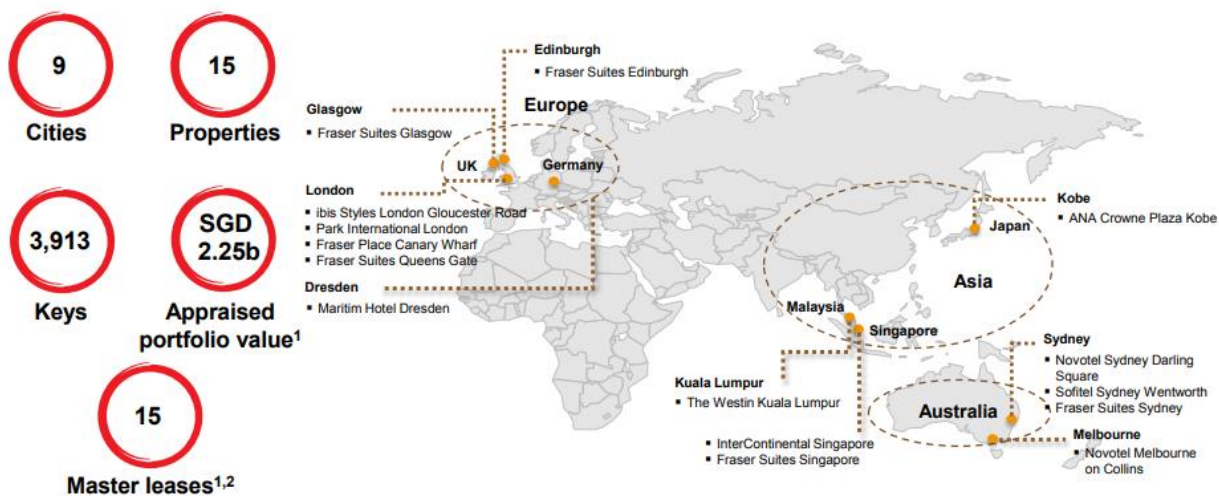
Exhibit 2: FHT's Trust Structure



Source: Frasers Hospitality Trust

(V) Overview of FHT's PortfolioCharacteristics of the portfolio

For the financial year ended 30 September 2021, FHT's geographically diversified portfolio of 15 quality assets are in prime locations across 9 key cities in Asia, Australia and Europe. With a combined appraised value of S\$2.25 billion, these 9 hotels and 6 serviced residences are: Novotel Melbourne on Collins, Novotel Sydney Darling Square, Sofitel Sydney Wentworth, Fraser Suites Sydney, InterContinental Singapore, Fraser Suites Singapore, ibis Styles London Gloucester Road, Park International London, Fraser Suites Edinburgh, Fraser Suites Glasgow, Fraser Suites Queens Gate, Fraser Place Canary Wharf, ANA Crowne Plaza Kobe, The Westin Kuala Lumpur and Maritim Hotel Dresden. Collectively, they have a total of 3,913 rooms comprising 3,071 hotel rooms and 842 serviced residence units as shown in **Exhibit 3**.

Exhibit 3: Overview of FHT's Portfolio

Source: Frasers Hospitality Trust

A summary of the property name, property type, tenure, class, No. of keys, gross floor area (GFA) of the Trust's portfolio is shown in **Exhibit 4**.

Exhibit 4: Summary of FHT's Portfolio

| Country | Property Name | Property type | Tenure | Class | No. of keys | GFA (sqm) |
|----------------|---|---------------------|----------|---------------|-------------|-----------|
| Australia | Novotel Melbourne on Collins | Hotel | Freehold | Upscale | 380 | 20,860 |
| | Novotel Sydney Darling Square | Hotel | 84 years | Mid-scale | 230 | 12,128 |
| | Sofitel Sydney Wentworth ⁽¹⁾ | Hotel | 75 years | Luxury | 436 | 33,589 |
| | Fraser Suites Sydney | Serviced residences | 75 years | Upper upscale | 201 | 12,137 |
| Singapore | InterContinental Singapore | Hotel | 75 years | Luxury | 406 | 49,987 |
| | Fraser Suites Singapore | Serviced residences | 75 years | Upper upscale | 255 | 27,018 |
| United Kingdom | ibis Styles London Gloucester Road | Hotel | 75 years | Mid-scale | 84 | 2,512 |
| | Park International London | Hotel | 75 years | Mid-scale | 171 | 6,825 |
| | Fraser Suites Edinburgh | Serviced residences | 75 years | Upper upscale | 75 | 3,952 |
| | Fraser Suites Glasgow | Serviced residences | 75 years | Upper upscale | 98 | 7,386 |
| | Fraser Suites Queens Gate | Serviced residences | 75 years | Upper upscale | 105 | 6,416 |
| | Fraser Place Canary Wharf | Serviced residences | 75 years | Upper upscale | 108 | 5,659 |
| Japan | ANA Crowne Plaza Kobe | Hotel | Freehold | Upper upscale | 593 | 136,656 |
| Malaysia | The Westin Kuala Lumpur | Hotel | Freehold | Upper upscale | 443 | 79,593 |
| Germany | Maritim Hotel Dresden | Hotel | Freehold | Upscale | 328 | 25,916 |

(1) Sold as at 28 October 2021

Source: Frasers Hospitality Trust

Portfolio Valuation

For the financial year ended 30 September 2021, FHT's investment portfolio was valued at S\$2.250 billion by independent valuers, slightly higher than the valuation of S\$2.249 billion in FY2020. While the cap rates and discount rates were either unchanged or largely similar to those of last year, the biggest decline of 6.6% year on year (yoy) came from the valuation of The Westin Kuala Lumpur due to weaker performance on the back of challenging market conditions. On the other hand, the valuations of the Fraser Suites Edinburgh and Frasers Suites Sydney saw increases of 11.1% and 4.9% yoy respectively.

Compared to last year, the Australian dollar and UK pound sterling have appreciated against the Singapore dollar in FY2021, whilst the Malaysian ringgit, Japanese yen and Euro currencies have weakened against the Singapore dollar. As a result, there was minimal change in the portfolio's total valuation in terms of Singapore dollar.

The details of the appointed valuers, purchase price and the valuation of FHT's individual properties are summarized in **Exhibit 5**.

Exhibit 5: FHT's Portfolio Valuation

| Country | Portfolio | Valuer | Purchase price (million) | Valuation as at 30 Sep (S\$'000) | | Change (%) |
|----------------|---|---|--------------------------|----------------------------------|------------------------|-------------|
| | | | Local currency | FY2021 | FY2020 | |
| Australia | Novotel Melbourne on Collins | Savills Valuations Pty Ltd | A\$237.0 | 225,300 | 219,291 | 2.7% |
| | Novotel Sydney Darling Square | Savills Valuations Pty Ltd | A\$66.0 | 110,057 ⁽¹⁾ | 108,566 ⁽¹⁾ | 1.4% |
| | Sofitel Sydney Wentworth ⁽²⁾ | Savills Valuations Pty Ltd | A\$224.0 | 264,978 | 264,033 | 0.4% |
| | Fraser Suites Sydney | Savills Valuations Pty Ltd | A\$103.5 | 125,129 | 119,304 | 4.9% |
| Singapore | InterContinental Singapore | Savills Valuation and Professional Services (S) Pte Ltd | S\$497.1 | 506,000 | 506,000 | 0.0% |
| | Fraser Suites Singapore | Savills Valuation and Professional Services (S) Pte Ltd | S\$327.0 | 292,000 | 292,000 | 0.0% |
| United Kingdom | ibis Styles London Gloucester Road | Savills (UK) Limited | £17.0 | 35,126 | 33,873 | 3.7% |
| | Park International London | Savills (UK) Limited | £39.3 | 70,619 | 68,098 | 3.7% |
| | Fraser Suites Edinburgh | Savills (UK) Limited | £11.5 | 27,443 | 24,699 | 11.1% |
| | Fraser Suites Glasgow | Savills (UK) Limited | £7.5 | 16,831 | 16,230 | 3.7% |
| | Fraser Suites Queens Gate | Savills (UK) Limited | £46.3 | 99,342 | 95,796 | 3.7% |
| | Fraser Place Canary Wharf | Savills (UK) Limited | £31.5 | 67,143 | 67,569 | -0.6% |
| Japan | ANA Crowne Plaza Kobe | Savills Japan Co., Ltd. | ¥11,200.0 | 198,094 | 207,495 | -4.5% |
| Malaysia | The Westin Kuala Lumpur | Savills (Malaysia) Sdn Bhd | RM445.0 | 118,827 | 127,166 | -6.6% |
| Germany | Maritim Hotel Dresden | Savills (UK) Limited | € 58.40 | 93,237 | 98,738 | -5.6% |
| Total | | | | 2,250,126 | 2,248,858 | 0.1% |

Source: Frasers Hospitality Trust, FPA Financial

Updates to FHT's Portfolio

We would like to note that on 29 October 2021, FHT announced the sale of its Australia property, Sofitel Sydney Wentworth for A\$315.0 million. Upon completion of the divestment, FHT's portfolio will remain geographically diversified comprising 14 hospitality properties representing 3,477 keys across Australia, Singapore, United Kingdom, Japan, Malaysia and Germany

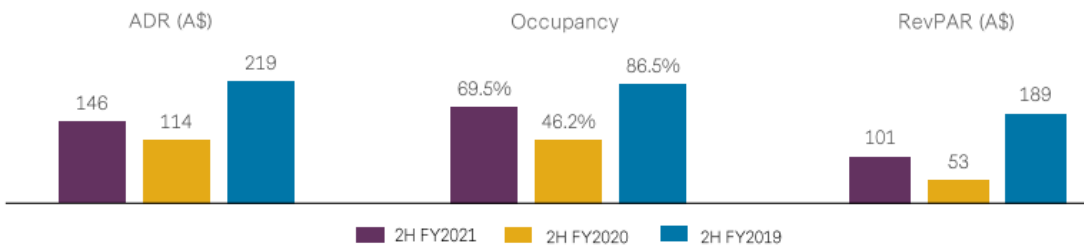
Taking into consideration the divestment of Sofitel Sydney Wentworth, FHT's portfolio of the 14 hospitality properties as at 29 October 2021 was valued at S\$1.98 billion.

Portfolio Performance

(a) Australia

Australia's portfolio comprises of Novotel Melbourne on Collins (NMOC), Novotel Sydney Darling Square (NSDS), Sofitel Sydney Wentworth (SSW) and Frasers Suites Sydney (FSS).

For 2H FY2021, the Australia portfolio's occupancy rose by 23.3 percentage points (ppts) yoy to 69.5%. Coupled with a higher average daily rate (ADR), the portfolio's revenue per available room (RevPAR) jumped by 90.5% yoy from A\$53 in 2H FY2020 to A\$101 2H FY2021. The improvement was mainly contributed by NMOC and SSW which continued to secure further contracts for the isolation business for 2H FY2021, as shown in **Exhibit 6**.

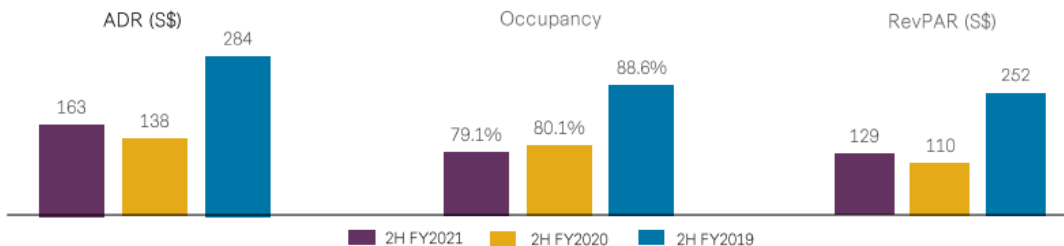
Exhibit 6: Australia Portfolio Performance

Source: Frasers Hospitality Trust

(b) Singapore

Singapore's portfolio comprises of InterContinental Singapore (ICSG) and Fraser Suites Singapore (FSSG).

For 2H FY2021, the Singapore portfolio recorded a higher ADR yoy despite a dip in occupancy rate to 79.1%, lifting RevPAR by 17.3% from S\$110 in 2H FY2020 to S\$129 in 2H FY2021 as shown in **Exhibit 7**. This was mainly contributed by ICSG which has re-secured the Stay-Home facility business from June to September 2021. The Singapore government's Job Support Scheme, which has been extended to March 2022, also helped the properties to preserve jobs and conserve cash flow.

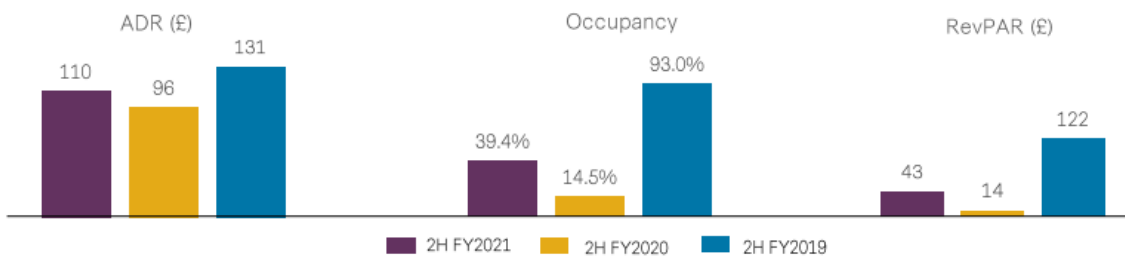
Exhibit 7: Singapore Portfolio Performance

Source: Frasers Hospitality Trust

(c) United Kingdom

The United Kingdom portfolio comprises of ibis Styles London Gloucester Road, Park International London, Fraser Suites Edinburgh, Fraser Suites Glasgow, Fraser Suites Queens Gate and Fraser Place Canary Wharf.

UK has lifted most of its COVID-19 pandemic restrictions from 19 July 2021 onwards. With all FHT's properties back to full operation since mid-May 2021 after more than 4 months of lockdown, the UK portfolio's occupancy rose by 24.9 ppts to 39.4%. This was also due to the closure of all the 6 UK properties during the third quarter of FY 2020. The portfolio's RevPAR tripled yoy in 2H FY2021 to £43 from £14 in 2H FY2020, supported by a higher ADR, as shown in **Exhibit 8**. All properties continued to benefit from the UK government's furlough scheme which has been extended till end-September 2021.

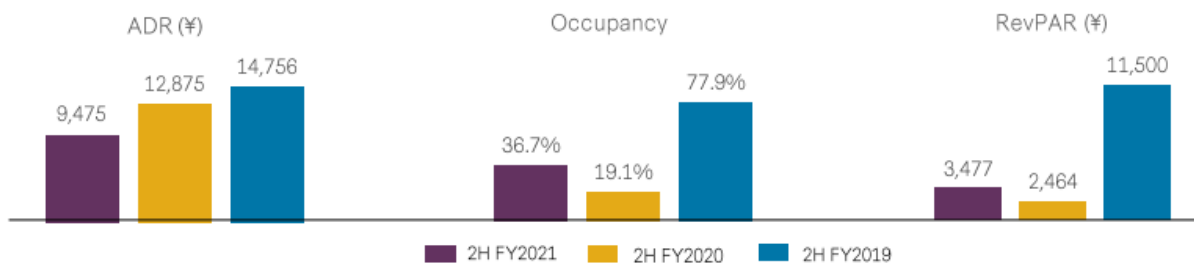
Exhibit 8: United Kingdom Portfolio Performance

Source: Frasers Hospitality Trust

(d) Japan

Japan's portfolio comprises of ANA Crowne Plaza Kobe.

ANA Crowne Plaza Kobe's RevPAR increased by 41.1% yoy to ¥3,477 in 2H FY2021 from ¥2,464 in 2H FY2020 as its performance in the second half of FY 2020 was impacted by the hotel's low occupancies during the initial stage of COVID-19 outbreak in 2020, as shown in **Exhibit 9**. Japan entered into a state of emergency three times within the first 9 months of 2021, with the latest state of emergency lifted on 30 September 2021.

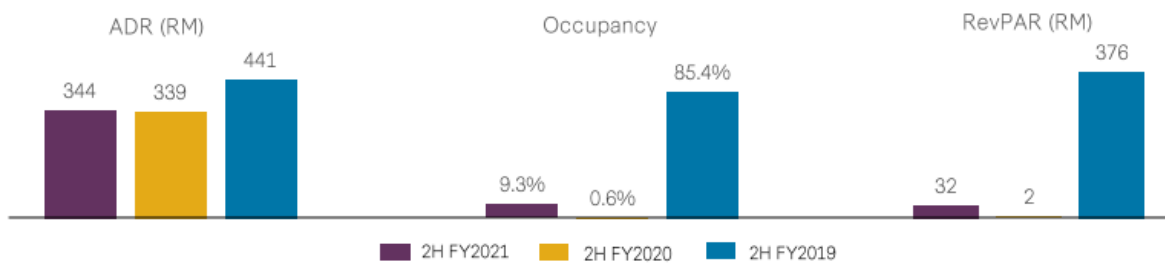
Exhibit 9: Japan Portfolio Performance

Source: Frasers Hospitality Trust

(e) Malaysia

Malaysia's portfolio comprises of The Westin Kuala Lumpur.

The Westin Kuala Lumpur's RevPAR for 2H FY2021 improved to RM32 from RM2 in 2H FY2020 as the hotel's operations had been temporarily suspended for close to 5 months in 2020, as shown in **Exhibit 10**. The hotel resumed operations on 18 December 2020 and the temporary suspension had helped to conserve cash flow for the property. The hotel also underwent cost restructuring during the temporary suspension period. The leaner operating structure has enabled the hotel to narrow its operating losses since reopening, despite the lower occupancies recorded.

Exhibit 10: Malaysia Portfolio Performance

Source: Frasers Hospitality Trust

(f) Germany

Germany's portfolio comprises of Maritim Hotel Dresden.

Maritim Hotel Dresden has been reliant on conference business to drive revenue. Its operating performance for July to September 2021 improved YoY after the re-opening of the adjoining International Congress Centre, which has been holding small-scale domestic events.

Lease Structure

As at 30 September 2021, there were 15 master leases for FHT's investment properties. The weighted average lease expiry (WALE) of FHT's investment properties was 12.8 years. As at 30 September 2021, none of the 15 master leases would be due for renewal till 2024.

The WALE is computed based on the gross annual revenue from each of the investment properties. It does not assume the renewal of the master leases after the initial lease term, although some of the master lease agreements are renewable at the option of the master lessee on the same terms and conditions for an additional lease term.

We have summarized the master lessee and the lease structure of the 15 master leases in **Exhibit 11**.

Exhibit 11: FHT's Master Lessee

| Property | Master lessee | Fixed rent per annum (million) | Variable rent per annum ⁽¹⁾⁽²⁾ |
|---|--|--------------------------------|---|
| Novotel Melbourne on Collins | FH-BT NMCS Operations Pty Ltd | A\$5.88 | 86.0% GOP less Fixed Rent plus FF&E reserve |
| Novotel Sydney Darling Square | Frasers Sydney ML Hotel Pty Ltd | A\$2.5 | 84.0% GOP less Fixed Rent plus FF&E reserve |
| Sofitel Sydney Wentworth ⁽³⁾ | Ananke Holdings Pty Ltd | A\$6.0 | 83.0% GOP less Fixed Rent plus FF&E reserve |
| Fraser Suites Sydney | Frasers Townhall Residences Operations Pty Ltd | A\$4.2 | 20.0% GOR + 54.5% GOP less Fixed Rent plus FF&E reserve |
| InterContinental Singapore | BCH Hotel investment Pte Ltd | S\$8.0 | 76.0% GOP less Fixed Rent plus FF&E reserve |
| Fraser Suites Singapore | River Valley Apartments Pte Ltd | S\$7.7 | 20.0% GOR + 59.0% GOP less Fixed Rent plus FF&E reserve |
| ibis Styles London Gloucester Road | P I Hotel Management Limited | £0.6 | 91.5% GOP less Fixed Rent plus FF&E reserve |
| Park International London | P I Hotel Management Limited | £1.3 | 91.5% GOP less Fixed Rent plus FF&E reserve |
| Fraser Suites Edinburgh | Frasers (St Giles Street) Management Limited | £0.5 | 20.0% GOR + 45.0% GOP less Fixed Rent plus FF&E reserve |
| Fraser Suites Glasgow | Fairdace Limited | £0.4 | 20.0% GOR + 50.0% GOP less Fixed Rent plus FF&E reserve |
| Fraser Suites Queens Gate | 39QGG Management Limited | £1.8 | 20.0% GOR + 67.0% GOP less Fixed Rent plus FF&E reserve |
| Fraser Place Canary Wharf | Fairdace Limited | £1.4 | 20.0% GOR + 65.0% GOP less Fixed Rent plus FF&E reserve |
| ANA Crowne Plaza Kobe | Hotel: K.K. Shinkobe Holding Retail: Y.K. Toranomon Properties | ¥600.0 | 77.8% GOP less Fixed Rent plus FF&E reserve |
| The Westin Kuala Lumpur | JBB Hotels Sdn Bhd | RM14.8 | 78.5% GOP less Fixed Rent plus FF&E reserve |
| Maritim Hotel Dresden | Maritim Hotelgesellschaft mbH | NA ⁽⁴⁾ | NA ⁽⁴⁾ |

(1) GOP = Gross operating profit

(2) Furniture, fixtures and equipment (FF&E) reserve not utilised and carried forward to the following year, if any

(3) Sold as at 28 October 2021

(4) Maritim Hotel Dresden's occupancy and fixed rent have been excluded due to limitations imposed by master lease agreement

Source: Frasers Hospitality Trust

Portfolio Contribution

In FY2021 Australia remained the top revenue contributor, contributing 45.9% of FHT's total revenue, followed by Singapore at 19.1%, UK at 13.1%, Japan at 8.8%, Germany at 7.5% and Malaysia at 5.6%. Further, all markets other than Australia recorded a decline in revenue. Australia recorded a yoy gain of 2.3% from S\$38.4 million in FY2020 to S\$39.3 million in FY2021. On the other hand, Singapore recorded the largest yoy loss of 16.3% decreasing from S\$19.5 million to S\$16.3 million as shown in **Exhibit 12**.

Exhibit 12: Geographical Breakdown of FHT's Portfolio Contribution

| S\$'000 | FY2021 | Contribution (%) | FY2020 | Contribution (%) | Yoy Change (%) |
|--------------|---------------|------------------|---------------|------------------|----------------|
| Australia | 39,275 | 45.9% | 38,390 | 43.3% | 2.3% |
| Singapore | 16,329 | 19.1% | 19,510 | 22.0% | -16.3% |
| UK | 11,198 | 13.1% | 11,228 | 12.7% | -0.3% |
| Japan | 7,522 | 8.8% | 7,791 | 8.8% | -3.5% |
| Germany | 6,402 | 7.5% | 6,802 | 7.7% | -5.9% |
| Malaysia | 4,806 | 5.6% | 4,852 | 5.5% | -0.9% |
| Total | 85,532 | 100.0% | 88,573 | 100.0% | -3.4% |

Source: Frasers Hospitality Trust

GEOGRAPHICAL SEGMENT OUTLOOK

(I) Global Outlook for Hospitality Industry

According to a report by World Tourism Organization (UNWTO) on 28 November 2021, international tourist arrivals (overnight visitors) increased by 58% in July-September 2021 compared to the same period of 2020. Between January and September 2021, worldwide international tourist arrivals stood at -20% compared to 2020, a clear improvement over the -54% in first six months of the year. According to UNWTO, "The uplift in demand was driven by increased traveler confidence amid rapid progress on vaccinations and the easing of entry restrictions in many destinations."

In a separate report, UNWTO noted that confidence in travel is slowly rising and this improvement was underpinned by the reopening of many destinations to international travel. Consumer confidence was boosted by the relaxation of travel restrictions for vaccinated travelers, as well as progress in the roll-out of COVID-19 vaccines.

As mentioned on page 7, FHT has a geographically diversified portfolio across Singapore, Australia, United Kingdom, Japan, Malaysia and Germany. As at 30 September 2021, Singapore has the highest percentage of fully vaccinated citizens at 76.8% followed by UK at 65.8%, Germany at 64.0%, Malaysia at 63.2%, Japan at 60.1% and Australia at 44.1% as shown in **Exhibit 13**.

Exhibit 13: FHT's Portfolio's Vaccination Update (as at 30 Sep 2021)

% of population fully vaccinated as at 30 Sep 2021



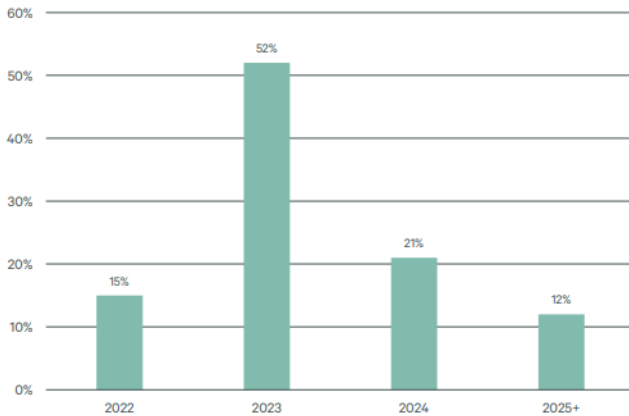
Source: Frasers Hospitality Trust

With reference to **Exhibit 13**, we note that the vaccination rates across FHT's portfolio is relatively high. Further, with the countries exiting the lockdown phase and gradually reopening its borders, domestically and internationally, we believe that there would be a pickup in international arrivals, which would improve the outlook of the hospitality industry and in turn, benefit FHT.

The International Air Transport Association (IATA) predicts that gradual recovery trends in air travel will continue in 2022, with the pace of vaccine rollout and government policies determining the direction of international traffic while domestic travel will remain strong. Hence, we believe that FHT would be well positioned to benefit from the improvement in international travel given the relatively high vaccination rate across its operating countries. Further, FHT would also be likely to benefit from countries like Singapore, UK, Malaysia and Germany slowly re-opening its international borders for the vaccinated, which would increase the demand for hotels and serviced residences.

CBRE reported that 15%, 52%, 21% and 12% of its survey respondents expect air passenger movement to achieve 2019 levels in 2022, 2023, 2024 and 2025+ respectively as shown in **Exhibit 14** and CBRE expects international air travel to return to 2019 levels only in 2023/2024

Exhibit 14: Timing of Demand Recovery – 2019 levels (% of respondents)



Source: CBRE

We will focus our review on the specific geographical segments of Australia, Singapore and UK which have a substantial impact on FHT's revenue as shown on page 13. The three segments contributed a total of 78.1% and 78.0% in FHT's total revenue in FY2021 and FY2020 respectively.

(II) Australia

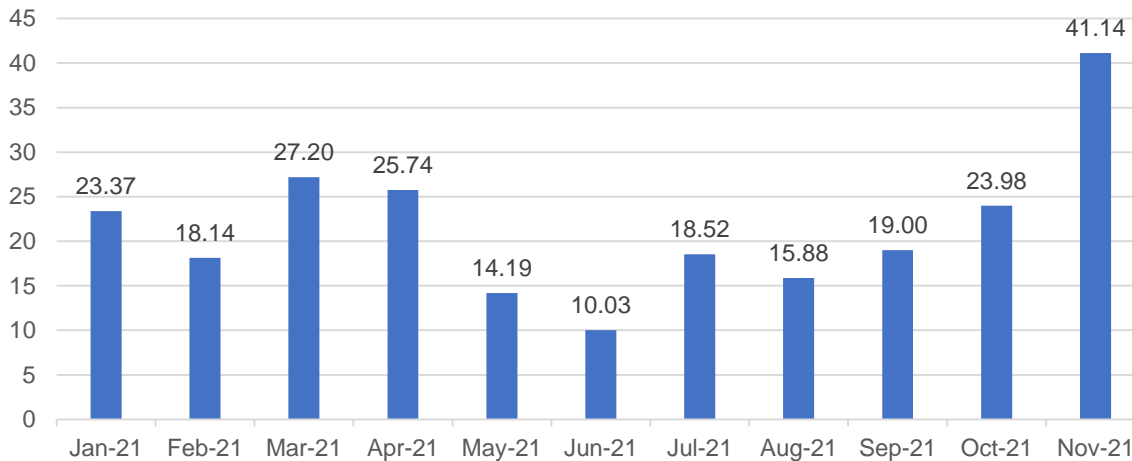
According to CBRE, Australia's anticipated gradual recovery in 2021 was derailed by the Delta variant which returned Sydney, Melbourne and Canberra into extended lockdown and commensurate border closures across the country. However, CBRE believes that the lockdowns and associated travel restrictions would "activate" Australians to become "double vaccinated" with the 80% target to be achieved by December this year, which will then swiftly increase to 90%. Should Australia's double vaccination rate hit 80%, under its National Plan, Australia would exempt vaccinated residents from all domestic restrictions. Further, in FY2022, CBRE also believes domestic leisure will return to key city destinations, having been absent for two years and to experience new hotel inventory, which typically drives induced demand from inquisitive guests

According to Australia Government agency, Tourism Australia, in 2021, there were 4,410 visitor arrivals during the month of September, down 99.4% relative to September 2019 or up 19% relative to September 2020. Year to date (YTD) September, there were 170,000 visitor arrivals, a decrease of 98.2 per cent when compared to the year ending September 2019.

Meanwhile, according to STR, with lengthy lockdowns ending and travel restrictions easing, Australia's hotel industry has seen recent improvement in hotel occupancy levels, according to preliminary data from STR through 31 October. With those lockdowns lifted, the country reached as high as 51.1% occupancy on 30 October. Based on STR forward-looking data, and from the experience of Australia's first recovery, STR expects to see leisure demand dominate recovery for the remainder of 2021 (Sep – Dec).

(III) Singapore

Latest statistics from Singapore Tourism Board (STB) indicated that Singapore's international visitor arrivals (IVA) registered at 237,000 from January 2021 to November 2021. This represents a 91.3% yoy decline compared to a year ago. However, since August 2021, IVA has increased month-on-month and reached its highest for the year 2021 in November at 41,140 as shown in **Exhibit 15**.

Exhibit 15: Singapore's Monthly International Visitor Arrivals ('000)

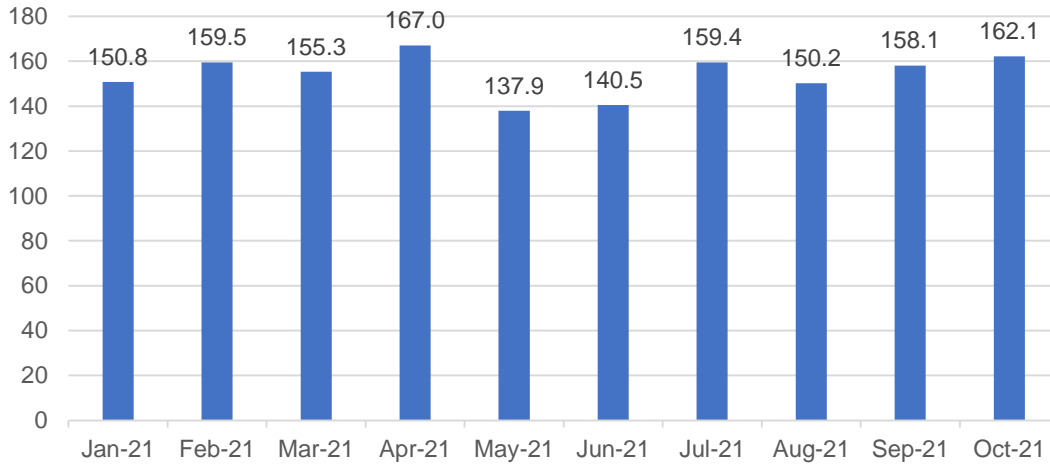
Source: Singapore Tourism Board (STB)

We believe the sharp increase in IVA could be attributable to Singapore re-opening its borders to general travel in September when it kicked off a vaccinated travel lane (VTL) with Germany and Brunei. According to the Civil Aviation Authority of Singapore's (CAAS) latest media release on 26 November 2021, Singapore will extend its VTL scheme to 6 more countries, increasing the total number of countries it will open its border to fully vaccinated travellers to 27. Under the VTL, fully vaccinated travellers from VTL countries may enter Singapore without quarantine and just need to undergo COVID-19 testing.

Further, as at 6 December 2021, 87% of Singapore's population has completed full vaccination regime. We believe that with a high vaccination rate and with the number of Covid-19 cases and ICU utilisation rate remained under control, there could be an increase in IVA in the coming months which could underpin a recovery in international tourism demand in Singapore in FY2022 and FY2023.

Meanwhile, according to hotel statistics by the STB, the average room rate (ARR) in Singapore has steadily improved over the last few months after hitting a low in May 2021. In October, ARR increased by 14.4% from S\$142.0 to S\$162.1. Overall, year to date (YTD) October 2021, ARR were S\$154.11, an increase of 1.6% yoy. The data for monthly ARR are summarized in **Exhibit 16** on the next page.

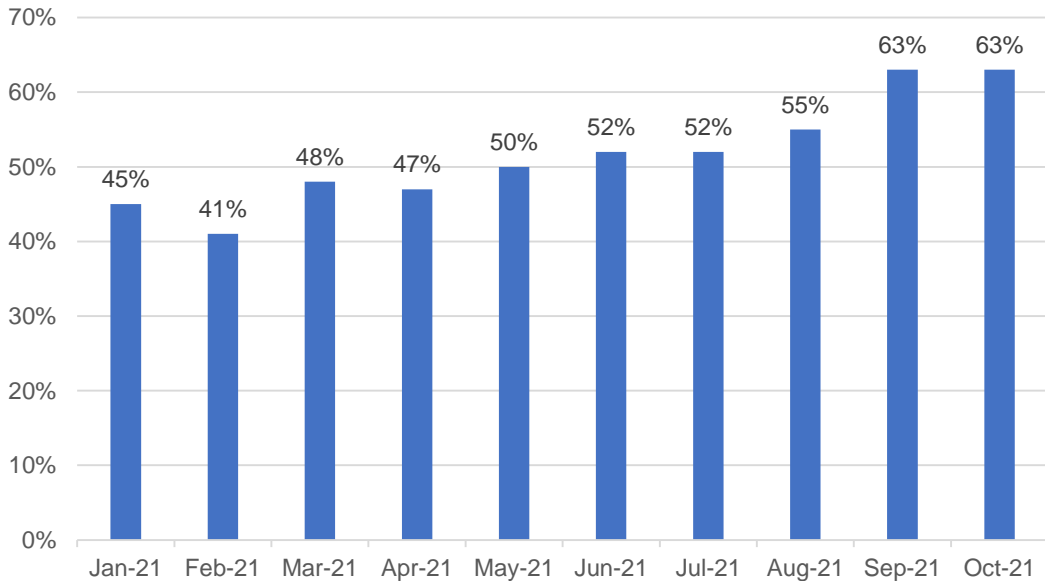
Exhibit 16: Singapore's Monthly Average Room Rate (S\$)



Source: STB

In 2021, the average occupancy rate (AOR) has also recovered from a low of 41% in February to 63% in September and October. In October, AOR increased by 5.3% yoy from 58% in 2020 to 63% in 2021. The data for monthly AOR are summarized in Exhibit 17.

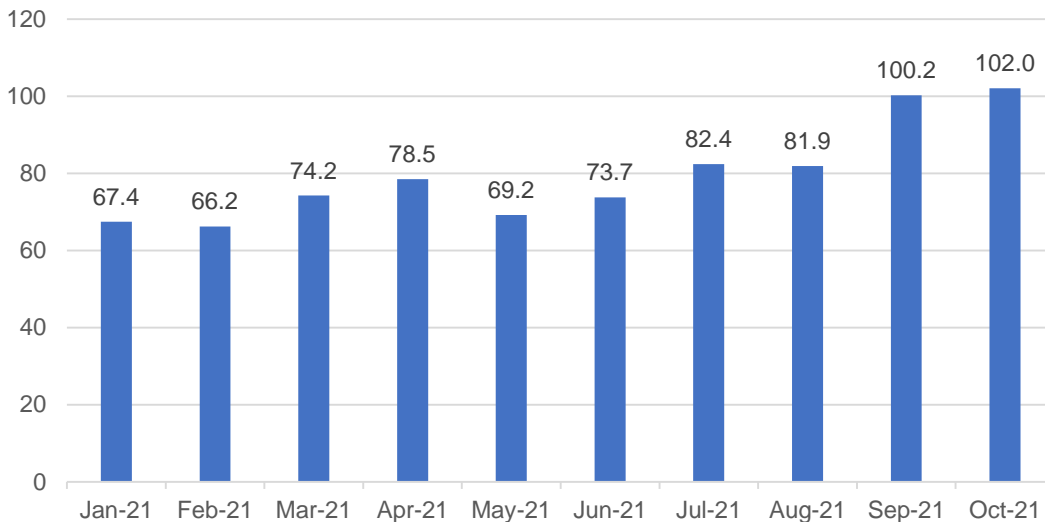
Exhibit 17: Singapore's Monthly Average Occupancy Rate (%)



Source: STB

Given the upward trend in AOR and ARR, the revenue per available room (RevPAR) also increased over the months and reached its high of S\$102.0 in October 2021. On a yoy basis, in October, RevPAR increased by 24.7% to S\$102.0 in 2021 from S\$81.8 in 2020. However, YTD October, RevPAR was still down by 9.5% yoy at S\$78.4 in 2021 compared to S\$86.6 in 2020. The data for monthly RevPAR are summarised in **Exhibit 18**.

Exhibit 18: Singapore's Monthly Revenue per Available Room (S\$)



Source: STB

In 2021, Singapore's hotel occupancy rates have been supported by the business generated by the government's Stay-Home facility business. Quarantine and staycation demand is expected to continue to support the industry in the short-term. CBRE believes that with the vaccination rates gaining momentum locally and globally, further easing of border restrictions are in the pipeline. Travel recovery would not be immediate, but CBRE expects to see some level of recovery in the last quarter of 2021 and more so in 2022 following the easing of border restrictions and resumption of travel confidence. Similarly, Jones Lang LaSalle (JLL) believes Singapore's hotel recovery is likely to be on a firmer footing in 2022, but it would still be dependant on policy changes.

Given the above, we believe that IVA would continue to increase with Singapore establishing VTL with more countries in 2022. However, Singapore's recovery would be highly dependent on the Covid-19 situation globally and a pronounced recovery may only come when other parts of the world have managed to achieve high vaccination rates and bring the virus situation under control.

(IV) United Kingdom

According to CBRE, since hotels in UK were permitted to re-open in mid-May 2021 after more than 4 months of lockdown, the UK has been leading Europe in hotel performance recovery, due almost exclusively to domestic demand. However, London's occupancies remained low because of a lack of its usual demand drivers, such as international travel and corporate demand. The strong hotel performance recovery can be supported by data from UK's tourism agency, VisitBritain, showing that UK's hotel occupancy rate has improved from 46% in May to 72% in August. We also note that while 2021's occupancy rate is showing signs of a recovery and is higher than the rate in 2020, it is still lower than the pre-pandemic rates in 2017 to 2019, as shown in **Exhibit 19**.

Exhibit 19: UK's Monthly Occupancy Rate (%) (2017-2021)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2017 | 54 | 61 | 64 | 69 | 73 | 80 | 83 | 81 | 83 | 78 | 75 | 68 |
| 2018 | 63 | 71 | 73 | 75 | 78 | 82 | 85 | 83 | 83 | 81 | 76 | 69 |
| 2019 | 63 | 70 | 73 | 75 | 78 | 80 | 84 | 82 | 82 | 80 | 76 | 68 |
| 2020 | 63 | 70 | 37 | 20 | 21 | 22 | 27 | 48 | 47 | 40 | 28 | 26 |
| 2021 | 24 | 27 | 34 | 34 | 46 | 58 | 64 | 72 | | | | |

Source: Visitbritain.org

Further, according to VisitBritain, its latest central scenario for inbound tourism for the full year 2021 is for 7.7 million visits, a 31% yoy decline compared to 2020 and 19% of the 2019 level. Meanwhile, it forecasted £6.9 billion to be spent by inbound tourists, representing growth of 11% yoy compared to 2020 although still only 24% of the 2019 level. The increase in spending in 2021, despite the fall in visits, is driven by the large increase in spending per visit recorded by International Passer Survey (IPS) data in the first half of the year, a result of a much higher average length of stay. This effect is forecasted to ease although not disappear as a more normal visitor pattern emerges in the second half of the year.

In 2022, inbound visits are forecasted to increase to 24.0 million, and spending to £19.2 billion. These are 59% and 67% respectively of the visits and spend levels seen in 2019. Visit numbers, relative to pre-COVID baseline levels, are forecasted to increase slowly in the spring and more substantially in the summer. The general direction is assumed to be upwards, contingent on travel restrictions not being tightened significantly from current levels, as well as a gradual return of traveller confidence.

Further, according to UK's Department of Transport, UK has introduced more relaxed entry rules effective 4 October 2021, welcoming fully vaccinated residents of over 50 countries and territories and making international travel simpler with lower Covid-19 testing costs.

RECENT SHARE PRICE DEVELOPMENT

In 2021 year to date (YTD), FHT's share price was trading between S\$0.440 and S\$0.590. FHT's share price fell in late January amid news that its chief executive Colin Low Hsien Yang had resigned after less than two years ⁽¹⁾ in the role and FHT reported weaker earnings in its Q1 business update.

In April, FHT's share price reached its high of S\$0.590 amid news that Ms Eu Chin Fen will be appointed as the Chief Executive Officer (CEO) of the managers. She will be responsible for the overall business, investment and operational strategies of FHT. Prior to her current appointment, Ms Eu was the Chief Investment Officer of Frasers Hospitality International Pte. Ltd.. In the role, she assisted the CEO of the Hospitality Strategic Business Unit of Frasers Property Limited in developing and implementing the business and investment strategies of the hospitality business in line with the broad directions of the Frasers Property Group. However, FHT's share price began to fall late April and reached a low of S\$0.500 as the Trust reported lower revenue, net property income and distribution per stapled security (DPS) in its Q2 business update. During the period, the Singapore government also announced the extension of Circuit Breaker to 1 June 2021.

From June to August, FHT's share price remained relatively stable, trading between S\$0.495 and S\$0.545. During this period, FHT announced its Q3 business update and reported that its operating metrics – Average daily rates, occupancy and revenue per average room – was showing signs of improvement.

FHT's share price reached its low of S\$0.440 in late September but recovered to S\$0.515 in mid October amid news that countries were reopening its borders to the vaccinated. On 29 October, FHT reported lower DPS for its FY2021. Separately, the Trust reported that it will divest its Sydney's asset for A\$315 million and is expecting a net gain of A\$24.1 million from this transaction.

However, more recently, FHT's share price has been trending downwards and was trading at S\$0.470 as at 6 December, near its low of S\$0.440. we believe this could be due to the fears of a new Covid-19 variant, Omicron, spreading in South Africa which could cause countries to reconsider the reopening of borders, affecting the hospitality industry.

⁽¹⁾ It was announced on 24 May 2019 that Mr Colin Low will succeed Ms Eu Chin Fen as Chief Executive Officer ("CEO") from 1 July 2019. Ms Eu, who has been the CEO of the Managers since 2014, will relinquish her current role and return to Frasers Hospitality, a strategic business unit of Frasers Property Limited, as Chief Investment Officer from 1 July 2019.

FINANCIAL ANALYSIS

In this section, we will provide a review of the FHT's financial performance and capital management.

(I) Financial review

Review of Full Year 2021 Results

For the financial year under review from 1 October 2020 to 30 September 2021 (FY2021), master lease rental fell by 3.6% yoy mainly due to lower variable rent collected and room revenue fell by 61.6% yoy as lesser services were rendered to customers during the period. The better performance in the first 5 months of FY2020 partially mitigated the adverse impact of the Covid-19 outbreak, whilst the performance for the entire period of FY2021 continued to be impacted by the Covid-19 pandemic which resulted in the decline in revenue and NPI in FY2021. The 186.9% yoy increase in other income in FY2021 is mainly due to the no-show revenue recorded from bookings by government agencies to house returning residents servicing stay home notices at Novotel Melbourne on Collins, partially offset by absence of gross operating profit guaranteed top-up arising from the terms in the hotel management contract with the hotel operator in FY 2021. As a result, revenue declined by 3.4% yoy to S\$85.5 million in FY2021 from S\$88.6 million in FY2020.

Meanwhile, property operating expense declined by 2.9% yoy from S\$28.7 million in FY2020 to S\$27.9 million in FY2020 mainly due to the lower property management fees, operations & maintenance expenses and marketing expenses, partially offset by higher impairment loss on trade receivables. Consequently, net property income (NPI) declined by 3.7% yoy from S\$59.8 million in FY2020 to S\$57.6 million in FY2021.

FHT recorded lower REIT Manager's management fees as no performance fees were paid to the REIT manager in FY2021. Other trust expenses declined by 14.4% mainly due to lower non-audit fees, valuation fees and "other expenses". Meanwhile, FHT recorded a net loss in fair value of investment properties of S\$4.6 million in FY2021 compared to S\$136.8 million loss in FY2020. Revaluation gain of S\$8.4 million on property, plant and equipment were also recorded in FY2021 compared to the revaluation loss of S\$9.2 million in FY2020.

As a result, FHT reported a total return before tax of S\$24.7 million in FY2021 compared to a loss before tax of S\$123.4 million in FY2020. For the period, income tax expense of S\$8.4 million was recorded as compared to income tax benefit of S\$10.0 million a year ago, mainly due to deferred tax credit from the origination and reversal deductible and taxable temporary differences. After adjusting for income tax expense of S\$8.4 million, the total return after tax of S\$16.3 million was recorded in FY2021. This comprised a S\$13.6 million return attributable to stapled securityholders and S\$2.7 million return attributable to perpetual securities holders. Accordingly, FHT reported an earnings per stapled security of 0.70 cents for FY2021.

FHT's FY2021 financial results are summarized in **Exhibit 20** on the next page.

Exhibit 20: FHT's FY2021 Financial Results

| S\$'000 | FY2021 | FY2020 | y-o-y change |
|---|-----------------|------------------|---------------------|
| Master lease rental | 64,648 | 67,083 | -3.6% |
| Room revenue | 5,166 | 13,466 | -61.6% |
| Food & beverage revenue | 3,556 | 3,785 | -6.1% |
| Other income | 12,162 | 4,239 | 186.9% |
| Revenue | 85,532 | 88,573 | -3.4% |
| Property tax | (8,421) | (8,676) | -2.9% |
| Property insurance | (1,730) | (1,443) | 19.9% |
| Property management fees | (2,208) | (3,138) | -29.6% |
| Other property expenses | (2,391) | (2,583) | -7.4% |
| Impairment loss on trade receivables | (4,137) | (1,690) | 144.8% |
| Operations and maintenance expenses | (3,623) | (4,204) | -13.8% |
| Energy and utilities expenses | (541) | (664) | -18.5% |
| Hotel management fee | (722) | (594) | 21.5% |
| Staff costs | (3,532) | (3,994) | -11.6% |
| Marketing expenses | (289) | (1,204) | -76.0% |
| Administrative expenses | (312) | (552) | -43.5% |
| Property operating expenses | (27,906) | (28,742) | -2.9% |
| Net property income | 57,626 | 59,831 | -3.7% |
| Depreciation | (3,929) | (3,921) | 0.2% |
| REIT Manager's management fees | (4,521) | (5,466) | -17.3% |
| Trustee-Manager's management fees | (80) | (54) | 48.1% |
| Other management fees | (3,668) | (3,569) | 2.8% |
| Trustees' fees | (493) | (495) | -0.4% |
| Other trust expense | (2,799) | (3,268) | -14.4% |
| Finance income | 210 | 329 | -36.2% |
| Amortisation of debt upfront costs | (952) | (824) | 15.5% |
| Finance costs | (20,415) | (19,750) | 3.4% |
| Total return before foreign exchange differences, fair value changes and tax | 20,979 | 22,813 | -8.0% |
| Foreign exchange (loss)/ gain, net | (26) | (165) | -84.2% |
| Net change in fair value of investment properties | (4,574) | (136,777) | -96.7% |
| Revaluation of property plant and equipment | 8,444 | (9,208) | NM |
| Net change in fair value of derivative financial instruments | (77) | (328) | -76.5% |
| Realised (loss)/gain on derivative financial instruments, net | (16) | 256 | NM |
| Total return/ (loss) for the year before tax | 24,730 | (123,409) | NM |
| Taxation | (8,422) | 9,981 | NM |
| Total return/ (loss) for the year after tax | 16,308 | (113,428) | NM |
| Attributable to: | | | |
| Stapled Securityholders | 13,589 | (117,890) | NM |
| Perpetual Securities holders | 2,719 | 4,462 | -39.1% |

NM: Not meaningful

Source: Frasers Hospitality Trust

Meanwhile, income available for distribution amounted to S\$23.8 million in FY2021. This comprised a S\$21.0 million distribution attributable to Stapled Securityholders and S\$2.7 million distribution attributable to Perpetual Securities holders. Given the uncertainties arising from the ongoing COVID-19 pandemic, 10% of distributable income has been retained to conserve cash for working capital purposes. Hence, the distributions to Stapled Securityholders in FY2021 and FY2020 are based on 90% payout of the income available for distribution. Accordingly, distribution to stapled securityholders amounted to S\$18.9 million and S\$26.9 million in FY2021 and FY2020 respectively and distribution per stapled security fell by 29.7% to 0.983 cents in FY2021 from 1.398 cents FY2020 as shown in **Exhibit 21**.

Exhibit 21: FHT's FY2021 Statement of Distribution

| S\$'000 | FY2021 | FY2020 | y-o-y change |
|---|---------------|------------------|----------------|
| Total return/ (loss) for the year after tax | 16,308 | (113,428) | -114.4% |
| Non-tax deductible/ (non-taxable) items and other adjustments: | | | |
| Amortisation of debt upfront cost | 952 | 824 | 15.5% |
| Amortisation of other assets | 4 | 13 | -69.2% |
| Depreciation | 3,929 | 3,921 | 0.2% |
| Foreign exchange loss, net | 26 | 158 | -83.5% |
| Net change in fair value of investment properties | 4,574 | 136,777 | -96.7% |
| Revaluation of property, plant and equipment | (8,444) | 9,208 | -191.7% |
| Net change in fair value of derivative financial instruments | 77 | 328 | -76.5% |
| Other management fees paid and payable in Stapled Securities | - | 1,626 | NM |
| Property management fees paid and payable in Stapled Securities, net of withholding tax | - | 2,596 | NM |
| REIT Manager's management fees paid and payable in Stapled Securities | - | 3,805 | NM |
| Trustee-Manager's management fees paid and payable in Stapled Securities | - | 26 | NM |
| Trustee's fee in relation to FH-REIT | 285 | 293 | -2.7% |
| Interest expense on lease liabilities | 124 | 111 | 11.7% |
| Deferred tax | 5,683 | (11,537) | -149.3% |
| Other adjustments | 240 | (352) | -168.2% |
| Net effect of non-tax deductible/ (non-taxable) items and other adjustments | 7,450 | 147,797 | -95.0% |
| Income available for distribution attributable to: | | | |
| Stapled Securityholders | 21,039 | 29,907 | -29.7% |
| Perpetual Securities holders | 2,719 | 4,462 | -39.1% |
| Total | 23,758 | 34,369 | -30.9% |
| Distribution to Stapled Securityholders | | | |
| | 18,935 | 26,916 | -29.7% |
| No. of Stapled Securities issued | 1,926,074 | 1,921,243 | - |
| Distribution per Stapled Security (cents) ⁽¹⁾ | 0.9831 | 1.3982 | -29.7% |

Figures may not add up due to rounding

NM: Not meaningful

Source: Frasers Hospitality Trust

We would like to note that in FY2021, the managers have elected to receive 100% of the management fees in cash compared to the managers receiving its management fees partially in Stapled Securities in FY2020, which partially contributed to its lower non-tax-deductible adjustments in FY2021.

Review of Historical Financials

We also reviewed FHT's historical financial results to evaluate how it has performed prior to the Covid-19 pandemic. We note that FHT's revenue stream has decreased slightly from FY2017 to 2019 but remained relatively stable between S\$149.8 million and S\$158.7 million. However, revenue decreased significantly to S\$88.6 million in FY2020 and decreased further to S\$85.5 million in FY2021. This is mainly due to the impact of Covid-19 pandemic whereby lockdowns, border closures, and other control measures, in varying degrees were imposed by governments worldwide to stop the spread of the coronavirus. Meanwhile, the decline in revenue in FY2021 were due to better performance in the first 5 months of FY2020 which partially mitigated the adverse impact of the COVID-19 outbreak, whilst the performance for the entire period of FY2021 continued to be impacted by the COVID-19 pandemic. Similarly, owing to the adverse impact of the Covid-19 pandemic, FHT's net property income margin decreased from 74.54% in FY2019 to 67.55% in FY2020 and to 67.37% in FY2021.

With the lower NPI, FHT's income available for distribution decreased from S\$88.4 million in FY2019 to S\$26.9 million in FY2020 and to S\$23.8 million in FY2021. Accordingly, distributable income attributable to Stapled Securityholders were S\$83.9 million, S\$26.9 million and S\$18.9 million for FY2019, FY2020 and FY2021 respectively. However, we would like to note that FHT decided to conserve cash by opting to pay 90.0% of its distributable income and retain 10.0% for working capital purposes. Consequently, its FY2020 and FY2021 distribution per Stapled Securityholder (DPS) were 1.40 cents and 0.98cents respectively. Based on FHT's closing unit price of S\$0.430 and S\$0.455 as at 30 September 2020 and 30 September 2021, this would translate to a distribution yield of 3.3% and 2.2% for FY2020 and FY2021 respectively.

In FY2020, FHT reported a loss per Stapled Security of 6.14 cents. This is mainly attributable to the net loss in fair value of investment property of S\$136.8 million. The declines were primarily due to the weakened performance of the properties as their cap rates and discount rates were either unchanged or largely similar to those of last year. However, when compared to FY2019, all functional currencies have appreciated against the Singapore dollar this year, leading to a smaller yoy decline of 3.5% in total portfolio valuation in FY2020.

We have summarized FHT's key historical financial figures in **Exhibit 22**.

Exhibit 22: FHT's Historical Financials

| [S\$'000] | For year ended Sep 30 | | | | |
|--|-----------------------|----------------------|---------|--------|--------|
| | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
| Revenue | 158,724 | 155,877 | 149,805 | 88,573 | 85,532 |
| Net property income (NPI) | 120,184 | 117,040 | 111,666 | 59,831 | 57,626 |
| NPI margin | 75.72% | 75.08% | 74.54% | 67.55% | 67.37% |
| Income available for distribution | 97,934 | 93,847 | 88,376 | 34,369 | 23,758 |
| Distributable income attributable to Stapled Securityholders | 93,484 | 89,397 | 83,926 | 26,917 | 18,935 |
| EPS (cents) | 8.34 | 3.32 | 2.50 | (6.14) | 0.70 |
| DPS (cents) | 5.05 | 4.76 | 4.41 | 1.40 | 0.98 |
| Closing price as at Sep 30 (S\$) | 0.750 ⁽¹⁾ | 0.700 ⁽²⁾ | 0.715 | 0.430 | 0.455 |
| Dividend yield (%) | 6.7% | 6.8% | 6.2% | 3.3% | 2.2% |

(1) Closing price as at 29.09.2017

(2) Closing price as at 28.09.2018

Source: Frasers Hospitality Trust

(II) Capital Management**Review of Balance Sheet**

FHT reported total assets of S\$2,349.2 million in FY2021 compared to S\$2,361.3 million in FY2020. The decrease in total assets was largely due to the decrease in the value of investment properties, value of derivative financial instruments and cash & cash equivalents. This was partly offset by the increase in property, plant & equipment and trade & other receivables. At the same time, total liabilities increased by S\$92.5 million from S\$1,008.2 million in FY2020 to S\$1,100.7 million in FY2021 mainly due to the increase in total borrowings.

Consequently, FHT recorded total equity or net assets of S\$1,248.5 million in FY2021 compared to S\$1,353.2 million in FY2020. On 12 May 2016, FHT issued S\$100.0 million of fixed rate subordinated perpetual securities with an initial distribution rate of 4.45% per annum with the first distribution rate reset falling on 12 May 2021 and subsequent resets occurring every five years thereafter. These perpetual securities were redeemed on 12 May 2021. Hence, FHT's total equity are fully attributable to its Stapled Securityholders in FY2021.

Given the S\$1,248.5 million in Stapled Securityholders' fund, FHT's net asset value (NAV) per Stapled Security stood at 64.82 cents, based on 1,926.1 million issued Stapled Securities. FHT's balance sheet data are summarized in **Exhibit 23**.

Exhibit 23: Summary of FHT's Balance Sheet

| [S\$'000] | FY2021 | FY2020 |
|-------------------------------------|-----------|-----------|
| Total assets | 2,349,183 | 2,361,349 |
| Total liabilities | 1,100,689 | 1,008,191 |
| Total equity / net assets | 1,248,494 | 1,353,158 |
| Stapled Securityholders' funds | 1,248,494 | 1,252,879 |
| Perpetual Securities holders' funds | - | 100,279 |
| No. of issued Stapled Securities | 1,926,074 | 1,921,243 |
| NAV per Stapled Security(cents) | 64.82 | 65.21 |

Source: Frasers Hospitality Trust

As at the end of FY2021, FHT's total borrowings were S\$988.5 million compared to S\$886.4 million a year ago. This comprised of current borrowings of S\$202.5 million and non-current borrowings of S\$786.0 million. Thus, FHT's gearing ratio as computed by total borrowings divided by total assets, stood at approximately 42.2% as at the end of FY2021 compared to 37.7% as at the end of FY2020. A breakdown of FHT's total borrowings and gearing ratio is shown in **Exhibit 24** on the next page.

Exhibit 24: Breakdown of FHT's Total Borrowing and Gearing Ratio

| [S\$'000] | FY2021 | FY2020 |
|--------------------------------------|----------------|----------------|
| Current | | |
| Fixed rate notes (unsecured) | 120,000 | - |
| Bonds (unsecured) | 28,734 | - |
| Bank loans (unsecured) | 54,000 | 50,000 |
| Less: unamortised debt upfront costs | (227) | - |
| | 202,507 | 50,000 |
| Non-current | | |
| Medium term notes (secured) | 30,676 | 31,378 |
| Fixed rate notes (unsecured) | 120,000 | 240,000 |
| Bonds (unsecured) | - | 30,666 |
| Bank loans (unsecured) | 637,768 | 537,348 |
| Less: unamortised debt upfront costs | (2,444) | (3,004) |
| | 786,000 | 836,388 |
| Total borrowings | 988,507 | 886,388 |
| Total assets | 2,349,183 | 2,361,349 |
| Gearing⁽¹⁾ | 42.2% | 37.7% |

(1) The impact of FRS 116 Leases has been excluded for the purpose of computing gearing ratio

Source: Frasers Hospitality Trust

As at 30 September 2021, 3.1% of FHT's borrowings consist of secured debt. The secured borrowing relates to the Non-current Medium Term Note – Class A Senior Bond of MYR 95.0 million (equivalent to S\$30.7 million) (2020: MYR 95.0 million (equivalent to S\$31.4 million)) which is secured by The Westin Kuala Lumpur with a carrying amount of S\$118.8 million (2020: S\$127.2 million).

We also note that FHT has a weighted average debt to maturity of 2.56 years as at 30 September 2021 with its loan maturity widely spread out across 2022 and 2026. During the same period, approximately 77.2% of its borrowings have been secured on fixed interest rates while 96.9% of its borrowings consist of unsecured debt, providing greater flexibility for future financing.

Further, we note from FHT's 5-year historical data as shown in **Exhibit 25** that its NAV per Stapled Security has decreased over the years. FHT's gearing ratio has also increased from 37.7% in FY2020 to 42.2% in FY2021, mainly due to the increase in total borrowings.

Exhibit 25: FHT's 5-year Historical year-end Balance Sheet

| [S\$'000] | For year ended Sep 30 | | | | |
|---------------------------------------|-----------------------|-----------|-----------|-----------|-----------|
| | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
| Total assets | 2,533,891 | 2,494,690 | 2,446,473 | 2,361,349 | 2,349,183 |
| Total liabilities | 927,719 | 942,160 | 962,740 | 1,008,191 | 1,100,689 |
| Total equity / net assets | 1,606,172 | 1,552,530 | 1,483,733 | 1,353,158 | 1,248,494 |
| Stapled Securityholders' funds | 1,505,893 | 1,452,251 | 1,383,454 | 1,252,879 | 1,248,494 |
| No. of issued Stapled Securities | 1,845,574 | 1,869,165 | 1,894,217 | 1,921,243 | 1,926,074 |
| Net asset per Stapled Security(cents) | 81.59 | 77.70 | 73.04 | 65.21 | 64.82 |
| Total borrowings | 810,942 | 835,016 | 854,199 | 886,388 | 988,507 |
| Gearing ratio | 32.1% | 33.6% | 35.1% | 37.7% | 42.2% |

Source: Frasers Hospitality Trust

RECENT DEVELOPMENT**(I) Divestment of Sofitel Sydney Wentworth**Divestment Details

FHT announced on 29 October 2021 that it had entered into a sale and purchase agreement to divest Sofitel Sydney Wentworth on a freehold basis for A\$315.0 million (S\$309.1 million) (Sale price) to an unrelated third-party acquirer.

The Sale Price represents a 34.3% premium over FHT's total combined purchase price of A\$234.55 million (S\$230.2 million), comprising the purchase consideration of A\$224.0 million for the acquisition of the 75-year leasehold interest in the Property (Existing Leasehold Interest) and of A\$10.55 million for the acquisition of the freehold reversionary interest from the sponsor of FHT. The estimated net gain would be A\$24.1 million (approximately S\$23.7 million).

The Sale Price is also 12.1% above the independent valuation of A\$281.0 million (S\$275.8 million) as at 30 September 2021 on a freehold basis. The net proceeds from the divestment are estimated at A\$282.5 million (S\$277.2 million) after taking into account the estimated total acquisition cost of the reversionary interest acquisition of approximately A\$11.2 million and estimated total cost of the divestment of approximately A\$21.3 million, as shown in **Exhibit 26**.

Exhibit 26: Breakdown of Net Proceeds for the Divestment

| Divestment of SSW | A\$ million | S\$ million ⁽¹⁾ |
|---|---------------|----------------------------|
| Sale price (a) | 315.0 | 309.1 |
| Acquisition cost of the reversionary interest acquisition: | | |
| Purchase consideration | (10.6) | (10.4) |
| Estimated stamp duties and other fees & expenses | (0.6) | (0.6) |
| Subtotal (b) | (11.2) | (11.0) |
| Cost of divestment: | | |
| Divestment fee payable to REIT Manager | (1.6) | (1.6) |
| Estimated capital gains tax to be incurred | (15.0) | (14.7) |
| Estimated professional and other fees & expenses incurred or to be incurred | (4.7) | (4.6) |
| Subtotal (c) | (21.3) | (20.9) |
| Net proceeds (a)+(b)+(c) | 282.5 | 277.2 |

(1) Based on the exchange rate of SGDAUD 1.0190

Source: Frasers Hospitality Trust

Rationale and Benefits

Firstly, it is part of FHT's active asset enhancement initiatives to drive organic growth and position its property for divestment. FHT would evaluate divestment opportunities periodically to recycle capital for better total returns. This divestment would help FHT to unlock the underlying value of Sofitel Sydney Wentworth at an optimal stage of the Property's life cycle. Secondly, FHT believes that the sale price of A\$315.0 million is attractive and one that would enhance the returns for its Stapled Securityholders. Lastly, the transaction will also enhance FHT's financial flexibility. The enhanced debt headroom post-divestment could help fund future acquisitions when the opportunity arises.

The details of the divestment are summarized in **Exhibit 27** on the next page.

Exhibit 27: Divestment Details for Sofitel Sydney Wentworth

| | |
|---|--|
| Address/Location | 61-101 Phillip Street, Sydney, NSW 2000, Australia |
| Gross floor area | 33,589 square metres as at 30 September 2021 |
| Land tenure | (i) 75-year leasehold interest held by The Trust Company (PTAL) Limited, acting as trustee of FHT Sydney Trust 3, a wholly-owned sub-trust of Perpetual (Asia) Limited (in its capacity as trustee of FH-REIT) (ii) Freehold reversionary interest held by Frasers Sydney Wentworth Pty Ltd, an indirect wholly-owned subsidiary of Frasers Property ⁸ |
| Latest valuation (75-year leasehold interest) | A\$270.0 million (approximately S\$265.0 million) as at 30 September 2021 |
| Latest valuation (freehold title) | A\$281.0 million ⁵ (approximately S\$275.8 million) as at 30 September 2021 |
| Number of rooms | 436 |
| Facilities | 11 versatile function rooms, a pillarless Grand Ballroom, an executive lounge, two food & beverage outlets, business centre and library |

Source: Frasers Hospitality Trust

While FHT did not mention its plans for the usage of its net proceeds from the divestment, we would assume for FHT to utilize the full net proceeds of S\$277.2 million to repay its debt.

Given the above, we will estimate the new gearing ratio of FHT. Based on our assumption, if FHT were to repay its debts using the net proceeds of S\$277.2 million, the total borrowings after divestment would decrease from S\$988.5 million to S\$711.3 million. Owing to the divestment of Sofitel Sydney Wentworth, FHT's total asset would also decrease by the carrying amount of S\$265.0 as at 30 September 2021. Hence, FHT's total assets after the divestment would amount to S\$2,084.2 million. Accordingly, FHT's projected gearing ratio as computed by using total borrowings divided by total assets would amount to 34.1% as shown in **Exhibit 28**.

Exhibit 28: Projected Gearing Ratio For FHT after the Divestment Of Sofitel Sydney Wentworth

| [S\$'000] | As at 29 Oct 2021 |
|--|-------------------|
| Total borrowings before divestment | 988,507 |
| Less: Net proceeds from divestment | (277,200) |
| Total borrowings after divestment | 711,307 |
| Total assets before divestment | 2,349,183 |
| Less: Divestment of SSW | (264,978) |
| Total assets after divestment | 2,084,205 |
| Gearing | 34.13% |

Source: Frasers Hospitality Trust, FPA Financial

FINANCIAL PROJECTION

In this section, we will be providing our projections for FHT's revenue, earnings and distribution in FY2022 and FY2023.

(I) Revenue Projection

To derive an overall revenue projection for FY2022 and FY2023, we will project revenue for the individual geographical segments. With reference to **Exhibit 29**, we note that the geographical segment of Australia, Singapore and United Kingdom combined contribute approximately 78% to 80% of FHT's total revenue in the last few years.

Exhibit 29: Historical Revenue Breakdown Based on Geographical Segment

| S\$'000 | FY2021 | Contribution (%) | FY2020 | Contribution (%) | FY2019 | Contribution (%) | FY2018 | Contribution (%) |
|------------------|---------------|------------------|---------------|------------------|----------------|------------------|----------------|------------------|
| Australia | 39,275 | 45.9% | 38,390 | 43.3% | 63,764 | 42.6% | 69,046 | 44.3% |
| Singapore | 16,329 | 19.1% | 19,510 | 22.0% | 32,195 | 21.5% | 31,202 | 20.0% |
| UK | 11,198 | 13.1% | 11,228 | 12.7% | 23,907 | 16.0% | 23,742 | 15.2% |
| Sub-total | 66,802 | 78.1% | 69,128 | 78.0% | 119,866 | 80.0% | 123,990 | 79.5% |
| Japan | 7,522 | 8.8% | 7,791 | 8.8% | 16,717 | 11.2% | 17,761 | 11.4% |
| Germany | 6,402 | 7.5% | 6,802 | 7.7% | 7,032 | 4.7% | 6,941 | 4.5% |
| Malaysia | 4,806 | 5.6% | 4,852 | 5.5% | 6,190 | 4.1% | 7,185 | 4.6% |
| Total | 85,532 | 100.0% | 88,573 | 100.0% | 149,805 | 100.0% | 155,877 | 100.0% |

Source: Frasers Hospitality Trust

Further, as mentioned on page 12, FHT has master lease agreements for all of its properties and the weighted average lease expiry was 12.8 years as at 30 September 2021. We also note that its master lease agreements have remained unchanged over the period from FY2018 to FY2021. Assuming the exchange rate of AUDSGD of 0.9814, GBPSGD of 1.8298, JPYSGD of 0.0122 and MYRSGD of 0.3242 as at 30 September, the total fixed rent contribution from FHT's portfolio amounted to S\$57.0 million as shown in **Exhibit 30**.

Exhibit 30: Total Fixed Rent Contribution from FHT's Portfolio

| Country | Property Name | Local currency (million) | S\$ million |
|----------------|---|--------------------------|-------------------|
| Australia | Novotel Melbourne on Collins | A\$5.88 | S\$5.8 |
| | Novotel Sydney Darling Square | A\$2.5 | S\$2.5 |
| | Sofitel Sydney Wentworth ⁽¹⁾ | A\$6.0 | S\$5.9 |
| | Fraser Suites Sydney | A\$4.2 | S\$4.1 |
| Singapore | InterContinental Singapore | S\$8.0 | S\$8.0 |
| | Fraser Suites Singapore | S\$7.7 | S\$7.7 |
| United Kingdom | ibis Styles London Gloucester Road | £0.6 | S\$1.1 |
| | Park International London | £1.3 | S\$2.4 |
| | Fraser Suites Edinburgh | £0.5 | S\$0.9 |
| | Fraser Suites Glasgow | £0.4 | S\$0.7 |
| | Fraser Suites Queens Gate | £1.8 | S\$3.3 |
| | Fraser Place Canary Wharf | £1.4 | S\$2.6 |
| Japan | ANA Crowne Plaza Kobe | ¥600.0 | S\$7.3 |
| Malaysia | The Westin Kuala Lumpur | RM14.8 | S\$4.8 |
| Germany | Maritim Hotel Dresden | NA ⁽²⁾ | NA ⁽²⁾ |
| Total | | | S\$57.0 |

(1) Sold as at 28 October 2021

(2) Maritim Hotel Dresden's occupancy and fixed rent have been excluded due to limitations imposed by master lease agreement

Source: Frasers Hospitality Trust, FPA Financial

Australia

Revenue for the Australia segment comprises of Novotel Melbourne on Collins (NMOC), Novotel Sydney Darling Square (NSDS), Sofitel Sydney Wentworth (SSW) and Frasers Suites Sydney (FSS).

On the outlook of Australia hotel market, we believe that the demand for tourism is likely to recover with lengthy lockdowns ending and travel restrictions easing. According to Australia's Department of Health, as at 6 December 2021, 88.3% of citizens over the age of 16 were fully vaccinated, achieving the 80% target set by the government. Australia have since started to reopen its borders and Australian citizens & permanent residents can leave the country without needing an exemption. Australia also announced in November that it will establish a quarantine-free travel lane with Singapore further indicating Australia's intension to loosen border restrictions which would bode well with the hospitality industry.

Given the above, we would expect to see a strong rebound in hotel revenue performance for FHT's hotels in FY2022. However, as FHT divested SSW in October as mentioned on page 27, we would take into consideration that SSW would only contribute 1 month worth of fixed revenue for FY2022. Considering the recent news that the Omicron variant may not be as bad as initially feared, we would assume travel restrictions to continue to ease and the revenue contribution from the other 3 hotels to improve in FY2022.

For our revenue projections, we would consider the historical contribution of fixed and variable revenue between FY2018 and FY2021.

As noted on page 29, the fixed rent contribution from FHT's Australia property amounted to S\$18.23 million. Based on our calculations, SSW's one-month fixed rent contribution would be S\$490,833 = $[1/12 \times \text{S\$}5.89 \text{ million (fixed rent per annual for SSW)}]$. Accordingly, the fixed rent from the one-month fixed rent contribution from SSW and the 3 other hotels for FY2022 would be S\$12.8 million = $[\text{S\$}490,833 + \text{S\$}5.77 \text{ million} + \text{S\$}2.45 \text{ million} + \text{S\$}4.12 \text{ million}]$ and the fixed rent contribution from the 3 hotels for FY2023 would be S\$12.3 million = $[\text{S\$}5.77 \text{ million} + \text{S\$}2.45 \text{ million} + \text{S\$}4.12 \text{ million}]$ as shown in **Exhibit 31**.

Exhibit 31: FHT's Australia Portfolio Fixed Rent Contribution

| Fixed rent per annum (S\$ million) | Actual | | Forecast | |
|---|-----------------|-----------------|--|-----------------------------------|
| | Local currency | (S\$) | Inclusive of one month contribution from SSW | Rent contribution post divestment |
| Novotel Melbourne on Collins | A\$5.88 | S\$5.77 | S\$5.77 | S\$5.77 |
| Novotel Sydney Darling Square | A\$2.5 | S\$2.45 | S\$2.45 | S\$2.45 |
| Sofitel Sydney Wentworth ⁽¹⁾ | A\$6.0 | S\$5.89 | S\$0.49 | - |
| Fraser Suites Sydney | A\$4.2 | S\$4.12 | S\$4.12 | S\$4.12 |
| Total | A\$18.58 | S\$18.23 | S\$12.83 | S\$12.34 |

Exchange rate of AUDSGD 0.9814

(1) Sold as at 28 October 2021

Source: Frasers Hospitality Trust, FPA Financial

Next, we also note that the percentage of variable revenue from FY2018 to FY2021 was between 52.51% and 71.41% with an average of 62.78% over the past 4 years.

Given the positive outlook in Australia's hospitality industry, we would assume the percentage of variable revenue contribution to return to its 4-year average of 62.78% in FY2022. Accordingly, after rebasing it to 100%, the projected total revenue for Australia's portfolio in FY2022 would be S\$34.5 million, which comprises of S\$12.8 million in fixed revenue and S\$21.6 million in variable revenue. Taking FY2022 as an example, the projected total revenue from Australia segment for FY2022 would be as follows:

- Fixed revenue = S\$490,833 (one-month contribution from SSW) + S\$5.77 million (contribution from NMOC) + S\$2.45 million (contribution from NSDS) + S\$4.12 million (contribution from FSS) = S\$12.8 million
- Variable revenue = 62.78% x (S\$12.8 million / (100% - 62.78%) rebasing to 100%) = S\$21.6 million
- Total revenue = S\$12.8 million (fixed revenue) + S\$21.6 million (variable revenue) = S\$34.5 million

In 2023, as countries globally achieve higher vaccination rates and international travel recovers, a stronger hotel market recovery could be possible. This would allow for more flexibility in reopening of borders, allowing for a more significant increase in visitor arrivals. Furthermore, a gradual return of business travel as well as MICE tourism (meetings, incentives, conferencing, and exhibitions) could support an increase in demand for luxury hotels. Domestically, the possibility of a successful transition to an endemic Covid-19 environment could support a rebound in domestic tourism and, as a result, hotel demand.

On the back of a more positive outlook for international travel in 2023, we would assume 10% increase in variable revenue contribution for FY2023 to 72.78%. Accordingly, after rebasing it to 100%, the projected total revenue for Australia's portfolio in FY2023 would be S\$45.3 million.

Our projected revenue for the Australia segment are summarized in **Exhibit 32**.

Exhibit 32: Projected Revenue for Australia Segment for FY2022 and FY2023

| Australia | Actual | | | | Forecast | |
|-----------------------------|---------------|---------------|---------------|---------------|-----------------------|---------------|
| [S\$'000] | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 ⁽¹⁾ | FY2023 |
| Fixed revenue | 18,230 | 18,230 | 18,230 | 18,230 | 12,831 | 12,340 |
| Variable revenue | 50,816 | 45,534 | 20,160 | 21,045 | 21,639 | 32,988 |
| Variable % of total revenue | 73.60% | 71.41% | 52.51% | 53.58% | 62.78% | 72.78% |
| Total revenue | 69,046 | 63,764 | 38,390 | 39,275 | 34,469 | 45,328 |

(1) Assume 1 month contribution from SSW

Source: Frasers Hospitality Trust, FPA Financial

Singapore

Revenue for the Singapore segment comprises of InterContinental Singapore (ICSG) and Fraser Suites Singapore (FSSG).

According to Singapore Hotel Association (SHA), as at 10 December 2021, ICSG is not part of the list of Singapore's Stay Home Notice (SHN) Dedicated Facility list. Hence, in our projections for FY2022 and FY2023, we would assume that the revenue generated from the Singapore segment would be from domestic and tourism-led demand.

As noted on page 16, there is a possibility for more Singapore to partner with more countries under its vaccinated travel lane (VTL) scheme. We believe that the outlook for tourism-led demand would improve as Singapore gradually reopen its borders. We also noted that the number of international arrivals have increased since the VTL scheme was introduced. Hence, a higher inflow of visitors would also help to uplift performance of the hospitality industry.

Meanwhile, Singapore's government also announced in November that it will relax its safe management measures for the fully vaccinated individuals. This could be a catalyst for a potential increase in staycation demand, which would benefit Singapore's hospitality industry.

For our revenue projections, we would consider the historical contribution of fixed and variable revenue between FY2018 and FY2021. For the fixed revenue for the Singapore segment, we note that it amounted to S\$15.7 million as shown in **Exhibit 33**.

Exhibit 33: FHT's Singapore Portfolio Fixed Rent Contribution

| Property | Fixed rent per annum (S\$ million) |
|----------------------------|------------------------------------|
| InterContinental Singapore | S\$8.0 |
| Fraser Suites Singapore | S\$7.7 |
| Total | S\$15.7 |

Source: Frasers Hospitality Trust, FPA Financial

Next, we also note that the percentage of variable revenue from FY2018 to FY2021 was between 3.85% and 51.23% with an average of 31.07% over the past 4 years.

Given the positive outlook in Singapore's hospitality industry, we would assume the percentage contribution from its variable revenue to return to its 4-year average of 31.07% in FY2022. Accordingly, after rebasing it to 100%, the projected total revenue for the Singapore segment in FY2022 would be S\$22.8 million, which comprises of S\$15.7 million in fixed revenue and S\$7.1 million in variable revenue. Taking FY2022 as an example, the projected total revenue from Singapore segment for FY2022 would be as follows:

- Fixed revenue = S\$8.0 million (contribution from ICSG) + S\$7.7 million (contribution from FSSG) = S\$15.7 million
- Variable revenue = 31.07% x (S\$15.7 million / (100% - 31.07%) rebasing to 100%) = S\$7.1 million
- Total revenue = S\$15.7 million (fixed revenue) + S\$7.1 million (variable revenue) = S\$22.8 million

For FY2023, in anticipation of a possible global Covid-19 situation stabilization and improved international travel, we would assume a 10% increase in variable revenue contribution for FY2023 to 41.07%. We believe the revenue recovery in the Singapore would be similar to Australia due to the expected recovery in Singapore via its VTL scheme. Accordingly, after rebasing it to 100%, the projected total revenue for the Singapore segment in FY2023 would be S\$26.6 million.

Our projected revenue for the Singapore segment are summarized in **Exhibit 34**.

Exhibit 34: Projected Revenue for Singapore Segment for FY2022 and FY2023

| Singapore [S\$'000] | Actual | | | | Forecast | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Fixed revenue | 15,700 | 15,700 | 15,700 | 15,700 | 15,700 | 15,700 |
| Variable revenue | 15,502 | 16,495 | 3,810 | 629 | 7,078 | 10,944 |
| Variable % of total revenue | 49.68% | 51.23% | 19.53% | 3.85% | 31.07% | 41.07% |
| Total revenue | 31,202 | 32,195 | 19,510 | 16,329 | 22,778 | 26,644 |

Source: Frasers Hospitality Trust, FPA Financial

United Kingdom

The United Kingdom (UK) portfolio comprises of ibis Styles London Gloucester Road, Park International London, Fraser Suites Edinburgh, Fraser Suites Glasgow, Fraser Suites Queens Gate and Fraser Place Canary Wharf.

As noted on page 19, UK's monthly occupancy rate has been increasing month on month since the start of the year. According to CBRE, UK has been leading Europe in hotel performance recovery and CBRE credits the recovery exclusively to domestic demand. Further, UK had begun relaxing its entry rules and is making international travel simpler with lower Covid-19 testing costs. UK's tourism agency also forecast inbound visits and spendings to improve. According to UK's Office for National Statistic (ONS), vaccination rates for adults who received at least two doses remained high at approximately 83.5%. We believe the high vaccination rate would allow UK to maintain its relaxed border restrictions and could be a catalyst for further improvement in UK's hotel performance.

Similar to the Australia and Singapore segments, we would consider the historical contribution of fixed and variable revenue between FY2018 and FY2021 for our revenue projections for the UK segment. Assuming the exchange rate of GBPSGD of 1.8298 as at 30 September, the total fixed rent contribution from the UK portfolio amounted to S\$10.98 million as shown in **Exhibit 35**.

Exhibit 35: FHT's UK Portfolio Fixed Rent Contribution

| Property | Fixed rent per annum (million) | Fixed rent per annum (S\$ million) |
|------------------------------------|--------------------------------|------------------------------------|
| ibis Styles London Gloucester Road | £0.6 | S\$1.10 |
| Park International London | £1.3 | S\$2.38 |
| Fraser Suites Edinburgh | £0.5 | S\$0.91 |
| Fraser Suites Glasgow | £0.4 | S\$0.73 |
| Fraser Suites Queens Gate | £1.8 | S\$3.29 |
| Fraser Place Canary Wharf | £1.4 | S\$2.56 |
| Total | £6.00 | S\$10.98 |

Exchange rate of GBPSGD 1.8298

Source: Frasers Hospitality Trust, FPA Financial

Next, we also note that the percentage of variable revenue from FY2018 to FY2021 was between 1.96% and 54.08% with an average of 28.00% over the past 4 years.

Given the positive outlook in UK's hospitality industry, we would assume the percentage contribution from its variable revenue to return to its 4-year average of 28.00% in FY2022. Accordingly, after rebasing it to 100%, the projected total revenue for the UK segment in FY2022 would be S\$15.2 million, which comprises of S\$11.0 million in fixed revenue and S\$4.3 million in variable revenue. Taking FY2022 as an example, the projected total revenue for UK segment for FY2022 would be as follows:

- Fixed revenue = S\$1.10 million (contribution from ibis Styles London Gloucester Road) + S\$2.38 million (contribution from Park International London) + S\$0.91 million (contribution from Fraser Suites Edinburgh) + S\$0.73 million (contribution from Fraser Suites Glasgow) + S\$3.29 million (contribution from Fraser Suites Queen Gate) + S\$2.56 million (contribution from Fraser Place Canary Wharf) = S\$11.0 million
- Variable revenue = (28.00% x (S\$11.0 million / (100% - 28.00%)) rebasing to 100%) = S\$4.3 million
- Total revenue = S\$11.0 million (fixed revenue) + S\$4.3 million (variable revenue) = S\$15.2 million

For FY2023, we would assume a 10% increase in variable revenue contribution for FY2023 to 38.00%. We expect the revenue recovery in the UK, Australia and Singapore to be similar, largely in view of its high vaccination rates and the easing of its international borders. Accordingly, after rebasing it to 100%, the projected total revenue from the UK segment for FY2023 would be S\$17.7 million.

Our projected revenue for the UK segment are summarized in **Exhibit 36**.

Exhibit 36: Projected Revenue for UK Segment for FY2022 and FY2023

| United Kingdom [S\$'000] | Actual | | | | Forecast | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Fixed revenue | 10,979 | 10,979 | 10,979 | 10,979 | 10,979 | 10,979 |
| Variable revenue | 12,763 | 12,928 | 249 | 219 | 4,270 | 6,730 |
| Variable % of total revenue | 53.76% | 54.08% | 2.22% | 1.96% | 28.00% | 38.00% |
| Total revenue | 23,742 | 23,907 | 11,228 | 11,198 | 15,249 | 17,709 |

Source: Frasers Hospitality Trust, FPA Financial

Total Revenue Projection

Given the projections for the Australia, Singapore and UK segments, the combined projected revenue for the 3 segments in FY2022 and FY2023 would be S\$72.5 million and S\$89.7 million respectively. Assuming the same revenue proportioning of 78.1% for combined revenue for these segment as did for FY2021, we would derive a projected total revenue of S\$92.8 million and S\$114.8 million in FY2022 and FY2023 respectively, after rebasing to 100%, as shown in **Exhibit 37** on the next page. Taking FY2022 as an example, the projected total revenue for Japan, Germany and Malaysia for FY2022 would be as follows:

- Japan's revenue = 8.8% x (S\$72.5 million / 78.1% (rebasing to 100%)) = S\$8.2 million
- Germany's revenue = 7.5% x (S\$72.5 million / 78.1% (rebasing to 100%)) = S\$7.0 million
- Malaysia's revenue = 5.6% x (S\$72.5 million / 78.1% (rebasing to 100%)) = S\$5.2 million

Exhibit 37: Projected total revenue for FY2022 and FY2023

| S\$'000 | Actual | | Forecast | | | |
|------------------|---------------|------------------|---------------|------------------|----------------|------------------|
| | FY2021 | Contribution (%) | FY2022 | Contribution (%) | FY2023 | Contribution (%) |
| Australia | 39,275 | 45.9% | 34,469 | 37.1% | 45,328 | 39.5% |
| Singapore | 16,329 | 19.1% | 22,778 | 24.5% | 26,644 | 23.2% |
| UK | 11,198 | 13.1% | 15,249 | 16.4% | 17,709 | 15.4% |
| Sub-total | 66,802 | 78.1% | 72,497 | 78.1% | 89,680 | 78.1% |
| Japan | 7,522 | 8.8% | 8,169 | 8.8% | 10,105 | 8.8% |
| Germany | 6,402 | 7.5% | 6,962 | 7.5% | 8,612 | 7.5% |
| Malaysia | 4,806 | 5.6% | 5,198 | 5.6% | 6,430 | 5.6% |
| Total | 85,532 | 100.0% | 92,825 | 100.0% | 114,828 | 100.0% |

Source: Frasers Hospitality Trust, FPA Financial

(II) Earnings Projection

Given our projected revenue figures for FY2022 and FY2023, we will now estimate FHT's earnings for these periods.

Net Property Income

For our net property income (NPI) projections, we will consider FHT's historical NPI margins. Owing to the adverse impact of Covid-19, FHT's NPI margins decreased to 67.37% and 67.55% in FY2021 and FY2020 respectively. Considering that FHT would still be recovering from the impact of the Covid-19 pandemic, we would assume the same NPI margin of 67.37% as in FY2021. For FY2023, in view of a higher revenue and an improved international travel outlook, we would assume the FY2019's NPI margin of 74.54%. Accordingly, the projected NPI for FY 2022 and FY2023 would be S\$62.5 million and S\$85.6 million respectively as shown in **Exhibit 38**.

Exhibit 38: Projected Net Property Income for FY2022 and FY2023

| S\$'000 | Actual | | | | Forecast | |
|----------------------------------|----------------|----------------|---------------|---------------|---------------|---------------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Revenue | 155,877 | 149,805 | 88,573 | 85,532 | 92,825 | 114,828 |
| Property operating expense | (38,837) | (38,139) | (28,742) | (27,906) | (30,286) | (29,234) |
| Net property income (NPI) | 117,040 | 111,666 | 59,831 | 57,626 | 62,540 | 85,594 |
| NPI margin | 75.08% | 74.54% | 67.55% | 67.37% | 67.37% | 74.54% |

Source: Frasers Hospitality Trust, FPA Financial

Depreciation

Depreciation expense remained relatively stable, increasing by 0.2% yoy to S\$3.9 million in FY2021. However, due to the divestment of Sofitel Sydney Wentworth, we would expect the depreciation expense to be lower in FY2022 and FY2023. While we do not have the breakdown of the depreciation expense for FHT, we would assume the percentage of the valuation of FHT's valuation after the divestment over the reported portfolio valuation as for FY2021 as a proxy for its depreciation expense. Accordingly, the projected depreciation expense for FY2022 would be S\$3.5 million = [1.98 billion (portfolio valuation after divestment) / S\$2.25 billion (portfolio valuation as at FY2021) x S\$3.9 million (depreciation expense in FY2021)]. We would assume the depreciation expense to remain unchanged for FY2023 as shown in **Exhibit 39**.

Exhibit 39: Projected Depreciation Expense for FY2022 and FY2023

| S\$'000 | Actual | | | | Forecast | |
|--------------|---------|---------|---------|---------|----------|---------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Depreciation | (4,290) | (3,815) | (3,921) | (3,929) | (3,458) | (3,458) |

Source: Frasers Hospitality Trust, FPA Financial

REIT Manager's and Trustee-Manager's Management Fees

The REIT Manager is entitled to management fees comprising a Base Fee of 0.3% per annum of the value of the FH-REIT's Deposited Property and Performance Fee of 5.5% per annum of the Distributable Income of FHT in the relevant financial year (calculated before accounting for the FH-REIT Performance Fee and the FH-BT Performance Fee but after accounting for the FH-REIT Base Fee and the FH-BT Base Fee). However, a lower percentage of the base and performance fee may be determined by the REIT Manager in its absolute discretion.

Meanwhile, the Trustee-Manager is entitled to management fees comprising a Base Fee of 0.3% per annum of the value of the FH-BT Trust Property and a Performance Fee of 5.5% of the aggregate Distributable Income of FHT in the relevant financial year (calculated before accounting for the REIT Performance Fee and the BT Performance Fee).

However, we note that both the REIT Manager and the Trustee-Manager may not receive the full base and performance fees, in our projections, we would proxy the management fees to the revenue for each respective years. We note that from FY2018 to FY2021, the REIT-Manager's management fees vary between 4.75% and 6.17% while the Trustee-Manager's fees vary between 0.03% and 0.09%. In our projections we would assume the average percentage of management fees over the projected revenue to derive our REIT-Manager's and Trustee-Manager's management fees.

Based on our calculations, the average REIT-Manager's management fee is 5.28% while the average Trustee-Manager's management fee is 0.05%. Accordingly, our projected REIT-Manager's management fee amounted to S\$4.9 million and S\$6.1 million for FY2022 and FY2023 respectively while our projected Trustee-Manager's management fee amounted to S\$51,000 and S\$63,000 for FY2022 and FY2023 respectively, as shown in **Exhibit 40**.

Exhibit 40: Projected REIT Manager's and Trustee-Manager's Management Fee for FY2022 and FY2023

| [S\$'000] | Actual | | | | | Forecast | |
|-----------------------------------|---------|---------|--------|--------|---------|----------|---------|
| | FY2018 | FY2019 | FY2020 | FY2021 | Average | FY2022 | FY2023 |
| Revenue | 155,877 | 149,805 | 88,573 | 85,532 | | 92,825 | 114,828 |
| REIT-Manager's management fees | 7,401 | 7,369 | 5,466 | 4,521 | 5.28% | 4,902 | 6,064 |
| % of revenue | 4.75% | 4.92% | 6.17% | 5.29% | | 5.28% | 5.28% |
| Trustee-Manager's management fees | 52 | 48 | 54 | 80 | 0.05% | 51 | 63 |
| % of revenue | 0.03% | 0.03% | 0.06% | 0.09% | | 0.05% | 0.05% |

Source: Frasers Hospitality Trust, FPA Financial

Other Management and Trustees' Fee

Other management fees comprises of Managed Investment Trust (MIT) Manager's fees, Kobe Asset Manager's management fees and Asset-Based Securities Servicer fees.

Pursuant to the Investment Management Agreements for MIT Australia and each underlying MIT Sub-Trust, the MIT Manager is entitled to a management fee comprising a Base Fee of 0.3% per annum of the total value of MIT Australia's trust property and a Performance Fee of 5.5% of MIT Australia's aggregate earnings before interest, taxes, depreciation and amortisation in the relevant financial year

Pursuant to the Asset Management Agreements for Kobe Excellence TMK and Excellence Prosperity (Japan) K.K., the Kobe Asset Manager is entitled to an annual management fee of Japanese Yen ("JPY") 12.0 million and JPY 3.0 million respectively (exclusive of consumption tax), payable quarterly in arrears.

Pursuant to the ABS Servicing Agreement for Notable Vision Sdn. Bhd., a Servicer Fee (exclusive of applicable Sales and Service Tax), of Malaysian Ringgit ("MYR") 360,000 per annum, is payable in arrears on a semiannual basis to the REIT Manager for the provision of its services as Servicer.

Considering the above, we note that other management fees remained relatively stable and increased by S\$0.1 million from S\$3.6 million in FY2020 to S\$3.7 million in FY2021. Hence, in our projections, we would assume the same other management fees of S\$3.7 million in FY2021 for both FY2022 and FY2023. Similarly, Trustees' fees also remained relatively stable from FY2020 to FY2021. Hence, we would assume the same Trustees' fees of S\$0.5 million in FY2021 for both FY2022 and FY2023 as shown in **Exhibit 41**.

Exhibit 41: Projected Other Management and Trustees' Fees for FY2022 and FY2023

| S\$'000 | Actual | | | | Forecast | |
|-----------------------|---------|---------|---------|---------|----------|---------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Other management fees | (5,008) | (4,603) | (3,569) | (3,668) | (3,668) | (3,668) |
| Trustees' fees | (504) | (496) | (495) | (493) | (493) | (493) |

Source: Frasers Hospitality Trust, FPA Financial

Other Trust Expenses

Other trust expenses comprise of audit and non-audit fees paid and payable to auditor of the Trusts, valuation fees and "other expenses" As noted on page 21, Other trust expenses declined by 14.4% yoy from S\$3.3 million to S\$2.8 million mainly due to lower non-audit fees, valuation fees and "other expenses". For FY2022 and FY2023 we would assume the same other trust expense of S\$2.8 million as in FY2021 as shown in **Exhibit 42**.

Exhibit 42: Projected Other Trust Expense for FY2022 and FY2023

| S\$'000 | Actual | | | | Forecast | |
|---------------------|---------|---------|---------|---------|----------|---------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Other trust expense | (3,199) | (3,246) | (3,268) | (2,799) | (2,799) | (2,799) |

Source: Frasers Hospitality Trust, FPA Financial

Finance Cost

According to FHT, as at 30 September 2021, its effective cost of borrowings was 2.0%. Over the past few months, interest rates have risen due to remarks by the Federal Reserve (Fed) Chairman Jerome Powell suggesting that the Fed would consider speeding up the wind-down of its easy-money policies in an effort to curtail inflation. Hence, there is a possibility that we could expect an upward pressure on interest rates in FY2022.

Given the above, we would assume a higher effective cost of borrowing of 2.2% FY2022 and an even higher effective cost of borrowings of 2.5% in FY2023. As noted on page 28, the projected total borrowings after the divestment of Sofitel Sydney Wentworth amounted to S\$711.3 million. Assuming no further debt repayment or additional borrowings during these periods, the projected finance cost for FY2022 would be S\$15.6 million = [2.2% x S\$711.3 million] and S\$17.8 million = [2.5% x S\$711.3 million] respectively.

Meanwhile, we would assume the same finance income of S\$0.2 million in FY2021 for FY2022 and FY2023 and assume amortization of debt upfront costs to be zero as shown in **Exhibit 43**.

Exhibit 43: Projected Finance Income and Cost for FY2022 and FY2023

| S\$'000 | Actual | | | | Forecast | |
|------------------------------------|----------|----------|----------|----------|----------|----------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Finance income | 473 | 332 | 329 | 210 | 210 | 210 |
| Amortisation of debt upfront costs | (1,916) | (1,107) | (824) | (952) | - | - |
| Finance costs | (20,597) | (20,503) | (19,750) | (20,415) | (15,649) | (17,783) |

Source: Frasers Hospitality Trust, FPA Financial

Adjustments To Foreign Exchange Differences And Fair Value Changes

We note that in FY2021, FHT recorded foreign exchange loss, net loss in fair value of investment properties, gain in revaluation of property plant and equipment, net loss in fair value of derivative financial instruments and realized loss on derivative financial instruments. For both FY2022 and FY2023 we would assume neither gains nor losses as shown in **Exhibit 44**.

Exhibit 44: Projected Adjustment to Foreign Exchange Differences And Fair Value Changes for FY2022 and FY2023

| S\$'000 | Actual | | | | Forecast | |
|---|---------|----------|-----------|---------|----------|--------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Foreign exchange (loss)/ gain, net | (989) | (265) | (165) | (26) | - | - |
| Net change in fair value of investment properties | (1,386) | (15,574) | (136,777) | (4,574) | - | - |
| Revaluation of property plant and equipment | - | - | (9,208) | 8,444 | - | - |
| Net change in fair value of derivative financial instruments | 473 | (114) | (328) | (77) | - | - |
| Realised (loss)/gain on derivative financial instruments, net | (304) | 842 | 256 | (16) | - | - |

Source: Frasers Hospitality Trust, FPA Financial

Total Return before Tax

Given the above projections, we would estimate a total return before tax of S\$31.7 million in FY2022 and S\$51.5 million in FY2023 as shown in **Exhibit 45**.

Exhibit 45: Projected Total Return before Tax for FY2022 and FY2023

| S\$'000 | Actual | | Forecast | |
|---|------------------|---------------|---------------|---------------|
| | FY2020 | FY2021 | FY2022 | FY2023 |
| Revenue | 88,573 | 85,532 | 92,825 | 114,828 |
| Property operating expenses | (28,742) | (27,906) | (30,286) | (29,234) |
| Net property income | 59,831 | 57,626 | 62,540 | 85,594 |
| Depreciation | (3,921) | (3,929) | (3,458) | (3,458) |
| REIT Manager's management fees | (5,466) | (4,521) | (4,902) | (6,064) |
| Trustee-Manager's management fees | (54) | (80) | (51) | (63) |
| Other management fees | (3,569) | (3,668) | (3,668) | (3,668) |
| Trustees' fees | (495) | (493) | (493) | (493) |
| Other trust expense | (3,268) | (2,799) | (2,799) | (2,799) |
| Finance income | 329 | 210 | 210 | 210 |
| Amortisation of debt upfront costs | (824) | (952) | - | - |
| Finance costs | (19,750) | (20,415) | (15,649) | (17,783) |
| Total return before foreign exchange differences, fair value changes and tax | 22,813 | 20,979 | 31,730 | 51,476 |
| Foreign exchange (loss)/ gain, net | (165) | (26) | - | - |
| Net change in fair value of investment properties | (136,777) | (4,574) | - | - |
| Revaluation of property plant and equipment | (9,208) | 8,444 | - | - |
| Net change in fair value of derivative financial instruments | (328) | (77) | - | - |
| Realised (loss)/gain on derivative financial instruments, net | 256 | (16) | - | - |
| Total return/ (loss) for the year before tax | (123,409) | 24,730 | 31,730 | 51,476 |

Source: Frasers Hospitality Trust, FPA Financial

Taxation

In our projections, we would assume a 17% Singapore income tax rate on total return for the year before tax to derive projected tax expense. Accordingly, the projected tax expense for FY2022 and FY2023 would be S\$5.4 million and S\$8.8 million respectively, as follows:

- Projected tax expense for FY2022 = [17% x S\$31.7 million] = S\$5.4 million
- Projected tax expense for FY2023 = [17% x S\$51.5 million] = S\$8.8 million

Total Return after Tax

As noted on page 27, FHT has estimated the net proceeds from the divestment of Sofitel Sydney Wentworth at A\$282.5 million (S\$277.2 million) and the net gain at A\$24.1 million (approximately S\$23.7 million). As per the Double Taxation Agreement (DTA) between Australia and Singapore, profits of an enterprise are taxed only in the state (state A) where the business operations are carried out unless the other state (state B) has a permanent establishment of the business. If the state B has a permanent establishment of the business, the profits generated from that permanent establishment will be taxable in state B and only in state B. Hence, as the net gain from the divestment of Sofitel Sydney Wentworth has already taken the capital gain tax to be incurred into consideration and the tax is expected to be paid in Australia, we would assume no taxation on the net gain from the divestment of Sofitel Sydney Wentworth in Singapore. Accordingly, we would be recording a one-time gain of S\$23.7 million adjustment to our projected total return after tax for FY2022.

Adjusting for income tax expense, the projected total return after tax for FY2022 and FY2023 would be S\$50.0 million and S\$42.7 million respectively as shown in **Exhibit 46**.

As mentioned on page 25, the perpetual securities were redeemed on 12 May 2021. Therefore, for FY2022 and FY2023, we would assume 100% of the return for the year to be attributable to the Stapled Securityholders.

Accordingly, assuming the same weighted average number of Stapled Security holders in FY2021 for FY2022 and FY2023, the projected earnings per Stapled Security would be 2.60 cents and 2.22 cents respectively as shown in **Exhibit 46**.

Exhibit 46: Projected Total Return after Tax for FY2022 and FY2023

| S\$'000 | Actual | | Forecast | |
|---|------------------|---------------|---------------|---------------|
| | FY2020 | FY2021 | FY2022 | FY2023 |
| Revenue | 88,573 | 85,532 | 92,825 | 114,828 |
| Property operating expenses | (28,742) | (27,906) | (30,286) | (29,234) |
| Net property income | 59,831 | 57,626 | 62,540 | 85,594 |
| Depreciation | (3,921) | (3,929) | (3,458) | (3,458) |
| REIT Manager's management fees | (5,466) | (4,521) | (4,902) | (6,064) |
| Trustee-Manager's management fees | (54) | (80) | (51) | (63) |
| Other management fees | (3,569) | (3,668) | (3,668) | (3,668) |
| Trustees' fees | (495) | (493) | (493) | (493) |
| Other trust expense | (3,268) | (2,799) | (2,799) | (2,799) |
| Finance income | 329 | 210 | 210 | 210 |
| Amortisation of debt upfront costs | (824) | (952) | - | - |
| Finance costs | (19,750) | (20,415) | (15,649) | (17,783) |
| Total return before foreign exchange differences, fair value changes and tax | 22,813 | 20,979 | 31,730 | 51,476 |
| Foreign exchange (loss)/ gain, net | (165) | (26) | - | - |
| Net change in fair value of investment properties | (136,777) | (4,574) | - | - |
| Revaluation of property plant and equipment | (9,208) | 8,444 | - | - |
| Net change in fair value of derivative financial instruments | (328) | (77) | - | - |
| Realised (loss)/gain on derivative financial instruments, | 256 | (16) | - | - |
| Total return/ (loss) for the year before tax | (123,409) | 24,730 | 31,730 | 51,476 |
| Taxation | 9,981 | (8,422) | (5,394) | (8,751) |
| Gain from divestment of assets | - | - | 23,700 | - |
| Total return/ (loss) for the year after tax | (113,428) | 16,308 | 50,036 | 42,725 |
| Attributable to: | | | | |
| Stapled Securityholders | (117,890) | 13,589 | 50,036 | 42,725 |
| Perpetual Securities holders | 4,462 | 2,719 | - | - |
| Weighted average number of Stapled Securities | 1,921,243 | 1,926,074 | 1,926,074 | 1,926,074 |
| Earnings per Stapled Security (cents) | (6.14) | 0.71 | 2.60 | 2.22 |

Source: Frasers Hospitality Trust, FPA Financial

(III) Distributions Projection

With our projected total return for the year after tax, we would now estimate FHT's income available for distribution to Stapled Securityholders. Following the distribution adjustment as shown in **Exhibit 47**, the projected income available for distribution would be S\$30.0 million and S\$46.4 million for FY2022 and FY2023.

As mentioned on page 23, the distributions to Stapled Securityholders in FY2021 is based on 90% payout of the income available for distribution. For FY2022 and FY2023, we would also assume to pay 90% of the income available as distribution. Accordingly, distribution to Stapled Securityholders amounted to S\$27.0 million and S\$41.8 million in FY2022 and FY2023 respectively, and the distribution per Stapled Security would be 1.40 cents and 2.17 cents respectively, as shown in **Exhibit 47**.

Exhibit 47: Projected Distribution for FY2022 and FY2023

| S\$'000 | Actual | Forecast | |
|--|---------------|-----------------|---------------|
| | FY2021 | FY2022 | FY2023 |
| Total return for the year after tax | 16,308 | 50,036 | 42,725 |
| Non-tax deductible/ (non-taxable) items and other adjustments: | | | |
| Amortisation of debt upfront cost | 952 | - | - |
| Amortisation of other assets | 4 | - | - |
| Depreciation | 3,929 | 3,458 | 3,458 |
| Foreign exchange loss, net | 26 | - | - |
| Net change in fair value of investment properties | 4,574 | - | - |
| Revaluation of property, plant and equipment | (8,444) | - | - |
| Net change in fair value of derivative financial instruments | 77 | - | - |
| Gain from divestment of assets | - | (23,700) | - |
| Trustee's fee in relation to FH-REIT | 285 | - | - |
| Interest expense on lease liabilities | 124 | - | - |
| Deferred tax | 5,683 | - | - |
| Other adjustments | 240 | 240 | 240 |
| Net effect of non-tax deductible/ (non-taxable) items and other adjustments | 7,450 | (20,002) | 3,698 |
| Income available for distribution | 23,758 | 30,034 | 46,423 |
| Income available for distribution attributable to: | | | |
| Stapled Securityholders | 21,039 | 30,034 | 46,423 |
| Perpetual Securities holders | 2,719 | - | - |
| Total | 23,758 | 30,034 | 46,423 |
| Distribution to Stapled Securityholders | 18,935 | 27,030 | 41,780 |
| No. of Stapled Securities issued | 1,926,074 | 1,926,074 | 1,926,074 |
| Distribution per Stapled Security (cents) | 0.9831 | 1.4034 | 2.1692 |

Source: Frasers Hospitality Trust, FPA Financial

VALUATION ANALYSIS

We will present our valuation analysis in two segments. First, we will review the valuation impact of the divestment of Sofitel Sydney Wentworth. Second, we will perform a peer comparison analysis to review how FHT is faring against industry peers in terms of valuation metrics.

(I) Valuation Impact of the Divestment of Asset

As noted on page 8, the latest valuation, as at 30 September 2021, of Sofitel Sydney Wentworth was S\$265.0 million. The reported net gain from the divestment was S\$23.7million as discussed on page 27. Therefore, after adjusting for the impact of the divestment, the estimated net assets after the transaction amounted to S\$1,272.2 million. Accordingly, FHT's adjusted net asset value (NAV) per Stapled Security would be 66.05 cents, based on 1,926.1 million issued Stapled Securities, as shown in **Exhibit 48**. The adjusted NAV of 66.05 cents is slightly higher than the reported NAV of 64.82 cents as at 30 September 2021 as noted on page 25.

Exhibit 48: Estimated Adjusted NAV per Stapled Security After the Divestment of Asset

| | [S\$'000] |
|---------------------------------------|------------------|
| Net assets before transaction | 1,248,494 |
| Estimated net gain from divestment | 23,700 |
| Net assets after transaction | 1,272,194 |
| No. of issued Stapled Securities | 1,926,074 |
| Net asset per Stapled Security(cents) | 66.05 |

Source: Frasers Hospitality Trust, FPA Financial

Given the above, we will also perform a peer comparison analysis to review FHT's performance against its peers in terms of valuation metrics.

(II) Peer Comparison Analysis

We performed a peer comparison analysis to review how FHT is faring against industry peers in terms of valuation metrics. We selected peer companies that are similar to FHT in terms of industry and business operations and did a comparison by considering the peer's P/E and P/B as shown in **Exhibit 49**.

Exhibit 49: Peer Comparison

| Company | Stock code | Price (\$) as at 10 Dec 2021 | Market cap (S\$ million) | EPS ⁽¹⁾ (cents) | P/E (x) | DPU ⁽¹⁾ (cents) | Dividend yield (%) | NAV per share (S\$) | P/B (x) |
|---|------------|------------------------------|--------------------------|----------------------------|-----------|----------------------------|--------------------|---------------------|-------------|
| Frasers Hospitality Trust ⁽²⁾ | ACV | 0.475 | 914.89 | 0.70 | 67.86 | 0.98 | 2.07 | 0.66 | 0.72 |
| Peer companies: | | | | | | | | | |
| Ascott Residence Trust ⁽³⁾ | HMN | 1.000 | 3,108.05 | (3.25) | NM | 4.04 | 4.04 | 1.17 | 0.85 |
| Far East Hospitality Trust ⁽⁴⁾ | Q5T | 0.610 | 1,196.45 | (3.86) | NM | 2.48 | 4.07 | 0.79 | 0.77 |
| CDL Hospitality Trusts ⁽⁴⁾ | J85 | 1.170 | 1,429.15 | (14.41) | NM | 4.66 | 3.98 | 1.29 | 0.91 |
| ARA US Hospitality Trust ^{(3) (5)} | XZL | 0.490 | 278.00 | (14.41) | NM | - | - | 0.61 | 0.80 |
| Peer average | - | - | - | - | NM | - | 4.03 | - | 0.83 |

Figures have been rounded. NM: not meaningful

(1) Trailing 12-month data

(2) Adjusted NAV as at 29 Oct 21, after the divestment of SSW

(3) NAV as at 30 Sep 21

(4) NAV as at 30 Jun 21

(5) Currency in US\$

Source: Respective company data, FPA Financial

Based on the results in **Exhibit 49** above, we note that FHT is currently trading at a P/B multiple of 0.72x, which is lower than the peer average P/B of 0.83x, which may suggest that it is undervalued at the current share price of S\$0.475. Adopting a relative valuation approach, we estimate a target price of S\$0.527 if FHT were to trade at the peer average P/B multiple of 0.83x as follows:

➤ Estimated target price = [peer average P/B] x [FHT's NAV per share] = 0.83 x S\$0.66 = S\$0.548

The estimated target price of S\$0.548 would imply a upside potential of 15.37% from the current price of S\$0.475.

SWOT AND COMPETITIVE ANALYSIS

In this section, we undertake a SWOT analysis in **Exhibit 50** to evaluate the various components of the analysis thus far.

Exhibit 50: SWOT analysis

SWOT analysis

| | |
|--|--|
| <u>Strengths</u> <ul style="list-style-type: none"> • Master lease agreements • Award-winning hotels | <u>Weaknesses</u> <ul style="list-style-type: none"> • Rising operating expense |
| <u>Opportunities</u> <ul style="list-style-type: none"> • Recovery of the global economy | <u>Threats</u> <ul style="list-style-type: none"> • Covid-19 resurgence |

(I) Strengths

Owing to the impact of the Covid-19 pandemic, the hospitality industry was among the hardest hit as countries closed its borders in an effort to suppress the transmission of the virus. In the case of FHT, even though FHT's revenue was negatively impacted, the declines were partially mitigated by the contractual fixed rent collection under the master lease agreements. This has provided downside protection to FHT against sub-optimal operating performance of its properties. Further, as noted on page 12, the weighted average lease expiry of FHT's investment properties as at 30 September 2021 was 12.8 years and none of the master leases would be due for renewal till 2024. We believe this would provide further downside protection to FHT's revenue while FHT prepare for eventual recovery of international tourism.

Meanwhile, we note that FHT's hotels have been awarded with numerous accolades over the years which is a testament to the quality of its properties. For the World Travel Awards 2020, InterContinental Singapore was named Singapore's Leading City Hotel and Fraser Suites Edinburgh won the title of Scotland's Leading Serviced Apartments for the 4th consecutive year. Further, all of its Australia properties, InterContinental Singapore, ANA Crowne Plaza Kobe, The Westin Kuala Lumpur and Fraser Suites Edinburgh were bestowed the Agoda 2020 Customer Review Awards. This coveted recognition was given to hotels with an average review score of 8.0 or above, from customer reviews based on location, service, cleanliness, facilities and price. In addition, InterContinental Singapore and The Westin Kuala Lumpur were also proud recipients of the TripAdvisor Traveller's Choice Awards 2020, with the former being ranked amongst the top 25 luxury hotels in Singapore.

(II) Weaknesses

As noted on page 21, FHT's net property income (NPI) margins have dropped from approximately 75% before the Covid-19 pandemic (FY2017-FY2019) to approximately 67% in FY2020 and FY2021. The NPI was significantly affected by the challenging operating environment which resulted in a lower operational efficiency across FHT's properties. With the recent emergence of the Omicron variant, we believe that the virus would continue to mutate and new variants may be expected in the future. Therefore, we believe the challenging operating environment would continue in the near future. Further, poor operating performance may also reduce investor confidence and impact its ability to pursue growth plans. Hence, it would be vital for FHT to manage the rising operating cost and maintain a profitable NPI margin.

(III) Opportunities

As noted on page 14, World Tourism Organization (UNWTO) noted that travel confidence is gradually improving, with many destinations reopening to international travel. The relaxation of travel restrictions for vaccinated travelers, as well as progress in the rollout of COVID-19 vaccines, boosted consumer confidence. Similarly, the International Air Transport Association (IATA) also expects the gradual recovery trends in air travel to continue in 2022. Amid the possibility of a recovery in the global economy, tourism has the potential to boost the hospitality industry. We believe FHT is likely to benefit from the positive outlook for the global travel and tourism industry as its portfolio of quality assets are well positioned to capture the upside when the market recovers.

(IV) Threats

FHT's FY2021 results were impacted by the Covid-19 pandemic. Governments around the world imposed numerous measures including international and domestic border closures, lockdowns, and movement controls, in varying degrees, in combating the spread of the virus. Further, owing to the Covid-19 pandemic, most international airlines and cruise lines temporarily halted operations. All of these measures, as well as concern about the rapid spread of infections, had a significant and negative impact on the global economy, particularly in the travel and hospitality industries. Further, the recent emergence of the Omicron variant could dampen the globally economic recovery and derail governments plans to reopen its borders, which could have a negative impact on FHT's financials.

INVESTMENT RECOMMENDATION

From our valuation analysis, factoring in the impact of the divestment of Sofitel Sydney Wentworth, we derived an adjusted NAV of S\$0.66, which is slightly higher than the reported NAV of S\$0.65 as at 30 September 2021.

Based on the adjusted NAV of S\$0.66, FHT currently has a P/B multiple of 0.72x and is trading at a discount of approximately 28% to NAV

Meanwhile, our peer comparison analysis results show that FHT's P/B of 0.72x is below the peer average P/B of 0.83x, which suggest that it could be undervalued. However, we note that FHT may not be as attractive as its peers as its dividend yield of 2.07% is lower than the peer average dividend yield of 4.03%. We adopted a relative valuation approach to derive an estimated target price of S\$0.548 if FHT were to trade at its peer average P/B of 0.83x

In terms of financials, we note that FHT's FY2021 performance has continued to be impacted by the pandemic and has recorded a 29.7% yoy decrease in distribution per stapled security in FY2021. However, with the improved vaccination rate globally and the countries in FHT's portfolio slowly reopening its borders, we believe FHT is well positioned to benefit from the recovery in the hospitality industry and we anticipate portfolio performance to improve going forward. Further, the divestment of Sofitel Sydney Wentworth is estimated to amount to net proceeds of S\$277.2 million and net gains of S\$23.7 million which would also increase FHT's financial flexibility to fund future acquisition or would allow FHT to enhance the returns for its Stapled Securityholders. In 2023, we expect international travel to recover and FHT's revenue to improve.

Considering the above, we believe a buy recommendation is warranted on FHT. Our target price implies a potential 15.37% upside from the current share price of S\$0.475. However, there are still risks to our target price which we will highlight in the next section.

RISKS TO THE TARGET PRICE

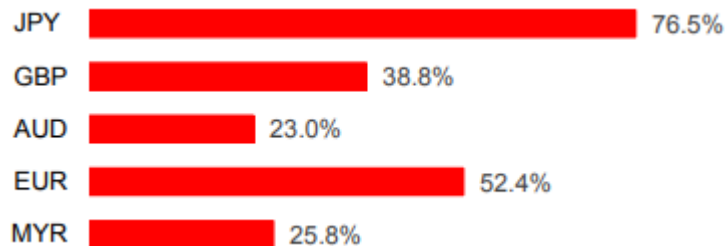
In this section, we highlight below risk factors that may limit the potential upside to FHT's target price.

(I) Currency Risk

We note that FHT has exposure to foreign exchange risk with respect to its Australian Dollars (AUD), Sterling Pound (GBP), Malaysia Ringgit (MYR), Japanese Yen (JPY) and Euro (EUR) denominated investments, distribution income and interest income from its foreign subsidiaries. Amid the current COVID-19 situation, there is a possibility that Singapore Dollar (SGD) could strengthen due to higher vaccination rates and an increase in capital inflow as a result of its safe-haven status. This would imply a reduction in revenue when foreign currency earnings in AUD, GBP, MYR, JPY and EUR are translated to SGD. Hence, a stronger SGD could have a negative impact on FHT's earnings due to currency exchange losses.

However, we note that to manage its foreign currency risks associated with the capital values of its overseas assets, FHT has created a natural hedge by borrowing in the same currency as the underlying asset. This has been achieved either through direct borrowing in the foreign currency, or via cross currency swap which is at a lower cost of funding. It is the Managers' policy to hedge at least 20% of its investments denominated in foreign currencies, either through borrowings in the same foreign currencies or using cross currency swap contracts. As at 30 September 2021, FHT achieved between 23% and 77% natural hedging for its portfolio of assets denominated in foreign currencies. The breakdown of FHT's balance sheet hedging for the different currencies is shown in **Exhibit 51**.

Exhibit 51: FHT's Balance Sheet Hedging (as at 30 September 2021)



Source: Frasers Hospitality Trust

(II) Weak Global Economic Recovery

Global vaccination progress, as well as strong fiscal and monetary stimulus, have largely contributed to a strong global economic recovery in 2021. However, recent economic indicators suggest that the pace of recovery in the 2 major economies – US and China – has slowed. Covid-19 has been a major contributor to the world's slowing growth, as the Delta variant's spread has slowed consumption and disrupted global supply chains. Meanwhile, rising inflation has been a major concern, owing in part to supply bottlenecks and wage pressure. This could result in sooner than expected withdrawal of central bank stimulus which could then reduce growth. For example, in the US, the Federal Reserve (Fed) began to taper its asset purchases and the Fed Chairman Jerome Powell recently said that the Fed would consider speeding up the wind-down of its easy-money policies in an effort to curtail inflation. Overall, given the correlation between hotel demand and economic growth, a worldwide economic downturn could have a detrimental impact on FHT's financials.

(III) Prolonged Virus Uncertainty

Further, virus uncertainty could also have a negative impact on FHT's financial performance. The rapid spread of Delta variant and the threat of new Omicron variant have increased the uncertainty about how quickly the pandemic can be overcome. This poses a risk to border reopenings and the recovery in international travel. Hotel markets which are more dependent on tourism demand such as Singapore, Malaysia and Europe, may likely be more negatively impacted by the uncertainty in the virus situation. This could weigh on the performance of FHT's earnings performance going forward.

CORPORATE GOVERNANCE

(I) Remuneration

The remuneration of the staff of the Managers and Directors' fees are paid by the REIT Manager and the Trustee-Manager from the management fees received from FH-REIT and FH-BT respectively, and not by FH-REIT and FH-BT (as the case may be). With the recommendations of the Nominating and Remuneration Committee (NRC), the Boards have put in place a formal and transparent process for developing policies on remuneration of Directors and Key Management Personnel and for fixing the remuneration packages of individual Directors and Key Management Personnel.

The Managers seek to incentivise and reward consistent and sustained performance through market competitive, internally equitable, performance-orientated and Stapled Securityholder-aligned compensation programmes. This compensation philosophy serves as the foundation for the Managers' remuneration framework, and guides the Managers' remuneration framework and strategies. In addition, the Managers' compensation philosophy seeks to align the aspirations and interests of its employees with the interests of FHT and its Stapled Securityholders, resulting in the sharing of rewards for both employees and Stapled Securityholders on a sustained basis. The Managers' compensation philosophy serves to attract, retain and motivate employees. The Managers aim to connect employees' desire to develop and fulfil their aspirations with the growth opportunities afforded by the Managers' strategic vision and corporate initiatives.

Remuneration Policy in respect of Non-Executive Directors

The remuneration of non-executive Directors has been designed to be appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities, on the Board and Board Committees, and to attract, retain and motivate the Directors to provide good stewardship of FHT.

Each non-executive Director's remuneration comprises a basic fee and attendance fees for attending Board and Board Committee meetings. In addition, non-executive Directors who perform additional services in Board Committees are paid an additional fee for such services. The chairman of each Board Committee is also paid a higher fee compared with the members of the respective Board Committees in view of the greater responsibility carried by that office., as shown in **Exhibit 52**.

Exhibit 52: Non-Executive Director's fee structure as at 30 September 2020

| | Basic Fee per annum (\$) | Attendance Fee per meeting ⁽¹⁾ (for physical attendance in Singapore) (\$) | Attendance Fee per meeting (for physical attendance outside Singapore (excluding home country of Director)) (\$) | Attendance Fee per meeting (for attendance via tele/video conference) (\$) |
|--|--------------------------------|--|---|---|
| Board | | | | |
| - Chairman | 90,000 | 3,000 | 4,500 | 1,000 |
| - Member | 45,000 | 1,500 | 4,500 | 1,000 |
| Audit, Risk and Compliance Committee | | | | |
| - Chairman | 40,000 | 3,000 | 4,500 | 1,000 |
| - Member | 20,000 | 1,500 | 4,500 | 1,000 |
| Nominating and Remuneration Committee | | | | |
| - Chairman | 12,000 | 3,000 | 4,500 | 1,000 |
| - Member | 6,000 | 1,500 | 4,500 | 1,000 |

Note:

⁽¹⁾ The attendance fee applies for attendance in person in Singapore.

Source: Frasers Hospitality Trust

Given the above information, the remuneration of Directors decreased by 6.86% from S\$506,000 in FY2019 to S\$471,292 in FY2020. This could be attributable to the fact that the Boards had approved the waiver of 10% of non-executive Director's fees for the period from 1 May 2020 to 30 September 2020, as shown in **Exhibit 53**.

Exhibit 53: Disclosure of Remuneration of Directors

| Directors of the Managers | Appointment | Remuneration (S\$) | |
|------------------------------------|--|-----------------------|----------------|
| | | FY2020 ⁽¹⁾ | FY2019 |
| Mr Law Song Keng | Chairman, Non-Executive (Independent) Director | 135,917 | 159,000 |
| Mr Chua Phuay Hee | Non-Executive (Independent) Director | 49,625 | 52,500 |
| Mr Liew Choon Wei | Non-Executive (Independent) Director | 81,042 | 86,000 |
| Dr David Wong See Hong | Non-Executive (Independent) Director | 103,208 | 99,000 |
| Mr Panote Sirivadhanabhakdi | Non-Executive (Non-Independent) Director | 53,375 | 57,000 |
| Mr Koh Teck Chuan ⁽²⁾ | Non-Executive (Non-Independent) Director | 48,125 | 17,831 |
| Mr Mr Cheo Peng Sum ⁽³⁾ | Non-Executive (Non-Independent) Director | - | 34,669 |
| Total | | 471,292 | 506,000 |

(1) The Boards had approved the waiver of 10% of non-executive Directors' fees for the period from 1 May 2020 to 30 September 2020, and this has been reflected in the amount of remuneration

(2) Mr Koh Teck Chuan was appointed as Director with effect from 21 May 2019

(3) Mr Cheo Peng Sum retired as a Director with effect from 21 May 2019

Source: Frasers Hospitality Trust

Performance Indicators for CEO and Key Executive of the Managers

Key Management Personnel includes the Chief Executive Officer (CEO) of the REIT Manager (also the CEO of the Trustee Manager), the Chief Financial Officer ("CFO") of the Managers and the division heads of the Managers.

The performance targets align the interests of the Key Management Personnel with the long-term growth and performance of FHT and the Managers. The financial performance indicators on which the Key Management Personnel are evaluated comprise (a) FHT's net property income (b) distribution per Stapled Security and (c) Premium to Unit price/NAV per unit versus peers. These performance indicators are quantitative and are objective measures of FHT's performance.

The non-financial performance indicators on which Key Management Personnel are evaluated include (i) people development, (ii) corporate governance and compliance, (iii) sustainability, (iv) branding, (v) business process, and (vi) investor relations. These qualitative performance indicators will align the Key Management Personnel's performance with FHT's strategic objectives.

Remuneration Packages of Key Management Personnel

The NRCs review and make recommendations on the specific packages and service terms for the Key Management Personnel for endorsement by the respective Board. The NRCs will review the short-term and long-term incentives in the Key Management Personnel remuneration package to ensure its compliance with the substance and spirit of the directions and guidelines from the MAS. No Director or Key Management Personnel is involved in deciding his or her remuneration.

The NRCs align the CEO's leadership, through appropriate remuneration and benefit policies, with FHT's and the Managers' strategic objectives and key challenges. Performance targets are also set for the CEO and his performance is evaluated yearly.

Given the above information, the remuneration of the Key Management Personnel decreased by 13.29% yoy from S\$2,282.2 million in FY2019 to S\$1,978.9 million in FY2020 as shown in **Exhibit 54** and **Exhibit 55** on page 52 respectively. The decrease in remuneration could be attributable to the fact that certain key executives have taken a reduction in their remuneration for the period from 1 May 2020 to 30 September 2020.

Exhibit 54: Disclosure of Remuneration of Key Management Personnel (FY2019)

| | Salary % | Bonus % | Allowances and Benefits % | Long-Term Incentives % | Total % |
|--|-------------------|-------------------|---------------------------------|------------------------------|---------------------|
| Remuneration of CEO for FY2019 | | | | | |
| Between S\$500,001 to S\$750,000 | | | | | |
| Ms Eu Chin Fen ⁽¹⁾ | 42 | 23 | 5 | 30 | 100 |
| Between S\$250,001 to S\$500,000 | | | | | |
| Mr Colin Low Hsien Yang ⁽²⁾ | 18 | 34 ⁽³⁾ | 2 | 46 ⁽⁴⁾ | 100 |
| Remuneration of Key Executives of the Managers⁽⁷⁾ (excluding CEO) for FY2019 | | | | | |
| Ms Valerie Foo Meei Foon ⁽⁵⁾ | | | | | |
| Mr Eric Gan Chee Teik | | | | | |
| Mr Mark Rohner ⁽⁶⁾ | 68 ⁽⁸⁾ | 15 ⁽⁸⁾ | 6 ⁽⁸⁾ | 11 ⁽⁸⁾ | 100 |
| Mr Jason Leong Say Boon | | | | | |
| Ms Sandy Leng Wei Woon | | | | | |
| Aggregate Total Remuneration (including CEO) | | | | | S\$2,282,187 |

Notes:

- (1) Ms Eu Chin Fen was the CEO from 1 October 2018 to 30 June 2019, as such, the remuneration disclosed is for the aforementioned period.
- (2) Mr Colin Low was appointed as the CEO on 1 July 2019, as such, the remuneration disclosed is for the period from 1 July 2019 to 30 September 2019.
- (3) Includes a one-time sign on bonus.
- (4) Includes a one-time award of long-term incentives as part of sign-on bonus.
- (5) The remuneration of Ms Valerie Foo Meei Foon, who was appointed acting Chief Financial Officer from 9 March 2018 to 28 January 2019, was borne by Frasers Property Group (other than the Managers).
- (6) Mr Mark Rohner ceased to be employed by the Managers as of 11 August 2019, as such, the remuneration disclosed is for the period from 1 October 2018 to 11 August 2019.
- (7) The key executives of the Managers (excluding the CEO) listed in this table are the CFO and the division heads of the Managers.
- (8) Derived on the aggregation of the respective remuneration components of each key executives (excluding the CEO) and represented as percentages against total remuneration for these key executives.

Source: Frasers Hospitality Trust

Exhibit 55: Disclosure of Remuneration of Key Management Personnel (FY2020)

| Remuneration of CEO for FY2020 | Salary % | Bonus % | Allowances and Benefits % | Long-Term Incentives % | Total ^(c) % |
|---|-------------------|------------------|---------------------------------|------------------------------|---------------------------|
| Between S\$500,001 to S\$750,000 | | | | | |
| Colin Low | 55 | 8 | 8 | 29 | 100 |
| Remuneration of Key Executives of the Managers ^(a) (excluding CEO) for FY2020 | Salary % | Bonus % | Allowances and Benefits % | Long-Term Incentives % | Total ^(c) % |
| Eric Gan | | | | | |
| Jason Leong | | | | | |
| Caris Ang | 62 ^(b) | 7 ^(b) | 4 ^(b) | 27 ^(b) | 100 |
| Sandy Leng | | | | | |
| Aggregate Total Remuneration (including CEO) | | | | | 1,978,936 |

Notes:

- ^(a) The senior executives of the Managers (excluding the CEO) listed in this table are the CFO and the division heads of the Managers.
- ^(b) Derived on the aggregation of the respective remuneration components of each key executives (excluding the CEO) and represented as percentages against total remuneration for these key executives
- ^(c) Certain Key Executives have taken a reduction in their remuneration for the period from 1 May 2020 to 30 September 2020, and this has been reflected in the amount of total remuneration.

Source: Frasers Hospitality Trust

Given the above, we note that the remuneration of directors and Key Management Personnel have decreased in FY2020 from FY2019 amid the Covid-19 pandemic. This may suggest that the management may adjust the remuneration depending on the market condition and the financial performance of the company.

SUSTAINABILITY INFORMATION

Sustainability Framework

With operational footprint in various geographies, FHT recognises the importance of having an overarching framework to achieve its sustainability objectives. As part of Frasers Property, FHT’s sustainability strategy is closely aligned with the Group’s Sustainability Framework. FHT is guided by the 3 pillars of the framework, namely Acting Progressively, Consuming Responsibly and Focusing on People. FHT’s approach towards sustainability is largely centred on the 13 ESG focus areas under these pillars, and yet adapted to suit its hospitality business and operations, as shown in Exhibit 56.

Exhibit 56: FHT’s Sustainability Framework



Source: Frasers Hospitality Trust

Stakeholder Management

At FHT, key stakeholder groups who are impacted by its business and activities have been identified. During the year, FHT continued to engage its stakeholders proactively through multiple platforms. FHT believes that the valuable feedback from its stakeholders would help FHT understand the sustainability issues that matters, which in turn guide FHT in its sustainability strategy and efforts. The list of the key stakeholders, topics of concerns, mode of engagement and frequency of engagement are summarised in **Exhibit 57**.

Exhibit 57: FHT's Sustainability Framework

| Key Stakeholders | Key Topics of Concern | Mode of Engagement | Frequency of Engagement |
|---|---|--|---|
| Customers and Guests | <ul style="list-style-type: none"> Customer satisfaction Quality of facilities and services Health and safety | <ul style="list-style-type: none"> Bilateral communications Guest satisfaction surveys Events | <ul style="list-style-type: none"> Throughout the year Throughout the year Throughout the year |
| Investment Community and Stapled Securityholders | <ul style="list-style-type: none"> Financial and operational performance Business strategy and outlook Acquisitions and divestments Capital and risk management Corporate governance | <ul style="list-style-type: none"> Results briefings, earnings calls and post-results investor luncheons Annual General Meeting Local and overseas investor conferences and roadshows Bilateral communications via emails, calls, company visits and site visits Corporate website | <ul style="list-style-type: none"> Quarterly Annually Throughout the year As and when requested Throughout the year |
| Hotel and Serviced Residence Operators | <ul style="list-style-type: none"> Asset management and enhancement initiatives Business opportunities Property maintenance programmes ESG practices | <ul style="list-style-type: none"> Regular site meetings Discussions via calls and emails ESG performance data collection and review | <ul style="list-style-type: none"> Throughout the year Throughout the year Monthly |
| Employees | <ul style="list-style-type: none"> Compensation and benefits Employee development and retention Employee satisfaction Employee well-being Occupational health and safety Environmental impact Organisation updates | <ul style="list-style-type: none"> Performance appraisals Training, including courses, seminars, webinars and orientation for new staff Employee feedback and employee satisfaction survey Frasers Property Health and Safety Month and Environment Month Team bonding activities, sports, volunteering, Family Day, Annual Dinner and Dance and other social events Internal communications via emails, the intranet, newsletters and townhall meetings | <ul style="list-style-type: none"> Annually – All employees received reviews in 2020 Throughout the year – In 2020, 49 training hours per employee was achieved As and when required – Due to COVID-19, the annual 'Voices of Frasers' survey was not conducted, in its place was a group-wide pulse survey to seek employees' feedback on flexible working arrangements Annually Throughout the year Throughout the year |
| Local Community | <ul style="list-style-type: none"> Social and community projects Business impact on the environment and society | <ul style="list-style-type: none"> Community engagement activities across all properties | <ul style="list-style-type: none"> Throughout the year |
| Regulators and Non-governmental Organisations | <ul style="list-style-type: none"> Regulatory compliance Corporate governance Regulatory and industry updates and trends | <ul style="list-style-type: none"> Briefings, discussions and consultations Participation in relevant industry associations | <ul style="list-style-type: none"> Throughout the year Member of the REIT Association of Singapore (REITAS) Member of Securities Investors Association (Singapore) CEO of the REIT Manager, Mr. Colin Low, is a Board Member of the Singapore Hotel Association and a Member of the Regulatory Sub-Committee of REITAS |

Source: Frasers Hospitality Trust

Materiality Assessment

FHT has 8 ESG material factors, namely Economic Performance, Anti-corruption, Energy and GHG Emissions Management, Water Management, Waste Management, Customer Experience, Talent Recruitment and Retention, and Employee Well-being and Empowerment.

FHT reviews these material factors on an ongoing basis to ensure their relevance to its business and alignment with its sustainability goals. The review process is guided by the Global Reporting Initiative (GRI) Principles of Materiality and takes into consideration the global and hospitality industry specific trends.

Exhibit 58 below shows how FHT’s material factors correspond to the Group Sustainability Framework and the relevant United Nations Sustainable Development Goals (UNSDGs). It also shows FHT’s material factor boundaries, where significant impacts occur for each of its material factors and where FHT has caused or contributed to the impacts through its business relationships.

Exhibit 58: Materiality Matrix

| Group Sustainability Framework Pillars | Corresponding UNSDGs | FHT’s Material Factors | Materiality Rationale | Material Factor Boundaries | | |
|--|----------------------|--|---|----------------------------|------------------------|------------|
| | | | | FHT/ REIT Manager | Suppliers/ Contractors | Properties |
| Acting Progressively | | Economic Performance | Our strategic objective is to manage and expand our portfolio, within our risk capacity and appetite, to deliver long-term growth in distribution and net asset value to our Stapled Securityholders. | ✓ | | |
| | | Anti-corruption | The foundation of our reputation lies in ethical and fair dealings. We maintain high standards of governance and accountability to earn the trust and confidence of our stakeholders. | ✓ | ✓ | ✓ |
| Consuming Responsibly | | Energy and GHG Emissions Management | Considering that energy consumption is one of the largest environmental impact that our operations generate, we continue to actively monitor and manage energy consumption at our properties. | | | ✓ |
| | | Water Management | Water is a limited natural resource. It is essential to manage our water consumption to reduce unnecessary usage. | | | ✓ |
| | | Waste Management | As our operations generate various types of waste, proper waste management is key in preventing adverse impact on the local environment and public health. | | | ✓ |
| Focusing on People | | Customer Experience | Customer experience is a vital aspect in determining the success of our business. It is our utmost priority to meet and even exceed the expectations of our customers and guests. | | | ✓ |
| | | Talent Recruitment and Retention | It is important that the REIT Manager has the capacity to manage and expand FHT’s portfolio to create value for our stakeholders. We seek to attract, develop and retain the right people who are the cornerstone of our success. | ✓ | | |
| | | Employee Well-being and Empowerment | Employees are at the heart of hospitality operations. It is vital to ensure our hotel and serviced residence operators value the well-being of property staff by providing a conducive and safe working environment. In turn, a motivated workforce can better deliver positive, memorable experiences to our customers and guests. | ✓ | | ✓ |

Source: Frasers Hospitality Trust

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