



GLOBAL PREMIUM HOTELS | BUY

MARKET CAP: USD 206M

AVG DAILY TURNOVER: USD 1.3M

9 Nov 2012
Company Update

MAINTAIN FV OF S\$0.29

- **3Q12 results miss our expectations**
- **Construction has begun at Tyrwhitt site**
- **Maintain BUY**

Lowering our FY12F EPS estimate

Global Premium Hotels (GPH) registered 3Q12 results that were below our expectations. 3Q12 revenue increased by 8.1% YoY to S\$14.9m. Gross profit margin declined 1.7 ppt versus 3Q11 to 86.6%. EBITDA margin fell 6.6 ppt to 59.8% (excluding one-off expenses of S\$0.5m for 3Q12). 9M12 EPS of 1.34 S cents equaled 72% of our prior FY12F estimate of 1.87 S cents, which we now lower to 1.75 S cents.

Admin. and finance expenses climb

Hotel room revenue increased by S\$1.4m or 10.5% YoY. There was a contribution of S\$1.7m from hotels that opened in 2011 (Parc Sovereign, Fragrance Riverside and Fragrance Elegance) or underwent upgrades in 2011 (Fragrance Emerald). These were partially offset by lower room revenue at Fragrance Ruby which is temporarily closed for asset enhancement. Ruby is expected to launch on 1 Dec with first-of-a-kind facilities for an economy-tier hotel, e.g. free Wi-Fi and Smart TV. Administrative expenses rose by S\$2.0m, or 52% YoY, chiefly due to general increase in wages and additional staff needed for Riverside and Elegance. 3Q12 finance costs climbed S\$1.6m, or 228% versus 3Q11. This was mainly due to the drawdown of S\$453.5m in term loans in 1H12 for partial payment of the purchase consideration in connection with the 2Q12 IPO.

Started construction at Tyrwhitt

GPH has begun construction of its new mid-tier Parc Sovereign Hotel located at Tyrwhitt Road in Aug. The 265-room hotel situated on a freehold land will become GPH's largest hotel, increasing the portfolio by 15% to 2,003 rooms. An independent valuer has estimated a gross development value of S\$150m, implying a potential fair value gain of S\$42m.

Maintain BUY

We have incorporated the Tyrwhitt site development into our RNAV model. We maintain our fair value of S\$0.29 (using a 10% discount to RNAV) and a **BUY** rating. GPH intends to distribute at least 80% of net profit after tax for FY12; we estimate an attractive FY12F dividend yield of 5.8%.

Key financial highlights

Year Ended Dec 31 (S\$m)	FY10	FY11	FY12F	FY13F
Revenue	44.2	53.1	60.4	62.5
PATMI	19.9	22.6	18.4	17.2
PER (x)	6.6	5.8	13.7	14.7
P/NAV (x)	1.2	0.8	0.8	0.7
EPS (S cents)	3.6	4.1	1.7	1.6
Cons. EPS (S cts)	na	na	1.9	1.7
DPU yield (%)	14.4	7.6	5.8	0.7
Gross margin (%)	88.3	86.8	86.8	86.8
Net income margin (%)	44.9	42.6	30.5	27.5
ROE (%)	5.2	4.1	4.0	5.2

BUY (maintain)

Fair value	S\$0.29
add: 12m dividend forecast	S\$0.01
versus: Current price	S\$0.24
12m total return forecast	27%

Analysts

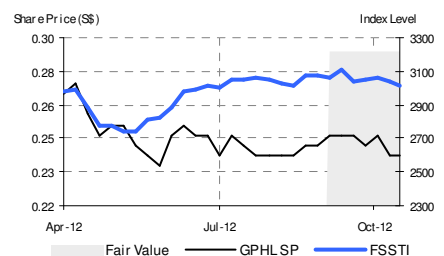
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Key information

Market cap. (m)	S\$252.5 / USD206.0
Avg daily turnover (m)	S\$1.6 / USD1.3
Avg daily vol. (m)	6.0
52-wk range (S\$)	0.235 - 0.305
Free float (%)	47.0
Shares o/s. (m)	1,052.0
Exchange	SGX
BBRG ticker	GPHL SP
Reuters ticker	GPHL.SI
ISIN code	P9J
GICS Sector	Consumer Disc.
GICS Industry	Hotels
Top shareholder	Fragrance Group - 52.3%

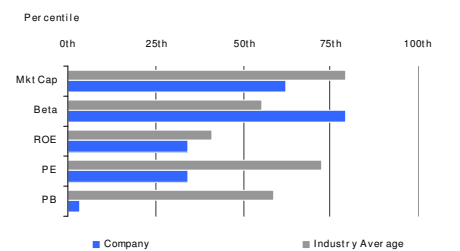
Relative total return	1m	3m	12m
Company (%)	-3	1	na
STI-adjusted (%)	-1	2	na

Price performance chart



Sources: Bloomberg, OIR estimates

Industry-relative metrics



Note: Industry universe defined as companies under identical GICS classification listed on the same exchange.
Sources: Bloomberg, OIR estimates

Exhibit 1: 3Q12 financial highlights

	3Q12	3Q11	YOY Chg (%)	2Q12	QoQ Chg (%)
	(\$m)	(\$m)	(YoY)	(\$m)	(QoQ)
Revenue	14.9	13.8	8.1%	15.2	-2.2%
Cost of sales	-2.0	-1.6	23.4%	-2.0	0.1%
Gross profit	12.9	12.2	6.1%	13.2	-2.6%
Other operating income	0.2	0.1	98.2%	0.2	42.9%
Admin expenses	-5.7	-3.8	51.9%	-6.8	-15.5%
Finance cost	-2.3	-0.7	228.2%	-1.8	31.6%
PBT	5.1	7.8	-34.8%	4.9	4.5%
Income tax	-0.9	-1.2	-23.0%	-1.3	-27.8%
PAT	4.2	6.6	-36.9%	3.6	15.9%
MI	0.0	0.0	nm	0.0	nm
PATMI	4.2	6.6	-36.9%	3.6	15.9%

Sources: Company financials

Exhibit 2: Revalued Net Asset Value (RNAV) Valuation

	in S\$m
Valuation of PPE (including future completed Tyrwhitt hotel)	871
Book value of PPE as of 30 Sep 2012, plus additional capex of ~S\$29m for Tyrwhitt site	859
Surplus	12
NAV as of 30 Sep 2012	327
RNAV	340
No. of shares outstanding (m)	1,052.0
RNAV per share (S\$)	S\$0.32
Discount/(Premium) to RNAV	10.0%
Fair Value (S\$)	S\$0.29
Current Price (S\$)	S\$0.240
Price Upside (%)	20.8%
Distribution Yield (%)	5.8%
Total Return (%)	26.7%

Source: OIR estimates

Company financial highlights

Income statement

Year Ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Revenue	44.2	53.1	60.4	62.5
Cost of sales	-5.2	-6.3	-8.0	-8.2
Gross profit	39.1	46.8	52.4	54.2
Other operating income	0.3	0.5	0.7	0.8
Admin expenses	-12.2	-16.4	-23.2	-22.0
Finance cost	-3.0	-2.9	-7.2	-11.7
Profit before tax	24.1	27.9	22.7	21.3
Income tax	-4.3	-5.3	-4.3	-4.1
Profit after tax	19.9	22.6	18.4	17.2
PATMI	19.9	22.6	18.4	17.2

Balance sheet

As at Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Cash and cash equivalents	2.8	15.6	26.7	26.8
Total current assets	36.9	48.1	41.9	30.8
PPE	701.9	749.6	839.1	865.9
Total assets	738.9	797.8	881.0	896.7
Current financial liabilities	7.9	129.6	18.3	18.3
Total current liabilities	63.5	157.1	37.2	37.3
Non-current financial liabilities	150.4	9.0	494.4	494.4
Total liabilities	237.8	192.6	558.0	558.2
Total equity	501.1	605.2	323.0	338.5
Total equity and liabilities	738.9	797.8	881.0	896.7

Cash flow statement

Year Ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Profit before tax	24.1	27.9	22.7	21.3
Adjustments	5.1	6.1	10.9	15.9
Operating income before working cap chgs	29.2	34.0	33.6	37.2
Change in working capital	-2.7	-0.1	0.9	0.1
Cash flow from operating activities	19.9	25.9	30.2	33.2
Cash flow from investing activities	-20.9	57.9	-495.5	-31.0
Cash flow from financing activities	1.4	-71.0	482.1	-1.7
Change in cash	0.4	12.8	16.8	0.5
Cash at beginning of period	2.5	2.8	15.6	26.7
Cash at end of period	2.8	15.6	26.7	26.8

Key rates & ratios

	FY10	FY11	FY12F	FY13F
EPS (S cents)	3.6	4.1	1.7	1.6
PER (x)	6.6	5.8	13.7	14.7
P/NAV (x)	1.2	0.8	0.8	0.7
Gross margin (%)	88.3	86.8	86.8	86.8
Operating margin (%)	61.3	58.0	49.5	52.8
Net income margin (%)	44.9	42.6	30.5	27.5
Gross gearing (%)	21.4	17.4	58.2	57.2
DPU yield (%)	14.4	7.6	5.8	0.7
ROE (%)	5.2	4.1	4.0	5.2
ROA (%)	3.3	2.9	2.2	1.9

Sources: Company, OIR forecasts

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Co.Reg.no.: 198301152E

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