

Banyan Tree Holdings Limited

Improved outlook across all business segments



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SINGAPORE | REAL ESTATE (HOSPITALITY) | FY17 RESULTS

- FY17 operating revenue 6.5% lower vs our expectation due to lower fee income.
- Broad-based increase in RevPAR across key geographies.
- Weakness in Maldives was a drag in FY17, likely to extend into 1Q18 due to the ongoing state of emergency in the country.
- 15% YoY jump in hotel forward bookings for 1Q18.
- Maintain ACCUMULATE with an unchanged target price of S\$0.71.

Results at a glance

(\$GD mn)/Dec Yr End	FY17	FY16	YoY (%)	Comments
Revenue	317.5	309.6	2.6	
-Hotel Investments	201.5	197.4	2.1	Mainly driven by Thailand (S\$11.9mn) and Seychelles (S\$3.1mn)
-Property Sales	51.4	51.3	0.2	Higher quantity of units recognised, but lower value
-Fee-based segment	64.6	60.8	6.2	Higher architectural and design fees from projects in Thailand, China, Dubai
Other income	50.9	29.7	71.7	Divestment gains of S\$39mn from disposal of China
Total Costs and Expenses	(293.8)	(287.5)	2.2	Increase in cost of properties sold and administrative expenses
Operating Profit (EBITDA)	74.7	51.7	44.4	
EBITDA, adjusted	23.8	22.0	7.8	Net of one-off other income
Net Profit	14.9	(7.0)	N.A	

Source: Company, PSR

The Positives

+ **Broad-based increase in RevPAR across key geographies, led by stronger overall occupancy rate.** 4Q17 RevPAR for Thailand (which accounts for close to 60% of Group revenue by our estimates) grew 19% YoY to S\$234 in 4Q17. This is an acceleration from the average 11% YoY growth in 9M17, notwithstanding the fact that 4Q16 was the first quarter Thailand's tourism suffered after the passing of the Thai King and could have provided a lower base for comparison. Strong RevPAR growth was led by an improvement in Group overall occupancy from 57% in FY16 to 63% in FY17.

+ **Improved property sales with sales value jumping 44% YoY:** The Group sold 195 units worth S\$137.8mn in FY17, contributed largely by Cassia Phuket, Phase 3 (c.46%) where sales were driven by demand from Chinese and Russian investors.

+ **15% YoY improvements in hotel forward bookings for 1Q18.** Reflecting an improving outlook in tandem with the improved occupancies, overall forward booking is 15% above the same period last year. This is a vast improvement from the 9%/-3% in 3Q17 and 2Q17.

The Negatives

- **Weakness in Maldives was a drag in FY17, likely to extend into 1Q18 because of the ongoing state of emergency in the country.** RevPAR dropped 5% in 4Q17, as the intense competition from the oversupply of rooms continues. On a more positive note, decline has moderated from the 9 to 33% fall in the first three quarters of the year. While weakness in Maldives is expected to continue into 1Q18, we expect conditions to stabilise thereafter with the tapering of supply of hotel rooms.

Outlook

Outlook is positive as we expect RevPAR strength for the Group's biggest market Thailand to sustain. The weak 1Q17 following the passing of the King, will be a low base comparison. We also expect the competition from oversupply of rooms in Maldives to stabilise towards 2H18 as like-for-like competing room supply tapers off in 2018. The Group has an estimated unrecognised revenue of S\$50mn, which will be recognised in FY18. Further price catalysts could come from the realisation of management contract deals under the partnerships with Accor and Vanke.

1 March 2017

Accumulate (Maintained)

LAST CLOSE PRICE	SGD 0.60
FORECAST DIV	SGD 0.01
TARGET PRICE	SGD 0.71
TOTAL RETURN	20.0%

COMPANY DATA

BLOOMBERG CODE:	BTH SP
O/S SHARES (MN):	841
MARKET CAP (USD mn / SGD mn):	381 / 505
52 - WK HI/LO (SGD):	0.68 / 0.46
3M Average Daily T/O (mn):	0.67

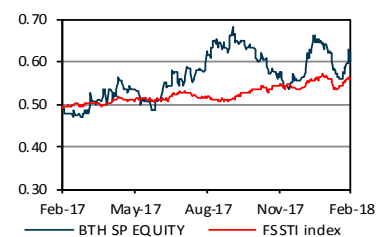
MAJOR SHAREHOLDERS (%)

BIBACE INVESTMENT LTD	34.1%
QATAR INVESTMENT AUTHORITY	24.5%
PLATINUM ENTERPRISE LTD	3.7%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(3.1)	8.8	25.3
STI RETURN	(0.6)	3.4	17.5

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY16	FY17	FY18e	FY19e
Revenue	339	368	348	372
EBITDA	52	75	61	64
EBIT	27	50	37	40
PATMI	-16	13	10	12
EPS (S'cents)	-2.1	1.5	1.2	1.4
PER, x (adj.)	-	39	52	43
P/BV, x	0.7	0.8	0.8	0.8
ROA, %	-10%	0.8%	0.6%	0.7%
ROE, %	-2.2%	1.7%	1.2%	1.4%

Source: Company, PSR

Valuation Method

SOTP

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Maintain ACCUMULATE with unchanged target price of S\$0.71.

We maintain our growth forecasts for FY18e as earnings is expected to be driven by sustained strength in the Group's largest market in Thailand and less challenging conditions in Maldives in FY18. The new partnerships with Accor and Vanke offer opportunities for BTH to scale up at a much faster pace than before. Our target price translates to c.1x FY17 and FY18e P/NAV.

General Offer For Laguna Resorts & Hotel (LRH)

The Group made a tender Offer Price of THB40 in cash for each of the remaining 34.25% of total LRH shares that the Group does not own. Total cash consideration would amount to c.S\$95mn. Rationale for the acquisition is to enable BTH Group to increase its economic interest in LRH and enable existing LRH shareholders the opportunity to realise their investment in LRH. The Group has no plans to delist shares of LRH from SET.

- **Offer below book value despite 34% premium to last traded pre-offer price. Huge monetization potential for land bank.** Offer price of THB40 still represents a steep 45% discount to the book value of c.TH874. With potential GDV of S\$1.8bn from the undeveloped land bank of 1.1mn sq metres in Phuket, BTH's general offer to increase its economic interest in LRH suggests a potential greater sense of urgency from management to monetize/develop this existing land bank, which could be further catalysts to share price.

Figure 1: Valuation Table

Sum-of-parts Valuation (SOTP)	S\$'000	Valuation inputs used	Comments
Owned hotel business	527,949	20% discount to FY18e PPE book value	Consistent with current price discount to book. More conservative vs post GFC average price discount to book of 10%
Property development	249,284	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%
Fee-based segment	257,938	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
Total	1,035,170		
Minus: FY18e Total Debt	(565,946)		
Add: FY18e Cash	126,609		
Total	595,834		
Total number of shares ('000)	841,156		
Fair value/share (S\$)	0.71		

Source: PSR

Financials

Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	377	339	368	348	372
Total cost and expenses	(346)	(288)	(294)	(287)	(307)
EBITDA	31	52	75	61	64
Depreciation & amortisation	(25)	(25)	(25)	(23)	(24)
EBIT	6	27	50	37	40
Net finance (expense)/income	(26)	(26)	(26)	(24)	(24)
Profit before taxes	(19)	1	23	14	16
Taxes	(6)	(8)	(8)	(2)	(3)
Profit after tax	(26)	(7)	15	11	14
Non-controlling interest	2	9	2	(2)	(2)
PATMI	(28)	(16)	13	10	12
PATMI, adj	(28)	(38)	(27)	9	12

Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	-0.04	-0.02	0.02	0.01	0.01
DPS (S'cents)	0.13	0.00	0.01	0.01	0.01
BVPS	0.72	0.74	0.71	0.76	0.79

Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit for the year	(19)	1	23	14	16
Adjustments	69	36	4	49	50
WC changes	(126)	(6)	9	(60)	8
Taxes paid, others	(35)	(37)	(36)	(28)	(29)
Cashflow from ops	(111)	(6)	(0)	(24)	46
CFI					
CAPEX, net	(23)	(16)	(13)	(18)	(17)
Others	(7)	(4)	69	(1)	(1)
Cashflow from investments	(31)	(20)	57	(19)	(18)
CFF					
Increase (decr) in loans, notes	139	(24)	(58)	20	-
Others	(1)	(1)	47	(9)	(9)
Cashflow from financing	138	(25)	(10)	11	(9)
Net change in cash	(4)	(52)	46	(32)	18
Effects of exchange rates	1	0	(1)	-	-
CCE, end	165	114	159	127	145

Source: Company, Phillip Securities Research (Singapore) Estimates

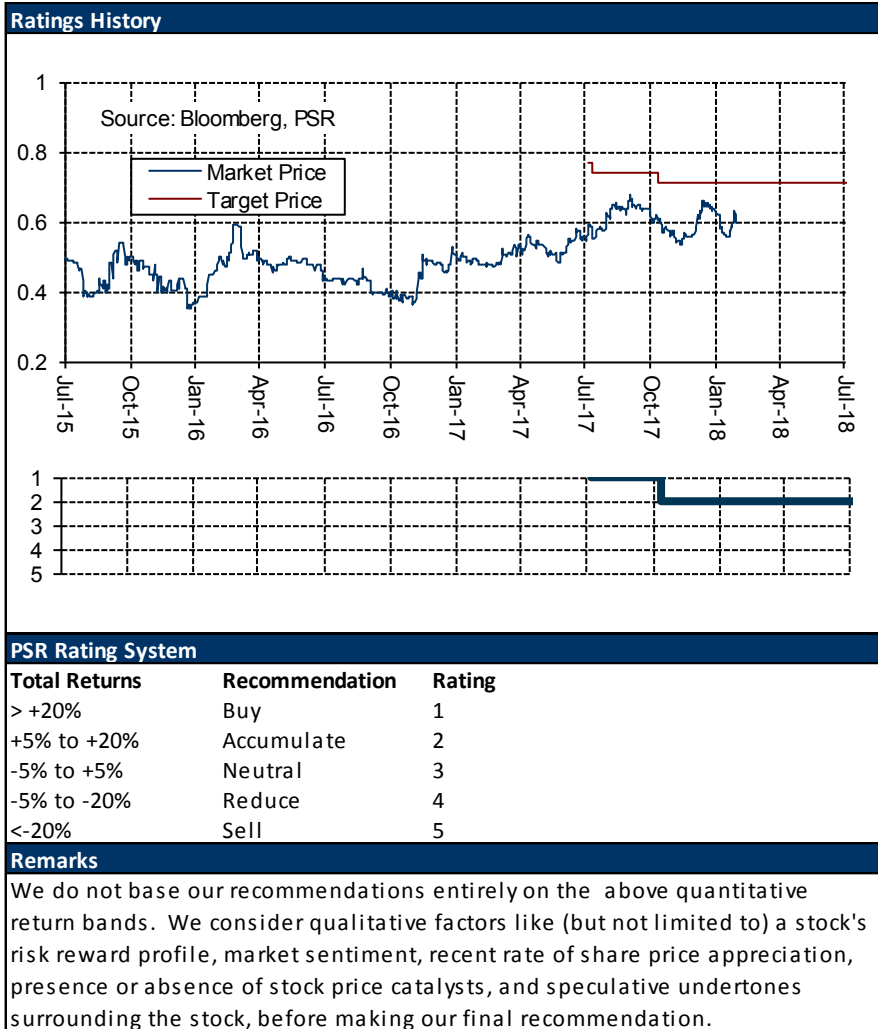
*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PP&E	657	658	642	660	677
Associates & JVs	107	109	122	122	122
Investment properties	68	71	71	71	71
Others	127	119	235	233	231
Total non-current assets	959	956	1,070	1,086	1,102
Development property	336	252	283	297	276
Accounts receivables	80	52	45	74	75
Cash balance	166	109	159	127	145
Others	53	240	123	126	141
Total current assets	634	652	610	623	637
Total Assets	1,593	1,608	1,680	1,710	1,739
LIABILITIES					
Short term loans	90	98	71	71	71
Notes payables	-	49	119	119	119
Accounts payables	9	7	7	7	7
Others	117	176	329	322	325
Total current liabilities	215	281	408	401	403
Long term loans	171	126	151	151	151
Notes payables	392	344	225	225	225
Others	116	125	119	120	119
Total non-current liabilities	679	594	495	495	495
Total Liabilities	894	875	902	896	898
EQUITY					
Shareholder Equity	549	564	601	638	665
Non-controlling interest	151	168	177	176	176
Total Equity	699	733	778	814	841

Valuation Ratios

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	-	-	39.0	52.0	42.6
P/B (X)	0.83	0.81	0.84	0.79	0.76
Dividend Yield	0.2%	0.0%	0.0%	0.0%	0.0%
Growth & Margins					
Growth					
Revenue	12.0%	-10.0%	8.6%	-5.6%	6.8%
EBIT	-78.4%	322.6%	86.1%	-24.4%	7.6%
Net Income, adj.	13.2%	-16.5%	2.6%	8.4%	6.9%
Margins					
EBIT margin	1.7%	7.9%	13.4%	10.8%	10.9%
Net Profit Margin	-7.0%	-2.2%	4.7%	3.3%	3.7%
Key Ratios					
ROE (%)	-3.9%	-2.2%	1.7%	1.2%	1.4%
ROA (%)	-1.7%	-1.0%	0.8%	0.6%	0.7%
Net cash (debt) (\$\$mn)	(487)	(508)	(407)	(439)	(421)
Gearing (X)	0.41	0.38	0.34	0.33	0.33



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