

# Banyan Tree Holdings Limited

Takeaways from our recent marketing event



SINGAPORE | REAL ESTATE (HOSPITALITY) | UPDATE

16 July 2018

We hosted management of Banyan Tree Holdings (BTH) at a recent marketing event. Key issues discussed include updates on the partnerships with Accor and Vanke, future growth pillars and outlook for the Group's key markets. Below are some highlights.

- Lapse of options granted to Accor and Vanke for the subscription of an additional 5% stake in BTH each.** Vanke had to contend with stricter capital controls and regulations in China with regards with overseas investments in the hotel industry. Accor's rationale for not exercising the option is less clear, though both Accor and Vanke still hold c.5% of BTH shares each, purchased at 60 cents per share.
- Management contracts remain key growth catalysts from the partnerships.** While no management contracts have been officially announced, we note that the Group does not typically announce such signings, perhaps due to contractual confidentiality reasons. Excluding the Accor/Vanke deals, BTH is slated to open 28 new hotels in the next 3 years, largely for hotels under management contracts secured by the Group.
- Other benefits from the partnerships with Accor/Vanke.** These include lower commission rates paid to online travel agencies (OTA) as a result of Accor's scale. We understand that these commission rates can range from low-mid teens for big operators such as Accor, to 20+% for smaller operators. BTH also has access to AccorHotels' global reservations and sales network. More than half of the Chinese who bought development projects from BTH in 1Q18 were from Vanke's network of contacts. The Chinese made up c.60% of property sales for BTH in 1Q18.
- Strong growth in tourism still expected in Thailand, the largest contributor to Group revenue by geography.** Thailand's international tourist arrivals grew c.13% YoY for the first five months this year, compared with 4% for the same period last year.
- China remains the most important target group of tourists for Group.** Asia, in particular China, is the fastest growing target group of tourists for the Group. We note that Chinese tourists account for c.44% of total room revenue in FY17 for the Group. Management also highlighted Korea as a fast growing target market.

## Investment Action

Outlook is positive as we expect the strong RevPAR growth in the Group's biggest market in Thailand to be sustainable, underpinned by the ongoing recovery in the tourism industry. Other growth catalysts include management contracts from the Accor/Vanke partnerships. Maintain Accumulate with target price of S\$0.73, translating to 0.94x FY18 P/NAV.

## Accumulate (Maintained)

LAST CLOSE PRICE	SGD 0.53
FORECAST DIV	SGD 0.01
TARGET PRICE	SGD 0.73
TOTAL RETURN	41.0%

### COMPANY DATA

BLOOMBERG CODE:	BTH SP
O/S SHARES (MN):	840
MARKET CAP (USD mn / SGD mn):	324 / 441
52 - WK HI/LO (SGD):	0.68 / 0.49
3M Average Daily T/O (mn):	0.30

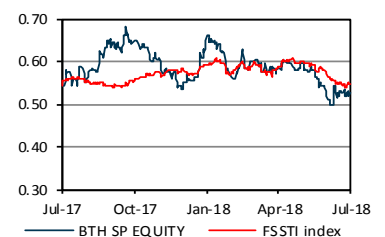
### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(0.9)	(8.7)	(2.0)
STI RETURN	(5.2)	(4.9)	4.9

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

SGD MN	FY 16	FY 17	FY 18 e	FY 19 e
Revenue	339	368	365	372
EBITDA	52	75	81	68
EBIT	27	50	60	46
PATMI	-16	13	28	17
EPS (S cents)	-2.1	1.5	3.3	2.0
PER, x (adj.)	-	34	16	26
P/BV, x	0.7	0.7	0.7	0.6
ROA, %	-10%	0.8%	16%	10%
ROE, %	-2.2%	17%	3.4%	2.0%

Source: Company, PSR

### Valuation Method

SOTP

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## Financials

### Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
<b>Revenue</b>	<b>377</b>	<b>339</b>	<b>368</b>	<b>365</b>	<b>372</b>
Total cost and expenses	(346)	(288)	(294)	(284)	(303)
<b>EBITDA</b>	<b>31</b>	<b>52</b>	<b>75</b>	<b>81</b>	<b>68</b>
Depreciation & amortisation	(25)	(25)	(25)	(22)	(22)
<b>EBIT</b>	<b>6</b>	<b>27</b>	<b>50</b>	<b>60</b>	<b>46</b>
Net finance (expense)/income	(26)	(26)	(26)	(24)	(24)
<b>Profit before taxes</b>	<b>(19)</b>	<b>1</b>	<b>23</b>	<b>36</b>	<b>22</b>
Taxes	(6)	(8)	(8)	(6)	(4)
<b>Profit after tax</b>	<b>(26)</b>	<b>(7)</b>	<b>15</b>	<b>30</b>	<b>19</b>
Non-controlling interest	2	9	2	(2)	(2)
<b>PATMI</b>	<b>(28)</b>	<b>(16)</b>	<b>13</b>	<b>28</b>	<b>17</b>
<b>PATMI, adj</b>	<b>(28)</b>	<b>(38)</b>	<b>(27)</b>	<b>16</b>	<b>17</b>

### Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	-0.04	-0.02	0.02	0.03	0.02
DPS	0.01	0.00	0.01	0.01	0.01
BVPS	0.72	0.74	0.71	0.78	0.81

### Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
<b>CFO</b>					
Profit for the year	(19)	1	23	36	22
Adjustments	69	36	4	48	48
WC changes	(126)	(6)	9	(60)	8
Taxes paid, others	(35)	(37)	(36)	(32)	(29)
<b>Cashflow from ops</b>	<b>(111)</b>	<b>(6)</b>	<b>(0)</b>	<b>(8)</b>	<b>49</b>
<b>CFI</b>					
CAPEX, net	(23)	(16)	(13)	(18)	(17)
Others	(7)	(4)	69	(1)	(1)
<b>Cashflow from investments</b>	<b>(31)</b>	<b>(20)</b>	<b>57</b>	<b>(19)</b>	<b>(18)</b>
<b>CFF</b>					
Increase (decr) in loans, notes	139	(24)	(58)	20	-
Others	(1)	(1)	47	(9)	(9)
<b>Cashflow from financing</b>	<b>138</b>	<b>(25)</b>	<b>(10)</b>	<b>11</b>	<b>(9)</b>
<b>Net change in cash</b>	<b>(4)</b>	<b>(52)</b>	<b>46</b>	<b>(16)</b>	<b>21</b>
Effects of exchange rates	1	0	(1)	-	-
<b>CCE, end</b>	<b>165</b>	<b>114</b>	<b>159</b>	<b>143</b>	<b>164</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

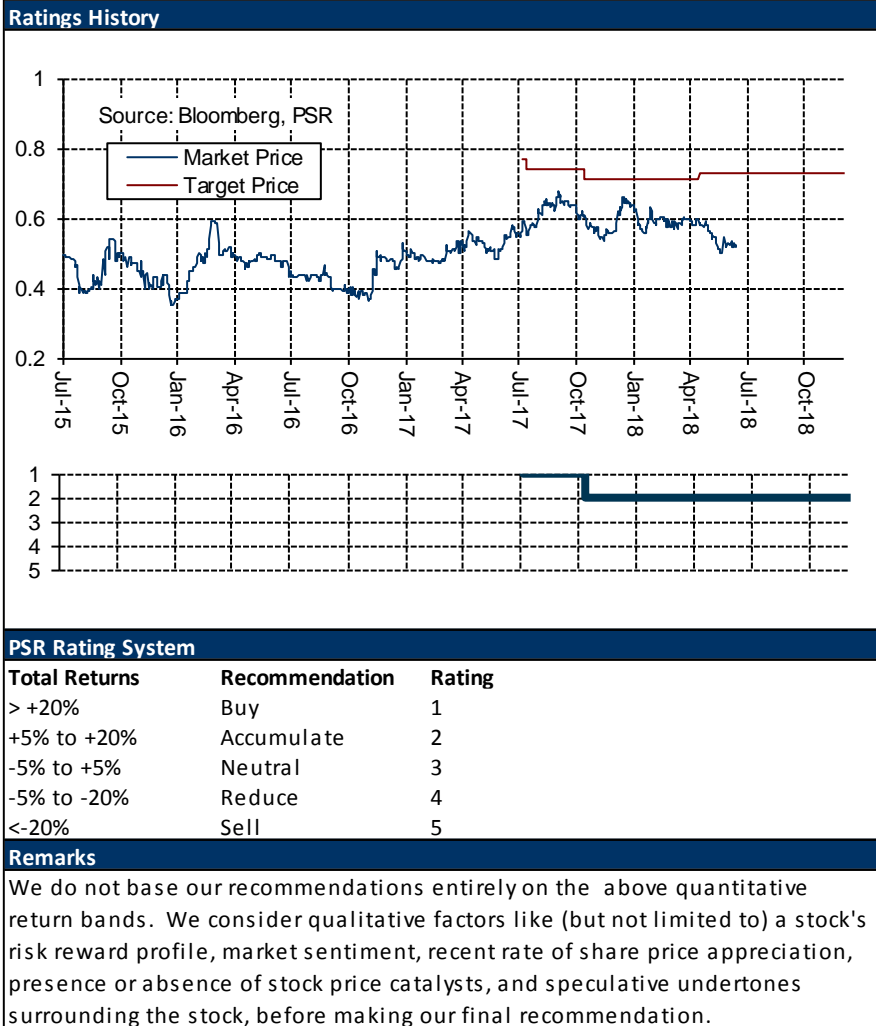
\*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

### Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
<b>ASSETS</b>					
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
<b>Total non-current assets</b>	<b>959</b>	<b>956</b>	<b>1,070</b>	<b>1,086</b>	<b>1,102</b>
Development property	336	252	283	297	276
Accounts receivables	80	52	45	74	75
Cash balance	166	109	159	143	164
Others	53	240	123	126	141
<b>Total current assets</b>	<b>634</b>	<b>652</b>	<b>610</b>	<b>639</b>	<b>656</b>
<b>Total Assets</b>	<b>1,593</b>	<b>1,608</b>	<b>1,680</b>	<b>1,726</b>	<b>1,758</b>
<b>LIABILITIES</b>					
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	324
<b>Total current liabilities</b>	<b>215</b>	<b>281</b>	<b>408</b>	<b>400</b>	<b>403</b>
Long term loans	171	126	151	151	151
Notes payables	392	344	225	225	225
Others	116	125	119	120	119
<b>Total non-current liabilities</b>	<b>679</b>	<b>594</b>	<b>495</b>	<b>495</b>	<b>495</b>
<b>Total Liabilities</b>	<b>894</b>	<b>875</b>	<b>902</b>	<b>895</b>	<b>897</b>
<b>EQUITY</b>					
Shareholder Equity	549	564	601	655	685
Non-controlling interest	151	168	177	176	176
<b>Total Equity</b>	<b>699</b>	<b>733</b>	<b>778</b>	<b>831</b>	<b>861</b>

### Valuation Ratios

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X), a dj.	-	-	34.2	15.7	26.2
P/B (X)	0.73	0.71	0.74	0.67	0.64
Dividend Yield	0.0%	0.0%	1.9%	1.9%	1.9%
<b>Growth &amp; Margins</b>					
<b>Growth</b>					
Revenue	12.0%	-10.0%	8.6%	-1.0%	1.8%
EBIT	-78.4%	322.6%	86.1%	20.3%	-22.8%
Net Income, a dj.	13.2%	-16.5%	2.6%	8.4%	6.9%
<b>Margins</b>					
EBITDA margin	8.4%	16.7%	23.5%	23.6%	18.5%
EBIT margin	1.7%	7.9%	13.4%	16.3%	12.4%
<b>Net Profit Margin</b>	<b>-7.0%</b>	<b>-2.2%</b>	<b>4.7%</b>	<b>8.7%</b>	<b>5.1%</b>
<b>Key Ratios</b>					
ROE (%)	-3.9%	-2.2%	1.7%	3.4%	2.0%
ROA (%)	-1.7%	-1.0%	0.8%	1.6%	1.0%
Net cash (debt) (\$\$mn)	(487)	(508)	(407)	(423)	(402)
Gearing (X)	0.41	0.38	0.34	0.33	0.32



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