

## **ASCOTT RESIDENCE TRUST AND ASCENDAS HOSPITALITY TRUST ENTER COMBINATION DEAL TO BECOME ASIA PACIFIC'S LARGEST HOSPITALITY TRUST WITH ASSET VALUE OF S\$7.6 BILLION**

*DPU accretive transaction to create an enlarged trust with wider investor base and greater financial flexibility*

**Singapore, 3 July 2019** – Ascott Residence Trust (Ascott Reit) and Ascendas Hospitality Trust (A-HTRUST) today jointly announced a proposed combination, which will result in the combined entity becoming the largest hospitality trust in Asia Pacific<sup>1</sup>, and the eighth largest globally<sup>1</sup>, with an asset value of S\$7.6 billion (the “Combination”). The combined entity will also become the seventh largest trust<sup>1</sup> listed on the Singapore Exchange by asset value.

The total consideration for the Combination is S\$1,235.4 million, comprising S\$61.8 million in cash and 902.8 million new Ascott Reit-BT Stapled Units<sup>2</sup>. The Combination will be effected by way of a trust scheme of arrangement, with Ascott Reit acquiring all the A-HTRUST Stapled Units for a consideration of S\$1.0868 per A-HTRUST Stapled Unit, comprising S\$0.0543 in cash and 0.7942 Ascott Reit-BT Stapled Units issued at a price of S\$1.30. The consideration is based on a gross exchange ratio of 0.836x, derived from the audited net asset values (NAV) per A-HTRUST Stapled Unit and Ascott Reit Unit<sup>3</sup>.

The transaction brings together Ascott Reit’s global portfolio that comprises predominantly serviced residences and A-HTRUST’s 14 quality hotels in Asia Pacific, creating an enlarged portfolio of 88 properties with more than 16,000 units in 39 cities and 15 countries across Asia Pacific, Europe and the United States of America. It will also further diversify Ascott Reit’s global portfolio with foray into new gateway cities – Brisbane and Seoul.

Mr Bob Tan, Ascott Residence Trust Management Limited’s Chairman, said: “The Combination is a win-win for both Ascott Reit’s and A-HTRUST’s unitholders. Ascott Reit as a combined entity will see our asset value grow by 33% to S\$7.6 billion and our Distribution per Unit increase by 2.5% for FY 2018 on a pro forma basis. The combined entity will have a higher proportion of stable income derived from master leases; well balanced by growth income derived from management contracts. With access to a larger capital base and a higher debt headroom of about S\$1.0 billion, we will have greater financial flexibility to seek more accretive acquisitions and value enhancements. The combined entity can then be strategically positioned to potentially enjoy a positive re-rating of the unit price and gain a wider investor base, which would be beneficial to all our unitholders.”

<sup>1</sup> Based on data extracted from Bloomberg as at 28 June 2019.

<sup>2</sup> Based on an issue price of S\$1.30 for each Ascott Reit-BT Stapled Unit and calculated based on a total of 1,136.7 million A-HTRUST Stapled Units.

<sup>3</sup> Based on A-HTRUST’s audited NAV per Stapled Unit as at 31 March 2019 of S\$1.02 divided by Ascott Reit’s audited NAV per Unit as at 31 December 2018 of S\$1.22.

Ms Beh Siew Kim, Ascott Residence Trust Management Limited's Chief Executive Officer, said: "The Combination is in line with Ascott Reit's commitment to deliver stable returns to unitholders through continual portfolio optimisation. It will present us with an enlarged capacity to acquire more quality assets as well as undertake more development and conversion projects, thereby increasing their asset values over time – all with an aim to bring about greater income stability through a resilient and well-diversified portfolio. Earnings contribution from developed countries is expected to increase to 82% on a pro forma basis. This will facilitate the inclusion of Ascott Reit into the FTSE EPRA Nareit Developed Index<sup>4</sup> and potentially result in higher trading liquidity and a larger investor base for us."

Mr Chia Kim Huat, Lead Independent Director of the A-HTRUST Managers, said: "The combined entity would be well-positioned to benefit from a strong sponsor in CapitaLand and its lodging unit, The Ascott Limited. The Combination is a transformational transaction consistent with A-HTRUST's strategy to create a stronger, diversified and resilient platform that will deliver sustainable growth to investors. The combined entity will be CapitaLand's sole listed hospitality trust platform with an enlarged portfolio and mandate to invest globally. It will also become Asia Pacific's largest hospitality trust, raising its profile amongst the investment community and increasing its funding flexibility, setting it up for long-term success."

Commenting on the transaction, Mr Tan Juay Hiang, Chief Executive Officer of the A-HTRUST Managers, said: "The Combination, which will see the addition of 14 quality properties from A-HTRUST to the combined entity, would be a landmark event in the development of both A-HTRUST and Ascott Reit. The enlarged portfolio will be further diversified with no single country accounting for more than 20% of gross profit, thereby reducing concentration risk. Besides being Distribution per Unit-accretive for the A-HTRUST Stapled Unitholders, the Combination will result in a significant increase in market capitalisation and free float for the enlarged trust, thereby enhancing the combined entity's flexibility and ability to drive growth."

### **Transaction Structure**

A-HTRUST is a stapled group comprising Ascendas Hospitality Real Estate Investment Trust (A-HTRUST REIT) and Ascendas Hospitality Business Trust (A-HTRUST BT). Ascott Reit will establish Ascott Hospitality Business Trust (Ascott BT) and all the units in Ascott Reit will be stapled with the units in Ascott BT to form a stapled trust. Pursuant to the trust scheme of arrangement, all the units in A-HTRUST will be unstapled, Ascott Reit will acquire all the unstapled units in A-HTRUST REIT and Ascott BT will acquire all the unstapled units in A-HTRUST BT, and A-HTRUST will then be delisted.

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<sup>4</sup> FTSE EPRA Nareit Developed Index tracks the performance of listed real estate companies and REITs worldwide.

## **Rationale for Proposed Transaction**

### **1. Proxy hospitality trust in Asia Pacific**

As the largest hospitality trust in Asia Pacific, the enlarged scale will enhance its attractiveness to the investment community with a greater capital pool and facilitate better access to competitive sources of funding. The pro forma gearing of the combined entity will be 36.9%, a level well below the regulatory gearing limit of 45%. This represents an available debt headroom of about S\$1.0 billion, which will provide for greater financial flexibility to drive growth.

The combined entity's free float will increase by approximately 50% to S\$2.4 billion<sup>5</sup>. Its EBITDA<sup>6</sup> contribution from developed countries is expected to increase to 82% on a pro forma basis. This will facilitate the inclusion of the combined entity into the FTSE EPRA Nareit Developed Index, leading to higher trading liquidity. The combined entity could also potentially enjoy a positive re-rating of its unit price and gain a wider investor base.

### **2. Enhanced portfolio**

With the addition of 14 quality, predominantly freehold properties in developed markets, the lease profile of the combined entity will be more attractive with the freehold component increasing to about 61% of the total portfolio valuation.

The combined entity will comprise a well-diversified portfolio of 88 properties and over 16,000 units in 15 countries in Asia Pacific, Europe and the United States of America. The pro forma gross revenue for the combined entity for FY 2018 will increase by 37% to approximately S\$705 million while the pro forma FY 2018 gross profit will increase by 36% to about S\$325 million.

It will also enjoy a stronger presence in Asia Pacific, where accommodation continues to be underpinned by the growing middle-income demographics, increasing tourism and economic activities, as well as infrastructure development. Asia Pacific will make up about 71% of its total portfolio valuation and contribute 68% of its gross profit, with a balance between stable and growth income. No single country will contribute more than 20% of its gross profit on a historical pro forma basis.

By 2030, Asia will account for more than two-thirds of the global middle-class population<sup>7</sup>. The growing affluence of the middle-class and low-cost carrier services in the region has led to strong growth in domestic and international tourist arrivals<sup>8</sup>. The share of international

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<sup>5</sup> Based on a free float of approximately 1,846.6 million Ascott Reit-BT Stapled Units at S\$1.30 for each Ascott Reit-BT Stapled Unit.

<sup>6</sup> Earnings before interest, tax, depreciation and amortisation.

<sup>7</sup> "An emerging middle class", (2012), OECD Observer.

<sup>8</sup> "Global Tourism Economy Research Centre" (2019), World Tourism Organization.

tourist arrivals to Asia Pacific is also expected to increase by about 30% or 535 million tourists in 2030<sup>9</sup>.

### **3. DPU accretive to unitholders**

The proposed deal will be Distribution per Unit (DPU) accretive on a historical pro forma basis for both Ascott Reit Unitholders and A-HTRUST Stapled Unitholders. The pro forma DPU for Ascott Reit would have increased 2.5% from 7.16 cents to 7.34 cents and the DPU for A-HTRUST would see an accretion of 1.8% from 6.03 cents to 6.14 cents. On an adjusted pro forma basis, the NAV per Unit for the Combination is expected to be neutral<sup>9</sup>.

### **Approvals required**

The proposed transaction is subject to approval of the Ascott Reit Unitholders and A-HTRUST Stapled Unitholders at their respective Extraordinary General Meetings and scheme meetings expected to be held by this year.

### **Financial & legal advisers**

Citigroup Global Markets Singapore Pte. Ltd. and Morgan Stanley Asia (Singapore) Pte. are the financial advisers to the Managers of Ascott Reit and A-HTRUST respectively for the proposed deal. Allen & Gledhill LLP and WongPartnership LLP are acting as legal counsels to the Managers of Ascott Reit and A-HTRUST respectively.

### **About Ascott Residence Trust ([www.ascottreit.com](http://www.ascottreit.com))**

Ascott Residence Trust (Ascott Reit) is Singapore's first and largest hospitality real estate investment trust with an asset value of S\$5.7 billion as at 31 March 2019. It was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) since March 2006.

Ascott Reit was established with the objective of investing primarily in real estate and real estate-related assets which are income-producing and which are used or predominantly used, as serviced residences, rental housing properties and other hospitality assets.

As at the date hereof, Ascott Reit's international portfolio comprises 74 properties with over 11,700 units in 37 cities across 14 countries in the Asia Pacific, Europe and the United States of America.

Ascott Reit's properties are mostly operated under the Ascott, Citadines and Somerset brands. They are mainly located in key gateway cities such as Barcelona, Berlin, Brussels, Guangzhou, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, London, Manila, Melbourne, Munich, New York, Paris, Perth, Shanghai, Singapore and Tokyo.

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<sup>9</sup> Assuming write-off of premium over NAV and excluding transaction costs.

Ascott Reit is managed by Ascott Residence Trust Management Limited, an indirect wholly owned subsidiary of Singapore-listed CapitaLand Limited, one of Asia's largest diversified real estate groups.

**About Ascendas Hospitality Trust ([www.a-htrust.com](http://www.a-htrust.com))**

Ascendas Hospitality Trust (A-HTRUST) was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) in July 2012 as a stapled group comprising Ascendas Hospitality Real Estate Investment Trust (A-HTRUST REIT) and Ascendas Hospitality Business Trust (A-HTRUST BT). It was established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate used predominantly for hospitality purposes, as well as real estate related assets in connection with the foregoing. A-HTRUST's well-diversified portfolio is valued at approximately S\$1.8 billion as at 31 March 2019.

A-HTRUST's asset portfolio comprises 14 quality hotels with more than 4,700 rooms geographically diversified across key cities in Australia, Japan, South Korea and Singapore. The hotels are located in close proximity to central business districts, business precincts, suburban centres, transportation nodes and iconic tourist landmarks. A-HTRUST is managed by Ascendas Hospitality Fund Management Pte. Ltd., the manager of A-HTRUST REIT, and Ascendas Hospitality Trust Management Pte. Ltd., the trustee-manager of A-HTRUST BT. The manager of A-HTRUST REIT and the trustee-manager of A-HTRUST BT are wholly-owned subsidiaries of Singapore-listed CapitaLand Limited, one of Asia's largest diversified real estate groups.

**Important Notice on Ascott Residence Trust**

The value of units in Ascott Reit and the income derived from them may fall as well as rise. Units in Ascott Reit are not obligations of, deposits in, or guaranteed by Ascott Residence Trust Management Limited, the Manager of Ascott Reit (the "Manager") or any of its affiliates. An investment in the units in Ascott Reit is subject to investment risks, including the possible loss of the principal amount invested. The past performance of Ascott Reit is not necessarily indicative of its future performance.

This announcement may contain forward-looking statements that involve 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 similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events.

### **Important Notice on Ascendas Hospitality Trust**

This press release may contain forward-looking statements that involve 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 and foreign exchange rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of average daily room rates and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and 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 Ascendas Hospitality Fund Management Pte. Ltd (manager of Ascendas Hospitality Real Estate Investment Trust)'s and Ascendas Hospitality Trust Management Pte. Ltd (trustee-manager of Ascendas Hospitality Business Trust)'s (collectively, the "A-HTRUST Managers") current view of future events.

The value of securities in A-HTRUST ("Securities") and the income derived from them, if any, may fall as well as rise. Securities are not obligations of, deposits in, or guaranteed by, the A-HTRUST Managers or any of its affiliates. An investment in Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors should note that they will have no right to request the A-HTRUST Managers to redeem or purchase their Securities for so long as the Securities are listed on the SGX-ST. It is intended that stapled securityholders of A-HTRUST may only deal in their Securities through trading on the SGX-ST. Listing of the Securities on the SGX-ST does not guarantee a liquid market for the Securities. The past performance of A-HTRUST is not necessarily indicative of the future performance of A-HTRUST. Any discrepancies in the figures included herein between the listed amounts and total thereof are due to rounding.

### **Responsibility Statements**

#### **Ascott Residence Trust (Ascott Reit)**

The directors of the Ascott Reit Manager (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement which relate to Ascott Reit and/or the Ascott Reit Manager (excluding those relating to A-HTRUST and/or the A-HTRUST REIT Manager and/or the A-HTRUST BT Trustee-Manager) are fair and accurate and that there are no other material facts not contained in this Announcement the omission of which would make any statement in this Announcement misleading. The directors of the Ascott Reit Manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from A-HTRUST and/or the A-HTRUST REIT Manager and/or the A-HTRUST BT Trustee-Manager, the sole responsibility of the directors of the Ascott Reit

Manager has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement. The directors of the Ascott Reit Manager do not accept any responsibility for any information relating to A-HTRUST and/or the A-HTRUST REIT Manager and/or the A-HTRUST BT Trustee-Manager or any opinion expressed by A-HTRUST and/or the A-HTRUST REIT Manager and/or the A-HTRUST BT Trustee-Manager.

### **Ascendas Hospitality Trust (A-HTRUST)**

The directors of the A-HTRUST REIT Manager and the A-HTRUST BT Trustee-Manager (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement which relate to A-HTRUST and/or A-HTRUST REIT Manager and/or the A-HTRUST BT Trustee-Manager (excluding those relating to Ascott Reit and/or the Ascott Reit Manager) are fair and accurate and that there are no other material facts not contained in this Announcement the omission of which would make any statement in this Announcement misleading. The directors of the A-HTRUST REIT Manager and the A-HTRUST BT Trustee-Manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from Ascott Reit and/or the Ascott Reit Manager, the sole responsibility of the directors of the A-HTRUST REIT Manager and the A-HTRUST BT Trustee-Manager has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement. The directors of the A-HTRUST REIT Manager and the A-HTRUST BT Trustee-Manager do not accept any responsibility for any information relating to Ascott Reit and/or the Ascott Reit Manager or any opinion expressed by Ascott Reit and/or the Ascott Reit Manager.

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