

MEDIA RELEASE

FAR EAST ORCHARD TRIPLES FY2023 NET PROFIT TO S\$66.1 MILLION

- **Jump in net profit mainly due to fair value gains on investment properties**
- **Group revenue increased 30.3% year-on-year to S\$183.6 million**
- **Hospitality segment recorded stronger performance in tandem with continued tourism recovery**
- **Proposed first and final dividend of 4.0 cents per share for FY2023**

28 February 2024, Singapore – Far East Orchard Limited (“Far East Orchard”, and together with its subsidiaries, the “Group”) today reported its financial year results for the full year ended 31 December 2023 (“FY2023”).

SUMMARY OF FINANCIAL PERFORMANCE

Financial Highlights

S\$ million	FY2023	FY2022	% CHANGE
Revenue	183.6	141.0	30.3
Operating profit	57.9	54.0	7.2
Profit after income tax	66.1	21.5	>100
Profit attributable to equity holders of the Company	66.0	21.9	>100
Earnings per share (Singapore cents)	13.7 cents	4.7 cents	>100

The Group recorded a significant improvement in profit after tax of S\$66.1 million in FY2023, mainly due to fair value gains on investment properties of S\$58.3 million (FY2022: S\$2.6 million). The fair value gains were mainly from the Group’s UK Purpose-built Student Accommodation (“PBSA”) portfolio.

The Group’s full year revenue increased 30.3% to S\$183.6 million (FY2022: S\$141.0 million), boosted by the strong performance of the Hospitality business. The Group’s PBSA business continues to be a stable income contributor.

Revenue from the Hospitality business increased 40.5% to S\$126.9 million in FY2023 with the continued strong recovery in global corporate and leisure travel over the past year, since the re-opening of the borders from second quarter of FY2022, driving higher occupancies and average daily rates.

The UK PBSA business was driven by strong bed demand from domestic and international students and a supply shortage across key UK university cities. Revenue in this segment increased 13.8% to S\$46.4 million with a resilient portfolio occupancy of 99% (AY21/22: 86%) and a higher rental rate for the academic year which commenced in September 2022 (“AY22/23”).

With persistent inflation and higher staff costs, the Group’s business segments face rising cost pressures. Furthermore, the elevated interest rates resulted in higher finance expenses. Total expenses for FY2023 increased 22.1% to S\$84.7 million (FY2022: S\$69.2 million).

Nevertheless, the Group's financial position remains robust, with a well-staggered debt maturity profile. As at 31 December 2023, the Group's gearing ratio was 44.1% (Dec-22: 46.2%), and cash and cash equivalents were S\$225.6 million (Dec-22: S\$233.2 million).

Commenting on the FY2023 results, Group Chief Executive Officer of Far East Orchard, Mr Alan Tang, said, "Our twin engines of the Hospitality and PBSA businesses are now running at full steam, and we are optimistic as international travel recovers and the student demand for UK higher education remains robust. However, we remain cognisant of numerous macroeconomic headwinds such as persistent inflation, a tight labour market, high interest rates and escalating geopolitical issues. The Group will seek to maintain a steadfast focus on driving revenue growth and managing our costs and downside risks prudently."

Taking into consideration the improved business performance, funding requirements for future business growth and expansion, and ensuring the Group maintains financial flexibility amidst an uncertain macroeconomic environment, the Board recommends a first and final dividend of 4.0 Singapore cents per share for FY2023 (FY2022: a special dividend of 1.0 Singapore cent per share, and a first and final dividend of 3.0 Singapore cents per share).

OPERATIONAL UPDATES IN FY2023

In FY2023, Far East Orchard executed several operational developments across its Hospitality and PBSA businesses, aligning with its FEOR 25 strategy.

Hospitality Business

Global tourism maintained its strong recovery despite economic and geopolitical challenges, with international arrival numbers in 2023 reaching 88% of pre-pandemic levels.¹ In 2023, Singapore welcomed 13.6 million international arrivals², significantly higher than the 2022 figure of 6.3 million. The Group's hospitality business capitalised on this opportunity to deliver better operating performance while creating unique experiences for the spectrum of travellers visiting the destinations we operate in, as burgeoning international travel drove higher occupancies and room rates.

In 2023, the Group opened six new hotels, totalling more than 750 rooms, across Australia, Japan, Malaysia, and Switzerland a new country addition. As at 31 December 2023, the Group's hospitality arm, Far East Hospitality, together with its joint venture, Toga-Far East Hotels (TFE Hotels), owns or operates close to 100 hospitality assets with more than 16,600 rooms in ten countries. Looking ahead to 2024, approximately 600 rooms are expected to open across Australia, Germany and Singapore.

In line with the Group's commitment to be responsible towards the environment and society, in October 2023, Far East Hospitality was awarded the prestigious Singapore Hotel Sustainability Award 2023-2024 for its Sentosa cluster of Hotels – Oasia Resort Sentosa, The Barracks Hotel Sentosa, The Outpost Hotel Sentosa and Village Hotel Sentosa.

UK PBSA Business

Demand for PBSA remained robust in FY2023, in line with favourable demographic trends, with the continuous increase of domestic students entering university and a greater influx of international students. The demand-supply imbalance was further aggravated by the slowdown of the supply pipeline, and rental uplift is expected to continue in FY2024.

The Group's expanding PBSA portfolio has a total valuation of S\$634.4 million as at 31 December 2023, covering 13 assets across seven UK cities. In FY2023, the PBSA portfolio recorded a valuation gain of approximately S\$50.6 million, underpinned by strong demand and revenue growth.

¹ UNWTO. "[International Tourism to Reach Pre-Pandemic Levels in 2024 \(unwto.org\)](#)." 19 January 2024.

² The Business Times. "[Singapore expects to see 15 million to 16 million visitors in 2024, below pre-Covid levels](#)." 1 February 2024.

The PBSA business segment is expected to continue to be resilient. For the new academic year that commenced in September 2023 (AY23/24), the Group's PBSA portfolio maintained its near-full occupancy rate of 99%, similar to the previous academic year (AY22/23). The continued supply and demand imbalance presents significant growth opportunities for the Group. In October 2023, the Group's joint venture with Woh Hup to develop 706 beds in Bristol commenced work and is expected to be completed in 2026, ahead of schedule.

The Group will continue to actively monitor sector developments to seek additional opportunities to expand its portfolio further so as to deliver long-term value to its shareholders.

OUTLOOK

According to the International Monetary Fund ("IMF"), the upside and downside risks to global growth are broadly balanced – on the upside, faster disinflation may lead to easing of financial conditions; on the downside, geopolitical conflicts, supply disruptions or more persistent underlying inflation could prolong tight monetary conditions. Nevertheless, the IMF has raised its global growth projection to 3.1% in 2024. This is followed by a forecasted 3.2% expansion in 2025. Both 2024 and 2025 forecasts remain below the historical average of 3.8%.³

Hospitality Business

While 2023 reflected a strong recovery, the Group is cautiously optimistic of the outlook of the hospitality business. The United Nations World Tourism Organization ("UNWTO") expects international tourism to fully recover to pre-pandemic levels in 2024 (subject to the pace of recovery in Asia and the evolution of existing economic and geopolitical downside risks).¹ However, in Singapore, international arrivals are expected to be between 15 million and 16 million in 2024, which is below the pre-pandemic level of 19.1 million.²

Economic and geopolitical challenges pose a threat to the sustained recovery of international tourism and confidence levels. Specifically, persistent inflation, high-interest rates, volatile oil prices and trade disruptions may impact transport and accommodation costs in 2024.¹ Consequently, weak consumer sentiment and high costs will impact travel behaviour, and may challenge the Group's positive medium-term outlook.

UK PBSA Business

The demand for PBSA is expected to remain strong in 2024, underpinned by a record-high student population and acute supply shortage, with the market experiencing a current shortfall of 580,000 beds.⁴ UK remains a key global destination for students looking to study abroad. Sustained student demand growth and an imbalance in the demand/supply of student housing will continue to fuel rental growth, with annual student applications projected to reach 1 million by 2030 from 760,000 in 2022.⁵ As such, the Group believes the PBSA market has much room to grow for the foreseeable future and will actively explore and expand this business segment.

"Amidst continued macroeconomic challenges such as high inflation, rising labour costs, elevated interest rates and geopolitical risks, we will continue to focus on boosting revenue drivers and maintaining strict cost controls while being on the constant lookout for strategic opportunities, such as yield-accretive asset acquisitions and suitable business ventures, to deliver sustainable long-term growth." Mr Tang added.

– END –

³ IMF. "[Moderating Inflation and Steady Growth Open Path to Soft Landing.](#)" 30 January 2024.

⁴ CBRE. "[CBRE Real Estate Market Outlook 2024 | UK.](#)" 2024.

⁵ UCAS. "[UCAS asks: How do we accommodate a million applicants?.](#)" 18 May 2023.

Note: This media release is to be read in conjunction with the Company's announcement on SGXNET on the same date.

Appendix:

Adina Serviced Apartments in Vienna, Austria (Opened in October 2023)



Adina Apartment Hotel in Geneva, Switzerland (Opened in March 2023)



About Far East Orchard Limited (www.fareastorchard.com.sg)

Far East Orchard Limited ("Far East Orchard") is a real estate company with a lodging platform that aims to achieve sustainable and recurring income through a diversified and balanced portfolio. Established since 1967, Far East Orchard has a track record in real estate development, investment and management across residential, commercial, hospitality and Purpose-Built Student Accommodation ("PBSA") properties in Australia, Japan, Malaysia, Singapore, and the United Kingdom ("UK").

Listed on the Mainboard of the Singapore Exchange, Far East Orchard is also a member of Far East Organization, Singapore's largest private property developer.

Redefining itself through a strategic business transformation in 2012, Far East Orchard expanded into hospitality management business and invested in healthcare real estate. In 2015, it further diversified its real estate portfolio to include PBSA properties development and investment in the UK.

In 2023, Far East Orchard celebrated its 10-year partnerships in the hospitality business with The Straits Trading Company Limited and Toga Group, Australia. Together with the joint venture, Toga Far East Hotels (TFE Hotels), Far East Orchard's hospitality arm, Far East Hospitality, now owns over 10 assets and manages close to 100 properties with more than 16,600 rooms in Australia, Austria, Denmark, Germany, Hungary, Japan, Malaysia, New Zealand, Singapore, and Switzerland, featuring 10 distinct brands.

Far East Orchard's PBSA portfolio includes 3,687 beds across key cities in the UK. With the joint-venture development in Bristol totalling 706 beds, it is poised to bring Far East Orchard's total PBSA portfolio to approximately 4,400 beds across 14 properties in the UK upon completion.

Additionally, the Group holds a portfolio of purpose-built medical suites for lease and sale in Novena, Singapore's premier medical hub.

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