



ARA US HOSPITALITY TRUST

A stapled group comprising:

ARA US HOSPITALITY PROPERTY TRUST
 (a real estate investment trust constituted on 24 September 2018 under the laws of the Republic of Singapore) managed by
ARA Trust Management (USH) Pte. Ltd.

ARA US HOSPITALITY MANAGEMENT TRUST
 (a business trust constituted on 29 October 2018 under the laws of the Republic of Singapore) managed by
ARA Business Trust Management (USH) Pte. Ltd.

PRESS RELEASE

ARA US HOSPITALITY TRUST'S FY 2022 DPS UP 760% TO 3.054 US CENTS

HIGHER PORTFOLIO VALUE OF US\$748 MILLION AS AT 31 DECEMBER 2022

Key Highlights

- *DPS for FY 2022 increases substantially to 3.054 US cents*
- *Portfolio Valuation of US\$747.8m for 36 hotels, up ~9% year-on-year on comparable basis¹*
- *NPI of US\$41.4m for FY 2022, up 66% year-on-year*
- *RevPAR of US\$85 for FY 2022, up 34% year-on-year*
- *~80% of loan portfolio hedged on interest rate movement as at 31 December 2022, mitigating rising interest rates. No refinancing due in FY 2023*

(US\$m)	FY 2022	FY 2021	Change (%)
Revenue	169.0	130.7	29.3
Gross Operating Profit (GOP)	57.3	40.5	41.6
<i>GOP Margin</i>	33.9%	31.0%	2.9 pp
Net Property Income (NPI)	41.4	24.9	66.4
Distributable Income ²	17.5	2.0	767.6
Distribution per Stapled Security (US cents)	3.054	0.355	760.3

¹ Excluding five disposed hotels in 2022

² After setting aside reserves for capital expenditures for capital asset improvements and refurbishments for the hotel properties

Singapore, 23 February 2023 – ARA Trust Management (USH) Pte. Ltd., as manager of ARA US Hospitality Property Trust (“**ARA H-REIT**”), and ARA Business Trust Management (USH) Pte. Ltd., as trustee-manager of ARA US Hospitality Management Trust (“**ARA H-BT**”) (collectively known as the “**Managers**”), today announced the financial results of ARA US Hospitality Trust (“**ARA H-Trust**”) for the half year ended 31 December 2022 (“**FY 2022**”).

Improved Financial and Portfolio Performance

ARA H-Trust achieved higher Revenue of US\$169.0 million in FY 2022, up 29.3% year-on-year. The Gross Operating Profit (“**GOP**”) and Net Property Income rose to US\$57.3 million and US\$41.4 million for the same period, respectively, having increased 41.6% and 66.4% compared to FY 2021. GOP margin for the portfolio was also higher at 34% from 31% the year before.

Distributable income for FY 2022 increased significantly to US\$17.5 million from US\$2.0 million in FY 2021 on the back of stronger operating performance. The 2H 2022 distribution per Stapled Security (“**DPS**”) of 1.627 US cents is payable to Stapled Securityholders on 30 March 2023.

The United States (“**U.S.**”) lodging market continued to recover in the third quarter and into the fourth quarter. Although economic sentiment turned increasingly bearish amid inflation concerns and risks of economic slowdown, lodging demand stayed resilient, and continues to recover, led primarily by pent-up travel demand from the leisure segment. Work from home policies carried over from the COVID-19 pandemic contributed to an expansion of leisure travel days beyond weekends and holidays, further propping lodging demand.

While total hotel demand remains below pre-pandemic levels due to the slow return of corporate and group travel, strong increases in average daily rates (“**ADR**”) have boosted market revenue per available room (“**RevPAR**”).

For FY 2022, the ARA H-Trust portfolio posted an average occupancy and average daily rate of 65.3% and US\$131, respectively. Consequently, the revenue per available room (“**RevPAR**”) was US\$85, up 34% year-on-year.

Mr. Lee Jin Yong, CEO of the Managers said, “2022 was a successful year for ARA H-Trust, having weathered the devastating impact of COVID-19 for two consecutive years prior. This success is attributable to the perseverance of both our U.S. and Singapore teams and the quality and resilience of our upscale, select-service portfolio, both of which proved enduring.”

Portfolio Optimisation and Rebalancing Strategy

As part of its ongoing asset management strategy, the Managers seek to optimise the ARA H-Trust portfolio. Riding on the tailwinds of the recovery in the U.S. lodging sector and active investment volume, the Managers completed the disposition of five Hyatt Place properties in the third quarter of 2022. These hotels were identified as non-core assets with declining performance, located in sub-markets with declining demand exacerbated by the COVID-19 pandemic, and where asset enhancement is not expected to boost cashflow yield in the future years.

The disposed hotels were namely, Hyatt Place Chicago Itasca, Hyatt Place Pittsburgh Cranberry, Hyatt Place Birmingham Inverness, Hyatt Place Cincinnati Northeast and Hyatt Place Cleveland Independence. The disposition yielded net proceeds totalling approximately US\$38 million. After utilising approximately US\$8 million of the net proceeds towards partial repayment of debt, the remaining US\$30 million is earmarked for re-deployment into funding the proposed acquisition of Home2 Suites by Hilton Colorado Springs South, a recently-built select-service, extended-stay hotel with 119 rooms located in Colorado Springs, Colorado, a dynamic, diversified hotel market. The proposed acquisition is expected to complete by the end of first quarter 2023.

As at 31 December 2022, the ARA H-Trust portfolio comprised 36 upscale select-service hotels with a total of 4,707 rooms across 19 states in the United States. The portfolio value as at the end of the financial year was US\$747.8 million, an increase of 9.4% from the year before on a comparable basis³.

Sound Financial and Liquidity Management

ARA H-Trust's balance sheet has strengthened compared to FY 2021, in line with the improved operating performance of the hotel portfolio. Notably, interest coverage ratio increased to 2.6 times from 2.0 times the year before, thus raising the permissible aggregate leverage limit to 50% from 45% previously.

Taking into account the higher portfolio valuation as at 31 December 2022, the portfolio aggregate leverage ratio stood at 39.4% with total borrowings of approximately US\$326 million. Net gearing excluding cash and cash equivalents was lower at 35.4%. 82% of the loan portfolio was hedged on interest rate movement as at 31 December 2022. ARA H-Trust has no refinancing requirement for FY 2023.

Outlook

Looking ahead, the International Monetary Fund ("IMF")⁴ projects U.S. GDP growth to be 1.4% for 2023, on the back of a slowdown in global economic activity against a backdrop of elevated inflation. The other significant issues faced in 2022 in the wake of COVID-19 namely a tight labour market, wage pressures and cost increases carried over to 2023. Nonetheless, lodging market forecasts for 2023 by STR⁵ and Tourism Economics projects 2023 U.S. hotel market occupancy and market RevPAR to increase to approximately 64% and US\$97 respectively from 2022 levels, achieving a double-digit growth in RevPAR compared to 2019. The U.S. Travel Association⁶ expects total travel spending to increase in 2023 through to 2025. In particular, domestic travel is expected to drive the recovery in the U.S. travel industry, with leisure travel and business travel spending projected to reach 105% and 91%, respectively, of 2019 levels by 2024. In short, the long-term fundamentals for the sector are positive despite macroeconomic headwinds that could affect lodging demand in the short term.

Mr. Lee concluded, "Amid the uncertain economic outlook and barring any unforeseen circumstances which includes a prolonged monetary tightening that affects travel spend and poses a significant drag to the recovery of the lodging sector to pre-pandemic levels, the Managers are cautiously optimistic that the operating metrics for ARA H-Trust would further strengthen in 2023. Improvements in portfolio occupancy and RevPAR would also stem from the Managers' portfolio optimisation efforts in re-deploying capital into higher-yielding core assets. The Managers are actively managing the operating costs of ARA H-Trust in tandem, alongside prudent capital management."

The FY 2022 financial statement and presentation slides can be downloaded from the ARA H-Trust corporate website at <https://www.araushotels.com>.

Lee Jin Yong
Chief Executive Officer
23 February 2023

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³ Excluding five disposed hotels in 2022

⁴ IMF, World Economic Outlook Update, January 2023

⁵ STR and Tourism Economics, 23 January 2023

⁶ US Travel Association, 29 November 2022

About ARA US Hospitality Trust

Listed on the Singapore Exchange on 9 May 2019, ARA US Hospitality Trust is a hospitality stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and ARA US Hospitality Management Trust (“**ARA H-BT**”). ARA US Hospitality Trust invests in income-producing real estate assets used primarily for hospitality purposes located in the United States. As at the date of this announcement, ARA US Hospitality Trust’s Property comprised 36 select-service hotels with a total of 4,707 rooms across 19 states in the United States.

ARA H-Trust is managed by ARA Trust Management (USH) Pte. Ltd. and ARA Business Trust Management (USH) Pte. Ltd., (collectively known as the “**Managers**”). The Managers are indirect wholly-owned subsidiaries of ARA Asset Management Limited.

For more information, please visit www.araushotels.com.

About the Sponsor

The Sponsor, ARA Real Estate Investors 23 Pte. Ltd., is an indirect wholly-owned subsidiary of ARA Asset Management Limited.

ARA is part of the ESR Group (the “**ESR**”), APAC’s largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With over US\$140 billion in total assets under management (“**AUM**”), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S.. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Our purpose – Space and Investment Solutions for a Sustainable Future – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

For more information on ESR, please visit: www.esr.com.

IMPORTANT NOTICE

The value of the stapled securities in ARA US Hospitality Trust ("**Stapled Securities**") (where each Stapled Security comprises 1 unit in ARA H-REIT stapled to 1 unit in ARA H-BT), and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, the Managers, DBS Trustee Limited, in its capacity as trustee of ARA H-REIT, or any of their respective affiliates.

An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Stapled Securityholders have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that Stapled Securityholders 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 announcement 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. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of ARA US Hospitality Trust. The forecast financial performance of ARA US Hospitality Trust is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Managers' current view of future events.