

# LHN Limited

A year for harvesting

SINGAPORE | REAL ESTATE | 1Q25 UPDATE

- Operational metrics for 1Q25 were healthy. The occupancy rate of over 95% for all the properties, an additional 45 keys for Coliwoo to 2,586 keys and securing 29 new facilities management contracts. LHN food chain factory has been launched and sales of the 49 units are underway.
- LHN has three freehold properties up for sale. We believe the properties will be leased back and continued to be used as Coliwoo. Any gains could be returned to shareholders as special dividends.
- We maintain our FY25e earnings, target price of S\$0.56, and BUY recommendation. We expect several monetisation efforts to be underway this year. It includes disposing of three properties, potential Golden Mile Car Park enbloc and unit sales of the LHN food factory. Any gains could be paid out as special dividends. Expansion in co-living capacity will be slower at 151 keys in FY25e. Growth will come in FY26e from the pending 210 keys in Middle Road, 150 keys in Armenian Street, and new healthcare accommodation. We believe the next evolution of the Coliwoo franchise is to become more asset-light and regional. Third-party funds could even be sourced and managed to expand faster and capture a large share of value created. The stock trades at a forward PE of 5.3x, dividend yield of 5.2% and 24% discount-to-book value of S\$0.608.

## Key Highlights

**Coliwoo operationally strong.** For 1Q25, Coliwoo added one property or 45 keys with the addition of 453 Balestier Road. Occupancy rate of Coliwoo was not disclosed but we expect it to be above 95%. Demand from international students, corporate travel and foreign working professionals remains healthy. Average stay is six to nine months. The rising population in Singapore is a macro driver of demand. Coliwoo's digital marketing efforts to source clients directly have been a major advantage to brand building, as opposed to a heavy reliance on online travel agencies (OTAs). Some competitors use residential homes as co-living spaces. However, such spaces lack the service and amenities to attract attractive rents. The next launch will be Coliwoo Fire Station (Upper Bukit Timah), which could be rented for more than S\$3,000 per month because of the nearby MRT and nature reserve. LHN is currently exploring co-living opportunities in Southeast Asia.

**Next evolution of Coliwoo.** When the Middle Road property is rented out, the valuation will likely rise. We believe it could then provide seed capital for a fund to manage co-living assets. To grow Coliwoo's capacity on an asset-light basis, more master lease properties will be pursued.

**Work+Store is expanding its tenant pool.** Work+Store has launched its first climate-controlled storage facility in 202 Kallang Bahru. It provides air-conditioned storage spaces suitable for wine collectors. Such new facilities will help raise rents. LHN is likely to expand its footprint of Work+Store facilities.

**Healthcare professional accommodation.** After securing the 350-bed (or 700 healthcare professionals) contract in January 2024, LHN will look for more opportunities in this segment. Managing such facilities includes running events to engage and integrate the occupants into the community. LHN has an in-house team to manage the facilities in each location.

**Exiting Hong Kong car park.** LHN has been incurring losses in Hong Kong car parks. Two remaining car parks in Hong Kong, with over 700 lots, are expected to cease operations upon the lease expiry by April 2025.



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## BUY (Maintained)

CLOSING PRICE	SGD 0.460
FORECAST DIV	SGD 0.024
TARGET PRICE	SGD 0.56
TOTAL RETURN	27.0%

### COMPANY DATA

Bloomberg CODE:	LHN SP
O/S SHARES (MN) :	418.3
MARKET CAP (USD mn / SGD mn) :	144 / 192
52 - WK HI/LO (SGD) :	0.55 / 0.31
3M Average Daily T/O (mn) :	1.60

### MAJOR SHAREHOLDERS

Hean Nerng Group Pte Ltd	52.8%
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### TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(9.8)	0.9	(8.0)
STTF	(1.0)	0.9	1.6

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Sep, SGD (mn)	FY23	FY24	FY25e	FY26e
Revenue	93.6	121.0	131.8	142.9
EBITDA	55.3	66.3	63.8	73.0
PATMI	18.5	47.3	35.4	42.3
Adj PATMI	22.3	31.2	35.4	42.3
EPS (SGD cents)	4.5	11.6	8.7	10.3
Adj EPS (SGD cents)	5.4	7.6	8.7	10.3
P/E (x)	8.5	6.0	5.3	4.4
Dividend Yield	6.5%	6.5%	5.2%	5.2%
ROE	8.5%	18.4%	12.7%	13.5%
ROA	3.3%	6.8%	4.9%	5.5%

Source: Company, PSR

### VALUATION METHOD

6.5x FY25e adj. PE

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## Financials

### Income Statement

Y/E Sep, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>Revenue</b>	<b>84,463</b>	<b>93,644</b>	<b>121,021</b>	<b>131,774</b>	<b>142,855</b>
Cost of sales	(34,501)	(35,659)	(58,808)	(54,027)	(52,999)
<b>Gross profit</b>	<b>49,962</b>	<b>57,985</b>	<b>62,213</b>	<b>77,747</b>	<b>89,856</b>
Other income	15,386	16,996	6,681	3,500	4,500
Administrative expenses	(31,094)	(34,668)	(21,754)	(28,990)	(32,857)
Other expenses	(2,338)	(4,189)	(3,298)	(2,635)	(2,857)
Share of results of associates	15,442	1,725	8,935	2,800	2,500
Fair value gain/(loss) on IP	12,261	(5,971)	10,459	-	-
<b>EBIT</b>	<b>59,619</b>	<b>31,878</b>	<b>63,236</b>	<b>52,421</b>	<b>61,142</b>
Net Finance Inc/(Exp)	(4,504)	(8,895)	(11,815)	(10,797)	(11,472)
<b>Profit before tax</b>	<b>55,115</b>	<b>22,983</b>	<b>51,421</b>	<b>41,624</b>	<b>49,670</b>
Tax expense	(4,980)	(4,065)	(3,548)	(5,827)	(6,954)
Minority interest	(1,275)	(381)	(583)	(358)	(427)
<b>PATMI</b>	<b>48,860</b>	<b>18,537</b>	<b>47,290</b>	<b>35,438</b>	<b>42,289</b>
Discontinued PAT	(2,621)	21,303	-	-	-
<b>Adjusted PATMI</b>	<b>23,949</b>	<b>22,260</b>	<b>31,199</b>	<b>35,438</b>	<b>42,289</b>

### Per share data (SGD Cents)

Y/E Sep	FY22	FY23	FY24	FY25e	FY26e
EPS	11.9	4.5	11.6	8.7	10.3
Adj EPS	5.9	5.4	7.6	8.7	10.3
DPS	1.75	3.00	3.00	2.40	2.40
BVPS	47.0	53.3	62.9	68.4	76.5

### Cash Flow

Y/E Sep, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>CFO</b>					
<b>Profit before tax</b>	<b>55,115</b>	<b>22,983</b>	<b>51,421</b>	<b>41,624</b>	<b>49,670</b>
Adjustments	11,105	3,561	16,957	19,856	22,357
WC changes	(1,388)	16,166	(14,427)	18,275	(2,369)
<b>Cash generated from ops</b>	<b>46,263</b>	<b>58,265</b>	<b>31,957</b>	<b>76,955</b>	<b>67,157</b>
Income tax paid	(5,219)	(4,640)	(3,820)	(5,827)	(6,954)
<b>Cashflow from ops</b>	<b>41,228</b>	<b>54,072</b>	<b>28,409</b>	<b>73,453</b>	<b>61,158</b>
<b>CFI</b>					
CAPEX, net	(7,691)	(18,438)	(4,882)	(9,000)	(10,000)
Others	(28,501)	5,129	(95,037)	(32,000)	(2,000)
<b>Cashflow from investments</b>	<b>(36,192)</b>	<b>(13,309)</b>	<b>(99,919)</b>	<b>(41,000)</b>	<b>(12,000)</b>
<b>CFE</b>					
Loans, net of repayments	46,999	36,710	113,283	6,006	4,506
Dividends paid	(7,143)	(8,148)	(9,517)	(13,086)	(9,815)
Others	(41,986)	(48,399)	(47,500)	(52,797)	(54,472)
<b>Cashflow from financing</b>	<b>(2,130)</b>	<b>(19,837)</b>	<b>56,266</b>	<b>(59,878)</b>	<b>(59,781)</b>
Net change in cash	2,906	20,926	(15,244)	(27,425)	(10,624)
<b>CCE, end</b>	<b>41,311</b>	<b>62,377</b>	<b>50,662</b>	<b>23,237</b>	<b>12,613</b>

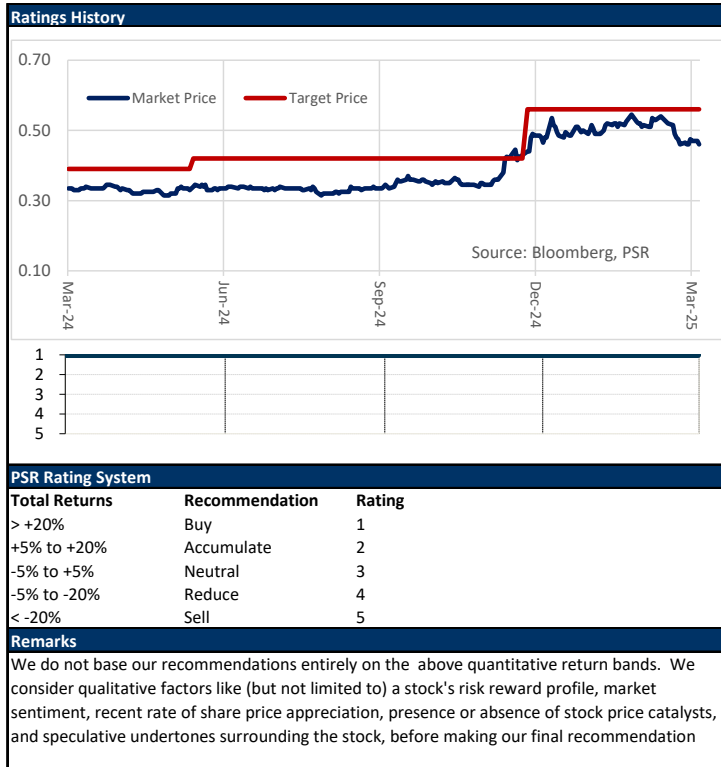
Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Sep, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
Trade and other receivables	25,406	12,858	13,052	15,813	17,143
Cash and bank balances	41,311	62,377	50,662	23,237	12,613
Others	33,302	62,550	62,967	63,055	63,066
<b>Total current assets</b>	<b>100,019</b>	<b>137,785</b>	<b>126,681</b>	<b>102,105</b>	<b>92,822</b>
PPE	48,241	34,874	31,719	32,065	32,811
Investment properties	233,267	303,761	457,978	507,978	557,978
Others	87,359	77,653	80,401	82,471	84,387
<b>Total non-current assets</b>	<b>368,867</b>	<b>416,288</b>	<b>570,098</b>	<b>622,514</b>	<b>675,176</b>
<b>Total Assets</b>	<b>468,886</b>	<b>554,073</b>	<b>696,779</b>	<b>724,618</b>	<b>767,997</b>
<b>LIABILITIES</b>					
Trade and other payables	37,094	42,208	32,904	54,027	52,999
Lease liabilities	29,859	32,144	33,552	33,552	33,552
Bank borrowings	19,319	18,846	25,747	25,747	25,747
Others	4,407	3,682	4,145	4,145	4,145
<b>Total current liabilities</b>	<b>90,679</b>	<b>96,880</b>	<b>96,348</b>	<b>117,471</b>	<b>116,443</b>
Lease liabilities	51,517	79,812	64,227	42,227	19,227
Bank borrowings	128,854	149,453	255,837	261,843	266,349
Others	5,658	9,879	23,331	23,331	23,331
<b>Total non-current liabilities</b>	<b>186,029</b>	<b>239,144</b>	<b>343,395</b>	<b>327,401</b>	<b>308,907</b>
<b>Total Liabilities</b>	<b>276,708</b>	<b>336,024</b>	<b>439,743</b>	<b>444,872</b>	<b>425,350</b>
<b>Net assets</b>	<b>192,178</b>	<b>218,049</b>	<b>257,036</b>	<b>279,746</b>	<b>342,647</b>
<b>Equity</b>					
Share capital	65,496	65,496	68,340	68,340	68,340
Reserves	120,408	150,698	185,841	208,193	240,667
Non-controlling interests	6,274	1,855	2,855	3,213	3,640
<b>Shareholder Equity</b>	<b>192,178</b>	<b>218,049</b>	<b>257,036</b>	<b>279,746</b>	<b>312,647</b>

### Valuation Ratios

Y/E Sep	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	7.9	8.5	6.0	5.3	4.4
P/B (x)	1.0	0.9	0.7	0.7	0.6
EV/EBITDA (x)	5.5	5.7	6.4	7.2	6.5
Dividend Yield (%)	3.8%	6.5%	6.5%	5.2%	5.2%
<b>Growth &amp; Margins</b>					
<b>Growth</b>					
Revenue	-30.2%	10.9%	29.2%	8.9%	8.4%
Adj. EBITDA	2.7%	0.7%	20.0%	-3.8%	14.4%
EBIT	52.4%	-46.5%	98.4%	-17.1%	16.6%
Adj. Net profit	-32.3%	-7.1%	40.2%	13.6%	19.3%
<b>Margins</b>					
Gross margin	59.2%	61.9%	51.4%	59.0%	62.9%
EBITDA margin	65.0%	59.0%	54.8%	48.4%	51.1%
EBIT margin	70.6%	34.0%	52.3%	39.8%	42.8%
Net profit margin	57.8%	19.8%	39.1%	26.9%	29.6%
<b>Key Ratios</b>					
ROE	25.4%	8.5%	18.4%	12.7%	13.5%
ROA	10.4%	3.3%	6.8%	4.9%	5.5%
Net Gearing	55.6%	48.6%	89.8%	94.5%	89.4%



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