



Banyan Tree Holdings

(BTH SP/B58.SI)

On track to recovery

Alyssa Tee / 65 6202 1193 / alyssa.tee@kgi.com

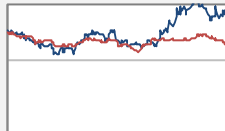
- **On the road to recovery.** Banyan Tree Holdings Ltd (BTH) returned to profitability by year-end with a 23% increase in revenue and a 30% increase in hotel RevPAR. In FY22, the group also achieved record-high property sales with S\$217.2mn properties sold.
- **New beginnings.** It opened 8 new hotels and has 679 new keys in 5 countries and now has a portfolio of 63 properties with a total of 8,731 keys. In FY23, it opened 2 properties in China and 9 more openings in the timeline.
- **Maintain OUTPERFORM with a higher TP of S\$0.43**, as we anticipate a stronger FY2023 as the global economy reopens, and BTH is well-positioned to capitalize on growth opportunities. The company's expertise in rebranding hotels and providing quality services aligns with the increasing demand for travel and hospitality services. Therefore, we maintain our OUTPERFORM rating with an unchanged TP.

Financials & Key Operating Statistics					
YE Dec (\$ m)	2021	2022	2023F	2024F	2025F
Revenue	221,228	271,328	298,801	339,853	360,527
PATMI	(55,192)	573	18,060	22,373	28,780
EPS (cents)	(6.44)	0.07	2.02	2.55	3.41
EPS growth (%)	0.4	0.0	0.0	—	—
DPS (Sing cents)	—	—	—	—	—
Div Yield (Y%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net Profit Margin (%)	(24.9%)	0.2%	5.8%	6.5%	8.2%
Net Gearing (%)	51.0%	45.9%	43.2%	41.4%	25.4%
Price P/B (x)	0.57	0.58	0.56	0.54	0.51
ROE (%)	(10.3%)	0.1%	3.2%	3.9%	4.9%

Source: Company data, KGI Research

1HFY2023 update. BTH has become more streamlined following the sale of their property in Australia during 1H22. In FY2022, it reported a net profit of S\$8 million, a significant improvement from the net loss of S\$163 million in FY2021. This was largely due to the strong recovery in travel demand, with revenue increasing by 82% YoY to S\$228 million. BTH's notable improved performance in Thailand and Malaysia contributed to the positive results. This performance represents a 62% recovery from pre-pandemic levels in FY2019. The group will be proposing a final dividend of 1.0 cent per share, subject to shareholders' approval, reflecting its confidence in the ongoing recovery of the tourism industry.

New concepts. The Group has launched new, innovative brands, designed to cater to the evolving needs of their guests. By expanding beyond luxury offerings and creating diverse hotel concepts in multiple regions, they have set themselves apart from competitors and widened their appeal to a broader audience. This move enables the Group to capture new market segments and capitalize on emerging trends in the hospitality industry.

Outperform - Maintain			
Price as of 29 Mar 23 (SGD)	0.37	Performance (Absolute)	
12M TP (\$)	0.43		
Previous TP (\$)	0.40		
Upside, incl div (%)	(91.8)		
Trading data		Perf. vs STI Index (Red) 	
Mkt Cap (\$mn)	316		
Issued Shares (mn)	867		
Vol - 3M Daily avg (mn)	0.2		
Val - 3M Daily avg (\$mn)	0.1		
Free Float (%)	35.4%	Previous Recommendations	
Major Shareholders			
Bibace Investment Ltd	33.1%		
Qatar Investment Authority	23.8%		
Goodview Properties Pte Ltd	5.0%		
		28-Nov-22	S\$0.40

BTH occupancy close to pre-pandemic levels. The hotel segment of the group has experienced a significant increase in occupancy, with levels approaching those seen before the pandemic. Most of the guests are international travellers indicating a strong rebound in the hospitality industry.

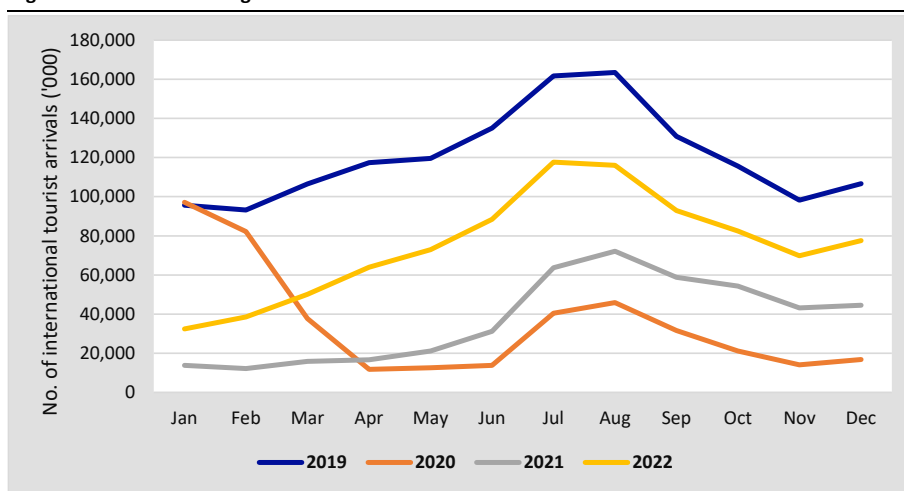
Global travel recovery FY2023. As the global economy reopens, tourism is making a strong comeback, especially with the reintroduction of Chinese tourists and tourism to China. There is a positive outlook for the industry as more countries ease travel restrictions and vaccination rates continue to increase. Reports suggest that some regions may see tourism return to pre-pandemic levels this year, and the travel demand remains strong, despite concerns over inflation and the cost of living. This has led to an increase in hotel occupancy rates, airline bookings, and other tourism-related activities, satisfying people's pent-up desire to explore new destinations and experiences. Although the recovery may not be uniform across all regions, the overall trend for the industry is positive, and businesses in the travel and hospitality sectors are expected to continue benefiting from this trend in the coming months. BTH's strong financial results are a testament to the industry's ongoing recovery trend.

Valuation & Action: We maintain an OUTPERFORM recommendation with a higher TP of S\$0.43 based on 5-year average of 1.26x P/S. BTH has proven to have a resilient and adaptable business model that can weather the challenges brought by the pandemic. The group has a sizeable cash balance of S\$92.8mn (33% of its current market capitalisation, S\$281.6mn), supported by its strong free cash flows of S\$113.15mn. BTH proposed a **1.0 Sing cents final dividend** for FY2022.

Risks: High inflationary pressures and rising economic uncertainty.

Continued demand growth for hospitality-related stocks. The hospitality industry is poised for growth as travel demand continues to increase. Despite inflation and the rising cost of living, people are still traveling, with an increase in travel bookings and tourist arrivals in countries like Thailand and Malaysia. According to the World Tourism Organization (UNWTO), international travel bounced back strongly in 2022 with 70% of global destinations easing travel restrictions. UNWTO predicts that tourism will return to pre-pandemic levels in some regions in 2023, with the global travel industry expected to recover and international tourist arrivals reaching 1.8 billion. The reopening of borders in the second quarter of 2022 resulted in improved performance from managed hotels in Malaysia and Thailand. The continued demand from the international travel recovery and strong forward bookings for the next few months indicate that the hospitality industry can expect revenue growth to continue in the coming fiscal year.

Figure 1: Global tourism figures

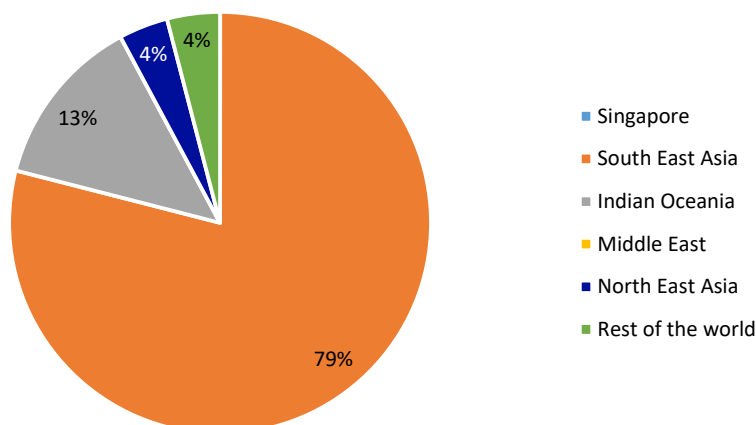


Source: World Tourism Organization (UNWTO), KGI Research

Global expansion. BTH strategically expanded to Japan and Saudi Arabia, taking advantage of the rebounding travel demand post-pandemic. With well-positioned accommodations featuring unique themes, BTH aims to differentiate itself from competitors and gain market share in these new markets. Japanese tourism is booming, despite high hotel room prices and understaffed hotels due to an 84-fold YoY increase in overseas visitors. BTH's properties in Japan are strategically located in Kyoto, the fourth most visited prefecture. In Saudi Arabia, BTH caters to affluent travellers seeking a luxurious desert experience. BTH's expansion in these regions is part of its global expansion strategy.

Reopening of China. China has announced that it will start issuing a range of visas to foreigners and restore the issuance of all types of visas from 15 March 2023, marking a major easing of travel restrictions in force since the outbreak of the Covid-19 pandemic. The move is viewed as a significant step towards reopening China to the outside world as Beijing gradually moves away from its strict zero-Covid strategy. In 2019, before the pandemic hit, China welcomed 65.7 million international visitors, and the lifting of all visa types and the expansion of visa-free entry areas is expected to boost China's tourism sector and stimulate its economy. This development also provides an opportunity for BTH to attract more tourists to their ever-growing number of properties in China, with the company currently operating 29 hotels in China and two more planned for FY23.

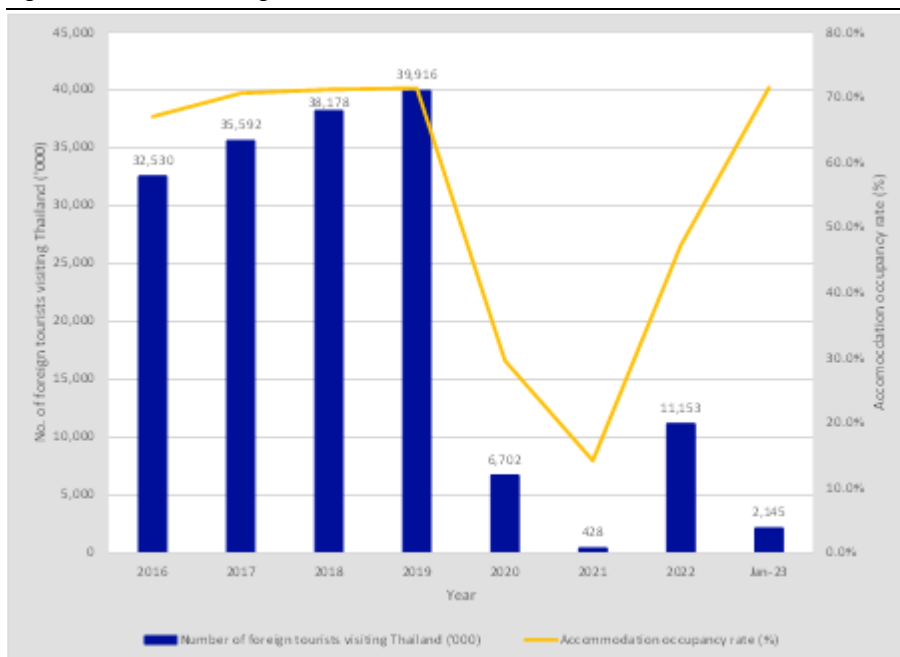
Figure 2: Total revenue generated by geographical segmentation



Source: Banyan Tree Holdings, KGI Research

Dominating existing regions. BTH is seeing a surge in revenue as the hospitality industry in Thailand and Malaysia experiences an increase in international tourism. The Hotel Investments segment of BTH has reported higher revenue, with hotels in Thailand showing a three-fold increase in revenue compared to the same period last year. Moreover, the Fee-based segment revenue has increased by S\$2.3 million due to the reopening of borders in 2Q22. This has led to improved performance from BTH's managed hotels in Malaysia and Thailand, as well as strong performance from their hotels in Mexico. BTH's emphasis on providing comfortable, uniquely conceptualised accommodations and excellent service has enabled it to establish a reputable name for itself and become a prominent player in the hospitality industry in Southeast Asia.

Figure 3: Thailand tourism figures



Source: Bank of Thailand tourism indicators, KGI Research

Financials

FYE 31 December					
INCOME STATEMENT (SGD '000)	2021	2022	2023F	2024F	2025F
Revenues	221,228	271,328	298,801	339,853	360,527
Other income	13,224	23,782	24,018	27,318	28,979
Cost of operating supplies	(9,916)	(17,147)	(21,199)	(24,018)	(26,223)
Cost of properties sold	(100,824)	(50,367)	(55,119)	(63,555)	(63,555)
Salaries and related expenses	(50,602)	(73,432)	(79,182)	(90,061)	(95,540)
Administrative expenses	(28,691)	(50,277)	(47,204)	(53,690)	(56,956)
Sales and marketing expenses	(7,123)	(13,548)	(15,034)	(10,875)	(11,537)
Other operating expenses	(25,646)	(48,471)	(52,226)	(59,402)	(63,015)
(Impairment loss)/Write-back of impairment I	(7,111)	(167)	—	—	—
Depreciation of property, plant and equipment	(21,845)	(19,086)	(19,529)	(20,284)	(19,889)
Amortisation expense	(825)	(894)	(1,516)	(840)	(831)
Profit from operation	(18,131)	21,721	31,809	44,446	51,961
Finance income	(18,131)	21,721	31,809	44,446	51,961
Finance costs	3,638	7,573	10,589	2,942	2,942
Share of results of associates	2,647	(5,328)	—	—	—
Share of results of joint ventures	—	—	—	—	—
Profit before income tax	(51,820)	1,285	21,759	26,955	34,675
Income tax expense	(9,454)	(712)	(3,699)	(4,582)	(5,895)
Less: Minority Interests	(6,082)	—	—	—	—
PATMI	(55,192)	573	18,060	22,373	28,780
BALANCE SHEET (SGD '000)	2021	2022	2023F	2024F	2025F
Cash and cash equivalents	112,326	92,795	79,631	57,222	117,594
Other current assets	399,536	371,398	389,173	442,940	403,554
Total current assets	511,862	464,193	468,804	500,161	521,149
Property, plant and equipment and right-of-us	585,389	572,808	561,448	550,782	541,389
Intangible assets	36,723	38,031	36,515	36,149	35,318
Other non-current assets	289,606	282,284	287,656	291,682	292,221
Total non-current assets	911,718	893,123	885,619	878,613	868,928
Total assets	1,423,580	1,357,316	1,354,423	1,378,774	1,390,077
Trade and other payables	208,525	250,988	248,428	270,651	275,005
Loans and contract liabilities	153,576	104,237	107,509	107,509	99,784
Other current liabilities	102,032	41,170	41,170	41,170	41,170
Total current liabilities	464,133	396,395	397,107	419,331	415,959
Lease liabilities and other payables	35,342	35,069	42,960	37,432	23,617
Other non-current liabilities	386,020	392,707	363,739	349,328	348,249
Total non-current liabilities	421,362	427,776	406,699	386,760	371,866
Total liabilities	885,495	824,171	803,806	806,091	787,825
Unitholders' funds and reserves	538,085	533,145	550,617	572,684	602,252
Total liabilities and equity	1,423,580	1,357,316	1,354,423	1,378,774	1,390,077
CASH FLOW STATEMENT (SGD '000)	2021	2022	2023F	2024F	2025F
Profit before tax	(51,820)	1,285	21,050	26,587	35,625
Adjustments	68,856	21,338	31,804	38,984	37,057
Operating cash flows before WC changes	17,036	22,623	52,854	65,571	72,682
Change in working capital	124,696	92,615	(23,512)	(32,235)	43,852
Income tax paid	(2,680)	(5,831)	(3,579)	(4,520)	(6,056)
Cash flows from operations	139,052	109,407	25,763	28,816	110,478
Capital expenditure	(6,751)	(18,738)	(8,169)	(8,986)	(9,884)
Acquisition of subsidiaries	—	—	—	—	—
Others	1,521	831	(2)	(477)	(4)
Cash flows from investing	(5,230)	(17,906)	(8,169)	(9,460)	(9,884)
Lease payments	(3,234)	(4,128)	—	—	—
Dividends paid	—	—	—	—	—
Interest paid	(21,563)	(20,046)	(21,502)	(21,502)	(19,957)
Other financing cashflow	(25,720)	(66,758)	1,502	(1,770)	(3,316)
Cash flows from financing	(50,517)	(90,932)	(20,000)	(23,272)	(23,272)
FX Effects, Others	(2,620)	(1,581)	—	—	—
Net increase in cash	63,659	(17,950)	(13,164)	(22,409)	60,373
Beginning Cash	51,287	112,326	92,795	79,631	57,222
Ending cash	112,326	92,795	79,631	57,222	117,594
KEY RATIOS	2021	2022	2023F	2024F	2025F
DPS (SGD cents)	—	—	—	—	—
Dividend yield (%)	—	—	—	—	—
NAV per share (SGD cents)	62.7	61.5	63.5	66.1	69.5
Price/NAV (x)	0.6	0.6	0.6	0.5	0.5
Profitability					
EBITDA Margin (%)	(13.2)	7.8	14.1	13.9	15.5
Net Margin (%)	(24.9)	0.2	5.8	6.5	8.2
ROE (ex. Property FV gain) (%)	(10.3)	0.1	3.2	3.9	4.9
ROA (ex. Property FV gain) (%)	(3.9)	0.0	1.3	1.6	2.1
Financial Structure					
Interest Coverage Ratio (x)	0.1	1.8	2.5	3.0	3.6
Gearing Ratio (%)	51.0	45.9	43.2	41.4	25.4

KGI's Ratings

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

Disclaimer

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.

Copyright 2021. KGI Securities (Singapore) Pte. Ltd. All rights reserved.