CDL HOSPITALITY TRUSTS

# Proposed Acquisition of Studio M Hotel, Singapore

## Extraordinary General Meeting

29 April 2011

# Disclaimer

CDL HOSPITALITY TRUSTS

The value of Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by the H-REIT Manager or M&C Business Trust Management Limited, as trustee of CDL Hospitality Business Trust (the “HBT Trustee-Manager”), or any of their respective affiliates.

An investment in Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the H-REIT Manager and/or the HBT Trustee-Manager redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that holders of the Stapled Securities may only deal in their Stapled Securities through trading on Singapore Exchange Securities Trading Limited (the “SGX-ST”). Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.

This presentation contains certain tables and other statistical analyses (the "Statistical Information") which have been prepared by the H-REIT Manager and the HBT Trustee-Manager. Numerous assumptions were used in preparing the Statistical Information, which may or may not be reflected herein. As such, no assurance can be given as to the Statistical Information’s accuracy, appropriateness or completeness in any particular context, nor as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice.

Market data and certain industry forecasts used throughout this presentation were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified by the H-REIT Manager or the HBT Trustee-Manager and neither the H-REIT Manager or the HBT Trustee-Manager makes any representations as to the accuracy or completeness of such information.

This document may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

This document and its contents shall not be disclosed without the prior written permission of the H-REIT Manager or HBT Trustee-Manager.

This presentation should be read together with the Circular dated 5 April 2011 issued to Security Holders and uploaded on SGXNet.

# Ordinary Resolution

- **To approve the acquisition of Studio M Hotel Singapore and master lease of Studio M Hotel Singapore**

- **Key property details**

| | |
|---|---|
| **Rooms** | 360 over 9 floors |
| **Facilities** | ▪ Open-air tropical deck<br>▪ 25-metre lap pool<br>▪ Open-air gym<br>▪ Lounge area with private cabanas<br>▪ 30 car park lots |
| **F&B** | Italian café & outdoor bar |
| **GFA** | 8,210 sq m |
| **Land Area** | 2,932 sq m |
| **Tenure** | Leasehold 99 years with effect from 26 Feb '07 |

# Acquisition of Studio M Hotel

CDL HOSPITALITY TRUSTS

| | |
|---|---|
| **Purchase Consideration** | S$154.0 million |
| **Price Per Key** | ~ S$428,000 |
| **Valuation** | **CBRE** S$154.0 million<br>**Knight Frank** S$153.8 million |
| **Pro Forma Property Yield for FY 2010** | 6.1% (1) (2) |
| **Pro Forma DPS impact for FY 2010** | Increase by 0.57 cents or 5.1% (2) |
| **Funding of the Total Acquisition Cost of S$156.2 million** | ▪ **S$154.7m** comprising Purchase Consideration of S$154.0m and other acquisition costs of S$0.7m, to be funded by acquisition facilities<br>▪ **S$1.54m** Acquisition Fee payable to the H-REIT Manager, to be funded through the issuance of new Stapled Securities |


Note: (1) Based on the pro forma net property income from Studio M Hotel for FY2010 of S$9.4 million as a percentage of the Purchase Consideration of S$154.0 million. As a percentage of the Total Acquisition Cost of S$156.2 million, the net property yield would be 6.0%.

(2) For more details, please refer to the Circular to Security Holders dated 5 April 2011

# *Acquisition Rationale*

# Acquisition Rationale

CDL HOSPITALITY TRUSTS

1. Unique Opportunity to Acquire a New Hospitality Asset in a Rising Market
2. Accretive Transaction
3. Quality, Well-located Property (appealing to business & leisure segments)
4. Master Lease Provides Quality Income with Organic Growth
5. Broadening Earnings Base & Improving Stability of Portfolio
6. Beneficiary of Buoyant Singapore Hotel Sector

# 1 Unique Opportunity to Acquire a New Hospitality Asset in a Rising Market

CDL HOSPITALITY TRUSTS

- **Positive outlook on Singapore hospitality market**
  ✓ Attractive in terms of country risks, visibility and prospects

- **Competition for hotel development land remains intense**

Rising land price

| Date of Award | Location | S$ psf ppr | No. of bids |
|---|---|---|---|
| 10-Mar-11 | Robertson Quay | 938 | 9 |
| 14-Jan-11 | Gopeng St / Peck Seah Street | 932 | 7 |
| 11-Jan-11 | Robinson Road / Boon Tat Street | 1,072 | 8 |
| 03-Sep-10 | Clemenceau Avenue / Havelock Road | 813 | 13 |
| 07-Sep-09 | New Bridge Road | 401 | 6 |
| 16-Jun-09 | Short Street | 353 | 15 |

**S$800 - S$1,000+ psf ppr**

- **Tapping on Sponsor's portfolio and pipeline of quality hospitality assets**
  ✓ Acquisition made possible on account of H-REIT's relationship with the Sponsor

Source: URA, CDL-HT Research

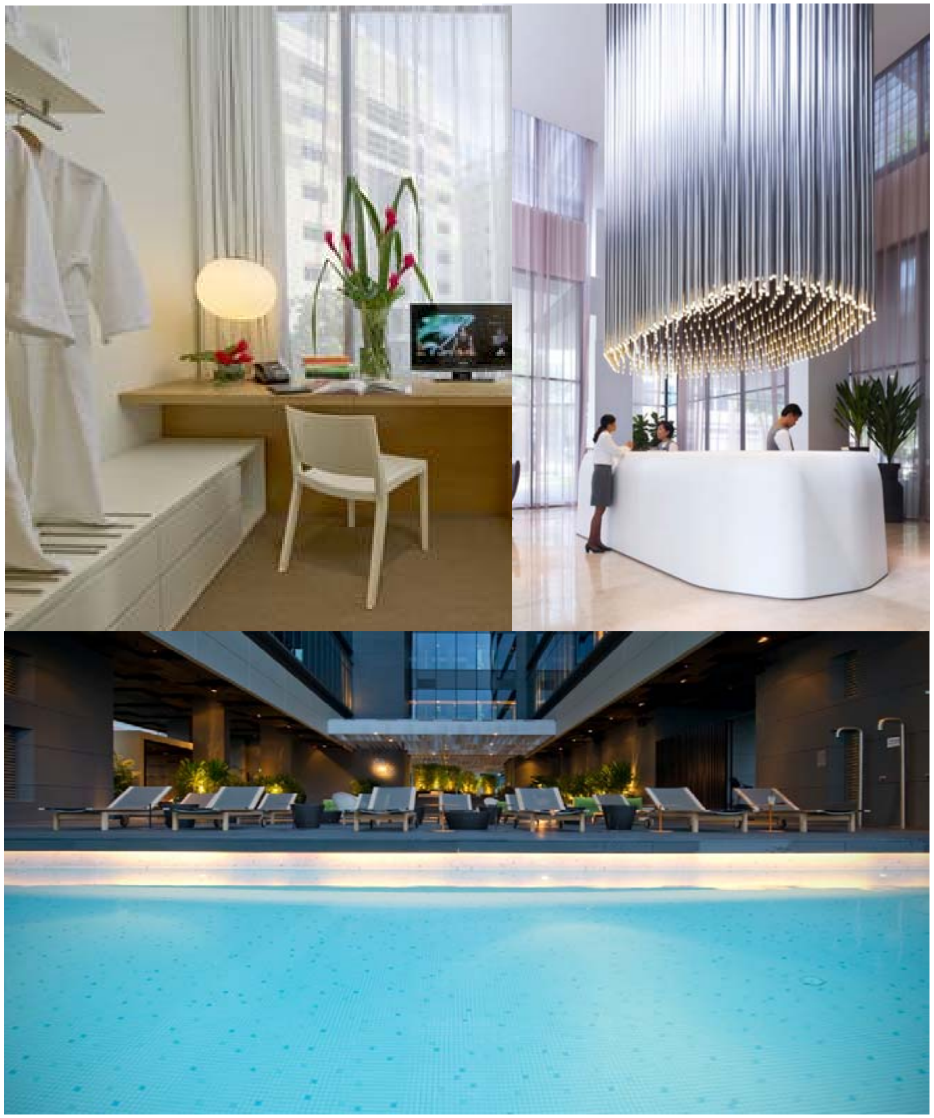
# 1 Unique Opportunity to Acquire a New Hospitality Asset in a Rising Market (cont'd)



**Studio M Hotel Trading Performance**

| | Occ | ARR | RevPAR |
|---|---|---|---|
| **Jun[1] – Dec 10** | 88.9% | $174 | $155 |
| **1Q 2011** | 83.2% | $191 | $159 |

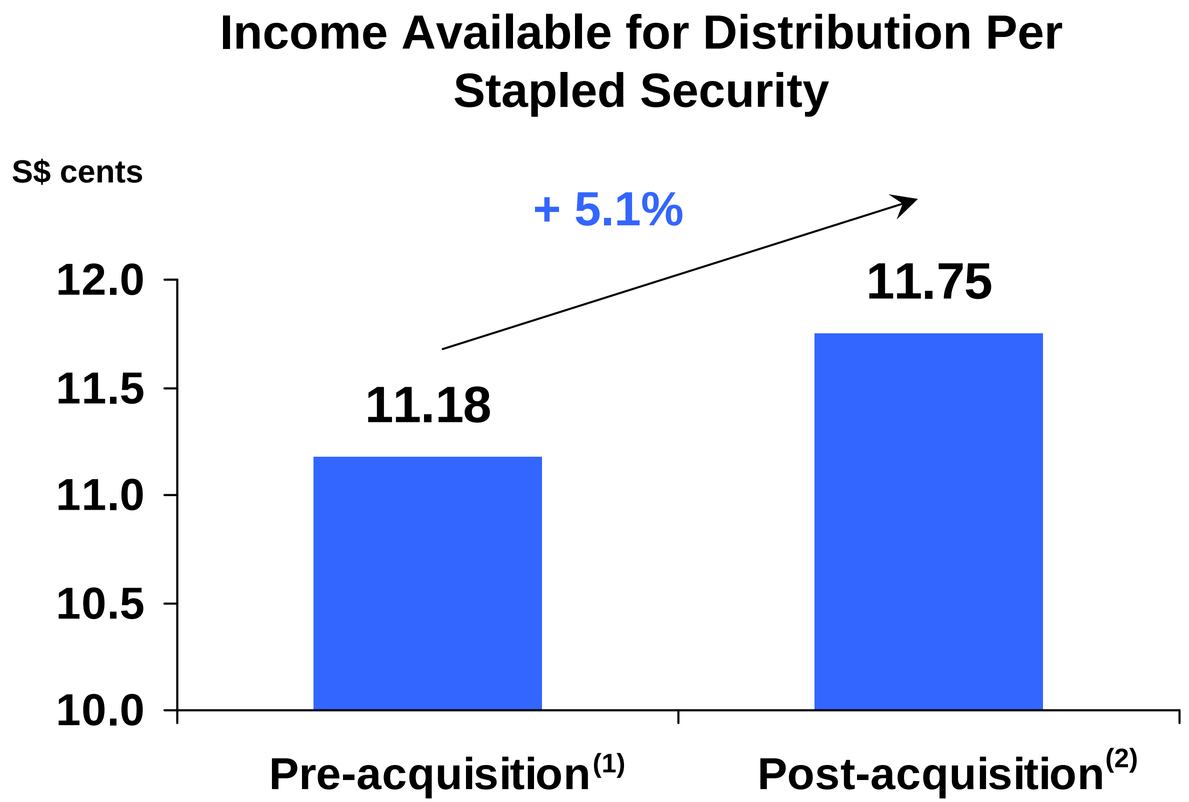
- Studio M Hotel achieved a high average occupancy rate of 88.9% in the first 7 months of full operations as a result of the appeal of the property coupled with strong accommodation demand in Singapore
- The Hotel continues to perform strongly in 1Q 2011



Note: (1) Being the first complete month when the full room inventory was available for sale

# Accretive Transaction

CDL HOSPITALITY TRUSTS




**FY2010 Pro forma DPS increased by 0.57 cents or 5.1%**

Note: (1) Based on FY2010 income available for distribution per Stapled Security, before deducting income retained for working capital (“DPS”).
(2) Based on the pro forma net property income from Studio M Hotel for FY2010. Studio M Hotel‘s FY2010 pro forma net property income is based on the pro forma gross rental revenue less estimated property expenses for the full year. Pro forma gross rental revenue is calculated based on the performance of Studio M Hotel from 1 June 2010 (being the first complete month when the full room inventory was available for sale) to 31 December 2010 on an annualised basis, as if Studio M had been fully operational since 1 January 2010.

# 3 Quality Property in a Strategic Location

CDL HOSPITALITY TRUSTS

- Newly-built asset completed in March 2010
- Stylish and contemporary design set to capture growing business and leisure segments
- Vibrant lifestyle options near the Robertson Quay precinct and in proximity to CBD, tourist attractions, IRs and convention centres

# 4 Master Lease Provides Long-Term Quality Income with Organic Growth

CDL HOSPITALITY TRUSTS

**Details of Master Lease Agreement**

| | |
|---|---|
| **Master Lessee** | ▪ Republic Iconic Hotel Pte. Ltd. (an indirect wholly-owned subsidiary of Millennium & Copthorne Hotels plc) |
| **Term of lease** | ▪ Initial term of 20 years (up to a total term of 70 years at the option of the Master Lessee) |
| **Rent Payment** | ▪ 30% of Studio M Hotel's revenue + 20% of Studio M Hotel's gross operating profit subject to a minimum fixed rent of S$5.0 million for the initial 10 years of the lease (1)<br>▪ 1st twelve months Guaranteed Minimum Net Rent of S$9.24 million (or a net yield of ~6% per annum of purchase consideration of S$154.0 million) |
| **Capex Obligation** | ▪ Capital expenditure limited to works on physical structure, plant & equipment and services infrastructure |

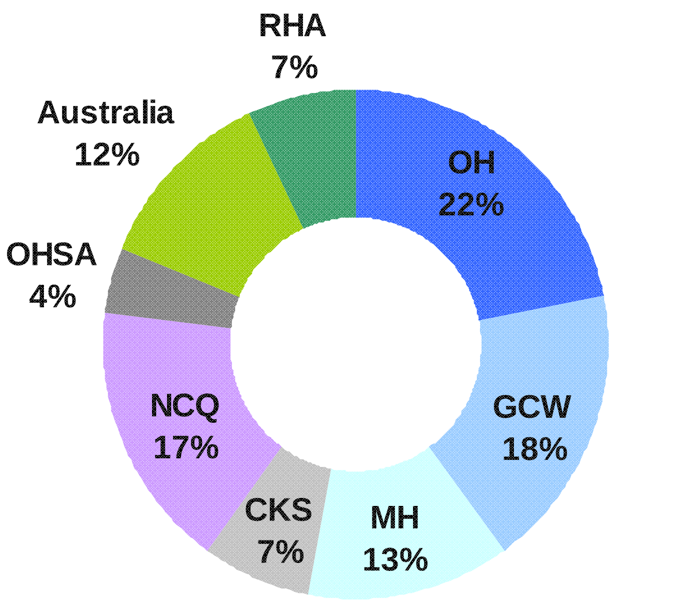
**Long Term Stream of Quality Income**

**Organic Growth from Fixed and Variable Rent Terms**

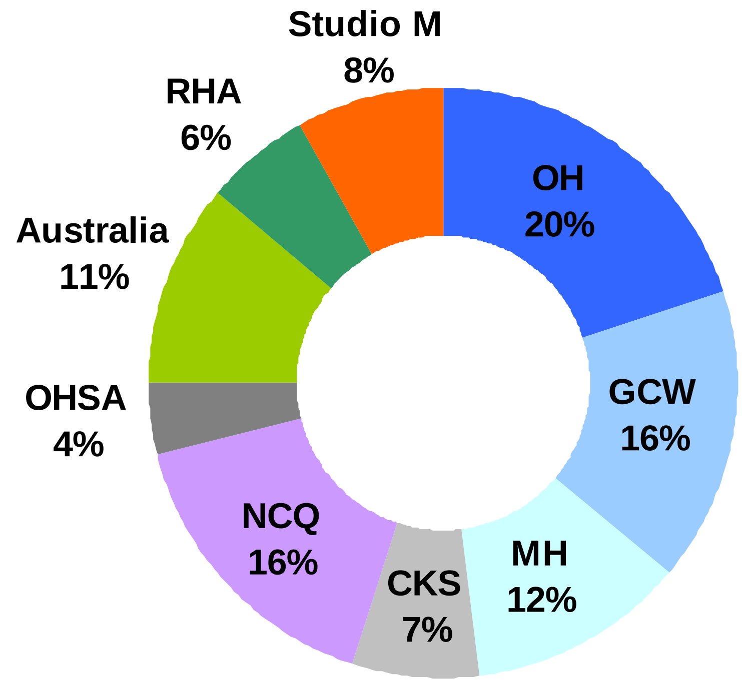
Note: (1) The fixed rent component of the rent shall be revised on the tenth anniversary date of the commencement of the Master Lease to an amount equivalent to 50% of the average annual aggregate fixed rent and variable rent for the five fiscal years preceding the Rent Revision Date in the event the fixed rent component prevailing at the time of the Rent Revision Date is less than the Revised Fixed Rent Amount.
(2) For more details, please refer to Circular to uniholders dated 5 April 2011

# 5 Broadening Earnings Base and Improving Stability of Overall Portfolio

CDL HOSPITALITY TRUSTS




**FY2010**
**Pre-Acquisition Gross Revenue**




**Pro-forma FY2010[1]**
**Post-Acquisition Gross Revenue**

Addition of Studio M Hotel reduces the reliance on any single property and increases the fixed rent income base of H-REIT

Note: (1) Pro forma gross rental revenue is calculated based on the performance of Studio M Hotel from 1 June 2010 (being the first complete month when the full room inventory was available for sale) to 31 December 2010 on an annualised basis, as if Studio M had been fully operational since 1 January 2010

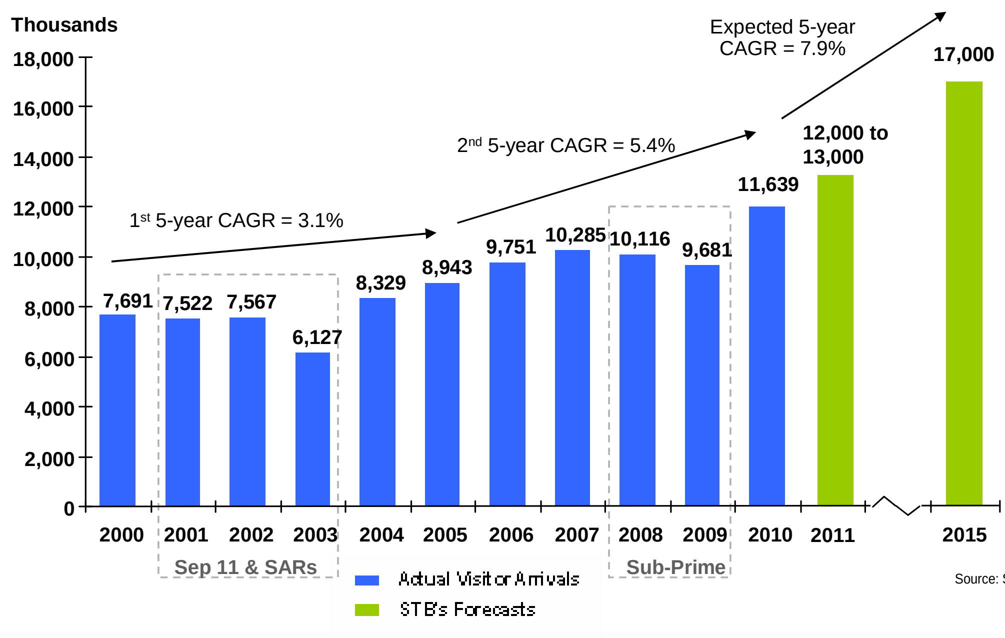
# 6 Beneficiary of Buoyant S'pore Hotel Sector

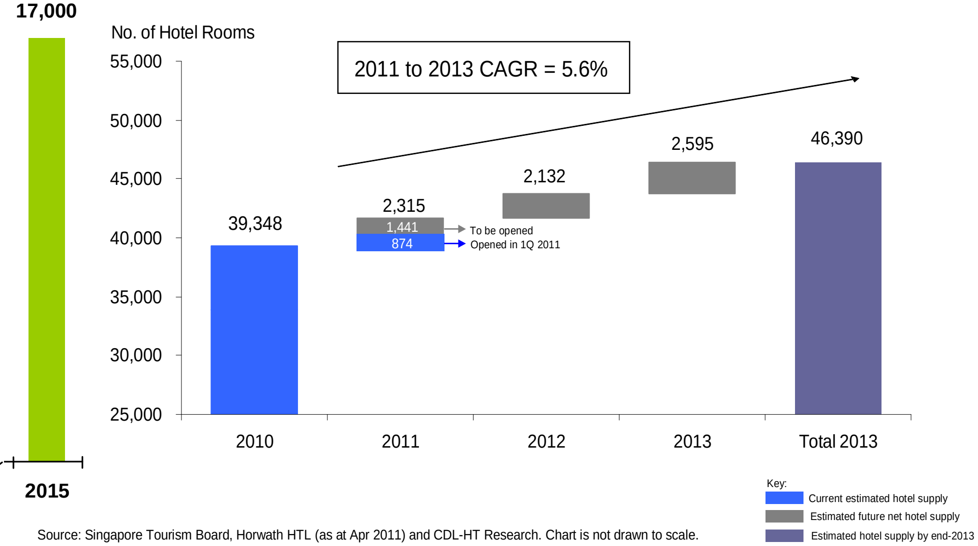
CDL HOSPITALITY TRUSTS

- **Visitor arrival growth to exceed on-coming hotel room supply**

**Visitor arrivals forecasted growth 7.9% p.a.[1]**

**Room supply 5.6% p.a.[2]**




Note: (1) Forecasted CAGR from 2011 – 2015

(2) Estimated increase from 2011 – 2013

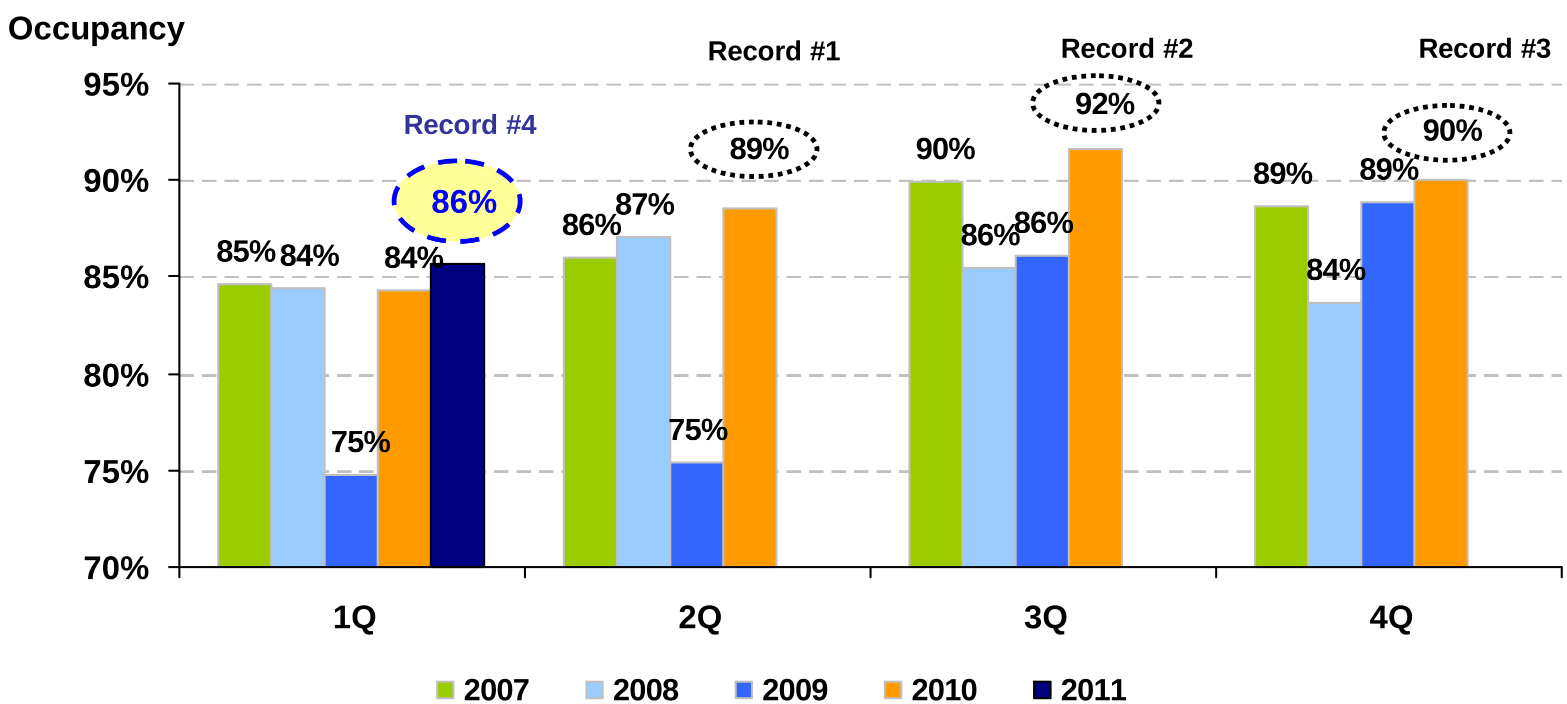
Source: Singapore Tourism Board, Howarth HTL, CDL-HT Research

# 6 Beneficiary of Buoyant S'pore Hotel Sector (cont'd)

CDL HOSPITALITY TRUSTS

- CDL-HT Singapore hotels achieved highest ever quarterly occupancies of between 89% - 92% from 2Q to 4Q 2010 (since IPO in 2006)

CDL-HT Singapore Hotels Quarterly Occupancy Comparison

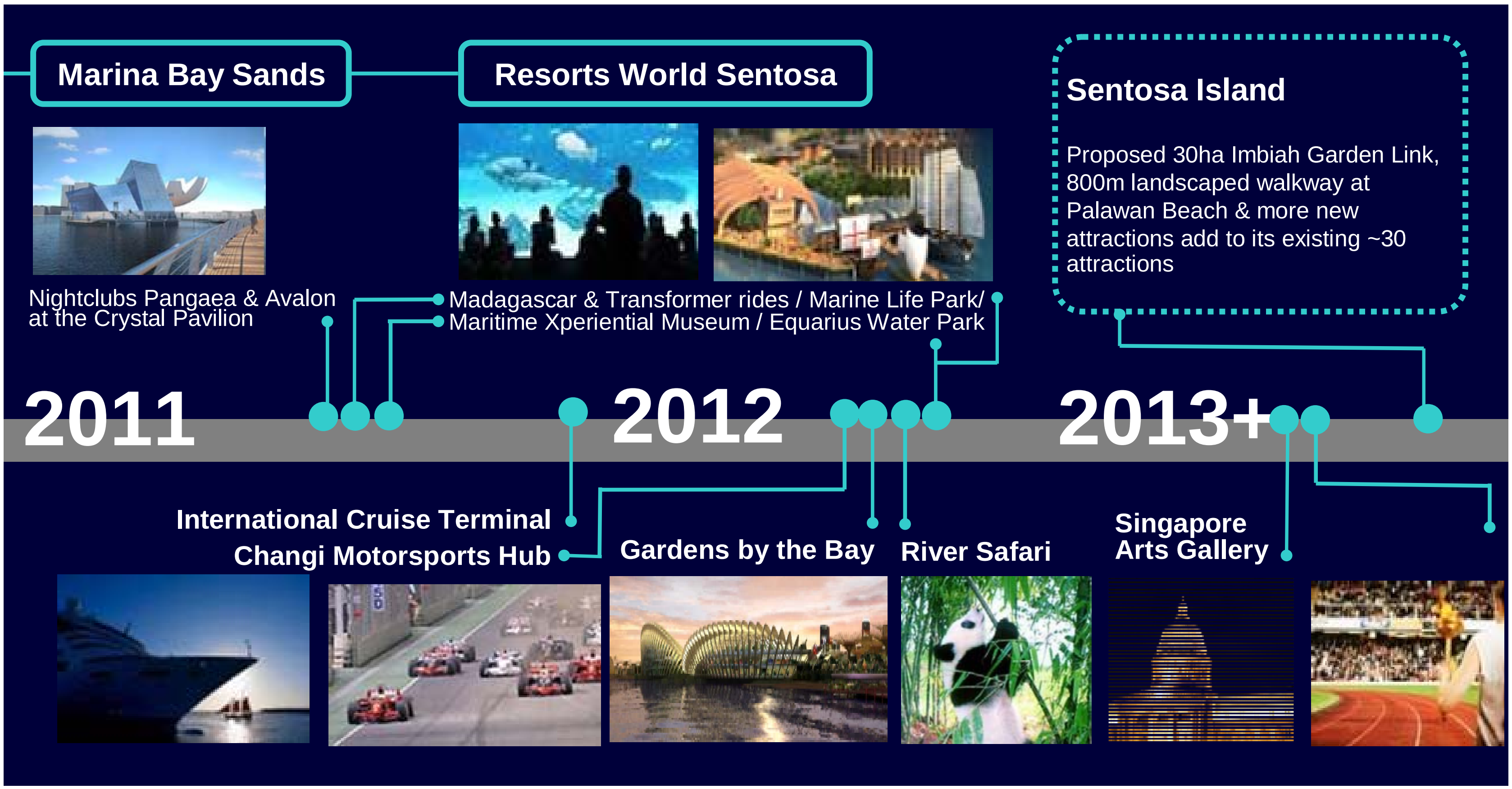


# Beneficiary of Buoyant S’pore Hotel Sector (cont’d)

6

CDL HOSPITALITY TRUSTS

- Growth momentum sustained by more upcoming attractions
- Studio M to benefit from structural boost in accommodation demand




Source: Singapore Tourism Board

# 6 Beneficiary of Buoyant S’pore Hotel Sector (cont’d)

CDL HOSPITALITY TRUSTS

- Upon completion of the proposed acquisition, H-REIT is poised to further benefit from the expected increase in demand for hotel rooms in S’pore
- Increase in number of rooms in S’pore and NPI contributions from S’pore:

| | | |
|---|---|---|
| **Number of Rooms in S’pore** | **+ 15.3%** | **Increases to 2,711 rooms** |
| **Pro forma NPI contributions from S’pore in FY 2010[1]** | **+ 10.3%** | **Increases to S$100.8 m** |

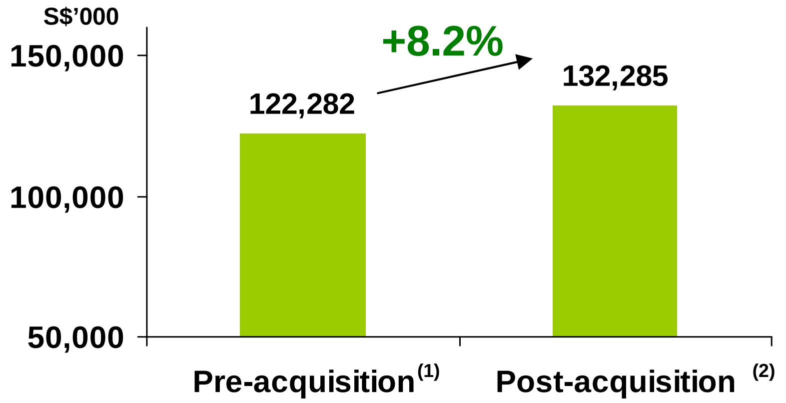
Note: (1) Based on the pro forma net property income from Studio M Hotel for FY2010. Studio M Hotel‘s FY2010 pro forma net property income is based on the pro-forma gross rental revenue less estimated property expenses for the full year. Pro forma gross rental revenue is calculated based on the performance of Studio M Hotel from 1 June 2010 (being the first complete month when the full room inventory was available for sale) to 31 December 2010 on an annualised basis, as if Studio M had been fully operational since 1 January 2010

# *Impact on CDL Hospitality Trusts*

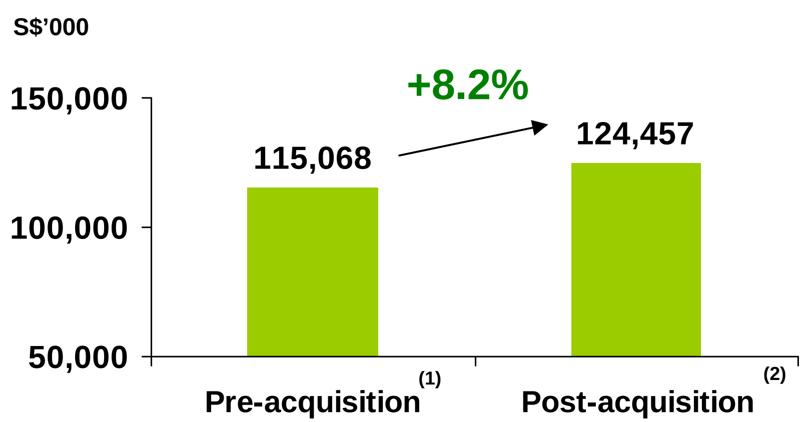
# Gross Revenue, NPI to increase 8%, DPS to increase 5%

CDL HOSPITALITY TRUSTS

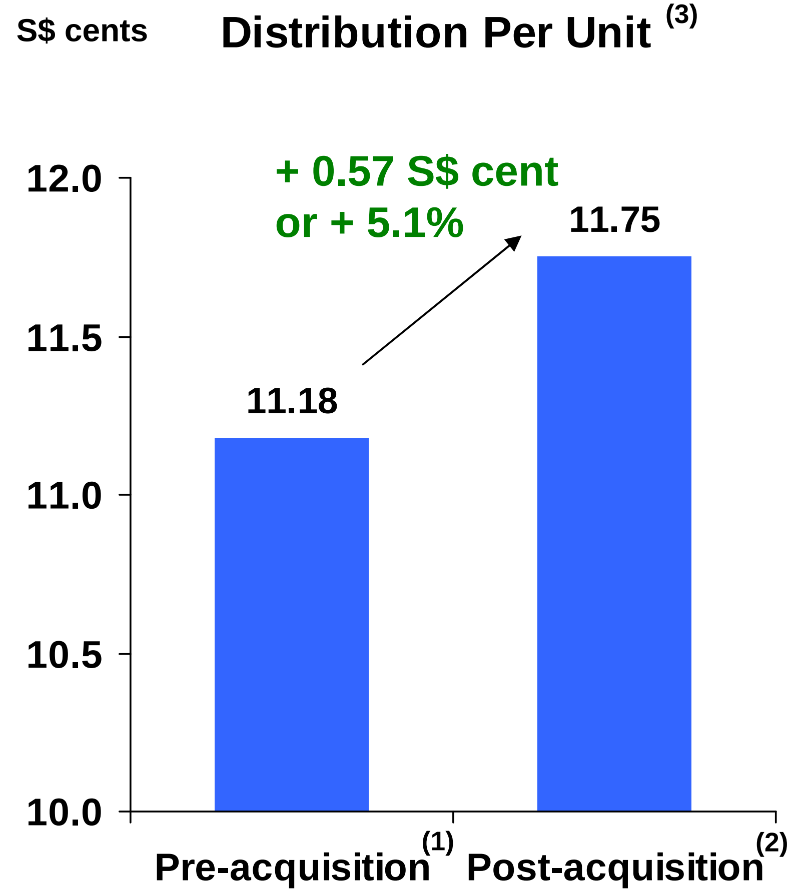
**FY2010 Pro forma Gross Revenue**




**FY2010 Pro forma NPI**




**Income Available For Distribution Per Unit (3)**

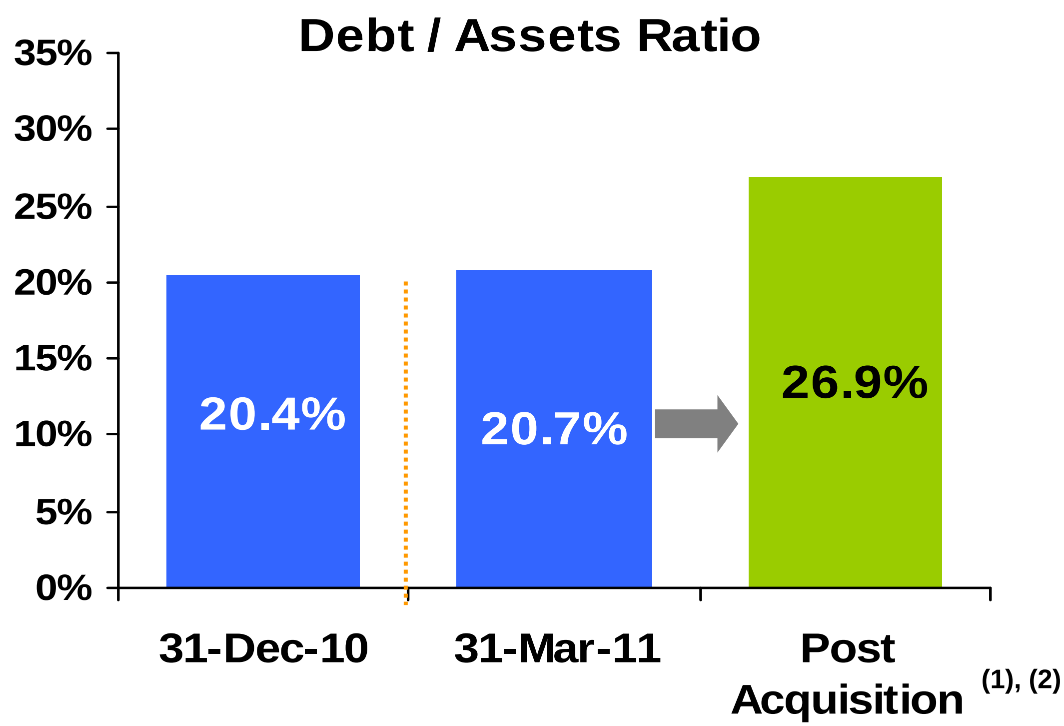



Note: (1) All pre-acquisition figures based on the audited financial statements of CDL-HT for FY2010.

(2) Pro forma figures post-acquisition are based on the pro forma FY2010 financial performance of Studio M Hotel with the assumption that the acquisition is completed as 1 Jan 2010 and the Purchase Consideration funded 100% by debt. The pro forma gross rental revenue and NPI from Studio M Hotel are calculated based on the performance of Studio M Hotel from 1 June 2010 (being the first complete month when the full room inventory was available for sale) to 31 December 2010 on an annualised basis, as if Studio M Hotel had been fully operational since 1 January 2010. The pro forma NPI is based on the pro forma gross rental revenue less estimated Property Expenses for Studio M Hotel for the full year.

(3) Represents income available for distribution per Stapled Security, before deducting income retained for working capital ("DPS").

# CDL-HT's Gearing to Increase to 26.9%



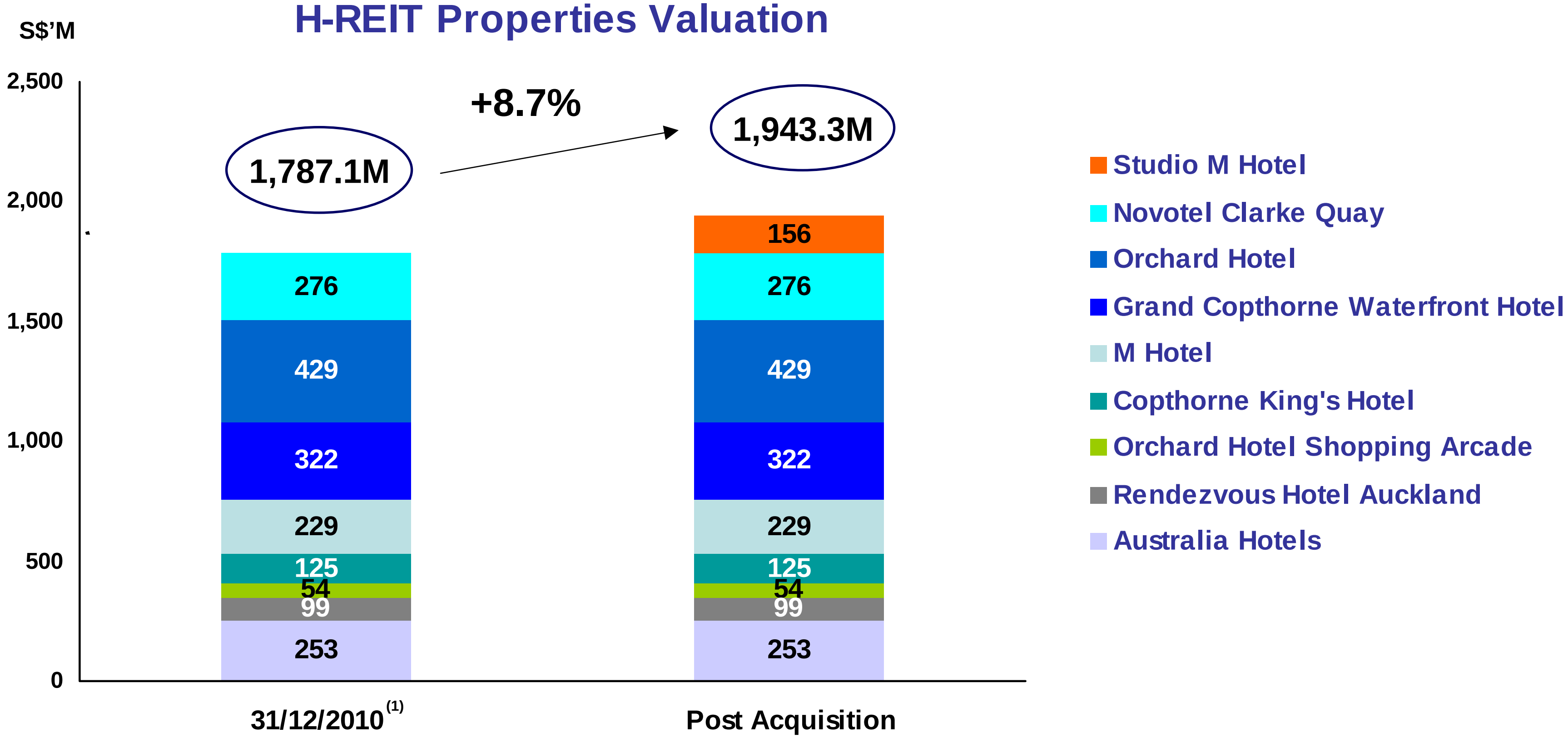

**Acquisition is to be fully funded through debt financing via H-REIT's acquisition facilities**

(1) Based on CDL-HT's balance sheet as at 31 Mar 2011
(2) Pro forma ratio with the assumption that the acquisition of Studio M Hotel is completed as at 31 December 2010

# Portfolio Size Enlarged by 8.7%

CDL HOSPITALITY TRUSTS

## H-REIT Properties Valuation




80% Singapore Hotels
6% New Zealand
14% Australia

**82% Singapore Hotels**
**5% New Zealand**
**13% Australia**

(1) Independent valuations performed by CB Richard Ellis (Pte) Ltd, CB Richard Ellis Pty Ltd and Bower Valuations Pty Ltd as at 31 December 2010

# Evaluation by Independent Financial Advisor

PwC Corporate Finance has been appointed as IFA. In their evaluation of the Transactions, they have considered the following factors:

- Valuation approach and assumptions adopted by the Independent Valuers
- Financial effects of the Transactions
- Terms of the Master Lease Agreement

**IFA opinion:**

**(1) Transactions are based on normal commercial terms and is not prejudicial to the interests of H-REIT and its minority Security Holders;**

**and**

**(2) Advise the Audit Committee to recommend that the Security Holders vote in favour of the Transactions**

Note: The IFA's Letter highlights that each Security Holder may have different investment objectives and considerations and hence should seek their own professional advice.

# Conclusion

# Conclusion

CDL HOSPITALITY TRUSTS

| | |
|---|---|
| **Increases Exposure to Singapore's Buoyant Tourism Sector** | ▪ Acquisition of Studio M Hotel at S$154.0 million or approximately S$428,000 per key<br>▪ New well-located property appeals to both business and leisure travellers; Impressive average occupancy of 88.9% in the first seven months of full operations<br>▪ Stylish and contemporary design set to capture growing business and leisure segments<br>▪ Increases H-REIT's total number of rooms in Singapore by 360 rooms to 2,711 rooms<br>▪ Increases H-REIT's pro forma NPI contributions from Singapore in FY2010 by S$9.4 million to S$100.8 million |
| **Master Lease Provides Long Term Quality Income with Organic Growth** | ▪ Minimum 20-year lease with renewal terms for a total term of 70 years at the option of Master Lessee<br>▪ Lease structure comprises a higher share of revenue of 30%(1), and coupled with a high proportion room revenue, Studio M Hotel is well-positioned to capitalize on the long-term growth in rooms demand in Singapore<br>▪ Fixed Rent component, set at S$5.0 million for the first 10 years of the lease, will be adjusted upwards with any improvement in the hotel performance after each 10-year period in accordance with the terms of the lease |
| **Broadening Earnings Base and Improving Portfolio Stability** | ▪ Reduces rental dependency on any single hotel<br>▪ Fixed Rent of S$5.0 million p.a. improves income stability of the whole portfolio, and enhances H-REIT's flexibility to consider other target acquisitions with varying risk and reward profiles |
| **Healthy Balance Sheet** | ▪ Post acquisition, CDL-HT's gearing to increase to 26.9%<br>▪ Well-positioned for more acquisitions with healthy balance sheet and current favourable financing environment |

*For details of the computation of the figures used above, please refer to the earlier slides in this presentation.*

(1) Under the terms of the Master Lease, the gross rent comprises 30% revenue and 20% GOP which provides H-REIT with a relatively higher participation in any upside in revenue (compared to the gross rent comprising 20% of revenue and 20% of GOP under the master leases for the IPO Properties).


THANK YOU