

LHN LIMITED

BUY

Share Price: S\$0.32
Target Price: S\$0.50
Upside: +56.3%

COMPANY DESCRIPTION

Established in 1991, LHN Limited is a real estate management services group with a track record in redesigning unused, old and under-utilised spaces to maximise their leasable area.

The Group has four main business segments: 1) Space Optimisation, 2) Facilities Management, 3) Energy, and 4) Property Development.

Name	LHN LTD
Bloomberg Code	LHN SP Equity
3M Avg Daily Trading Vol (k)	1,466.5
3M Avg Daily Trading Val (\$'000)	539.5
Major Shareholder / Holdings	Kelvin Lim / Jess Lim (55.0%)
Shares Outstanding (m)	408.9
Market Capitalisation (\$M)	130.9
52 week Share Price High/Low	0.41 / 0.25

STOCK PRICE PERFORMANCE

	1M	3M	12M
Absolute Return (%)	-5.9	-11.1	14.3

PRICE CHART



Source : Bloomberg

CASH INFUSION FROM DIVESTMENT

In a recent 3QFY23 business update, LHN reported strong momentum across its core business segments of space optimization, property development, facilities management and energy. Coliwoo's co-living 1,681 keys enjoy average room rates of S\$2,200-S\$3,500 and are backed by solid occupancy rates of 85%-100%. LHN has secured 57 facilities management contracts since May'23 and signed a 15-year power purchase agreement to install 618 solar panels on the rooftop of Textile Centre in Jul'23. Divestments over the year amount to S\$48.5mln and will provide the Group with capital for expansion opportunities. Maintain Buy with a target price of S\$0.50, pegged to 7.5x core FY23F P/E (25% discount to core historical average P/E of 10.0x).

Completed disposal of LHN Logistics. Post-acceptance of the general offer for LHN Logistics, LHN has received the cash infusion of S\$31.9mln in full. After excluding the S\$3.12mln payment fee to JTC, the cumulative proceeds amount to S\$28.8mln, worth about 7 S cts/share. LHN intends to use the cash consideration for general working capital purposes and channel resources to its other core business segments. Gain on disposal is worth 4.4 S cts/share and will provide LHN firepower to accelerate expansion in the midst of a co-living boom.

Proposed transfer from Catalist to Mainboard. LHN has submitted an application to SGX-ST for its transfer from the Catalist to Mainboard. The move is intended to provide several benefits, including 1) perceived premium that investors accord to companies listed on the Mainboard, 2) greater visibility and recognition in the market and amongst investors, and 3) wider platform and greater opportunities for future fundraising. The proposed transfer is subject to 3 conditions: 1) in-principle approval of the SGX-ST, 2) Rule 408 of Section B: Rules of Catalist in the Listing Manual of the SGX-ST, and 3) approval of shareholders at an EGM.

Valuations remain attractive. At S\$0.32, LHN trades at distressed levels of 4.8x core forward P/E and 0.7x P/B with a forward dividend yield of 7.2% based on 2.3 S cts/share. Revenue streams are diversified across different segments and its increasing market share will contribute to greater public visibility. Maintain Buy with TP of S\$0.50, pegged to 7.5x core FY23F P/E.

KEY FINANCIALS

Sep YE	FY20	FY21	FY22	FY23F	FY24F
Revenue (\$m)	134.2	121.0	111.8	122.1	125.0
EBITDA (\$m)	55.4	58.0	78.4	88.9	71.7
EBITDA Margin (%)	41.3	47.9	70.2	72.8	57.3
PATMI (\$m)	24.1	28.1	45.8	51.3	33.5
P/E (x)	5.4	4.7	2.9	2.6	3.9
Core PATMI (\$m)	35.4	36.0	26.1	27.4	29.1
Core P/E (x)	3.7	3.6	5.0	4.8	4.5
P/B(x)	1.1	0.9	0.7	0.7	0.7
ROE (%)	19.8	19.3	24.7	25.7	16.8
EPS (S\$)	6.00	6.94	11.21	12.54	8.20
EPS Growth (%)	195	16	62	12	-35
DPS (S\$)	1.25	1.75	1.75	2.30	2.30
Dividend Yield (%)	3.9	5.5	5.5	7.2	7.2

Source : LHN, Lim & Tan Research

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Steady Growth for Rest of 2HFY23
Strong Operational Performance, Steady Flow of Contracts:

Space Optimisation Business. LHN manages a total of 2,064 keys, spread across its Singapore co-living projects (Coliwoo, 1,681 keys) and overseas projects (85-SOHO, 383 keys). Coliwoo's occupancy rates range between 85%-100% and will likely remain elevated as sky-high hotel rates drive spillover demand to Coliwoo's hotel/serviced apartment spaces. Singapore tourist arrivals in Aug'23 climbed to 1.31mln (+80% yoy) and the outlook remains positive with a strong concert pipeline and recovery of the MICE sector. Additional projects in the co-living space (404 Pasir Panjang, 48 and 50 Arab Street) remain on track for completion in 1Q24.

Exhibit 1: Number of Keys by Project

Period	Co-living – Singapore Projects		85 SOHO – Overseas Projects		Total
	Master Lease	Owned/ Joint Venture	Master Lease	Owned/ Joint Venture	
3QFY2023	1,387	294	275	108	2,064

Source: LHN

Property Development Business. LHN is in the midst of redeveloping 55 Tuas South into a 9-storey multi-user food processing industrial development with 49 strata units for sale. The industrial property is currently in the Sub-Structure and Foundation Works phase and is expected to be completed and available for sale in end-FY24. Food factory spaces are generally only available at certain locations and are highly sought after in Singapore.

Facilities Management Business. Since May'23, LHN has secured 35 new facilities management contracts and retendered 22 contracts, comprising services like cleaning, pest control, sanitising, and fumigation. Its car park capacity in Singapore and Hong Kong continues to grow with the launch of six car park projects offering 760 vehicle parking lots with smart parking solutions.

Energy Business. In the solar energy space, LHN has successfully installed and manages a total of 21 projects with a combined capacity of 3.1 megawatts of renewable energy. In Jul'23, it signed a 15-year power purchase agreement to install and maintain 618 solar panels on the rooftop of Textile Centre. The system is expected to begin operations in Oct'23 and deliver up to 369 megawatt-hours of electricity annually.

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Exhibit 2: Core Forward P/E Ratio Stays Attractive



Source: Bloomberg, Lim & Tan Research

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