



HOTEL GRAND CENTRAL LIMITED



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**Annual General Meeting**

30 April 2021

# KEY FINANCIAL DATA

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	FY 2020	FY 2019
TURNOVER (\$'mIn)	93.1	154.7
PROFIT AFTER TAX (\$'mIn)	37.3	26.5
SHARE CAPITAL & RESERVES (\$'mIn)	1,334.5	1,350.0
NET EARNINGS PER SHARE (cents)	5.14	3.64



# Q1

How is management ensuring that the group's hotels are complying with the safe management measures required by the local governments?

Safe Management - under COVID-19 situation:

- Guests – regular cleaning of high touch point areas (lifts, reception desks, door knobs etc). Sanitize rooms, provide bacterial wipes etc.
- Staff – monitor their temperature, don protective gears and encourage them to seek immediate medical attention when necessary.

Others - In Singapore for example, we pasted posters issued from time to time by the Authorities in high traffic areas and comply with STB's requirements. We implemented required measures and have as a result been certified under the SG Clean programme.



Welcome to our SG Clean establishment.  
We are officially inspected, certified clean, and our people are healthy and happy.  
For more information, visit [sgclean.gov.sg](https://sgclean.gov.sg)



## Q2

Did the Singapore hotels participate in the government's efforts to stop the pandemic as quarantine hotels?

How many of the hotels in the Group participated either as quarantine facilities or housing essential workers? Where are these hotels located ?

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The Hotel Chancellor@Orchard, Singapore has participated as a quarantine hotel since April 2020 and continue to do so.

Up to 4 Australian Hotels participated as quarantine facilities in 2020.

None of the New Zealand Hotels were in the programme as there was no requirement.



## Q3

How did the group determine/balance the factors of occupancy rates and chargeable rates for its quarantine hotels?

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Typically, the Group's quarantine hotels are fully or partially leased to the governments at fixed contracted rates for a predetermined period. The rates are set after careful consideration of the prevailing market conditions (ie competitive hotels) at the location of the said quarantine hotels.



## Q4

Are the group's hotels able to generate sufficient cash flow to remain cash flow neutral/positive?

What is the expected Company cash position by end of the current financial year?

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The Group has a net cash level of \$200mIn as at 31/12/2020. We expect our investment properties to generate positive cashflow and most of the group's hotels to operate at breakeven level. Hence, we expect our net cash level to still remain positive in the current financial year.



## Q5

Would management elaborate further on the new-build, 191-room hotel in Auckland? What factors contributed to management's confidence in the Auckland hospitality market?

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The new build, 191 room hotel is located in a prime location in Auckland. It is across the street from the new Auckland Convention Centre currently under construction. The room supply in Auckland was ascertained to be tight at the point when the project was mooted. We recognized the impact of COVID-19 on tourism and business travel now. But our decision is long term and when completed, we expect the hotel to be well supported by business travelers in particular the conference participants for its rooms and F & B facilities.



## Q6

Does the group see any silver lining during this challenging time?

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We see the recovery of the hotel industry cautiously as everything is premised on international borders re-opening with minimal quarantine requirements. The strong resurgence of COVID-19 in India, Japan coupled with new variants makes it very difficult to predict when recovery will happen.

A silver lining would be the pent-up travel demand leading to a “V” shape recovery.





## Q7

What are the plans of the Group if the COVID-19 current situation of countries closing their border continues for the next 3 years ? Please update on business outlook in next 3 years to 2024.

Going forward, what are the challenges of the hotel industry as a whole and Hotel Grand Central group specifically.

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This is the worst case outcome that every Hotel Group does not wish for it to happen. In the short to medium term, cash flow conservation is of paramount importance to the Group. We hope to see growth of local travelling in Australia and New Zealand. Based on preliminary observation, some of our hotels are seeing better numbers since inter-state travelling restrictions were lifted in Australia. High labour costs, increase in other operation costs and environment sustainability would be some of the challenges that the Group will face.



## Q8

What are the criteria for our hotels to participate for these quarantined guests or essential workers accommodation?

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We are not privy to the criterias for selection by the respective governments as a quarantined hotel. We believe competitive pricing, good safety and operational efficiency would be important considerations.



## Q9

What are the reasons for the disposal of PWC Centre? What criteria does management use to determine if the assets are suitable for disposal?

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The building is fully tenanted with leases expiring in the near term. The pandemic has changed patterns of demand for office space as staff are encouraged to work from home. The Board was of the view that expiring leases are unlikely to be renewed at higher rental rates based on market conditions. The selling price offered by the purchaser enabled the Group to exit this investment with a reasonable yield over a holding period of about 3 years.



## Q10

Can management provide greater clarity on the group's strategy to build up a diversified portfolio of prime, income-producing real estate? Has the pandemic led to adjustments to the group's strategy, including capital allocation and the pace of growth?

The Group's strategy is to identify good quality assets located in prime locations that offer a reasonable yield based on the asking selling price. Opportunities for asset enhancement measures are also considered before deciding on whether to build or purchase the asset. The assets class is a diversified mix of hotels or fixed income real estate such as office buildings. The pandemic has not led to adjustments to the strategy although the direction for the Group will be to conserve cash in the short term to medium term. The Group will remain selective with respect to its capital allocation decisions.



# Q11

What is the Revenue Per Available Room and Occupancy Rate for our hotels' business for FY2020?

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The Revpar and Occupancy rate for the Group's hotels are about 50% lower than what we achieved in FY2019. We believe this is in line with market.



## Q12

COVID-19 has a big impact on our hospitality business of managing hotels, what are the business strategy going forward to mitigate the dependency on the hospitality sector

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The Group's business is diversified between the hotel business and fixed income from commercial buildings. It will continue to diversify geographically and by nature of business.



## Q13

There is a “construction in progress” amount of \$11.1mln in FY2020 and \$12.54mln in FY2019. What is this and what is the amount budgeted for development and its completion date.

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The construction in progress relates mainly to the ongoing renovations works being carried out at the James Cook Hotel Grand Chancellor in Wellington. The renovation works which began in August 2018 is expected to be completed in May 2021 with a further \$6 million spend. The total cost of the renovations is about \$25mln.



# Q14

What is the CAPEX budget for FY2021 and what are they allocated for ?

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We are taking advantage of the slowdown in worldwide travel to refresh several of our properties in preparation for the sharp improvement in travel when COVID-19 is contained, due to pent up demand. We are also progressing with the construction of the 191 room hotel in Auckland, New Zealand. We expect these projects to be spread over 2 to 2.5 years. Total spend is estimated at about \$30mIn to \$40mIn for FY2021.





# Q15

Why is there a reduction in Dividend Per Share to 2 cents in FY2020 from 4 cents in FY2019 when the Earnings per share for FY2020 was better at 5.14 cents compared to 3.65 cents in FY 2019?

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The pandemic situation is fluid. Whilst there is some market optimism the economy and travel related industry such as hotel, airlines will recover with vaccination roll out worldwide, unfortunately the pace is still slow. At the start of the year 2021, we heard of new variants namely, UK, Brazil strains. Today, we have double mutant and India's situation is worrying. The Board has taken a view that the battle with COVID-19 is far from over, and adopted a strategy to conserve cash to meet unexpected developments. We also wish to take the downturn to refresh some of our properties.



# Q16

Any Plan to go for General offer to delist?

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There are currently no plans to delist the Company in the near term.



# Q17

Apart from the review of interested party transactions, what was the scope of the internal audit in 2020?

For FY2020, due to travel restrictions internal audit work was focused mainly on following up audit issues in the preceding year. Only one hotel in New Zealand received audit as the internal auditor is based in the same City. Some of the scope covered were:

- Loyalty Programme
- Revenue Management
- Capital Expenditure
- IT, Fire and Seismic Compliances
- Financial (being accounts payables and fringe benefit taxes)



## Q18

Can the Audit Committee confirm that all the major operating subsidiaries, including the foreign subsidiaries, were audited by the internal audit?

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Yes, major foreign operating subsidiaries are subjected to internal audit on a rotational basis. Typically, the internal auditor will present an audit plan to the AC at the start of each FY. AC will review and make changes if necessary.



Q19

What are some of the key findings and recommendations by the Internal Auditor?

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The recommendations were for the management to review the processes for revenue management and loyalty programme and to further enhance/strengthen the IT system.

**END OF Q&A**





**HOTEL GRAND CENTRAL LIMITED**

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**THANK YOU**

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