

**LHN LIMITED**

## ACCUMULATE

**Share Price:** S\$0.335  
**Target Price:** S\$0.47  
**Upside:** +40.3%

### 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.

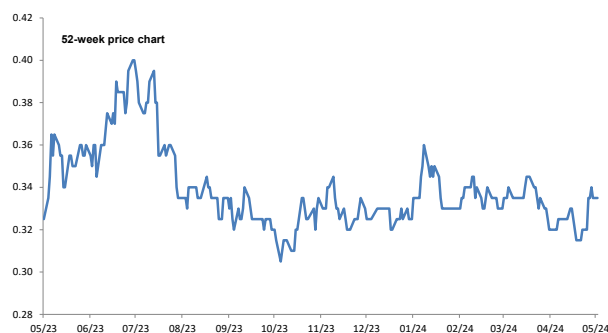
The Group has four main business segments: 1) Space Optimisation, 2) Facilities Management, 3) Energy, and 4) Property Development.

<b>Name</b>	<b>LHN LTD</b>
<b>Bloomberg Code</b>	<b>LHN SP Equity</b>
<b>3M Avg Daily Trading Vol (k)</b>	<b>213.4</b>
<b>3M Avg Daily Trading Val (\$'000)</b>	<b>70.9</b>
<b>Major Shareholder / Holdings</b>	<b>Kelvin Lim / Jess Lim (55.0%)</b>
<b>Shares Outstanding (m)</b>	<b>408.9</b>
<b>Market Capitalisation (\$m)</b>	<b>137.0</b>
<b>52 week Share Price High/Low</b>	<b>0.41 / 0.30</b>

### STOCK PRICE PERFORMANCE

<b>Absolute Return (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
	3.1	1.5	10.8

### PRICE CHART



Source : Bloomberg

### CO-LIVING REMAINS THE MAIN GROWTH DRIVER

**LHN reported robust results for 1HFY24, backed by an increase in co-living keys and resilient occupancy rates across all segments. Revenue from continuing operations increased by 27.2% yoy to S\$54.5m, driven by higher Coliwoo revenue (+91.1% yoy) and contributions from the Facilities Management Business (+13.6% yoy). Despite higher interest expenses (+31.7% yoy), LHN reported a 13.7% increase in 1HFY24 core pre-tax profits to S\$17.7m. The Group maintained its interim dividend of 1.0 S ct, and we believe strong operating cashflows can allow them to maintain full year dividends of 3.0 S cts, an 9.0% dividend yield. Valuations are attractive at just 5.4x core forward P/E and 0.6x P/B. Maintain Accumulate with an unchanged target price of S\$0.47, pegged to 7.5x core FY24F P/E (25% discount to core historical average P/E of 10.0x).**

**Co-living the main growth driver.** The Space Optimization business segment remained LHN's primary revenue and growth driver, recording a 34.1% yoy increase to S\$35.9m. Average occupancy rates across Coliwoo properties saw a slight dip to 91.8% (FY23: 94.7%), primarily due to renovation works at Coliwoo Lavender Collection. The Group added 470 keys in 1HFY24 to reach 2,151 Coliwoo keys. Co-living profits have tripled to S\$9.1m and will further benefit from a pipeline of new assets and tender wins. Upcoming contributions include the launch of a row of properties at River Valley Road, the tender for the former Bukit Timah Fire Station, and lodging facilities for 700 healthcare foreign workers.

### Exhibit 1: 1HFY24 Financial Performance

	1H FY24 (\$'000)	1H FY23 (\$'000)	+ / (-) %
Revenue	54,547	42,883	27.2
Gross Profit	34,791	25,584	36.0
Gross Profit Margin	63.8%	59.7%	4.1 pp
Net profit	12,973	15,184	(14.6)
Core pre-tax profit	17,769	15,633	13.7

Source: LHN, Lim & Tan Research

### KEY FINANCIALS

Sep YE	FY21	FY22	FY23	FY24F	FY25F
Revenue (\$m)	121.0	111.8	117.1	111.8	116.3
EBITDA (\$m)	58.0	78.4	73.3	63.8	65.0
EBITDA Margin (%)	47.9	70.2	62.6	57.1	55.9
PATMI (\$m)	28.1	45.8	38.2	27.5	28.9
P/E (x)	4.9	3.0	3.6	5.0	4.7
Core PATMI (\$m)	36.0	30.0	23.4	25.5	26.9
Core P/E (x)	3.8	4.6	5.9	5.4	5.1
P/B(x)	0.9	0.7	0.6	0.6	0.6
ROE (%)	19.3	24.7	17.7	12.7	13.4
EPS (\$)	6.94	11.21	9.34	6.73	7.07
EPS Growth (%)	16	62	-17	-28	5
DPS (\$)	1.75	1.75	3.00	3.00	3.00
Dividend Yield (%)	5.2	5.2	9.0	9.0	9.0

Source: LHN, Lim & Tan Research

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**Exhibit 2: Number of Keys by Project**

As at	Co-living – Singapore Projects		85 SOHO – Overseas Projects		Total
	Master Lease	Owned / Joint Venture	Master Lease	Owned / Joint Venture	
March 2024	1,789	362	275	108	2,534

Source: LHN

**Exhibit 3: Pipeline of New Co-Living Properties Over the Next 2 Years**

Location	Launch Date	Keys
404 Pasir Panjang	1QFY24	63
99 Rangoon Road	1QFY24	32
268 River Valley Road	3QFY24	30
286 & 288 River Valley Road	4QFY24	39
Two MOH Lodging Facilities	2H24	350
48 & 50 Arab Street	1QFY25	26
Former Bukit Timah Fire Station	1HFY25	62
141 Middle Road, GSM Building	3QFY25	187

Source: LHN, Lim & Tan Research

**More contracts secured under Facilities Management.**

The Facilities Management business segment saw a 13.6% increase in revenue to S\$17.2mln. Under its cleaning and related services (ICFM), LHN secured 60 new contracts while 81 existing contracts were successfully renewed. LHN currently manages 78 car parks in Singapore with over 24,000 lots, and 3 car parks with over 1,000 lots in Hong Kong. The Group intends to expand its carpark market share in both Singapore and Hong Kong. In Apr'24, LHN will begin the management of 11 ESR-LOGOS REIT Properties' car parks (over 700 lots) and 4 National Healthcare Group Polyclinics' car parks (over 200 lots) from May'24.

**On track to complete food-processing building by end-FY24.**

LHN's nine-storey industrial development property at 55 Tuas South is expected to receive its TOP by 4QFY24 and will be starting its strata-unit sale launch as early as Jun'24. Food factory spaces are limited and highly sought after in Singapore. We understand that there is a similar food factory next to LHN's property that has received healthy demand, despite its TOP date a few years later. The sale under the Property Development Business is expected to contribute attractive gains for LHN in FY24F/FY25F.

**Exhibit 4: Development of Food Factory Building is on Track**
**55 TUAS SOUTH**

**No. of units:**  
49

**Saleable Area:**  
112,000 sqft

**Usages:**  
9-Storey Multi-User  
Food Processing  
Industrial  
Development

**Expected  
Operational Date:**  
4QFY2024



Source: LHN

**Opportunities for overseas expansion.** Diversification into key markets across ASEAN remains one of LHN's expansion strategies. We think a possible usage of Coliwoo's brand name could be in overseas markets such as Indonesia, a big and growing co-living market. Overseas contributions across LHN's business segments currently account for c.4% of total revenue.

**Attractive valuations.** At S\$0.335, LHN trades at 0.60x P/B with a forward dividend yield of 9.0% based on 3.0 S cts/share. Its core forward P/E of 5.4x is 0.5SD below its mean P/E since IPO, undemanding for a growth company with sustainable cash flows. We continue to like LHN's 1) Coliwoo brand name in a resilient co-living market, 2) strong pipeline of projects across all segments, and 3) cheap valuations backed by attractive yields. Maintain Accumulate with an unchanged target price of S\$0.47, pegged to 7.5x core FY24F P/E (25% discount to core historical average P/E of 10.0x).

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### Exhibit 5: P/B Ratio



Source: Bloomberg, Lim & Tan Research

### Exhibit 6: Expansion of Energy Business

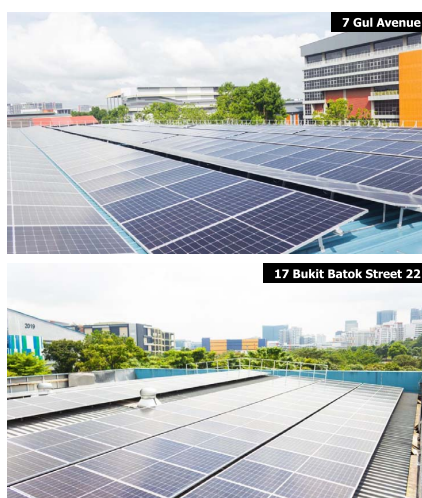
#### ENERGY BUSINESS

#### EXPANDING THE GROUP'S RENEWABLE ENERGY SOLUTIONS OFFERINGS AND TOTAL SYSTEM CAPACITY

In 1H2024, completed solar panel installation projects which includes sites at:

- 17 Bukit Batok Street 22
- 7 Gul Ave
- 43 Jalan Naga Sari

Targeting to expand its renewable energy solutions offerings to enterprises in Singapore and increase the renewable energy capacity.



Source: LHN

### Exhibit 7: Space Optimisation Business Occupancy Rates

Industrial Properties	
Work+Store space:	94.9%
Industrial space:	98.3%
Commercial Properties	
Commercial space:	96.3%
Residential Properties	
Co-living space (Singapore):	91.8%

Source: LHN

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