KGI CHINA DEVELOPMENT FINANCIAL

LHN Limited

(LHN SP/41O.SI)

A diversified real estate management service provider

Megan Choo / 65 6202 1190 / megan.choo@kgi.com

- LHN is a real estate management service group which specialises in space optimisation. The company also provide facilities management and logistics services, which complements its space optimisation business.
- **Catalysts.** A solid FY22 revenue growth is expected from the space optimization business, given that 4 residential properties are expected to commence operations. Revenue and earnings drivers include reopening of borders and positive momentum of co-living trends. Meanwhile, the facilities management segment is expected to grow in tandem with the space optimization business, coupled with recurring dormitory management income. Finally, the logistics management segment is expected to grow in line with robust shipping activity.
- We initiate with an **OUTPERFORM** recommendation and TP of S$0.49, based on 6.0x FY22F P/E.

Financials & Key Operating Statistics

YE Sep (S$ '000)	2019	2020	2021F	2022F	2023F
Revenue	111,094	134,213	135,378	141,894	147,507
PATMI	8,723	24,687	29,520	33,799	32,169
EPS (cents)	2.03	6.00	7.17	8.21	7.82
EPS growth (%)	47.5	194.9	19.6	14.5	(4.8)
P/E (x)	15.24	5.17	4.32	3.77	3.97
DPS (Sing cents)	0.5	1.3	1.5	1.7	1.6
Div Yield (Y%)	1.6%	4.0%	4.8%	5.5%	5.3%
Net Profit Margin (%)	7.9%	18.4%	21.8%	23.8%	21.8%
Net Gearing (%)	31.5%	18.0%	23.9%	22.3%	21.3%
P/B (x)	1.29	1.01	0.85	0.72	0.63
ROE (%)	9.0%	20.0%	20.2%	19.6%	16.3%

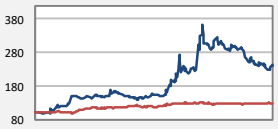
Source: Company data, KGI Research

Company overview. LHN's primary business involves space optimization, where old, unused and under-utilised industrial, commercial and residential properties are transformed into highly usable space. LHN's facilities management segment consists of 3 main areas, namely cleaning, car park management and security services, which complements its space optimization business. In 2020, the company established a new revenue stream - providing dormitory management services under the facilities management segment. Lastly, the company's logistics management segment consists of transportation services in Singapore and container depot management services in Singapore and Thailand.

2020 financials: Strong top and bottom line. Revenue increased 20.8% YoY to S$134mn in FY20, while net profit surged 183.0% YoY to S$24mn. The jump in net profit was mainly due to better gross margins of 47.4%, which was almost double from the prior year. Strong bottom-line was supported by Job Support Scheme (JSS) and rental rebates of S$4.7mn, as well as an investment gain in subleases of S$6.9mn. Eliminating one-off gains, core PATMI for FY20 stood at S$11.3mn, an increase of 40.9% from FY19.

Outperform - Initiation

Price as of 28 Sep 21 (SGD)	0.31	**Performance (Absolute)**	
12M TP ($)	0.49	1 Month (%)	-6.1
Previous TP ($)	-	3 Month (%)	-16.0
Upside, incl div (%)	63.8	12 Month (%)	180.5
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	129		
Issued Shares (mn)	415		
Vol - 3M Daily avg (mn)	2.4		
Val - 3M Daily avg ($mn)	0.9		
Free Float (%)	46		
Major Shareholders		**Previous Recommendations**	
Fragrance Ltd	54.9%		



Facilities management segment spearheading 1H21 growth. Revenue rose 24.9% YoY to S$64.5mn in 1H21, while net profit jumped 340.3% to S$15.3mn. Solid net profit growth was attributable to further improvement in gross margins, which increased from 47.4% in FY20 to 54.6% in 1H21.

Expansion of residential business. LHN has acquired 4 properties in FY21. The properties acquired were 40/42 Amber Road in June 2021, 115 Geylang and 75 Beach Road in July 2021, and 320 Balestier Road in December 2020. All 4 properties are expected to commence operations in FY22. With the gradual reopening of borders, increased vaccinations rates and an increasing trend among millennials shifting out of their homes, we expect the residential segment to recover going forward.

Facilities management segment: The new winner. The facilities management segment emerged stronger in 1H21, as revenue increased 225.5% YoY to S$31.6mn. In terms of revenue contribution, the facilities management segment contributed 49% of total revenue in 1H21, outshining the space optimization business whose contribution to total sales declined from 51.8% in FY20 to 30% in 1H21. The shift in income proportion was mainly due to the commencement of dormitory management services in 3Q20. Being a supplement to the space optimization business, both segments are expected to expand.

Valuation & Action: We initiate LHN with an Outperform recommendation and a TP of S$0.49. Our TP is based on 6.0x P/E to its FY22F EPS of S$0.082.

Risks: Prolonged Covid-19 pandemic to impact reopening of borders, saturated self-storage market, fair value gains/losses sensitive to Singapore's economy and property outlook.

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Investment thesis

Growing trend in co-living to spearhead residential segment growth

4 residential properties acquired in FY21 are expected to contribute to residential segment revenue in FY22

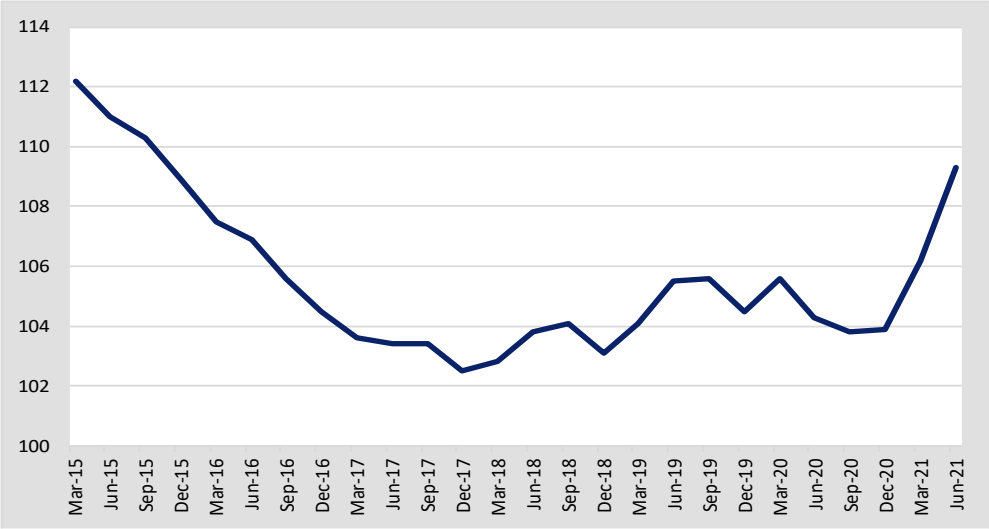
LHN currently has 5 operating residential properties and has acquired 4 more properties in FY21, namely 40/42 Amber Road in June 2021, 115 Geylang and 75 Beach Road in July 2021, as well as 320 Balestier Road in December 2020. 320 Balestier is expected to commence operations in December 2021, while 115 Geylang and 75 Beach Road is expected to commence operations by the first half of 2022. A solid revenue contribution from these 4 properties is expected in FY22 as reopening of borders and an increasing trend of self-reliant millennials shifting out of their homes are catalysts for higher occupancy. LHN is aggressively expanding its residential property portfolio in Singapore and is targeting to add other 1,000 units within the next 3 years, including the upcoming units in its recent residential acquisitions.

Rise in private residential rents to benefit Coliwoo as an alternative form of housing. Private residential rents have rebounded sharply since end 2020, with the property rental index reaching 110.3, almost a 6-year high. The spike in demand was attributable to a steady stream of permanent residents, students and long-term pass holders returning to Singapore as border restrictions eased. Another factor propping up demand was foreign expats renewing their leases. Some were expecting to live in Singapore over a longer period as their regional work assignments were placed on hold given the extensive global lockdowns, whereas others were reluctant to scout for alternate housing during the pandemic.

As private residential rents increase, Coliwoo provides a relatively cheaper alternative, with a "hotel lookalike" concept and furnished with a wide array of amenities

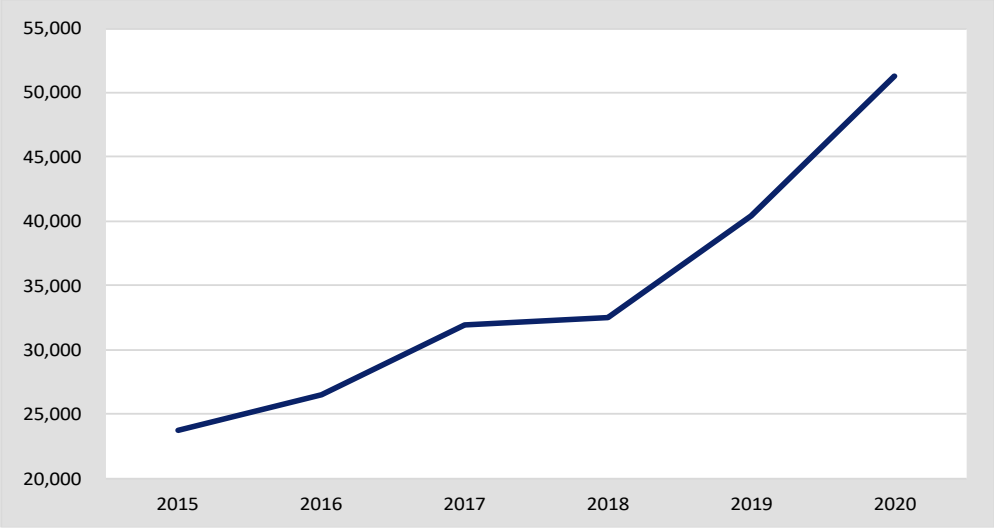
Rental prices for Coliwoo prime location apartments such as Keppel and Lutheran range approximately between S$1,700 to S$2,300 per month, slightly pricier as compared to other one-bedroom apartments in prime locations which are priced around S$1,100 to S$2,500. However, living space for these apartments range between 120 sqft to 200 sqft per bedroom, which is generally smaller compared to Coliwoo. In general, Coliwoo's single apartment is approximately 250 sqft, fully furnished and for some locations, equipped with a kitchenette, workstation and even cleaning services. A "hotel lookalike" concept is generally more popular among millennials and expats as many would prefer a hassle-free move in given their busy schedule.

Figure 1: Property Rental Index: Private Residential (PR)



Source: Urban Redevelopment Authority

Figure 2: Single Singapore residents under 35 living alone or away from parents



Source: Singapore Department of Statistics

Figure 3: Keppel apartment unit and amenities

Source: Company website

Domestic demand has helped to fill the gap left by the decline in leasing transactions from foreigners.

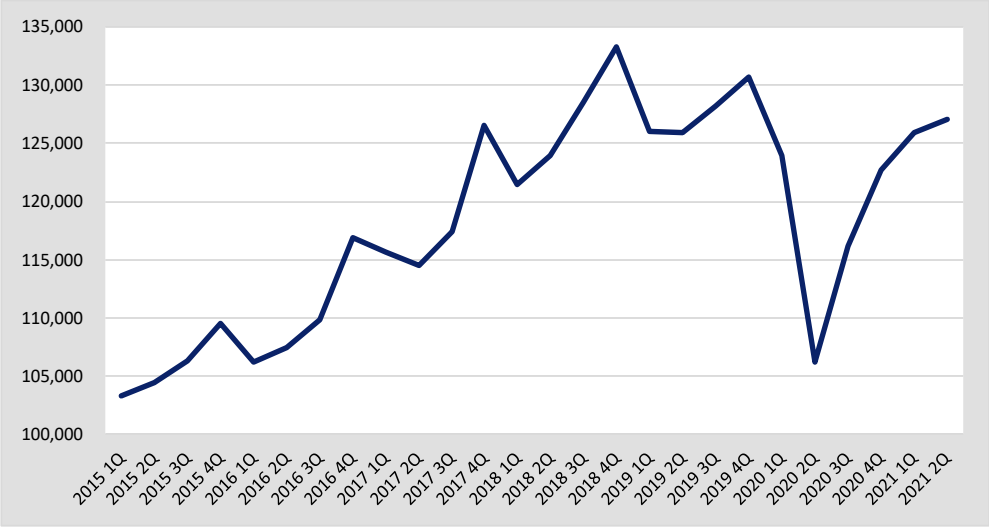
As border reopening accelerates, FY22's residential segment revenue is expected to benefit.

Slowly but surely: Influx of travellers to boost residential segment as borders reopen. With the ramping up of vaccinations in Singapore and the stance taken by the government to treat the Covid-19 pandemic as an endemic, we have seen gradual easing of restrictions and reopening in the last few months. Singapore's GDP has recovered sharply since 3Q20 and as of 2Q21, reached pre-pandemic levels of 2019, even though this is still slightly shy of 2020 pre-pandemic's levels.

Taking into account the better-than-expected performance of the Singapore economy in the first half of the year, as well as the latest external and domestic economic developments, the Ministry of Trade and Industry upgraded Singapore's GDP growth forecast for 2021 to a range of 6% to 7%, from the previous range of 4% to 6%. In terms of travel, short-term social visits and tourism are open for Brunei, Germany, Hong Kong, Macau, Mainland China, and Taiwan. Vaccinated travel lanes for Brunei and Germany allowing reduced travel measures kickstarted recently on 8 September.

While it is still highly debatable on when full-fledged travel would resume, we see a glimmer of hope as Singapore is taking the first step in the right direction. More foreigners and Singaporeans are expected to return to the city-state as Singapore syncs its border reopening with the population's higher inoculation coverage. In the second half of the year, LHN might not see a huge jump in residential segment revenue. However, with the establishment of 4 new properties and expected expansion of reopening plans, FY22's revenue is set to outdo FY21, overall buoying the increasing trend in co-living for locals.

Figure 4: Singapore GDP at Current Market Prices



Source: Singapore Department of Statistics

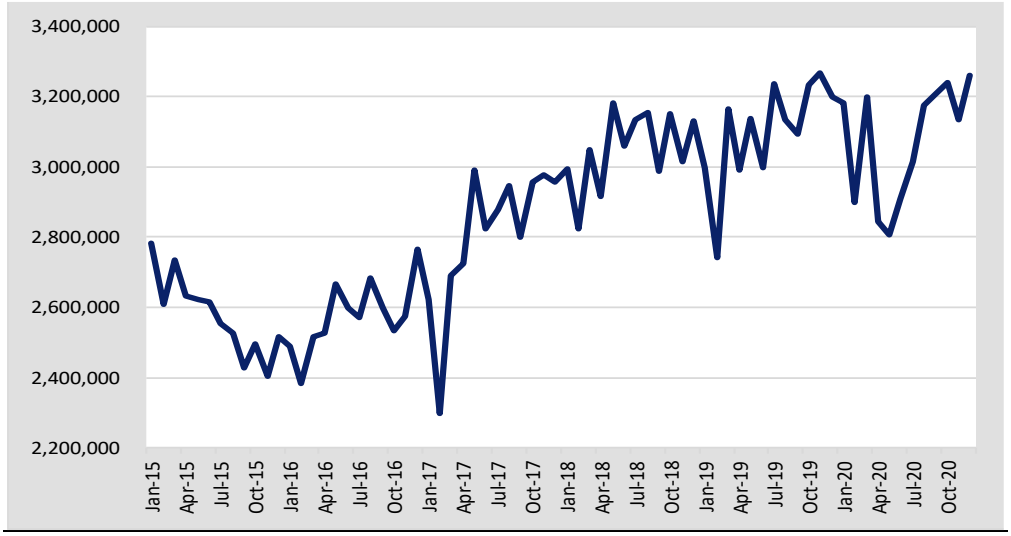
Logistics management segment: On track to expand

Singapore freight and logistics market is expected to grow at a CAGR rate of 5% from years 2021 to 2026. Sky-high demand and prices of shipping seek to benefit LHN's logistics management segment.

The logistics management business unit includes transportation in Singapore and Malaysia and container depot services in Singapore and Thailand. LHN currently has over 8,200 TEUS in Singapore, which equates to approximately 200 trailers, 50 prime movers and 15 road tankers. LHN also operates 2 Container depots in Laem Chabang, Thailand and in the vicinity of Bangkok, Thailand, with a capacity of up to 7,000 TEUs and 10,000 TEUs respectively.

Buoyant demand for logistics services. In February 2021, Singapore's Minister of Trade and Industry, Chan Chun Sing, introduced the latest strategy to transform the country into a regional and global e-commerce hub. According to Mordor Intelligence, Singapore freight and logistics market is anticipated to register a growth rate of 5% during the period 2021 to 2026. Container traffic in Singapore rebounded sharply to 3,261,835 TEUS in December 2020, which is almost at the highest since November 2019, when Singapore processed 3,267,698 TEUS.

Figure 5: Container Traffic: Asia: Southeast Asia: Singapore

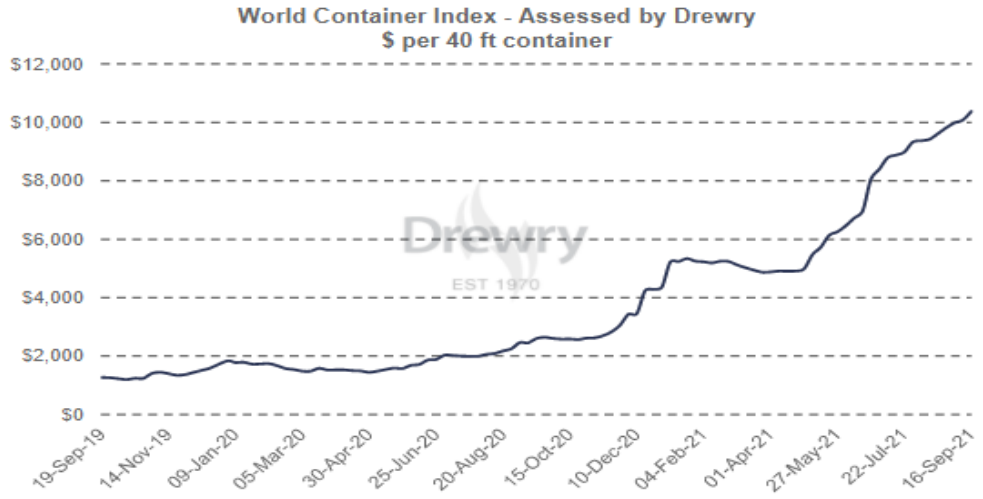


Source: Institute of Shipping Economics and Logistics

The World Container Price Index are currently at 5-year highs, sparked by demand driven by Covid-19 as well as port congestions. According to S&P Global, the Asia container market is expected to face a storm of peak demand, equipment shortfall and port congestion in the second half of 2021, which may not only continue till the end of the year but is also likely to spill over into 2022.

Moving forward into the second half of 2021 and FY22, LHN aims to expand its logistics business in Singapore and regionally. A domino effect from the boom in the shipping industry is expected to propel revenue growth in the facilities management segment. Even though it is likely that ports will eventually start to clear and the effects of Covid-19 taper off - leading to a correction in sky-high shipping prices - ASEAN and Singapore remains as a crucial shipping hub with robust port activity. Having a firm and expanding foothold in this area, LHN would still seek to benefit from its container management services.

Figure 6: Drewry World Container Price Index



Source: Drewry

Valuations and peer comparison

Singapore peers. LHN's closest Singapore-listed peer comparisons are Hong Fok Corporation Ltd and MYP Ltd. These companies primarily engage in real estate development and management.

MYP Ltd. The company focuses on investments in real estate and real estate-related assets, with a portfolio encompassing commercial buildings and high-end residential properties. MYP is a small cap stock with a S$105mn market cap and is currently trading at 0.5x historical P/B. Even though MYP is relatively cheaper compared to LHN, which currently trades at 0.9x P/B, MYP has been loss-making for the last 3 financial years. Furthermore, losses at MYP expanded to S$68mn in FY2021. Meanwhile, LHN has been profitable.

Hong Fok Corporation Ltd. The company primarily engages in property investment, property development and construction, property management, investment trading and investment holding and management. Hong Fok is a mid-cap stock with market cap of S$484mn, approximately 5x of LHN, and is currently trading at 0.3x historical P/B. Hong Fok's revenue has declined over the last 3 financial years. While Hong Fok was profitable in FY2018 and FY2019, it fell into losses in FY2020. In comparison, LHN has reported gradual increase in revenue and profit over the last 3 financial years.

Hong Kong Peers. As there are limited Singapore-listed property management peers, we have also evaluated Hong-Kong listed property management service companies, such as large cap stocks Country Garden Services Holdings, Sunac Services Holdings and Shimao Services Holdings. Smaller cap stocks include KWG Living Group. Forward P/E for HK-listed peers generally range between 15x to 30x while historical P/B range between 3x to 7x, which are much higher valued compared to Singapore-listed peers.

Summary. Even though LHN's P/B of 0.9x is relatively pricier compared to its peers, it is reasonable given that LHN's financials and fundamentals are stronger. LHN has a healthy net gearing of 21.2%, compared to Hong Fok and MYP's net gearing of 27.9% and 83.6% respectively. LHN's T12M EPS is at 0.09, while Hong Fok and MYP's EPS is at -0.01 and -0.04 respectively. Lastly, LHN has a ROE of 10.5%, compared to Hong Fok and MYP's ROE at -8.7% and -0.2% respectively.

Valuations based on 6.0x P/E. We see LHN's current valuations as attractive, given its 10% discount to book and decent dividend yield. We assign a conservative 6.0x P/E peg to its FY2022E EPS to drive our target price. LHN's growth is backed by the commencement of operations of its 4 residential properties in FY22, inflow of travellers that would boost the space optimization business, as well as the domino effect it has on supporting the facilities management segment. In addition, the facilities management segment has strong recurring fees contributed by dormitory management, a new revenue stream established in 2020.

Figure 7: Peer comparison table

Bloomberg Ticker	Company Name	Last Price (Local $)	Currency Adj. Market Cap (Local $'mn)	Dividend Yield (%)		Net Gearing (%)	P/E (x)		P/B (x)	6M Average Daily Trading Volume (Local $)	Price Performance (YTD)
				FY20	FY21F		12M	Forward	Historical		
LHN SP	LHN LTD	SGD 0.31	95	4.2	5.5	21.2	3.5	4.9	0.9	1,434	67.6
Singapore Peers											
HFC SP	HONG FOK CORP LTD	SGD 0.78	486	1.4	-	27.9	N/A	N/A	0.3	1,621	5.4
CENT SP	CENTURION CORP LTD	SGD 0.34	208	2.9	3.0	121.8	57.4	8.2	0.5	66	-4.3
HWAH SP	HWA HONG CORP LTD	SGD 0.35	166	3.6	-	8.2	36.7	N/A	1.2	271	23.2
MYP SP	MYP LTD	SGD 0.09	103	0.0	-	83.6	N/A	N/A	0.5	1	7.3
Simple average							**32.5**	**6.6**	**0.7**		
HK Peers											
6098 HK	COUNTRY GARDEN SERVICES HOLD	52.8	21,822	0.5	0.8	-85.0	36.8	32.2	5.0	792,707	0.7
1209 HK	CHINA RESOURCES MIXC LIFESTY	39.9	11,700	0.6	0.8	-101.3	N/A	50.7	5.8	210,533	11.0
6666 HK	EVERGRANDE PROPERTY SERVICES	4.48	6,222	0.0	1.9	-126.6	11.7	9.8	3.4	332,112	-49.9
1516 HK	SUNAC SERVICES HOLDINGS LTD	13.66	5,441	0.4	1.0	-97.9	32.3	27.3	3.5	206,768	-20.4
873 HK	SHIMAO SERVICES HOLDINGS LTD	14.5	4,404	0.0	1.4	-85.7	N/A	22.2	4.3	129,691	21.2
3319 HK	A-LIVING SMART CITY SERVICES	26.85	4,898	1.8	3.2	-55.3	14.0	12.5	3.0	164,585	-21.6
9666 HK	JINKE SMART SERVICES GROUP-H	41.55	3,485	1.0	2.2	-94.3	24.4	20.2	0.7	87,361	-33.4
2869 HK	GREENTOWN SERVICE GROUP CO L	7.8	3,251	1.0	2.0	-43.4	23.6	21.7	3.1	118,777	-17.9
6049 HK	POLY PROPERTY SERVICES CO-H	44.45	3,160	0.8	1.4	-115.4	26.6	23.1	3.2	106,676	-27.3
1995 HK	CIFI EVER SUNSHINE SERVICES	13.96	2,996	0.6	1.0	-104.1	38.5	30.5	6.3	88,448	-18.0
2669 HK	CHINA OVERSEAS PROPERTY HOLD	5.56	2,348	1.6	1.5	-166.7	22.5	19.8	7.5	78,593	37.6
1755 HK	S-ENJOY SERVICE GROUP CO LTD	14.56	1,632	1.2	3.4	-150.6	18.3	15.2	4.7	62,628	-16.9
3913 HK	KWG LIVING GROUP HOLDINGS LT	5.21	1,351	1.1	2.6	-98.8	22.8	12.0	3.0	56,140	-17.3
Simple average							**24.7**	**22.9**	**4.1**		

Source: Bloomberg

Forecasts

Revenue. For FY21, we used a 7% YoY revenue growth forecast for the logistics management segment. A slightly higher forecast of 7% growth rate was used compared to Singapore's freight and logistics market 5% CAGR from years 2021 to 2026, given that LHN's performance in the first half was better than expected. For FY22, we used 5% revenue growth rate.

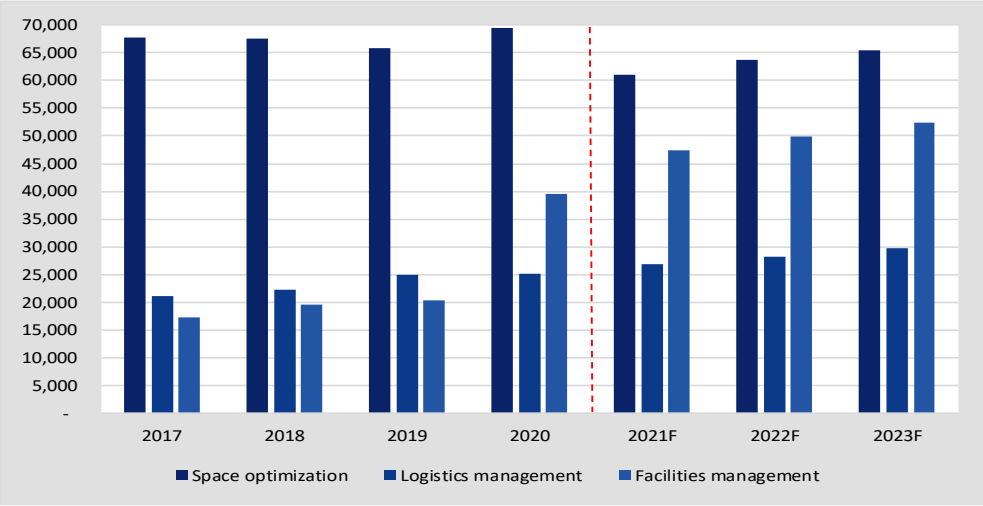
Under the space optimization business, we used a 10% YoY revenue growth forecast for the residential segment in FY22, given that 4 properties are expected to commence operations. Lastly, given that the facilities management segment is to grow in line for both sectors, we used a 5% YoY growth rate for FY22, slightly higher than the average of the space optimization business growth rate as the facilities management segment has additional income from recurring dormitory fees.

Debt. We forecast long-term borrowings to increase by 5% in 2022, in line with the increase in acquisitions.

Capex. For FY21's capex, we have included acquisition cost of 320 Balestier, 75 Beach Road and 115 Geylang which is estimated at around S$18.1mn, S$16.8mn and S$13.5mn respectively. For FY22, we estimate a 10% increase in capex.

Summary. Our forecast expects a relatively flat growth in FY21 due to the high FY20 base. For FY22, we expect growth to accelerate in the space optimization business spearheaded by the residential segment. In FY21, the facilities management segment is expected to boost strong revenue growth, driven by dormitory fees. For FY21 and FY22, we expect a steady growth in the logistics management segment given the 5% CAGR growth rate of Singapore's freight and logistics market.

Figure 8: Revenue by segment (Historical and forecast)



Source: Company reports, KGI Research

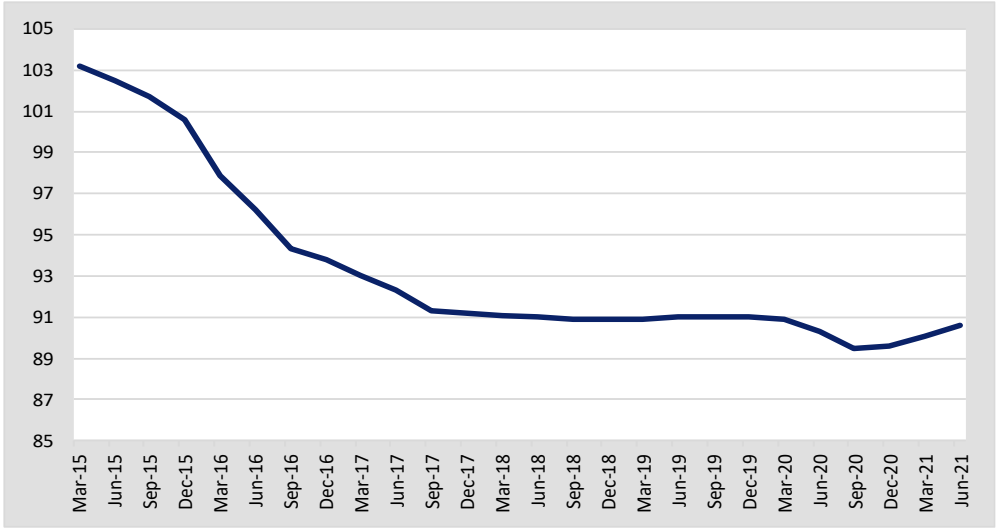
Industry Outlook

Space optimization business: Industrial, office and residential properties

Industrial properties. According to Mordor Intelligence, the Singapore self-storage market is expected to grow at a CAGR of 9.01% during the forecast period 2021 to 2026. Increased urbanization and smaller living spaces are key catalysts in driving the self-storage demand in Singapore. Furthermore, as the number of start-ups are gradually increasing, flexible self-storage options serve as cost efficient alternatives and operational flexibility to these companies. This will further boost the segment's growth in the coming years.

However, Singapore's self-storage market is moderately competitive and consists of a significant number of global and regional players, such as LOCK + STORE, Storefriendly Self Storage Group and Beam Storage. As of 31 March 2021, LHN's industrial properties has an occupancy rate of 89%, with a WALE of 16.5 months, which is decent given that the company is on track to expand. LHN targets to open 3 more Work+Store facilities within the next 3 years, including the upcoming facility at 202 Kallang Bahru.

Figure 9: Singapore Property Rental Index: Industrial



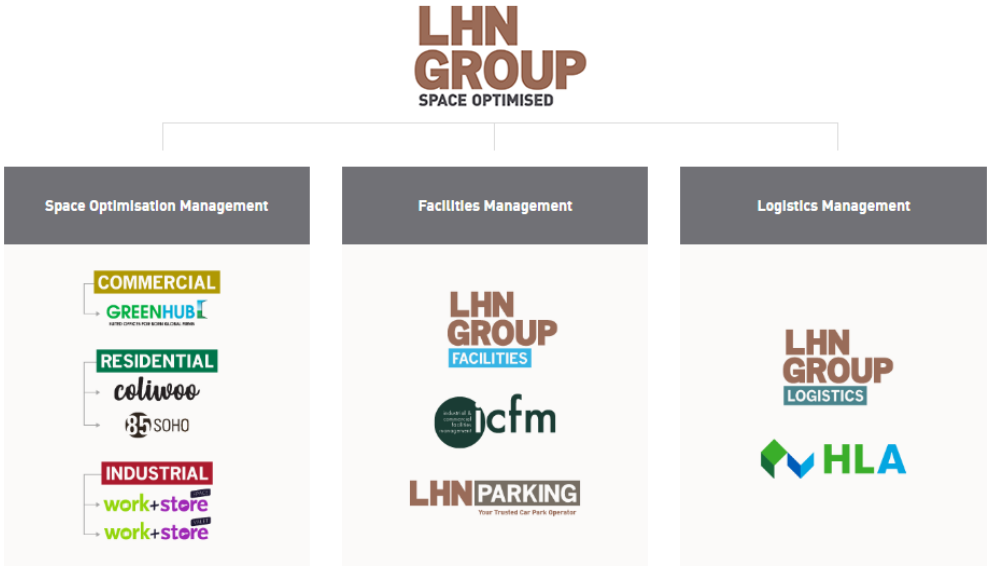
Source: Urban Redevelopment Authority

Office properties. According to CBRE, while the first half of 2021 is expected to still be under some pressure, the latter half is likely to witness some improvement. The underlying strength of the office market is attributed to the diversified occupier profile seen today. The continuing demand for office space, coupled with limited Grade A supply in the pipeline, would support office rental growth in the second half of 2021.

Residential properties. Reopening of borders and an increasing trend of self-reliant millennials shifting out of their homes are catalysts for higher occupancy in residential properties. With increased vaccinations rate and Singapore establishing travel lanes, we might see increased relaxation of measures moving forward into 2022. The overall property rental index rebounded moving into 2021, with a 6% spike in the property rental index for the core central region from December 2020 to June 2021. Outside the central region, the property rental index rose slightly less at 5.7% for the same period.

Company Background

The 3 pillars: Space Optimization, Logistics and Facilities Management



Space Optimization. Under the umbrella of space optimization, LHN's portfolio consists of commercial, industrial, and residential properties. The concept of space optimization is to add value to unused, under-utilized and old spaces by converting them to maximise the leasable area. The company also provides a full range of value-added services which include marketing, subleasing and management of the converted properties.

Under the industrial segment, the company manages B1 and B2 business spaces and self-storage spaces, supporting companies engaging in light to medium industrial and e-commerce activities. Storage is provided through self-storage units, lockers and WORK+STORE, a concept which allows businesses to perform order fulfilment duties and store their goods all in the same unit. LHN is currently present in 8 locations island-wide, including has recently acquired 55 Tuas South Ave 1, a B2 industrial building/factory with ancillary workers' dormitory. Out of the 8 locations, 2 properties are joint ventures.

Figure 10: Industrial Segment

Source: Company reports, KGI Research

Figure 11: WORK+STORE Concept

WORK+STORE STORAGE UNIT

Allows businesses to perform order fulfilment duties and store their goods all in the same unit.

SELF-STORAGE UNIT

Caters to individuals, households and small businesses in need of de-cluttering solutions to maintain an organised and clutter-free home and business space

MINI SELF-STORAGE UNIT

Perfect for individuals who need a small storage space in the form of a large locker.

EVENT SPACE

Affordable solutions for Events or Popup Activities of all scales and occasions.

Source: Company, KGI Research

Residential properties are built on the concept of co-living and co-working, which are either self-operated or sub-leased to operators. Under Coliwoo and 85SOHO, the company currently has 5 operating properties in Singapore and 383 units in Myanmar, Cambodia and China. LHN has acquired another 4 properties in Singapore, located at 40/42 Amber Road, 320 Balestier Road, 75 Beach Road and 115 Geylang in FY21, expected to commence operations in FY22 and contribute 500 additional keys. Out of the 5 operating properties, 3 are self-managed under the Coliwoo brand while 2 are sub-leased to operators under Hmlet and International Service Apartments, whereas overseas projects are under the brand 85SOHO.

Figure 12: Residential Segment

Source: Company, KGI Research

Lastly, LHN's commercial properties are business spaces leased or owned in Singapore and Indonesia. The company currently manages 10 commercial properties in Singapore and 2 properties in Indonesia. Commercial properties range from traditional offices, GreenHub Suited Offices, to other commercial spaces such as recreational space, sports facilities and children enhanced spaces.

Figure 13: Commercial Segment

Source: Company, KGI Research

Facilities Management. Under the facilities segment, LHN provides cleaning and security services, as well as car park management. The cleaning unit complements the space optimization arm, reinforcing LHN's edge over other property management companies. In 2020, the company secured contracts to convert and manage workers' dormitories, thereby creating a new revenue stream. LHN currently manages 24 internal properties and 31 external properties. As for the car park segment, the company currently manages 78 car parks, including 2 in Hong Kong.

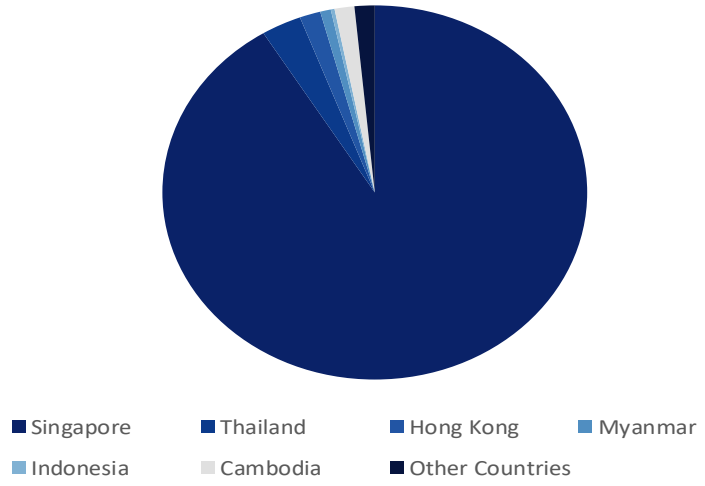
Figure 14: Facilities Management Segment

Source: Company, KGI Research

Logistics management. The logistics management business unit includes transportation in Singapore and Malaysia and container depot services in Singapore and Thailand. The transportation division is operated by a fleet of well-maintained prime movers, trailers, oil tankers, ISO tankers and trucks, whereas the container depot division manages empty containers for shipping line and leasing line customers.

Geographical spread. LHN's main revenue generator is from Singapore, accounting for 91.2% of total sales in 1H21.

Figure 15: Geographical revenue spread



Source: Company, KGI research

Management

	MR KELVIN LIM EXECUTIVE CHAIRMAN, EXECUTIVE DIRECTOR & GROUP MANAGING DIRECTOR	Mr Kelvin Lim is a controlling shareholder of the Company and was first appointed to the Board on 10 July 2014 and was last re-elected on 30 January 2019. Kelvin brings with him 20 years of experience in the property leasing industry, logistics services and facilities management business. He is primarily responsible for the Group's business development and overall management, including investment activities, operations and marketing efforts.
	MS JESS LIM EXECUTIVE DIRECTOR & GROUP DEPUTY MANAGING DIRECTOR	Ms Jess Lim is a controlling shareholder of the Company and has been appointed to the Board since 10 July 2014 and was last re-elected on 30 January 2020. Jess has over 20 years of extensive and varied experience in business management and supply chain management comprising of over 15 years' experience in the leasing and facilities management business and over 10 years' experience in the logistics services business. She is responsible for the corporate development, the overall administration and oversees the Group's finance, human resource, information systems and contracts administration functions.
	MR CH'NG LI-LING LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR	Ms Ch'ng Li-Ling is the Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees. Li-Ling was appointed as the Lead Independent Non-executive Director on 5 June 2017. She was first appointed to the Board as an Independent Non-executive Director on 10 March 2015 and was last re-elected on 30 January 2019. Li-ling advises investors and business owners in private equity transactions and advises companies on raising equity and debt capital from public markets, post-listing compliance and corporate actions including takeovers and acquisitions.
	MR EDDIE YONG INDEPENDENT NON-EXECUTIVE DIRECTOR	Mr Yong Chee Hiong is the Chairman of the Nominating Committee and a member of both the Audit and Remuneration Committees. He was first appointed to the Board as an Independent Non-executive Director on 10 March 2015 and was last re-elected on 30 January 2020. Eddie has over 40 years of experience in the real estate industry ranging from land acquisition, planning and real estate development, marketing and asset management. He is currently a Managing Partner of Equity & Land LLP.
	MR GARY CHAN INDEPENDENT NON-EXECUTIVE DIRECTOR	Mr Chan Ka Leung is the Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committees. He was first appointed to the Board as an Independent Non-executive Director on 5 June 2017 and was last re-elected on 19 March 2018. Gary has many years of experience in accounting, corporate finance, private equity and financial consultation while advising companies across multiple disciplines and various industries.

	MS YEO SWEE CHENG CHIEF FINANCIAL OFFICER	Ms Yeo Swee Cheng first joined the Group in May 2011 as Group Finance Manager and was promoted to Group Financial Controller in July 2014 before advancing to her current position in July 2015. Swee Cheng is primarily responsible for all finance related areas of the Group including treasury, audit and taxation functions. She supports the management on all strategic and financial planning matters in relation to the Group's business to ensure sound management of the Group's funds.
	MR WONG SZE PENG, DANNY GENERAL MANAGER	Mr Wong Sze Peng, Danny has been with the Group since 2008 and was promoted to Assistant General Manager in July 2010, before advancing to his current position in June 2012. Danny has over 15 years of experience in the real estate industry. Danny is primarily responsible for the marketing and property management functions of the Group Space Optimisation (Commercial & Industrial). He plans, directs and co-ordinates with the marketing and property management departments and is actively involved in promoting the Group's projects, sourcing for potential customers and conducting negotiations with them.

Key Risks

Company specific risks

Prolonged Covid-19 pandemic to impact reopening of borders. As one of the main growth drivers for the residential segment would be the inflow of foreigners such as expats and tourists, uncertainties relating to Covid-19 may pose a challenge to LHN to fill the gap left by this group of residents.

Saturated self-storage market. According to Mordor Intelligence, Singapore's self-storage market is currently in between consolidated and fragmented. Even though there is still space for LHN to expand and gain a stronger foothold in the market, strategizing and capitalizing on its uniqueness of WORK+STORE concept is crucial for the company to maintain a competitive edge.

Macro risks

Singapore's economy and property market. As LHN's vast majority of business relate to property development and management, fair value revaluations of its property play a major part in supporting overall bottom-line. This is directly intertwined to the property market and its supply and demand dynamics, as well as the performance of Singapore's economy.

Financial Summary

FYE 30 September					
INCOME STATEMENT (SGD '000)	**2019**	**2020**	**2021F**	**2022F**	**2023F**
Revenues	**111,094**	**134,213**	**135,378**	**141,894**	**147,507**
Cost of sales	(83,680)	(70,570)	(66,322)	(69,514)	(72,264)
Gross Profit	**27,414**	**63,643**	**69,056**	**72,380**	**75,243**
Other income	5,012	17,103	6,108	6,402	6,655
Selling and Distribution expenses	(1,820)	(1,433)	(1,445)	(1,515)	(1,575)
Administrative expenses	(23,668)	(30,429)	(30,693)	(32,170)	(33,443)
Share of results of associates and joint ventures, net o	4,527	555	1,354	1,419	1,475
Other expenses	(1,687)	(3,183)	(3,211)	–	(3,498)
Fair value gain/(loss) on investment properties	480	(11,809)	–	–	–
Profit from operation	10,258	34,447	41,168	46,515	44,856
Finance expenses	(1,332)	(5,127)	(6,108)	(6,372)	(6,650)
Net finance (expense)/income	(1,332)	(5,127)	(6,108)	(6,372)	(6,650)
Profit before income tax	**8,926**	**29,320**	**35,060**	**40,142**	**38,206**
Income tax expense	(203)	(4,633)	(5,540)	(6,343)	(6,037)
Profit	**8,723**	**24,687**	**29,520**	**33,799**	**32,169**
NCI	537	543	649	743	708
PATMI	8,186	24,144	28,870	33,056	31,462
Core PATMI	**8,038**	**11,316**	**28,870**	**33,056**	**31,462**
BALANCE SHEET (SGD '000)	**2019**	**2020**	**2021F**	**2022F**	**2023F**
Cash and cash equivalents	18,218	38,446	29,736	30,998	29,983
Trade and other receivables	17,581	44,424	44,424	44,424	44,424
Other current assets	14,908	26,007	26,711	27,387	28,154
Total current assets	**50,707**	**108,877**	**100,871**	**102,809**	**102,561**
Property, plant and equipment	37,435	40,363	46,455	52,840	59,478
Intangible assets	108	40	40	40	40
ROU Assets	–	35,184	35,184	35,184	35,184
Investment properties	67,309	115,578	163,978	185,262	207,388
Other non-current assets	31,385	43,706	43,706	43,706	43,706
Total non-current assets	**136,237**	**234,871**	**289,363**	**317,032**	**345,796**
Total assets	**186,944**	**343,748**	**390,234**	**419,841**	**448,357**
Loans and borrowings	7,009	10,725	10,725	10,725	10,725
Trade and other payables	34,167	45,734	45,734	45,734	45,734
Finance/lease liabilities	2,157	33,193	37,960	37,960	37,960
Other current liabilities	463	4,531	4,531	4,531	4,531
Total current liabilities	**43,796**	**94,183**	**98,950**	**98,950**	**98,950**
Loans and borrowings	7,009	10,725	10,725	10,725	10,725
Finance/lease liabilities	2,157	33,193	37,960	37,960	37,960
Other non-current liabilities	37,102	82,067	96,164	99,602	103,213
Total non-current liabilities	**46,268**	**125,985**	**144,849**	**148,287**	**151,898**
Total liabilities	**90,064**	**220,168**	**243,799**	**247,237**	**250,848**
Unitholders' funds and reserves	96,880	123,580	146,435	172,603	197,510
Total liabilities and equity	**186,944**	**343,748**	**390,234**	**419,841**	**448,357**
CASH FLOW STATEMENT (SGD '000)	**2019**	**2020**	**2021F**	**2022F**	**2023F**
Profit before tax	**8,926**	**29,320**	**35,060**	**40,142**	**38,206**
Adjustments	4,309	31,618	12,200	12,758	13,288
Operating cash flows before WC changes	**13,235**	**60,938**	**47,260**	**52,900**	**51,494**
Change in working capital	4,532	(12,486)	–	–	–
Income tax paid	(628)	120	(5,540)	(6,343)	(6,037)
Interest expenses paid	(3)	(12)	–	–	–
Cash flows from operations	**17,136**	**48,560**	**41,720**	**46,557**	**45,457**
Capital expenditure	(19,585)	(22,494)	(13,538)	(14,189)	(14,751)
Acquisition of investment properties	(20,336)	(21)	(48,400)	(21,284)	(22,126)
Interest received	459	607	–	–	–
Other investing cashflow	1,058	11,390	10,861	–	–
Cash flows from investing	**(38,404)**	**(10,518)**	**(51,077)**	**(35,473)**	**(36,877)**
Interest paid	(1,410)	(5,226)	(6,108)	(6,372)	(6,650)
Dividends paid	–	(3,190)	(6,015)	(6,887)	(6,555)
Interest paid	(2,112)	–	–	–	–
Other financing cashflow	25,363	(11,756)	12,770	3,438	3,610
Cash flows from financing	**21,841**	**(20,172)**	**646**	**(9,821)**	**(9,595)**
Net increase in cash	**573**	**17,870**	**(8,710)**	**1,262**	**(1,015)**
Beginning Cash	20,667	21,300	39,127	30,417	31,679
Ending cash	**21,300**	**39,127**	**30,417**	**31,679**	**30,664**
KEY RATIOS	**2019**	**2020**	**2021F**	**2022F**	**2023F**
DPS (SGD cents)	0.5	1.3	1.5	1.7	1.6
Dividend yield (%)	1.6	4.0	4.8	5.5	5.3
NAV per share (SGD cents)	24.1	30.7	36.4	42.9	49.1
Price/NAV (x)	1.3	1.0	0.9	0.7	0.6
Profitability					
Gross Margin (%)	24.7	47.4	51.0	51.0	51.0
Net Margin (%)	7.9	18.4	21.8	23.8	21.8
ROA (ex. Property FV gain) (%)	4.7	7.2	7.6	8.1	7.2
ROE (ex. Property FV gain) (%)	9.0	20.0	20.2	19.6	16.3
Financial Structure					
Interest Coverage Ratio (x)	7.7	6.7	6.7	7.3	6.7
Gearing Ratio (%)	31.5	18.0	23.9	22.3	21.3

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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.
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