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Langham Hospitality Investments (1270 HK) : BUY

Mkt. Cap: US$865m I **3m Avg. Daily Val:** US$0.26m

Last Traded Price (25 Jun 2018): HK$3.25

Price Target 12-mth: HK$3.68 (13% upside) (Prev HK$3.78)

Company Guide

Summary of our point of view, and highlights the relevant data points, which are actively tracked

Langham Hospitality - iBanking Login

Langham Hositality - Institution Login

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Facelift at Eaton to boost competitiveness

- **Renovation to allow Eaton to better capture targeted travelers**
- **Higher RevPAR at The Langham and Cordis**
- **BUY with HK$3.68 TP**

Forecasts and Valuation

FY Dec (HK$ m)	2016A	2017A	2018F	2019F
Gross Revenue	706	694	708	762
Net Property Inc	594	581	592	638
Net Profit	410	1,146	356	378
Distribution Inc	501	437	420	447
DPU (HK$)	0.26	0.22	0.20	0.21
DPU Gth (%)	4	(15)	(7)	5
Div Yield (%)	7.8	6.6	6.1	6.5
Gross Gearing (%)	36	35	33	32
Book Value (HK$)	5.65	5.93	6.32	6.54
P/Book Value (x)	0.6	0.5	0.5	0.5
DPU Rev (%):			(7)	(3)
Consensus DPU (HK$):			0.21	0.21
Other Broker Recs:		B:1	S:1	H:1

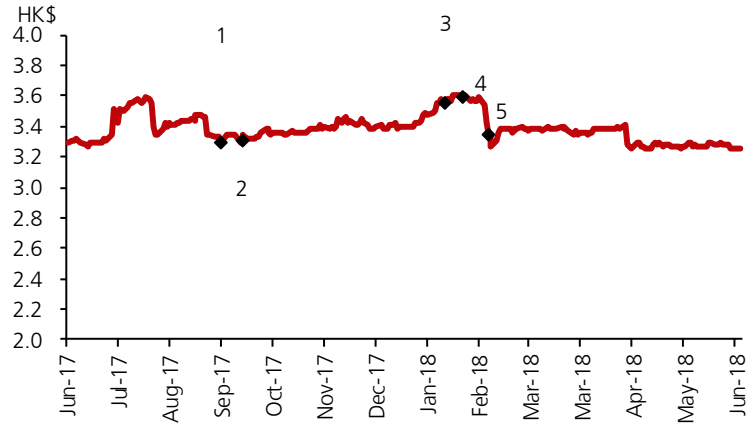
Source: Company, DBS Vickers, Thomson Reuters

What's New

The renovation at Eaton's hotel entrance has been completed and the food hall at the basement is already operating. The co-working space is targeted to be completed in Aug-18. The retail shops would be leased to F&B tenants. Hence, F&B and retail income from Eaton is expected to recover gradually from 2Q18 onwards. In Mar-18, Langham Hospitality Investments commenced its room renovation programme at Eaton, to be carried out in four phases. This would reduce the number of rooms available in the meantime, thus diluting room revenue. Despite the short- term income shortfall, this initiative should enable the hotelier to better tap the demand from millennial travelers and enhance the long-term competitiveness of Eaton.

Aided by the revival of overnight visitor arrivals, The Langham in Tsim Sha Tsui and Cordis in Mongkok registered RevPAR growth of c.9% in 4M18, primarily led by better room rates. F&B revenue grew in the mid-single digits. This should lead to higher gross operating profits. On the other hand, despite higher room rates, RevPAR of Eaton in Yau Ma Tei was marginally lower, dragged by reduced occupancy as a result of ongoing renovation works.
We have fine-tuned the distribution income forecast to reflect the income shortfall from the phased room renovation of Eaton. Langham Hospitality Investments offers distribution yields of 6.1-6.5% for FY18-19. With a portfolio of three strategically located hotels in Kowloon, Langham Hospitality Investments should be well placed to riding on the hotel sector upturn led by improving inbound tourism. Despite the short-term business disruption, the renovation should allow Eaton to boost its long-term competitiveness. Overall, there is room for share price to rise. BUY with DDM-based TP of HK$3.68.

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	15-Sep-17	HK$3.30	HK$3.60	Buy
2:	26-Sep-17	HK$3.31	HK$3.60	Buy
3:	15-Jan-18	HK$3.58	HK$3.78	Buy
4:	24-Jan-18	HK$3.58	HK$3.78	Buy
5:	7-Feb-18	HK$3.43	HK$3.78	Buy

Source: DBSVHK

Analyst: Jeff YAU CFA,
Ian CHUI
Jason LAM

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 26 Jun 2018 10:50:25 (HKT)
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Sources for all charts and tables are DBS Vickers unless otherwise specified.

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