



Rating
Buy

Asia
China

Consumer
Hotels / Leisure / Gaming

Company
BTG Hotels

Reuters 600258.SS Bloomberg 600258 CH Exchange SHH Ticker 600258

Date
1 February 2018

Company Update

Price at 31 Jan 2018 (CNY)	30.58
Price target - 12mth (CNY)	35.00
52-week range (CNY)	33.83 - 19.87
Shanghai Composite	3,482

2017 preliminary results-core net profit up by 289-323% yoy, in line with DBE

Core earnings growth range in line with DBE

We reiterate our BUY rating on BTG and price target of RMB 35.0 unchanged. BTG announced its preliminary forecasting 2017 result yesterday. BTG guided that its core earnings growth will be in the range of 289-323% yoy, which is in-line with our estimates. (We estimate core earnings of RMB 613 million, yoy growth of 322%).

Growth driven by hotel recovery and tourist site in Sanya

- Hotel: BTG guided that both occupancy rate and ADR have increased in 2017. This is the key driver for earnings growth of hotel segment.
- Tourist site: BTG's Nanshan Park in Sanya saw significant visitors growth yoy, which has driven the profit growth.

Integration of HomelInns makes the yoy comparison base different.

To recap on comparison base difference: HomelInns was consolidated in April 2016. As a result, from a comparison perspective, 2016 HomelInns only had 8 months of operation while 2017 had full year operation. In addition, from April to September, 2016, BTG only controlled 66.1% stake of HomelInns and BTG further increased its stake to 100% after October 2016.

DB's take, we have seen accelerated revpar growth and new hotel additions

We have seen improving revpar growth for BTG. In our DB Access China conference, management disclosed that blended RevPAR yoy growth accelerated during 4Q17 (RevPAR yoy growth: Dec > Nov > Oct). 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. 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. We will have more update and review our model once the full year result has been announced.

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	13.3	5.4	45.3
Shanghai Composite	5.2	2.6	10.2

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	9.4
Net debt/equity (%)	39.7
Book value/share (CNY)	9.04
Price/book (x)	3.4
Net interest cover (x)	4.1
Operating profit margin (%)	11.5

Source: Deutsche Bank



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	37.3	27.7	24.7
EV/EBITDA (x)	16.1	9.8	14.9	12.0	11.4
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	30.58 (CNY) 31 Jan 2018	NA

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

(as of 01/31/2018)



Current Recommendations

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

** Analyst is no longer at Deutsche Bank

1. 11/29/2017 Buy, Target Price Change CNY 35,00 Tallan Zhou



Equity Rating Key

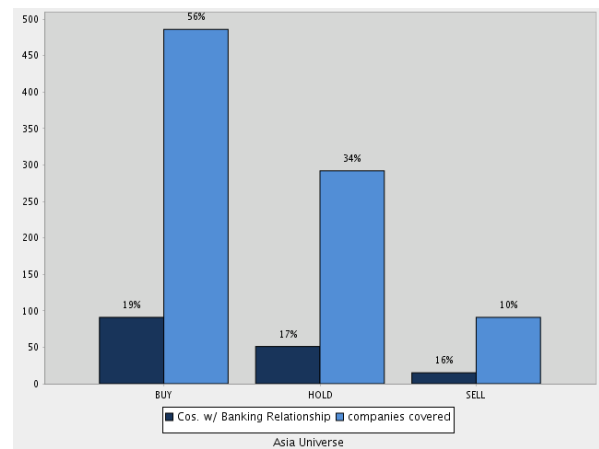
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Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

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Equity rating dispersion and banking relationships





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