



Securities Investors Association (Singapore)
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Stapled group:

ARA US Hospitality Property Trust & ARA US Hospitality Management Trust
(Managers: ARA Trust Management (USH) Pte. Ltd. & ARA Business Trust Management (USH) Pte. Ltd.)

Stock code: XZL

Meeting details:

Date: 23 June 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

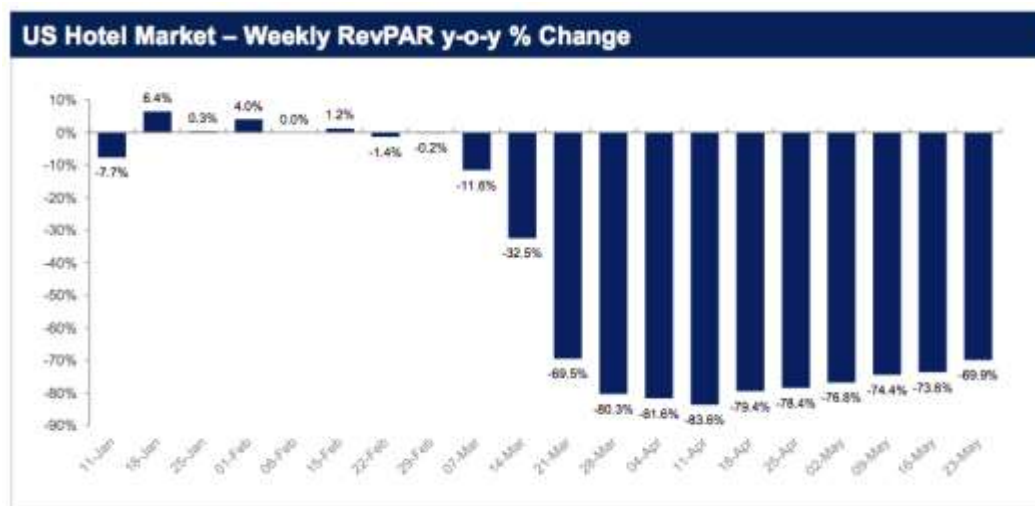
Q1. The stapled group was listed on SGX-ST on 9 May 2019, raising total gross proceeds of US\$498 million. The stapled group positions itself as a pure-play U.S. hospitality portfolio with a focus on premium, upscale select-service hotels.

Further to the publication of the annual report, the stapled group has announced a business and operational update for 1Q2020 on 8 May 2020 and an investor presentation on 3 June 2020.

In 1Q 2020, the average occupancy rate for the portfolio slipped to 54.8% as a result of the COVID-19 outbreak. Gross revenue was US\$31.7 million and net property income was 68% lower than the IPO forecast, at US\$3.6 million. In particular, in March 2020, the occupancy rate for the portfolio was 38%. The stapled group has cash balance of US\$22.0 million as at 31 March 2020.

- (i) Further to the COVID-19 outbreak, there have been protests in major cities which started in the last week of May 2020. **Have the hotels and the stapled group's operations been affected?**
- (ii) **Is the extended-stay segment more resilient in the current climate?**

As show in the investor presentation, the months of April and May were particularly affected by the pandemic. Weekly RevPAR dropped as much as 84% on a year-on-year basis.



(Source: Investor presentation)

- (iii) **With a cash balance of US\$22 million as at 31 March 2020, does the stapled group have sufficient working capital to tide it over this extremely challenging period?**
- (iv) **What assistance (financial and non-financial) have the franchisors given to the stapled group?**

- (v) **Has the stapled group reviewed the financial status of its third-party hotel managers (Aimbridge Hospitality and Concord Hospitality)? How are the stakeholders working together during this challenging period?**

Q2. In addition, the stapled group's net asset value per stapled security has slipped from US\$0.87 as at 31 December 2019 to US\$0.80 as at 31 March 2020.

	As at 31 Mar 2020	As at 31 Dec 2019
NAV per Stapled Security	US\$0.80 ¹	US\$0.87
Cash Balance	US\$22.0 mil	US\$45.2 mil
Total Debt Outstanding	US\$337.2 mil ²	US\$243.7 mil
Aggregate Leverage Ratio	41.0%	32.1%
Weighted Average Debt Maturity	3.8 years	4.4 years
Average Cost of Debt (p.a.)	3.8%	3.9%
Interest Coverage Ratio	3.4X	4.5X

¹ NAV per Stapled security fell as at 31 March 2020, primarily due to the payment of distribution on 27 March 2020, and the mark-to-market of interest rate swaps.

² Total Debt as at 31 March 2020 includes new loans drawn for the acquisition of the 3 Marriott branded hotels in January 2020, and recording of US\$7.3mil lease liabilities on adoption of SFRS(I)16 on 1 January 2020.

(Source: investor presentation)

- (i) **Can the stapled group help the stapled securityholders understand the reasons for the drop in NAV? Please quantify the impact from the payment of distribution and the impact from the mark-to-market of interest rate swaps. At the IPO, the net asset value per stapled security was US\$0.86.**
- (ii) **With the aggregate leverage ratio at 41%, how much headroom is there to support any further growth?**
- (iii) **How does the increase in aggregate leverage limit for REITs to 50% affect the stapled group? Has the board set any internal limits for ARA H-REIT and/or ARA H-BT?**

Q3. The stapled group achieved an occupancy rate of 77.0% for the period from 9 May 2019 to 31 December 2019 (before the pandemic).

Portfolio VS U.S. Lodging Industry Performance in 2019

	Occupancy	RevPAR	RevPAR Index
ARA H-Trust Portfolio ¹	77.0%	US\$94	106.3%
U.S. Lodging Industry	66.1%	US\$86	-

¹ For the period from 9 May 2019 (Listing Date) to 31 December 2019.

(Source: annual report)

- (i) **Given that the managers have positioned the stapled group as a portfolio with a focus on premium, upscale select-service hotels, should the group's occupancy rate be compared to a premium hotel/select-service benchmark to make it more meaningful?**
- (ii) **In addition, given that the stapled group has a diversified network of 41 hotels across 22 states, would it be more meaningful to compare the occupancy rates of each hotel to the catchment area, e.g. each localised area such as Pittsburg, Atlanta?**
- (iii) **The occupancy rates of several hotels were in the mid 60s. For example, Hyatt Place Cincinnati Northeast in Ohio had an occupancy rate of 65.4%. **What are the pro-active plans by the managers to improve the occupancy rates of these hotels?****

[^]Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)



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