

LHN Limited

Another growth driver emerges

SINGAPORE | REAL ESTATE | UPDATE



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7 March 2024

- In the 1Q24 update, no financials were provided, but LHN reiterated that the occupancy of their portfolio of assets (industrial, commercial, co-living) is over 90%. The two major projects, 55 Tuas South and GSM Building, are proceeding as scheduled.
- On 25 January, LHN secured two sites to provide accommodation for 700 public sector healthcare professionals (mainly nurses and allied health professionals). Operations will commence in 2H24. We believe LHN's advantage in securing this project is its operational experience in the co-living sector.
- We maintain our forecast and BUY recommendation. Our target price of S\$0.39 is unchanged. We peg our valuations to 6.5x FY24e P/E, while the industry is trading around 13x. Earnings visibility has improved as planned projects are underway and occupancy rates remain vibrant. We view the healthcare accommodation project as a new growth driver. Margins are unclear, but the project is capital light as the authorities provide the premises. Eleven more potential sites may be tendered out.

Key Highlights

- Strong occupancy over 90%.** All three assets—industrial, commercial, and coliving—enjoyed over 90% occupancy as of 31 December 2023. The two-week-old and 15th coliving property, Coliwoo Hotel Pasir Panjang, has already achieved 60% occupancy. A larger proportion of tenants are foreigners, mainly professionals and students. The average length of stay is 6 to 9 months. The 15 industrial properties are also 90% occupied with stable rents due to the current demand and supply conditions.
- Major planned projects are proceeding well.** The two upcoming major projects 55 Tuas South and GSM building are developing as scheduled. 55 Tuas was purchased for S\$21mn and to be developed into a 49-unit food factory or central kitchen for sale. Completion by August 2024. GSM Building was purchased for S\$80mn and can be developed into 187 rooms for co-living with 1 floor commercial. Possible commencement is 2Q25.
- A new growth driver emerges.** On 25 January, LHN secured the contract with MOH Holdings (holding company for Singapore's public healthcare institutions) to design, retrofit, and operate two lodging facilities for healthcare professionals at 100 Ulu Pandan Road and 60 Boundary Close. It will house 700 healthcare professionals and start operations 2H24. LHN secured two of the five tendered sites. A joint venture between The Assembly Place and the TS Group secured the three other sites to house 1,180 healthcare professionals. There is potential for another 11 sites once MOH monitors the usage of the current five sites. Around 58,000 healthcare professionals (nurses, allied health professionals, and support care) operate hospitals, clinics, and eldercare centres in 2022. The Ministry of Health estimates that this will need to grow to 82,000 by 2030.

Maintain BUY with unchanged TP of S\$0.39

Our valuations are pegged to 6.5x FY24e P/E, while the industry trades around 13x. LHN is trading at 5.6x PE, a 37% discount to its book value of S\$0.53.

BUY (Maintained)

CLOSING PRICE	SGD 0.335
FORECAST DIV	SGD 0.020
TARGET PRICE	SGD 0.39
TOTAL RETURN	22.4%

COMPANY DATA

Bloomberg CODE:	LHN SP
O/S SHARES (MN) :	408.9
MARKET CAP (USD mn / SGD mn) :	103 / 137
52 - WK HI/LO (SGD) :	0.41 / 0.26
3M Average Daily T/O (mn) :	0.50

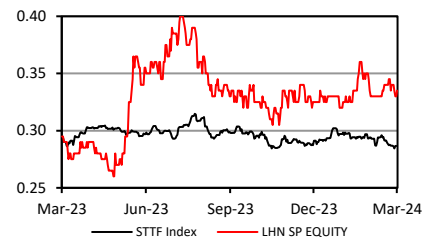
MAJOR SHAREHOLDERS

Hean Nerng Group Pte Ltd	54.0%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(1.5)	4.6	3.0
STTF	0.1	1.9	(2.9)

PRICE VS. STTF



KEY FINANCIALS

Y/E Sep, SGD (mn)	FY22	FY23	FY24e	FY25e
Revenue	84.5	93.6	107.9	118.7
EBITDA	80.1	52.0	50.2	54.5
PATMI	48.9	18.5	24.5	29.0
Adj PATMI	24.0	20.1	24.5	29.0
EPS (SGD cents)	11.9	4.5	6.0	7.1
Adj EPS (SGD cents)	5.9	4.9	6.0	7.1
P/E (x)	5.7	6.8	5.6	4.7
Dividend Yield	5.2%	9.0%	6.0%	6.0%
ROE	25.4%	8.5%	10.6%	11.5%
ROA	10.4%	3.3%	4.4%	5.0%

Source: Company, PSR

VALUATION METHOD

6.5x FY24e PE adj.

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Financials

Income Statement

Y/E Sep, SGD '000	FY21	FY22	FY23	FY24e	FY25e
Revenue	120,977	84,463	93,644	107,943	118,691
Cost of sales	(54,426)	(34,501)	(35,659)	(39,399)	(43,916)
Gross profit	66,551	49,962	57,985	68,544	74,775
Other income	15,000	15,386	16,996	8,000	8,000
Administrative expenses	(32,617)	(31,094)	(34,668)	(35,621)	(37,981)
Other expenses	(1,881)	(2,338)	(4,189)	(3,778)	(3,679)
Share of results of associates	3,666	15,442	1,725	2,000	2,000
Fair value gain/(loss) on IP	(11,598)	12,261	(5,971)	-	-
EBIT	39,121	59,619	31,878	39,145	43,115
Net Finance Inc/(Exp)	(4,863)	(4,504)	(8,895)	(10,394)	(9,412)
Profit before tax	34,258	55,115	22,983	28,750	33,703
Tax expense	(5,400)	(4,980)	(4,065)	(4,025)	(4,381)
Minority interest	(795)	(1,275)	(381)	(247)	(293)
PATMI	28,063	48,860	18,537	24,478	29,028
Discontinued PAT	-	(2,621)	21,303	-	-
Adjusted PATMI	35,359	23,988	20,077	24,478	29,028

Per share data (SGD Cents)

Y/E Sep	FY21	FY22	FY23	FY24e	FY25e
EPS	6.9	11.9	4.5	6.0	7.1
Adj EPS	8.7	5.9	4.9	6.0	7.1
DPS	1.75	1.75	3.00	2.00	2.00
BVPS	36.5	47.0	53.3	56.4	61.5

Cash Flow

Y/E Sep, SGD '000	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit before tax	34,258	55,115	22,983	28,750	33,703
Adjustments	29,808	11,105	3,561	19,356	19,457
WC changes	1,351	(1,388)	16,166	(2,999)	3,216
Cash generated from ops	61,751	46,263	58,265	43,107	54,376
Income tax paid	(4,875)	(5,219)	(4,640)	(4,025)	(4,381)
Cashflow from ops	56,910	41,228	54,209	41,160	51,381
CFI					
CAPEX, net	(19,604)	(7,691)	(18,438)	(8,000)	(9,000)
Others	(24,529)	(28,501)	5,394	(7,000)	(7,000)
Cashflow from investments	(44,133)	(36,192)	(13,044)	(15,000)	(16,000)
CFE					
Loans, net of repayments	34,610	46,999	36,710	12,676	11,176
Dividends paid	(7,019)	(7,143)	(8,148)	(12,268)	(8,179)
Others	(42,698)	(41,986)	(47,720)	(40,394)	(41,412)
Cashflow from financing	(15,107)	(2,130)	(19,158)	(39,986)	(38,414)
Net change in cash	(2,330)	2,906	22,007	(13,826)	(3,033)
CCE, end	36,801	39,743	61,570	47,744	44,711

Source: Company, Phillip Securities Research (Singapore) Estimates

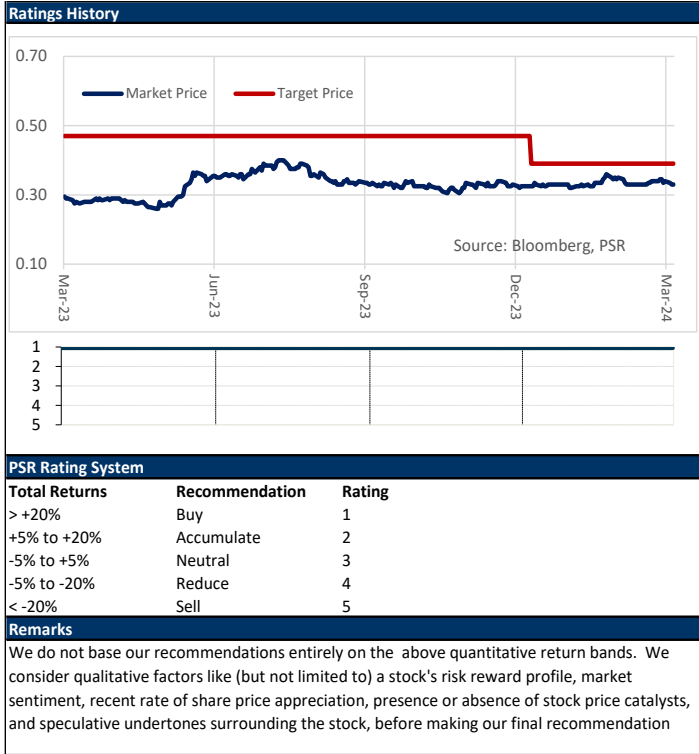
Balance Sheet

Y/E Sep, SGD '000	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
Trade and other receivables	31,754	25,406	12,858	12,953	14,243
Cash and bank balances	36,786	39,727	41,555	27,729	24,696
Inventories	90	136	13	108	119
Total current assets	100,539	100,019	137,785	114,149	102,417
PPE	54,167	48,241	34,874	34,573	34,732
Investment properties	166,570	233,267	303,761	328,761	353,761
Others	65,532	87,359	77,653	78,914	80,324
Total non-current assets	286,269	368,867	416,288	442,248	468,816
Total Assets	386,808	468,886	554,073	556,397	571,233
LIABILITIES					
Trade and other payables	35,392	37,094	42,208	39,399	43,916
Lease liabilities	37,706	29,859	32,144	32,144	32,144
Bank borrowings	11,556	19,319	18,846	18,846	18,846
Others	5,060	4,407	3,682	3,682	3,682
Total current liabilities	89,714	90,679	96,880	94,071	98,588
Lease liabilities	54,630	51,517	79,812	59,812	37,812
Bank borrowings	89,822	128,854	149,453	162,129	173,306
Others	4,359	5,658	9,879	9,879	9,879
Total non-current liabilities	148,811	186,029	239,144	231,820	220,997
Total Liabilities	238,525	276,708	336,024	325,891	319,584
Net assets	148,283	192,178	218,049	230,506	251,649
Equity					
Share capital	65,496	65,496	65,496	65,496	65,496
Reserves	80,230	120,408	150,698	162,908	183,757
Non-controlling interests	2,557	6,274	1,855	2,102	2,395
Shareholder Equity	148,283	192,178	218,049	230,506	251,649

Valuation Ratios

Y/E Sep	FY21	FY22	FY23	FY24e	FY25e
P/E (x)	3.8	5.7	6.8	5.6	4.7
P/B (x)	0.9	0.7	0.6	0.6	0.5
EV/EBITDA (x)	3.5	3.1	5.1	5.8	5.6
Dividend Yield (%)	5.2%	5.2%	9.0%	6.0%	6.0%
Growth & Margins					
Growth					
Revenue	-9.9%	-30.2%	10.9%	15.3%	10.0%
EBITDA	4.7%	38.2%	-35.1%	-3.5%	8.7%
EBIT	13.6%	52.4%	-46.5%	22.8%	10.1%
Net profit	16.2%	74.1%	-62.1%	32.0%	18.6%
Margins					
Gross margin	55.0%	59.2%	61.9%	63.5%	63.0%
EBITDA margin	47.9%	94.9%	55.5%	46.5%	46.0%
EBIT margin	32.3%	70.6%	34.0%	36.3%	36.3%
Net profit margin	23.2%	57.8%	19.8%	22.7%	24.5%
Key Ratios					
ROE	18.9%	25.4%	8.5%	10.6%	11.5%
ROA	7.3%	10.4%	3.3%	4.4%	5.1%
Net Gearing	43.6%	56.4%	58.1%	66.5%	66.5%

Note# FY21 includes the logistics operations financials.



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