

Banyan Tree Holdings Limited

Plagued by one-offs



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SINGAPORE | REAL ESTATE (HOSPITALITY) | 1Q19 RESULTS

- Revenue and PATMI below our expectations due to under-forecasted one-offs and continued weakness in Thailand. Excluding other income, PATMI would have risen c.50%.
- One-offs from reduced stake in BTAC and disposal of Seychelles portfolio to continue into the rest of FY2019.
- Effective cost measures across the board, with total costs and expenses declining -23%.
- Forward bookings edged back up after a decline in 1Q19, up 11% YoY for 2Q19 (+6% YoY for Thailand market and +26% YoY for Non-Thailand markets).
- Hotel investments segment still suffering from Thailand underperformance, stemming from the inventory shortage from ongoing renovations at flagship resort Banyan Tree Phuket.
- Long-term growth catalysts remain intact. Focus would be the continued build-up in fee-based income and property sales. 53 hotels under the Banyan Tree umbrella of brands are slated to open from 2019 to 2022.
- Maintain ACCUMULATE with unchanged target price of S\$0.76.

Results at a glance

(SGD mn)/Dec Yr End	1Q19	1Q18	YoY (%)	Comments
Revenue	81.2	98.2	-17%	
- Hotel Investments	60.2	68.3	-12%	Deconsolidation of Seychelles and inventory shortage in Thailand, partially cushioned by higher revenue/RevPAR from Maldives.
- Property Sales	6.5	14.8	-56%	Timing recognition of units at Cassia Phuket, Cassia Bintan and Laguna Park townhomes/villas (29 units in 1Q18 vs 10 units in 1Q19).
- Fee-based segment	14.5	15.1	-4%	Lower license fees from China operations.
Other income	0.6	17.1	-97%	Absence of gains from dilution of the Group's interest in BTAC from 50% to 22.8% in 1Q18.
Total Costs and Expenses	-60.4	-78.0	-23%	Decrease across all expense categories.
Operating Profit (EBITDA)	21.5	37.3	-42%	
Share of results from associates/JV	1.1	0.5	93%	BTAC ceased to be an associate of the Group in Nov 2018
PATMI	5.2	20.2	-74%	

Source: Company, PSR

The Positives

+ Effective cost control across the board. Total costs and expenses were down more-than-proportionately compared to the decline in revenue, attributable to all expense categories. Administrative expenses were lower YoY in 1Q19 mainly due to lower legal and professional fee and higher foreign exchange gain. There were lower provision for bonus and incentives, lower travel agent commissions and also a write-off for land purchase deposits in 1Q18 that did not occur in 1Q19.

- Forward bookings edged back up after a decline in 1Q19. Forward bookings for all hotels were up 11% YoY for 2Q19 (+6% YoY for Thailand market and +26% YoY for Non-Thailand markets). Comparatively, forward bookings in 1Q19 recorded a decline of -10%. Notwithstanding any cancellations or deferments, this could flow in positively into the Hotel Investments segment in 2Q19.

The Negatives

- Hotel investments segment still suffering from Thailand underperformance. Excluding the deconsolidation of the Seychelles portfolio (Nov 2018), revenue from this segment would still have declined c.6% YoY in 1Q19. Thailand has been the drag, with Thailand RevPAR decreasing 17% YoY to S\$226 in 1Q19. Ongoing renovations at BTH's flagship resort, Banyan Tree Phuket (c.60% of Hotel Investments segment) - which is expected to complete by end-2019 - had been the main reason for weaker bookings. RevPAR in Maldives recovered 14% to S\$499 in 1Q19 as there was a 45-day declaration of state of emergency in that quarter.

22 May 2019

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 0.54
FORECAST DIV	SGD 0.01
TARGET PRICE	SGD 0.76
TOTAL RETURN	44.8%

COMPANY DATA

BLOOMBERG CODE:	BTH SP
O/S SHARES (MN):	840
MARKET CAP (USD mn / SGD mn):	326 / 449
52 - WK HV/L0 (SGD):	0.62 / 0.48
3M Average Daily T/O (mn):	0.17

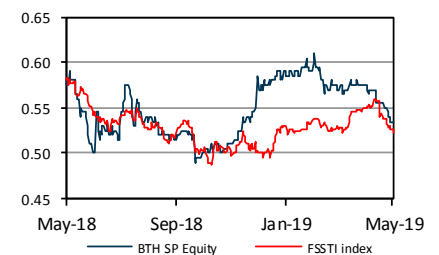
MAJOR SHAREHOLDERS (%)

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

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(5.2)	(7.6)	(6.0)
STIRETURN	(2.7)	0.9	(5.5)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD (mn)	FY 17	FY 18	FY 19e	FY 20e
Revenue	368	372	399	415
EBITDA	75	83	88	78
EBIT	50	61	68	57
PATMI	13	13	25	19
EPS (S'cents)	15	16	2.9	2.2
PER, x (adj.)	34.8	33.4	18.2	24.3
P/BV, x	0.7	0.7	0.7	0.7
ROA, %	0.8%	0.8%	16%	11%
ROE, %	17%	19%	3.1%	2.2%

Source: Company Data, PSR

Valuation Method

SOTP

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Outlook

Going forward, one-off items will continue to be recorded through the year as 1) BTH pared down its stake in Banyan Tree Assets (China) Holdings Pte. Ltd. (BTAC, the holding company for Banyan Tree-branded hotels and assets in China) to 4.2% on 21 Nov 2018 from 50% (50:50 JV) on 10 Aug 2017; and 2) BTH disposed its entire Seychelles assets portfolio in Nov 2018 with continued operation on a management agreement.

On property sales, total unrecognized revenue as at end-1Q19 stood at S\$222.1mn (end-1Q18: S\$209.8mn), of which c.40% will be recognised through the rest of FY2019.

Notwithstanding one-off items such as the lower write-back of provision for doubtful debts, BTH's fee-based segment remains resilient and is poised to be the upcoming segment to break through.

Long-term growth catalysts remain intact as the Group transitions to an increasingly asset-light model. Based on the current inventory of management contracts secured by BTH, 53 hotels under the Banyan Tree umbrella of brands are slated to open from 2019 to 2022. The securing of such management contracts, especially with strong partners such as Accor and Vanke, will be the main driver for BTH's fee-based income.

Maintain ACCUMULATE with unchanged target price of S\$0.76.

Our target price translates to a 0.7x FY19e P/NAV.

Figure 1: SOTP valuation table

Sum-of-parts Valuation (SOTP)	S\$'000	Valuation inputs used	Comments
Owned hotel business	464,484	25% discount to FY19e PPE book value	Consistent with current price discount to book. More conservative vs post GFC average price discount to book of 10%.
Property development	217,635	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	188,289	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	870,408		
Minus: FY19e Total Debt	(376,869)		
Add: FY19e Cash	148,426		
Total	641,965		
Total number of shares ('000)	839,362		
Fair value/share (S\$)	0.76		

Source: PSR

Financials

Income Statement

Y/E Dec, SGD mn	FY16	FY17	FY18	FY19e	FY20e
Revenue	339	368	372	399	415
Total cost and expenses	(288)	(294)	(289)	(310)	(337)
EBITDA	52	75	83	88	78
Depreciation & amortisation	(25)	(25)	(22)	(20)	(21)
EBIT	27	50	61	68	57
Net finance (expense)/income	(26)	(26)	(46)	(18)	(20)
Profit before taxes	1	23	25	50	37
Taxes	(8)	(8)	(4)	(20)	(15)
Profit after tax	(7)	15	21	30	22
Non-controlling interest	9	2	1	5	4
PATMI	(16)	13	13	25	19
PATMI, adj	(38)	(27)	2	17	18

Balance Sheet

Y/E Dec, SGD mn	FY16	FY17	FY18	FY19e	FY20e
ASSETS					
PP&E	658	642	599	619	638
Associates & JVs	109	122	263	263	263
Investment properties	71	71	52	52	53
Others	119	235	119	118	117
Total non-current assets	956	1,070	1,034	1,053	1,071
Development property	252	283	280	259	190
Accounts receivables	52	44	57	71	73
Cash balance	109	159	206	148	267
Others	240	123	57	55	50
Total current assets	652	609	600	534	579
Total Assets	1,608	1,679	1,634	1,587	1,650

LIABILITIES

Short term loans	98	71	125	125	125
Notes payables	49	119	24	24	24
Accounts payables	7	7	12	12	12
Others	166	328	322	200	205
Total current liabilities	271	407	458	336	341
Long term loans	126	151	231	231	231
Notes payables	344	225	100	100	100
Others	125	119	125	124	124
Total non-current liabilities	594	495	456	455	454
Total Liabilities	865	902	914	791	796

EQUITY

Shareholder Equity	564	601	646	665	667
Non-controlling interest	168	177	74	131	188
Total Equity	733	778	720	795	855

Per share data (SGD)

Y/E Dec, SGD	FY16	FY17	FY18	FY19e	FY20e
EPS, reported	-0.02	0.02	0.02	0.03	0.02
DPS	0.00	0.01	0.01	0.01	0.01
BVPS	0.74	0.71	0.77	0.79	0.79

Cash Flows

Y/E Dec, SGD mn	FY16	FY17	FY18	FY19e	FY20e
CFO					
Profit for the year	1	23	25	50	37
Adjustments	59	4	15	37	39
WC changes	(6)	9	17	(105)	78
Taxes paid, others	(37)	(36)	(39)	(40)	(37)
Cashflow from ops	16	(0)	18	(57)	118
CFI					
CAPEX, net	(16)	(13)	(28)	(20)	(19)
Others	(4)	69	90	21	20
Cashflow from investments	(20)	57	63	1	1
CFF					
Increase (decr) in loans, notes	(24)	(58)	(25)	-	-
Others	(1)	47	(10)	(1)	(1)
Cashflow from financing	(25)	(10)	(34)	(1)	(1)
Net change in cash	(29)	46	47	(58)	118
Effects of exchange rates	0	(1)	159	-	0
CCE, end	136	159	206	148	267

Valuation Ratios

Y/E Dec	FY16	FY17	FY18	FY19e	FY20e
P/E (X), adj.	-	34.8	33.4	18.2	24.3
P/B (X)	0.72	0.75	0.70	0.68	0.67
Dividend Yield	0.0%	1.9%	1.9%	1.9%	1.9%

Growth & Margins

Growth					
Revenue	-10.0%	8.6%	1.0%	7.1%	4.2%
EBIT	322.6%	86.1%	22.6%	11.7%	-15.8%
Net Income, adj.	-16.5%	2.6%	3.6%	6.0%	4.7%

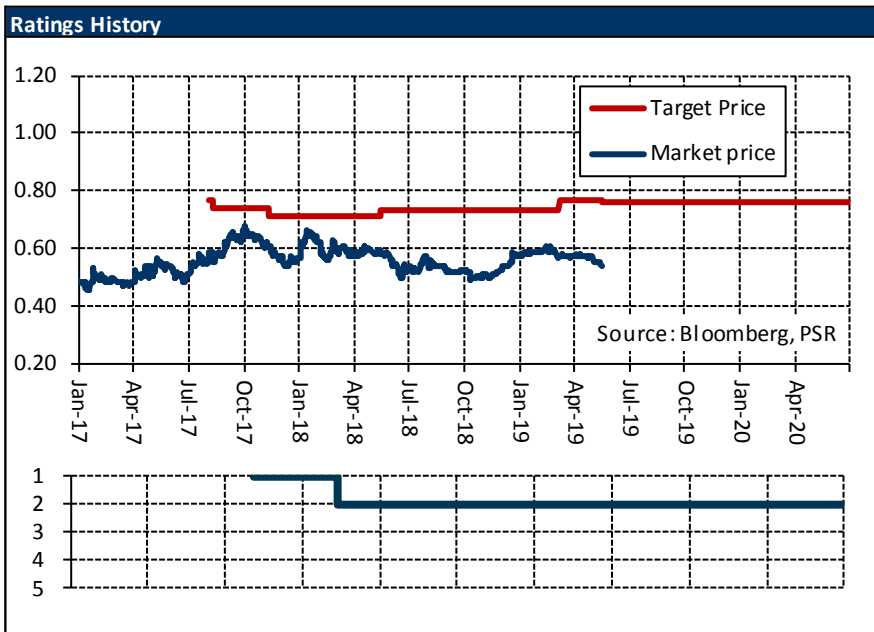
Margins

EBITDA margin	16.7%	23.5%	25.3%	25.3%	21.4%
EBIT margin	7.9%	13.4%	16.3%	17.0%	13.8%
Net Profit Margin	-2.2%	4.7%	6.3%	8.5%	6.1%

Key Ratios

ROE (%)	-2.2%	1.7%	1.9%	3.1%	2.2%
ROA (%)	-1.0%	0.8%	0.8%	1.6%	1.1%
Net cash (debt) (\$mn)	(508)	(407)	(273)	(331)	(213)
Gearing (X)	0.38	0.34	0.29	0.30	0.29

Source: Company, Phillip Securities Research (Singapore) Estimates



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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