Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

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

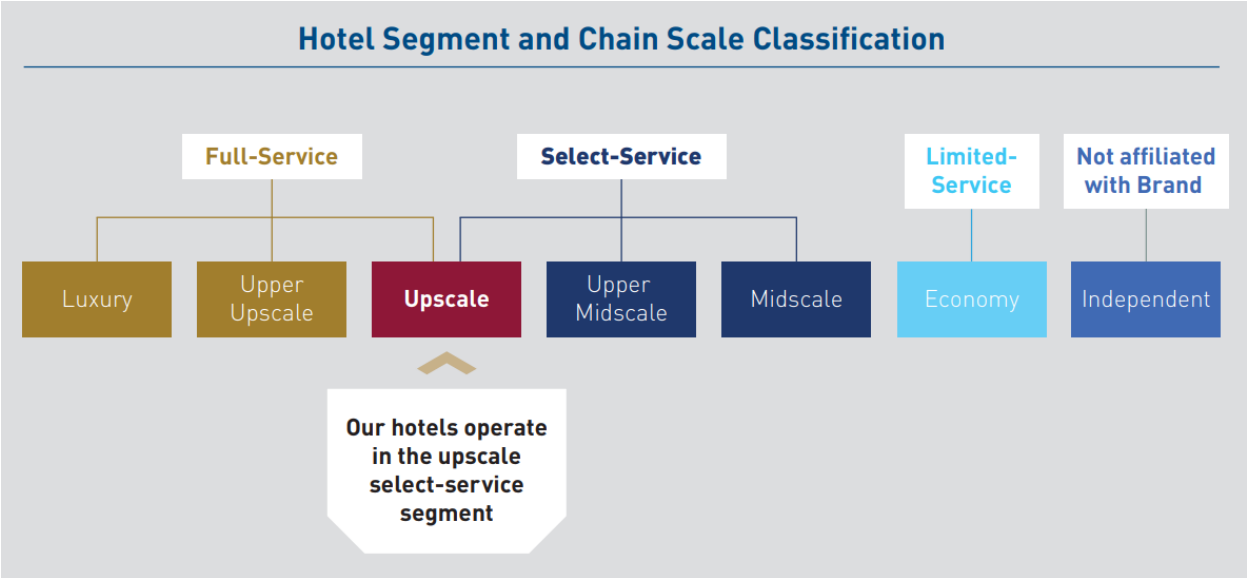
Stock code: XZL

Meeting details:
Date: 27 April 2023
Time: 10.00 a.m.
Venue: Level 3, Rooms 335-336, The Suntec Singapore Convention and Exhibition Centre, 1 Raffles Boulevard, Singapore 039593

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Q1. As disclosed in the overview of the stapled group's portfolio, the stapled group is focused on owning and operating upscale, premium-branded hotels in the United States which have efficient and cost-effective select-service operating models.

The hotels are franchised under three of the world's largest hotel chains, Marriott International ("Marriott"), Hyatt Hotels Corporation ("Hyatt") and Hilton Worldwide ("Hilton") with the following brands:
- Hyatt House (11 properties)
- Hyatt Place (22 properties)
- AC Hotels by Marriott (1 property)
- Courtyard by Marriott (1 property)
- Residence Inn by Marriott (1 property)
- Home2 Suites by Hilton (acquisition was completed on 19 April 2023)



(Source: annual report)

(i) **Can the managers elaborate further on the attractiveness of the upscale select-service segment, and what is the competitive advantage of the stapled group in investing in this segment?**

(ii) **How has the US hospitality market evolved since the COVID-19 pandemic, and how have the managers adapted the group's strategies since its listing in 2019 to navigate these changes?**

(iii) **Are there any differences in operational and financial performance observed by the stapled group across the brands (Hyatt, Marriott, and Hilton), and also across the hotel operators?**

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(iv) **Do the managers anticipate that the stapled group will undergo significant portfolio optimisation and rebalancing, with the goal of redeploying capital into new assets?**

(v) **Have high inflation, recession risks, or any other key risks affected the stapled group's pace of acquisitions or growth?**

(vi) **In the event of a recession, how resilient is the portfolio of upscale hotels owned by the stapled group across 19 states?**

Q2. As at 31 December 2022, the stapled group had aggregate leverage of 39.4%.

Financial Ratios as at 31 December	2022	2021
Net Asset Value per Stapled Security (US$)	0.80	0.70
Aggregate Leverage (%)	39.4	44.3
Net Gearing[3] (%)	35.4	42.8
Interest Coverage Ratio[4] (x)	2.6	2.0
Proportion of Fixed Debt (%)	82.0	79.1
Weighted Average All-in Cost of Debt (%)	3.8	3.4
Weighted Average debt Maturity (years)	1.5	2.0

(Source: annual report)

(i) **What is the aggregate leverage after the acquisition of Home2 Suites by Hilton Colorado Springs South?**

Since the interest coverage ratio (ICR) has risen above 2.5 times, the permissible aggregate leverage limit of ARA H-Trust has been restored to 50% (from 45% previously due to its ICR being below 2.5 times).

(ii) **What is the current level of debt headroom available to the stapled group?**

(iii) **What is the managers' current outlook on the US hospitality market, and do they believe this is a favourable time to pursue acquisitions?**

(iv) **Could potential fluctuations in the ICR around the MAS threshold of 2.5 times pose a risk to the stapled group's compliance with the REIT regulations on aggregate leverage and ICR? If so, how do the managers plan to address this concern?**

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Q3. While the weighted average debt maturity stands at 1.5 years as at 31 December 2022, the group has no refinancing requirement in FY 2023. Total loans and borrowings amounted to US$325.9 million.

(i) **Can the group provide stapled securityholders with the debt maturity profile?**

(ii) **Is the all-in cost of debt at 3.8% in line with other comparable listed trusts?**

(iii) **What is the strategy to optimise its all-in cost of debt when the group has to refinance its expiring loans in 2024?**

(iv) **In addition, what is the weighted average tenure of the interest rate swaps and how do the managers determine the terms of the swaps?**

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

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