



Rating
Buy

Asia
China

Consumer
Hotels / Leisure / Gaming

Company
BTG Hotels

Reuters 600258.SS Bloomberg 600258 CH Exchange SHH Ticker 600258

Date
10 January 2018

Company Update

Price at 10 Jan 2018 (CNY)	29.35
Price target - 12mth (CNY)	35.00
52-week range (CNY)	31.75 - 19.71
Shanghai Composite	3,392

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	15.1	-1.5	45.1
Shanghai Composite	3.8	0.9	8.0

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	9.4
Net debt/equity (%)	39.7
Book value/share (CNY)	9.04
Price/book (x)	3.2
Net interest cover (x)	4.1
Operating profit margin (%)	11.5

Source: Deutsche Bank

Access China Conference highlights

BTG Hotels (600258.SS) attended our dbAccess China Conference today. Key takeaways from the conference are as follows:

Accelerating RevPAR growth in 4Q17 - BTG Hotels disclosed that blended RevPAR yoy growth accelerated during 4Q17 (RevPAR yoy growth: Dec > Nov > Oct) and this trend also occurred at Jinjiang and China Lodging. This is mainly due to the super Golden Week in Oct 2017 (8 days of national holidays including Mid-Autumn Festival which drives more homecoming than traveling). As for the full year 2017, BTG's RevPAR growth is expected to show a similar trend to that of Jinjiang.

Hotel expansion - Management was confident about fulfilling their target of adding 400-450 hotels in 2017 (guided at the beginning of 2017) and also guided that the company intends to add c.500 hotels every year over the next 4-5 years.

Mid-scale hotel proportion - The company guided that c.40% of additions will be mid-scale hotels. They expect there will be c.1,000 mid-scale hotels by the end of 2019, which accounts for c.20% of total hotels.

M/F hotels proportion - The company disclosed that 70% of total hotels are M/F hotels (Manachise or Franchise) currently. They expect M/F hotels' proportion will gradually reach to 90% over the next 4-5 years.

Hotel traffic breakdown - As for the hotel traffic, c.50% of total comes from their membership or centralized reservation system (including their website and APPs), c.15% comes from OTA, c.10% comes from corporate and c.10% comes from other channels (including walk-in).

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Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (CNYm)	1,332.8	6,522.8	8,498.5	9,387.4	10,339.5
EBITDA (CNYm)	311.8	1,052.5	1,887.1	2,249.4	2,273.2
Reported NPAT (CNYm)	100.1	210.9	660.1	946.7	1,057.4
Reported EPS FD(CNY)	0.43	0.62	0.88	1.16	1.30
DB EPS FD(CNY)	0.14	0.43	0.82	1.10	1.24
DB EPS growth (%)	-71.9	214.6	92.1	34.5	12.3
PER (x)	110.4	42.6	35.8	26.6	23.7
EV/EBITDA (x)	16.1	9.8	14.3	11.5	10.9
DPS (net) (CNY)	0.15	0.02	0.03	0.04	0.04
Yield (net) (%)	1.0	0.1	0.1	0.1	0.1

Source: Deutsche Bank estimates, company data



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
BTG Hotels	600258.SS	29.35 (CNY) 10 Jan 2018	NA

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Historical recommendations and target price. BTG Hotels (600258.SS)

(as of 01/10/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

- 11/29/2017 Buy, Target Price Change CNY 35,00 Tallan Zhou



Equity Rating Key

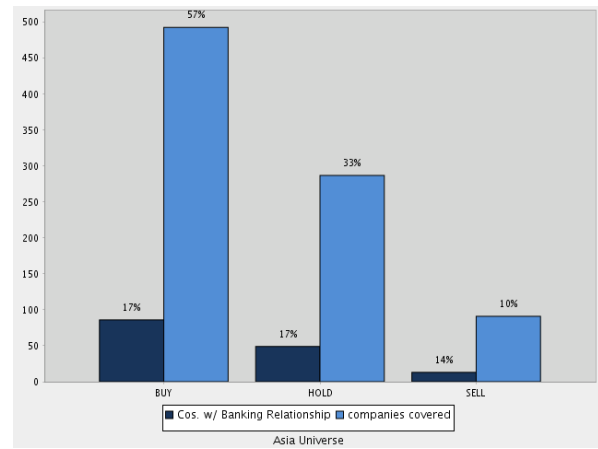
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