

# Banyan Tree Holdings Limited

A new era through partnerships



StocksBnB.com

SINGAPORE | REAL ESTATE (HOSPITALITY) | INITIATION

04 August 2017

- Strategic partnerships signed with China Vanke and AccorHotels offer divestment gains, new management fee income and fresh capital for Banyan Tree.
- Potential 9c/share gain on disposal of China assets provide upside to dividends.
- Pipeline of potential hotel openings with Accor can almost double Banyan Tree's hotel network from the current 40 to 76.
- Initiate coverage with BUY rating and S\$0.77 target price, implying a 36% upside.

## Company Background

Banyan Tree Holdings Limited (BTH) is a developer and operator of premium resorts, hotels, residences and spas with a presence in 25 countries. The group's properties include 40 hotels and resorts, 64 spas, 77 retail galleries and three golf courses as of FY16. The group's primary business is centred around four brands, namely Banyan Tree, Angsana, Cassia and Dhawa.

## Investment Merits

- Significant capital gains expected on divestment of assets into Banyan Tree China.**  
BTH's strategic partnership with one of China's largest listed property developer, China Vanke is expected to generate significant gains for the Group from the disposal of Banyan Tree-branded hotels and assets in China into the new joint venture entity. We expect revaluation gains of S\$66mn or 9c/share from the disposal of these assets, which are currently carried at cost. This is supported by the significant appreciation of Chinese land and property prices since the Group acquired these assets.
- Strategic partnerships with Vanke and AccorHotels to accelerate growth in management fees.**  
Partnership with Accor enables BTH to leverage on Accor's strength to drive new hotels expansion especially in areas outside of Asia where BTH currently has lesser exposure to. We project 3 new hotel openings with Accor per year from 2020, each of which on average would contribute S\$0.23mn to BTH's EBITDA (or 0.4% of FY16 EBITDA).
- Capital injection from strategic partners to reduce gearing and interest costs.**  
The strategic partnerships will see a potential S\$50mn capital injection each from Vanke and Accor for a respective 10% stake in BTH. We foresee BTH utilising the cash to reduce the debt load and lowering finance costs going forward. Assuming 4% cost of debt, interest cost savings of up to S\$4m/year can increase FY18e NPAT by c.48% (or EPS impact of 23%).

## Initiating coverage with BUY rating and target price of S\$0.77

We initiate coverage on BTH with a BUY rating and an SOTP-derived target price of S\$0.77. This implies a 36% upside and a FY18e P/NAV of 0.91. Our SOTP incorporates a 20% discount on PPE for the owned hotel business, 30% discount on RNAV for development properties, and 10x EV/EBITDA for the fee-based segment.

## BUY (Initiation)

LAST DONE PRICE	SGD 0.57
FORECAST DIV	SGD 0.00
TARGET PRICE	SGD 0.77
<b>TOTAL RETURN</b>	<b>36.3%</b>

## COMPANY DATA

BLOOMBERG CODE:	BTH SP
O/S SHARES (MN):	761
MARKET CAP (USD mn / SGD mn):	316 / 430
52 - WK HI/LO (SGD):	0.59 / 0.36
3M Average Daily T/O (mn):	0.82

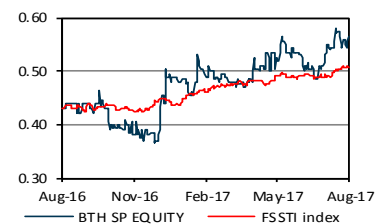
## MAJOR SHAREHOLDERS (%)

BIBACE INVESTMENT LTD	37.6%
QATAR INVESTMENT AUTHORITY	27.1%
PLATINUM ENTERPRISE LTD	4.1%

## PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	8.8	5.7	29.1
STIRETURN	4.3	5.4	21.4

## PRICE VS. STI



Source: Bloomberg, PSR

## KEY FINANCIALS

SGD MN	FY 15	FY 16	FY 17e	FY 18e
Revenue	377	339	340	348
EBITDA	31	52	57	61
EPS (S'cents)	-3.6	-2.1	11.3	11
PER, x (adj.)	-	-	4.9	49.5
P/BV, x	0.8	0.7	0.7	0.6
ROA, %	-1.7%	-1.0%	5.2%	0.5%
ROE, %	-3.9%	-2.2%	10.9%	10%

Source: Company Data, PSR est.

## Valuation Method

SOTP

Dehong Tan (+65 6212 1849)

Investment Analyst  
tandh@phillip.com.sg

Peter Ng (+65 6212 1850)

Investment Analyst  
peterngmc@phillip.com.sg

## Company Background

Banyan Tree Holdings Limited (BTH) is a developer and operator of premium resorts, hotels, residences and spas with a presence in 25 countries. The group's properties include 40 hotels and resorts (with equity interest: 19, without equity interest: 21), 64 spas, 77 retail galleries and three golf courses as of FY16. The group's primary business is centred on four brands, namely Banyan Tree, Angsana, Cassia and Dhawa. Additionally, the Group operates three integrated resorts in Asia, in particular, Laguna Phuket via its 65.8% owned subsidiary, Laguna Resorts Hotel & Hotels Public Company Limited (LRH TB). As at 1Q17, the Group has another 36 hotels and resorts either under development.

## Investment Merits

### Catalyst 1: Capital gains on divestment of assets into Banyan Tree China (BTC)

Banyan Tree's strategic partnership with China's largest listed property developer, China Vanke is expected to generate significant gains for BTH from the disposal of Banyan Tree-branded hotels and assets in China into a new entity, BTC. BTC will be jointly controlled by BTH and Vanke. Currently carried at cost, disposal of these assets will be at a market value to be confirmed by an independent valuer. We expect revaluation gains on disposal to be significant given the massive appreciation of Chinese land and property prices since the Group acquired these assets.

As of 31 December 2016, the net book value of these assets which are carried at cost, is S\$163.7mn. We attempt to estimate the size of revaluation gains that BTH will be able to realise on divestment. Occupying a significant portion of the valuation are two plots of land BTH owns in Chengdu (land size 324mu or 215,784 sqm) and Lijiang (land size 283mu or 188,478 sqm). We expect the bulk of the revaluation gains on disposal to come from these two assets.

### **Disposing Laguna Chengdu will add S\$16mn gain**

Currently, housing the Laguna Chengdu project is a plot of land sized around 324mu (215,784 sqm) in Wenjiang, Chengdu acquired in 2012. More recently in October 2016, two separate plots of land of sizes 28k sqm and 20k sqm were sold for RMB3,900 and RMB4,350/sqm respectively<sup>1</sup>. These plots of land sit c.15km away from BTH's Chengdu site. We apply a 25% discount to the lower of the above two transacted selling prices in trying to determine the approximate market value of BTH's Chengdu site. This is to account for the larger land plot (which typically transact at a lower price per plot) and the greater distance from the city centre. At RMB2,925/sqm, we arrive at an approximate land value of S\$126mn, S\$16mn or 15% higher than the S\$110mn carried on the BTH's book at cost (plus development costs incurred so far).

### ***The 4 assets to be injected into BTC:***

1. 40% of Banyan Tree Hotels Management (Tianjin) Co., Ltd ("China Hotel Management Co" or "CHMC");
2. 100% of Laguna Chengdu
3. 100% of Banyan Tree Lijiang hotel;
4. 100% of Banyan Tree Ringha hotel.

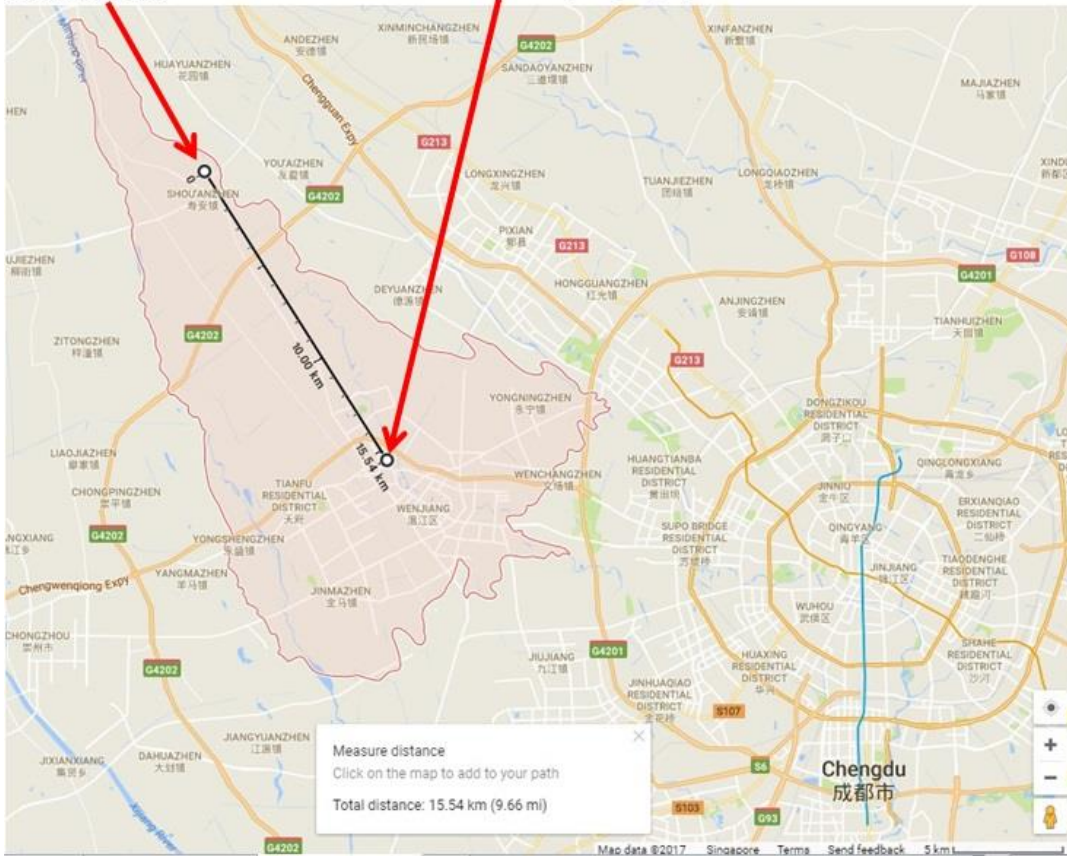
BTC will be controlled 50:50 between Banyan Tree and China Vanke

<sup>1</sup>Source: [www.guandian.cn](http://www.guandian.cn)

**Figure 1: Location of Laguna Chengdu and plot of land to be disposed into BTC**

Laguna Chengdu, Sits on a Banyan Tree-owned plot of land, sized c. 216k sqm

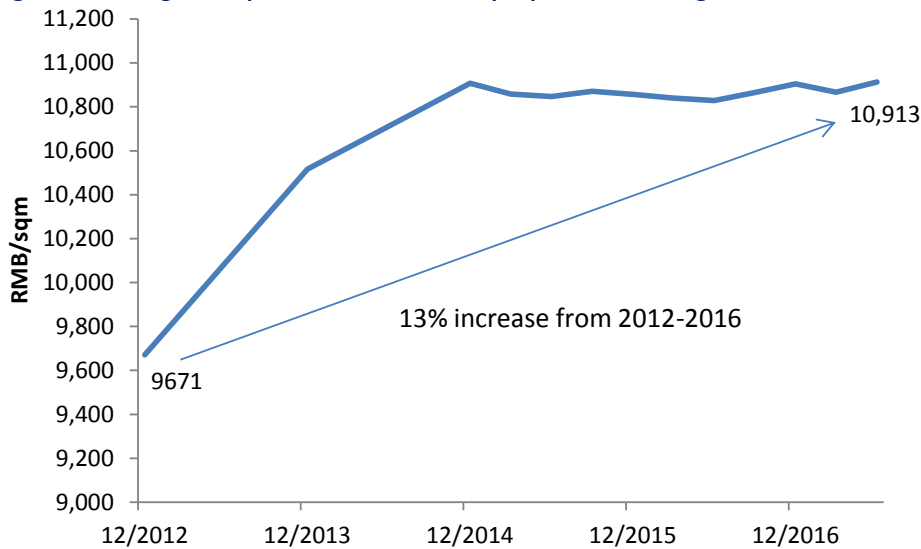
Oct 2016 land tender site 15km away: Two separate plots of land 28k sqm and 20k sqm were sold for RMB3,900-4,300/sqm



Source: Google Maps, PSR

As a comparison, average land prices for commercial properties in Chengdu gained 13% from RMB9,671/sqm in 2012 to RMB10,913/sqm in 2016

**Figure 2: Average land prices for commercial properties in Chengdu**

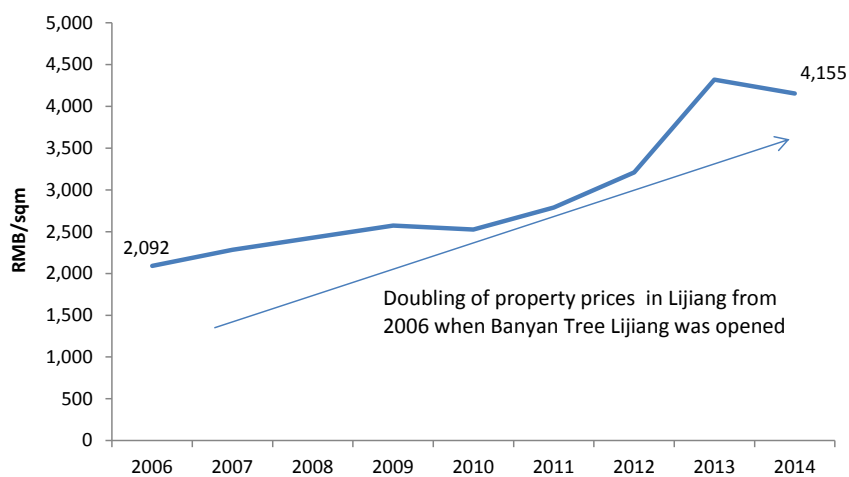


Source: CEIC, PSR

### Disposing Banyan Tree Lijiang will add S\$50mn gain

Banyan Tree Lijiang, a 125-key resort opened in 2006, makes up the remaining majority of the assets to be disposed into BTC. The resort sits on a 283 mu (or 188k sqm) plot of land which collectively makes up the bulk of the S\$51mn of Property, Plant and Equipment held at cost for disposal into BTC. As a result of a lack of comparable prices of land in the vicinity, we estimate a growth rate consistent with the average rate of increase in property prices in Lijiang city. Lijiang has seen a near doubling of property prices in the decade following the opening of Banyan Tree Lijiang in 2006. We assume a disposal gain of c.S\$50mn based on the assumption of doubling of property prices during the period.

**Figure 3: Average property prices in Lijiang, Yunnan doubled since 2006**



Source: CEIC, PSR

### Finalisation of market valuations of disposal assets could provide share price boost

Our conservative estimates for the total revaluation gain for BTH add up to S\$66mn, with the bulk of it coming from the Lijiang land and property. This brings the total valuation of the disposal group of Chinese assets to c.S\$230mn. A divestment of 50% of this group of Chinese assets could then yield BTH cash proceeds of S\$115mn. Any upside to our estimated total revaluation gains could be a catalyst for a further upgrade. We would not discount the possibility of a distribution of partial divestment proceeds as dividends given the ample cash on the balance sheet for development properties expenditure.

**Figure 4: Estimated total disposal gains**

Disposal group classified as held for sale	(S\$,000)
Net assets of disposal group classified as held for sale (as at FY16) - 'A'	163,710
<b>Add: Estimated valuation gains</b>	
Lijiang land and property	50,000
Chengdu land and property	16,000
<b>Total - 'B'</b>	<b>66,000</b>
<b>Estimated total disposal group valuation - 'A' + 'B'</b>	<b>229,710</b>
<b>Cash proceeds to BTH (50% divestment)</b>	<b>114,855</b>
No of shares ('000) - 'C'	761,000
<b>Per share revaluation gain - 'B'/'C'</b>	<b>0.09</b>

Source: Company, PSR

### Vanke management fees not yet factored in

We have not factored in potential increase in management fees from the Vanke deal, through the injection of Vanke-owned hotels and assets into the JV and bringing these assets under the management of BTC. Any acceleration in management fees from this JV will be a catalyst for an upgrade in target price.

### **Catalyst 2: Management fees from partnerships with Vanke and AccorHotels (Accor)**

Partnership with Accor enables BTH to leverage on Accor's strength to drive new hotels expansion especially in areas outside of Asia where BTH currently has lesser exposure to.

#### **Key points of the strategic partnership with Accor**

- The strategic partnership involves co-developing hotels and serviced residences under Banyan Tree brands over 12 years, and it is extendable.
- Accor subscribed for S24 million mandatory convertible debenture in BTH. The debenture is convertible into a 5% stake of BTH at S\$0.60 strike price, including an option to increase stake up to 10%.
- BTH will undertake brand management activities.
- Accor will undertake activities such as training, sales and marketing and technical assistance.

**The strategic partnership between BTH and AccorHotels in April 2017.** In April 2017, BTH and AccorHotels have signed a definitive agreement to collaborate by co-developing hotels and branded service residences under the four BTH brands in most gateway destinations around the world. Under the agreement which lasts for 12 years, Accor is excluded from co-developments rights in the China, Thailand, Vietnam and certain parts of Mexico and Maldives, where these locations are regarded as exclusive territories to BTH. BTH also gains access to Accor's global reservations and sales network, as well as its loyalty programme, Le Club AccorHotels.

#### **Key benefits for BTH from the Accor strategic partnership**

- Leverage on Accor's strength to drive new hotels expansion in new markets, namely Africa, the Middle East and US.
- Two to three new property launches per year along with asset light strategy to boost BTH's EBITDA in the longer term.
- Expand clientele by leveraging on Accor's globally recognised loyalty programme, Le Club AccorHotels.

**Leverage on Accor's strengths in other global markets for expansion while remaining independent.** The collaboration will allow BTH to tap on Accor's strengths and experience and further expand globally, especially in areas outside of Asia where it currently has lesser exposure to. This is in particular to Europe, Africa, the Middle East and the US where Accor has a strong presence and massive network (73% of rooms are located in areas outside of Asia Pacific). At the same time, BTH will be able to continue functioning as an independent company.

#### **Accelerate expansion into other global markets in line with BTH's avant-garde strategy.**

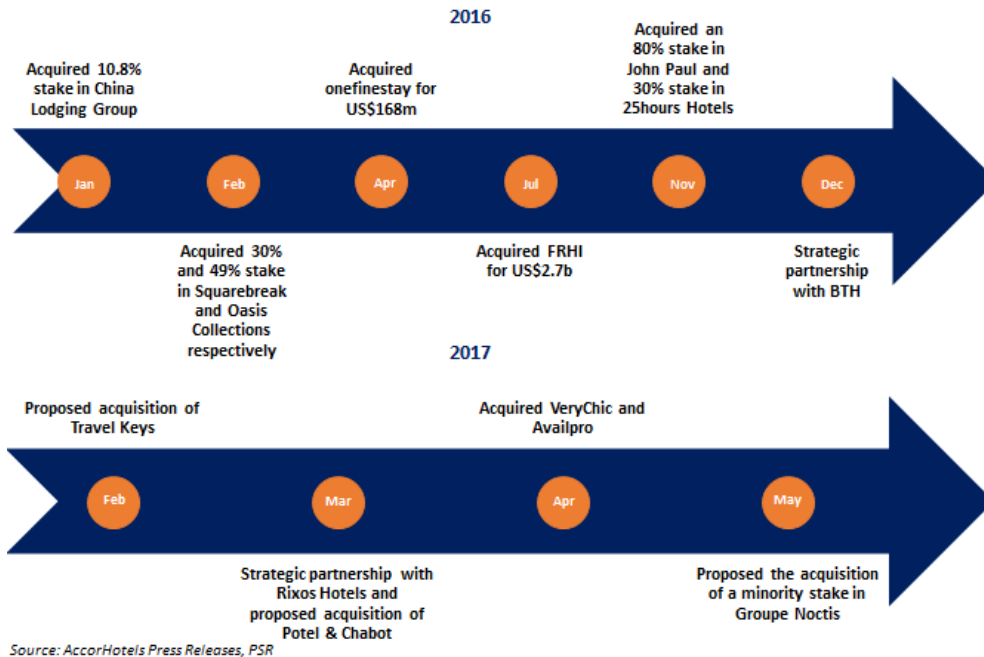
This is in line with BTH's strategy where the Group continues to favour venturing into markets which are untapped and has the potential to grow exponentially. New markets are challenging to break into, as sufficient scale is required for operations to turn profitable which otherwise require large amount of resources or time. We view the collaboration to benefit BTH as new markets pose significant barriers to entry, in the form of scale and experience to operate in these markets. For instance, BTH's latest entry into Cuba via the opening of one out of four new hotels took a few years before materialising.

#### **The partnership is aligned with Accor's strategy to scale up luxury and upscale segment.**

One of Accor's primary strategies moving forward is to scale up its luxury and upscale segment as seen from a flurry of acquisitions made in this sector during the past one year (Figure 1), notably FRHI Hotels and Resorts which owns a series of luxury brands such as Fairmont, Raffles and Swissôtel. We observed that luxury and upscale hospitality assets made up 12% of Accor's portfolio as at 31 December 2016, which is significantly lower compared to its peer average of 31%. Apart from being able to yield higher profitability compared to other more economical hotels, luxury and upscale hotels are less susceptible from disruption driven by shared economy platforms like Airbnb. This is because the clientele for higher end product offerings are less likely to be swayed by price points, and

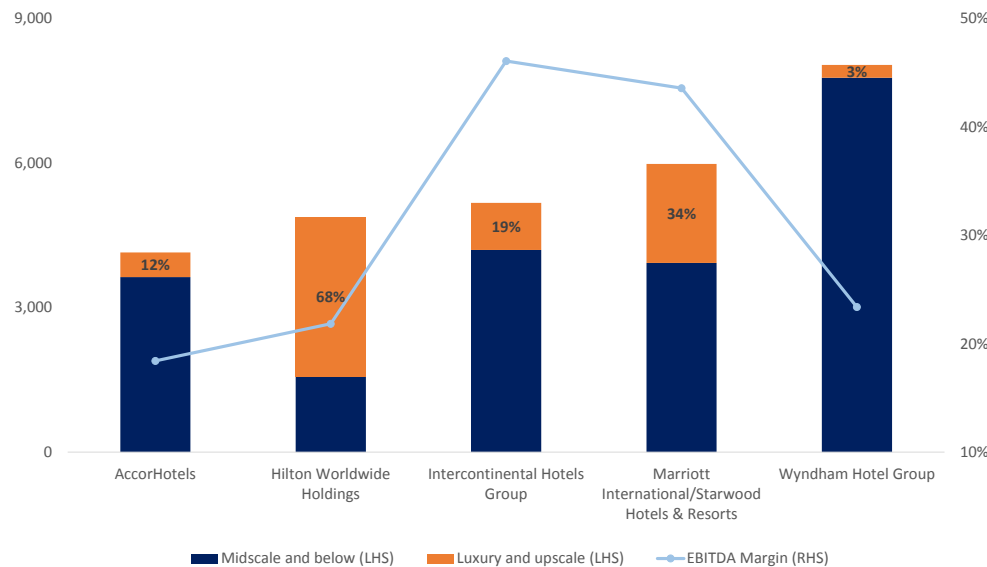
are drawn towards product attributes like a full-service experience which shared economy platforms are unable to offer. We view that BTH’s range of brands especially, Banyan Tree and Angsana, will be accretive to Accor’s luxury and upscale segment.

Figure 5: Acquisitions made by Accor in 2016 and 2017



Source: AccorHotels Press Releases, PSR

Figure 6: Portfolio breakdown of hotel operators



\*Data is based on FY16 data  
Source: AccorHotels Annual Report, PSR

**Three to five new property launches per year with asset light strategy to boost BTH’s EBITDA and EBITDA margin in the longer term.** Inferring from the frequency of new hotel offerings after Accor’s acquisitions, we project BTH to add three to five new properties into its portfolio annually. We view this as a realistic estimate considering that Accor has introduced as many as 30 new hotels from brands acquired by Accor in the past one year. Additionally, with Accor’s focus towards “experiential” hospitality which partly involves scaling up its luxury segment, we see our estimates as leaning towards the conservative side. We are expecting each new property to contribute S\$0.33 million per year to BTH’s revenue, and subsequently S\$0.23 million to its EBITDA. This translates to a 0.4% increase

in its EBITDA with the addition of each new property based on FY16 EBITDA of S\$51.7 million. We are expecting that the Group's longer term EBITDA margin to increase to as much as 70%, since there are lower costs associated for BTH as it transitions into an asset light strategy. However, as the group is more likely to explore greenfield developments as compared to the acquisition of an existing property, we expect the earliest revenue contribution to come in at least three years later in FY20.

**Figure 7: Revenue and EBITDA contribution estimates for each new property**

Hotel owners	
Number of keys	115
RevPAR (S\$ per night)	300
EBITDA margin	22%
Annual revenue contribution for hotel owner (S\$m)	12.6
EBITDA contribution for hotel owner (S\$m)	2.8
Hotel operators	
3% of revenue (S\$m)	0.38
10% of GOP (S\$m)	0.28
Management fees contributed to operators (S\$m)	0.65
<b>Management fees attributable to BTH (50% split, S\$m)</b>	<b>0.33</b>
<b>EBITDA contribution for BTH (65% EBITDA margin, S\$m)</b>	<b>0.23</b>

Source: Company, PSR

**BTH gains access to a globally recognised loyalty programme, Le Club Accorhotels.** Accor has been investing substantially to beef up its loyalty programme, called Le Club AccorHotels, notably via the acquisition of a majority stake in a concierge and loyalty services provider, John Paul (the Company is valued at US\$150 million). According to The Centre for Hospitality Research, the key benefits of loyalty programmes augment revenue, stay frequency and guests spending. Above all, loyalty programmes provide valuable data on guests which can be used by hotel operators to create targeted campaigns for their guests. While BTH has an existing loyalty programme, it is not as established when compared to LCA. The strategic partnership allows BTH to tap on Accor's globally recognised loyalty programme, Le Club AccorHotels, which otherwise BTH has to invest a significant amount of resources to grow.

**Capital injection from strategic partners to reduce gearing and interest costs.**

The strategic partnerships will see a potential S\$50mn capital injection each from Vanke and Accor for a respective 10% stake in BTH. We foresee BTH utilising the cash to reduce the debt load and lowering finance costs going forward. Assuming a 4% cost of debt, interest cost savings of up to S\$4m/year can increase FY18e NPAT by c.48% (or EPS impact of 23%).

Peer Comparison Tables

Figure 8: BTH vs local listed property developers

Name	Mkt Cap (SGD)	Last Px (SGD)	PSR RATING	PSR TARGET PRICE	P/E	P/B	ROE (%)	ROA (%)	Dividend Yield (%)	Total Debt to Assets (%)
<b>BANYAN TREE HLDGS LTD</b>	<b>422</b>	<b>0.59</b>	<b>BUY</b>	<b>0.77</b>	-	<b>0.8</b>	<b>-6.3</b>	<b>-2.2</b>	-	<b>38.3</b>
CAPITALAND LTD	15,884	3.74	ACCUMULATE	4.19	11.7	0.9	5.7	2.2	2.7	32.5
CITY DEVELOPMENTS LTD	10,702	11.77	ACCUMULATE	11.07	17.3	1.2	5.9	2.7	1.4	29.0
UOL GROUP LTD	6,473	7.96	ACCUMULATE	7.64	22.0	0.8	3.8	2.7	1.9	20.8
HO BEE LAND	1,611	2.42	ACCUMULATE	2.64	6.3	0.6	5.7	3.7	2.5	30.6
FRASERS CENTREPOINT LTD	5,565	1.92			8.8	0.8	7.8	2.1	4.5	40.5
HOTEL PROPERTIES LTD	2,066	3.97			19.0	1.1	0.9	0.4	0.6	31.2
QUE LTD	1,849	2.05			12.2	0.8	2.8	1.4	5.8	35.9
FRAGRANCE GROUP LTD	1,114	0.17			147.7	1.2	4.1	2.3	2.0	43.6
FAR EAST ORCHARD LTD	663	1.56			12.0	0.6	-6.5	-3.4	-	9.8
ROXY-PACIFIC HLDGS LTD	620	0.52			15.2	1.2	6.9	2.3	3.2	57.0
BONVESTS HLDGS LTD	525	1.31			9.9	0.5	2.5	1.2	2.4	18.2
HOTEL ROYAL LTD	318	3.78			36.3	0.5	4.1	2.5	3.8	20.9
AMARA HLDGS LTD	296	0.52			29.3	0.6	1.9	1.4	2.0	42.9
<i>Peer Average</i>					26.7	0.8	3.5	1.7	2.7	31.8

Source: Bloomberg, PSR

Figure 9: Our EV/EBITDA multiple of 10 is more conservative vs large cap hotel operators' average of 13.7

Bloomberg Code	Name	Mkt Cap (SGD mn)	Last Px	P/E	ROE	P/B	EV/EBITDA T12M	Debt/Assets LF	
BTH SP Equity	BANYAN TREE HOLDINGS LTD	430	0.57	-	-6.31	0.77	39.6	38.3	
MAR US Equity	MARRIOTT INTERNATIONAL -CL A	53,335	140.77	28.0	-	7.63	20.1	35.2	
HLT US Equity	HILTON WORLDWIDE HOLDINGS IN	27,333	84.31	27.0	19.26	13.31	11.6	41.2	
AC FP Equity	ACCOR SA	18,791	64.96	59.6	5.21	2.66	-	24.2	
WYN US Equity	WYNDHAM WORLDWIDE CORP	14,620	140.11	17.4	84.01	16.22	9.0	34.3	
IHG LN Equity	INTERCONTINENTAL HOTELS GROU	14,524	76.44	28.5	-	-	13.3	58.5	
H US Equity	HYATT HOTELS CORP - CL A	9,516	75.83	27.8	7.32	1.88	12.2	20.2	
69 HK Equity	SHANGRI-LA ASIA LTD	7,924	2.21	54.8	2.58	0.97	15.9	40.8	
MLC LN Equity	MILLENNIUM & COPTHORNE HOTEL	2,688	8.28	20.0	4.27	0.56	-	22.1	
<i>Large Cap Peer Average</i>					32.9	20.4	6.2	13.7	34.6
032350 KS Equity	LOTTE TOUR DEVELOPMENT CO LT	430	9.47	125.6	1.55	2.16	44.4	3.5	
NMH MP Equity	NEW MAURITIUS HOTELS LTD	428	0.88	-	-6.80	0.85	-	44.5	
BHOTEL BI Equity	GULF HOTEL GROUP B.S.C	420	1.86	38.1	6.42	1.01	6.3	0.0	
DTC TB Equity	DUSIT THANI PUBLIC CO LTD	414	0.49	119.7	1.81	2.14	10.0	18.5	
AMA SP Equity	AMARA HOLDINGS LTD	302	0.53	29.9	2.77	0.81	21.9	42.9	
<i>Small-Mid Cap Peer Average</i>					78.3	1.1	1.4	20.6	21.9

Source: Bloomberg, PSR

Figure 10: BTH trades at 0.75 P/NAV, below post GFC average of 0.90



Source: Bloomberg, PSR



## Valuation

Sum-of-parts Valuation (SOTP)	S\$'000	Valuation inputs used	Comments
Owned hotel business	541,555	20% discount to FY17e PPE book value	Consistent with current price discount to book. More conservative vs post GFC average price discount to book of 10% (Figure 10)
Property development	223,164	30% discount to RNAV, assuming 20% development margins	RNAV discount consistent with our in-house discount value for mid-cap property developers. More conservative vs peer average discount of 20% (Figure 8)
Fee-based segment	250,425	Assuming 30% EBITDA margins and EV/EBITDA multiple of 10	Consistent with post GFC average EBITDA margins of 29% for fee-based segment. EV/EBITDA of 10 more conservative than large-cap hotel operators average multiple of 13.7 (Figure 9)
Total	1,015,145		
Minus: FY17e Total Debt	(616,585)		
Add: FY17e Cash	186,477		
Total	585,037		
Total number of shares ('000)	761,057		
Fair value/share (S\$)	0.77		

Source: PSR

We initiate coverage on BTH with a BUY rating and an SOTP-derived target price of S\$0.77. This implies a 36% upside and a FY18e P/NAV of 0.91. Our SOTP incorporates a 20% discount on PPE for the owned hotel business, 30% discount on RNAV for development properties, and 10x EV/EBITDA for the fee-based segment.

BTH's strategic partnerships signed with China Vanke and AccorHotels offer divestment gains, new management fee income and fresh capital for BTH. The partnerships with one of the world's largest hotel operator and China's largest developer mark the start of a new era of growth globally for BTH.

## Financials

### Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
<b>Revenue</b>	<b>377</b>	<b>339</b>	<b>340</b>	<b>348</b>	<b>372</b>
Total cost and expenses	(346)	(288)	(283)	(287)	(307)
<b>EBITDA</b>	<b>31</b>	<b>52</b>	<b>57</b>	<b>61</b>	<b>64</b>
Depreciation & amortisation	(25)	(25)	(24)	(25)	(26)
<b>EBIT</b>	<b>6</b>	<b>27</b>	<b>34</b>	<b>36</b>	<b>39</b>
Net finance (expense)/income	(21)	(22)	(26)	(26)	(28)
<b>Profit before taxes</b>	<b>(19)</b>	<b>1</b>	<b>72</b>	<b>11</b>	<b>14</b>
Taxes	(6)	(8)	(12)	(2)	(2)
<b>Profit after tax</b>	<b>(26)</b>	<b>(7)</b>	<b>60</b>	<b>9</b>	<b>12</b>
Non-controlling interest	2	9	(2)	(2)	(2)
<b>PATMI</b>	<b>(28)</b>	<b>(16)</b>	<b>58</b>	<b>7</b>	<b>10</b>

### Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17e	FY18e	FY19e
EPS, reported	-0.04	-0.02	0.08	0.01	0.01
DPS (S'cents)	0.13	0.00	0.00	0.00	0.00
BVPS	0.72	0.74	0.85	0.89	0.94

### Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
<b>CFO</b>					
Profit for the year	(19)	1	72	11	14
Adjustments	69	36	51	50	50
WC changes	(126)	(6)	(38)	(12)	20
Taxes paid, others	(35)	(37)	122	(29)	(29)
<b>Cashflow from ops</b>	<b>(111)</b>	<b>(6)</b>	<b>208</b>	<b>19</b>	<b>54</b>
<b>CFI</b>					
CAPEX, net	(23)	(16)	(19)	(20)	(20)
Others	(7)	(4)	(115)	(0)	(0)
<b>Cashflow from investments</b>	<b>(31)</b>	<b>(20)</b>	<b>(134)</b>	<b>(20)</b>	<b>(20)</b>
<b>CCF</b>					
Increase (decrease) in loans, n	139	(24)	-	-	-
Others	(1)	(1)	(1)	(1)	(1)
<b>Cashflow from financing</b>	<b>138</b>	<b>(25)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
<b>Net change in cash</b>	<b>(4)</b>	<b>(52)</b>	<b>73</b>	<b>(2)</b>	<b>34</b>
Effects of exchange rates	1	0	-	-	-
<b>CCE, end</b>	<b>165</b>	<b>114</b>	<b>186</b>	<b>185</b>	<b>219</b>

### Balance Sheet

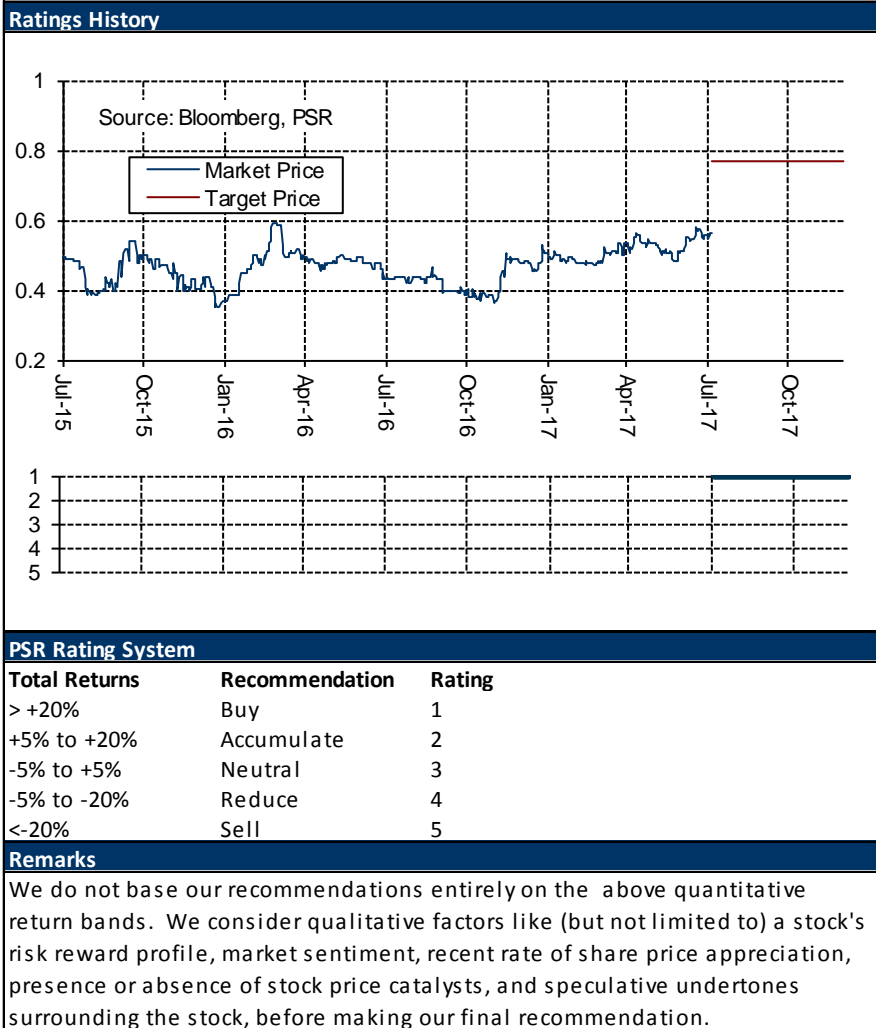
Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
<b>ASSETS</b>					
PP&E	657	658	677	697	716
Associates & JVs	107	109	109	109	109
Investment properties	68	71	71	71	72
Others	127	119	232	231	230
<b>Total non-current assets</b>	<b>959</b>	<b>956</b>	<b>1,089</b>	<b>1,108</b>	<b>1,127</b>
Development property	336	252	266	279	258
Accounts receivables	80	52	78	74	75
Cash balance	166	109	186	185	219
Others	53	240	53	55	57
<b>Total current assets</b>	<b>634</b>	<b>652</b>	<b>583</b>	<b>593</b>	<b>609</b>
<b>Total Assets</b>	<b>1,593</b>	<b>1,608</b>	<b>1,672</b>	<b>1,701</b>	<b>1,736</b>
<b>LIABILITIES</b>					
Short term loans	90	98	98	98	98
Notes payables	-	49	49	49	49
Accounts payables	9	7	7	7	7
Others	117	176	155	155	157
<b>Total current liabilities</b>	<b>215</b>	<b>281</b>	<b>260</b>	<b>260</b>	<b>262</b>
Long term loans	171	126	126	126	126
Notes payables	392	344	344	344	344
Others	116	125	125	126	126
<b>Total non-current liabilities</b>	<b>679</b>	<b>594</b>	<b>595</b>	<b>595</b>	<b>595</b>
<b>Total Liabilities</b>	<b>894</b>	<b>875</b>	<b>855</b>	<b>855</b>	<b>858</b>
<b>EQUITY</b>					
Shareholder Equity	549	564	649	679	712
Non-controlling interest	151	168	168	167	166
<b>Total Equity</b>	<b>699</b>	<b>733</b>	<b>817</b>	<b>846</b>	<b>878</b>

### Valuation Ratios

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
P/E (X), adj.	-	-	7.2	59.4	43.3
P/B (X)	0.8	0.7	0.6	0.6	0.6
<b>Dividend Yield</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Growth &amp; Margins</b>					
<b>Growth</b>					
Revenue	12.0%	-10.0%	0.4%	2.2%	6.8%
EBIT	-78.4%	322.6%	26.0%	7.7%	7.6%
Net Income, adj.	13.2%	-16.5%	8.7%	2.2%	6.9%
<b>Margins</b>					
EBIT margin	1.7%	7.9%	9.9%	10.4%	10.5%
<b>Net Profit Margin</b>	<b>-7.0%</b>	<b>-2.2%</b>	<b>17.8%</b>	<b>2.5%</b>	<b>3.1%</b>
<b>Key Ratios</b>					
ROE (%)	-3.9%	-2.2%	7.1%	0.8%	1.1%
ROA (%)	-1.7%	-1.0%	3.5%	0.4%	0.6%
Net cash (debt)	(487)	(508)	(430)	(432)	(398)
Gearing (X)	0.41	0.38	0.37	0.36	0.36

Source: Company, Phillip Securities Research (Singapore) Estimates

\*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.



**Contact Information (Singapore Research Team)**

**Head of Research**

Paul Chew – [paulchewkl@phillip.com.sg](mailto:paulchewkl@phillip.com.sg)

**Research Operations Officer**

Mohamed Amiruddin - [amiruddin@phillip.com.sg](mailto:amiruddin@phillip.com.sg)

**Consumer | Healthcare**

Soh Lin Sin - [sohls@phillip.com.sg](mailto:sohls@phillip.com.sg)

**Property | Infrastructure**

Peter Ng - [peterngmc@phillip.com.sg](mailto:peterngmc@phillip.com.sg)

**Macro**

Pei Sai Teng - [peist@phillip.com.sg](mailto:peist@phillip.com.sg)

**Transport | REITs (Industrial)**

Richard Leow, CFTe, FRM - [richardleowwt@phillip.com.sg](mailto:richardleowwt@phillip.com.sg)

**REITs (Commercial, Retail, Healthcare) | Property**

Dehong Tan - [tandh@phillip.com.sg](mailto:tandh@phillip.com.sg)

**Technical Analysis**

Jeremy Ng - [jeremyngch@phillip.com.sg](mailto:jeremyngch@phillip.com.sg)

**Banking and Finance**

Jeremy Teong - [jeremyteongfh@phillip.com.sg](mailto:jeremyteongfh@phillip.com.sg)

**US Equity**

Ho Kang Wei - [hokw@phillip.com.sg](mailto:hokw@phillip.com.sg)

**Oil & Gas | Energy**

Chen Guangzhi - [chengz@phillip.com.sg](mailto:chengz@phillip.com.sg)

**Contact Information (Regional Member Companies)**

**SINGAPORE**

**Phillip Securities Pte Ltd**

Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel +65 6533 6001  
Fax +65 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

**MALAYSIA**

**Phillip Capital Management Sdn Bhd**

B-3-6 Block B Level 3 Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450  
Kuala Lumpur  
Tel +603 2162 8841  
Fax +603 2166 5099  
Website: [www.poems.com.my](http://www.poems.com.my)

**HONG KONG**

**Phillip Securities (HK) Ltd**

11/F United Centre 95 Queensway  
Hong Kong  
Tel +852 2277 6600  
Fax +852 2868 5307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**JAPAN**

**Phillip Securities Japan, Ltd.**

4-2 Nihonbashi Kabuto-cho Chuo-ku,  
Tokyo 103-0026  
Tel +81-3 3666 2101  
Fax +81-3 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**INDONESIA**

**PT Phillip Securities Indonesia**

ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel +62-21 5790 0800  
Fax +62-21 5790 0809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

**CHINA**

**Phillip Financial Advisory (Shanghai) Co Ltd**

No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel +86-21 5169 9200  
Fax +86-21 6351 2940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd**

15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangrak,  
Bangkok 10500 Thailand  
Tel +66-2 6351700 / 22680999  
Fax +66-2 22680921  
Website [www.phillip.co.th](http://www.phillip.co.th)

**FRANCE**

**King & Shaxson Capital Limited**

3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel +33-1 45633100  
Fax +33-1 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**UNITED KINGDOM**

**King & Shaxson Capital Limited**

6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel +44-20 7426 5950  
Fax +44-20 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**UNITED STATES**

**Phillip Capital Inc**

141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 356 9000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

**AUSTRALIA**

**Phillip Capital Limited**

Level 10, 330 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel +61-03 9629 8288  
Fax +61-03 9629 8882  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**SRI LANKA**

**Asha Phillip Securities Limited**

2<sup>nd</sup> Floor, Lakshmans Building,  
No. 321, Galle Road,  
Colombo 03, Sri Lanka  
Tel: (94) 11 2429 100  
Fax: (94) 11 2429 199  
Website: [www.ashaphillip.net](http://www.ashaphillip.net)

**INDIA**

**PhillipCapital (India) Private Limited**

No.1, 18th Floor, Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)

**TURKEY**

**PhillipCapital Menkul Degerler**

Dr. Cemil Bengü Cad. Hak Is Merkezi  
No. 2 Kat. 6A Caglayan  
34403 Istanbul, Turkey  
Tel: 0212 296 84 84  
Fax: 0212 233 69 29  
Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

**DUBAI**

**Phillip Futures DMCC**

Member of the Dubai Gold and  
Commodities Exchange (DGCX)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: + 971-4-3328895

**CAMBODIA**

**Phillip Bank Plc**

Ground Floor of B-Office Centre,#61-64,  
Norodom Blvd Corner Street 306,Sangkat  
Boeung Keng Kang 1, Khan Chamkamorn,  
Phnom Penh, Cambodia  
Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

**Important Information**

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

**IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES**

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.