Deutsche Bank
Research

Rating
Buy

Asia
China

Consumer
Hotels / Leisure / Gaming

Company
BTG Hotels

Reuters	Bloomberg	Exchange	Ticker
600258.SS	600258 CH	SHH	600258

Date
12 July 2018

Company Update

Price at 11 Jul 2018 (CNY)	24.90
Price target - 12mth (CNY)	32.00
52-week range (CNY)	29.09 - 19.36
Shanghai Composite	2,827

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Catching up on hotel upgrade tailwind with more upside potential – Buy

Speeding up on hotel upgrades – Buy

We reiterate Buy on BTG and raise our target price by 9% on a like-for-like basis to RMB32. In our view, BTG's HomeInns lagged behind China Lodging (HTHT) on 1) upgrading its economy hotels and 2) opening more mid-scale hotels in 2017, which will likely result to slower RevPAR growth in 2018. This is reflected in its valuation discount to HTHT, in our view. However, a few factors have not been factored in: 1) HomeInns should speed up to upgrade 20-25% of its LO hotels in 2018; 2) HomeInns has the highest percentage of LO hotels – thus, we see high operating leverage in 2019 after the upgrade and 3) 50% of the newly opened hotels in 2018 are set to be mid-high-scale hotels.

RevPAR and earnings growth should significantly improve in 2019E

We increase our 2019 earnings forecast by 13%. We estimate that HomeInns' upgraded economy hotels only accounted for 3-5% of its total hotels, and mid-high-scale hotels accounted for 17.4%. This is much lower than HTHT's numbers (38% of economy hotels have been upgraded and mid-high scale hotels accounted for 32% of the total). BTG guided to upgrade 20-25% of its economy hotels (of which 200 hotels are to be leased and owned hotels). In addition, of the 450-500 new hotels set to open in 2018, HomeInns aim to open at least 50% for mid-high-scale hotels. Thus, we believe that RevPAR growth and operating leverage will lead to strong earnings growth in 2019E.

Valuation and risks

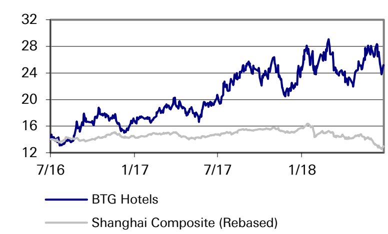
We raise our target price to RMB38 and adjust it down to RMB32 in order to reflect the recent 12-for-10 stock split. Our primary valuation method remains a DCF (8.2% WACC and 3% TGR, unchanged). BTG Hotels trades at only 9x EV/EBITDA, much lower than HTHT (20x 2019E EV/EBITDA). Our target price translates into a target EV/EBITDA of 12x. We believe that the valuation gap between the two companies is widening due to accelerating RevPAR growth for HTHT, based on its first-mover advantage in upgrading its hotels. Yet, through the tailwind of hotel upgrades, HomeInns should also see significant improvement in RevPAR growth – which should lead to a re-rating, in our view. Downside risks include: 1) lower tourism demand, 2) a stronger RMB leading to an increase in outbound travel and 3) government policy changes.

Key changes

TP	35.00 to 32.00	↓	-8.6%
Sales (FYE)	9,387 to 9,007	↓	-4.0%
Op prof margin (FYE)	14.1 to 15.7	↑	10.7%
Net profit (FYE)	946.7 to 906.5	↓	-4.2%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-7.0	4.6	20.3
Shanghai Composite	-7.4	-11.9	-11.7

Source: Deutsche Bank

Forecasts And Ratios

Year End Dec 31	2016A	2017A	2018E	2019E	2020E
Sales (CNYm)	6,522.8	8,416.7	9,007.5	10,182.9	11,486.6
EBITDA (CNYm)	1,052.5	1,586.5	2,115.6	2,417.1	2,603.9
Reported NPAT (CNYm)	210.9	630.9	906.5	1,194.2	1,365.2
Reported EPS FD(CNY)	0.60	0.77	1.01	1.22	1.39
DB EPS growth (%)	204.3	76.6	33.3	21.7	17.8
PER (x)	36.7	28.2	25.6	21.0	17.9
EV/EBITDA (x)	9.0	12.2	10.1	8.6	7.3

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses

Model updated:11 July 2018

Running the numbers

Asia

China

Hotels / Leisure / Gaming

BTG Hotels

Reuters: 600258.SS Bloomberg: 600258 CH

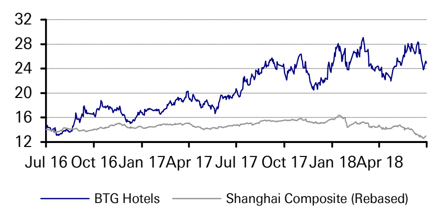
Buy

Price (11 Jul 18)	CNY 24.90
Target Price	CNY 32.00
52 Week range	CNY 19.36 - 29.09
Market Cap (m)	CNYm 20,312
	USDm 3,070

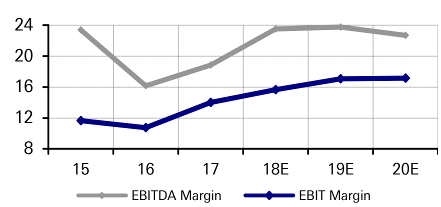
Company Profile

The company is a large all-encompassing publicly-listed Chinese tourism company, specializing in hotel management operations, scenic destinations and other commercial activities.

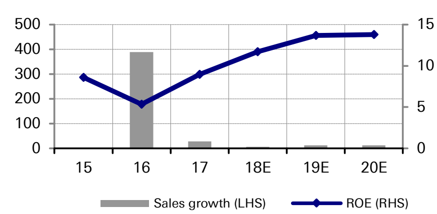
Price Performance



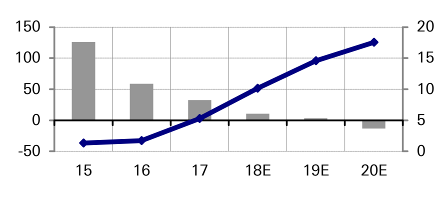
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2015	2016	2017	2018E	2019E	2020E
Financial Summary						
DB EPS (CNY)	0.14	0.41	0.73	0.97	1.18	1.39
Reported EPS (CNY)	0.43	0.60	0.77	1.01	1.22	1.39
DPS (CNY)	0.15	0.02	0.08	0.10	0.13	0.00
BVPS (CNY)	5.1	9.9	9.0	8.4	9.5	10.7
Weighted average shares (m)	231	352	816	897	979	979
Average market cap (CNYm)	3,110	5,339	16,810	20,312	20,312	20,312
Enterprise value (CNYm)	4,648	9,490	19,364	21,288	20,715	18,924
Valuation Metrics						
P/E (DB) (x)	99.0	36.7	28.2	25.6	21.0	17.9
P/E (Reported) (x)	31.1	25.3	26.6	24.6	20.4	17.9
P/BV (x)	4.01	1.60	2.49	2.98	2.63	2.32
FCF Yield (%)	10.5	20.1	9.1	7.4	2.7	7.9
Dividend Yield (%)	1.1	0.1	0.4	0.4	0.5	0.0
EV/Sales (x)	3.5	1.5	2.3	2.4	2.0	1.6
EV/EBITDA (x)	14.9	9.0	12.2	10.1	8.6	7.3
EV/EBIT (x)	29.9	13.5	16.4	15.1	11.9	9.6
Income Statement (CNYm)						
Sales revenue	1,333	6,523	8,417	9,007	10,183	11,487
Gross profit	1,151	6,164	7,965	8,523	9,639	10,874
EBITDA	312	1,052	1,586	2,116	2,417	2,604
Depreciation	126	282	303	564	531	480
Amortisation	31	69	104	141	147	154
EBIT	155	701	1,180	1,410	1,739	1,970
Net interest income(expense)	-118	-405	-223	-139	-119	-112
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	109	232	44	44	44	44
Profit before tax	147	528	1,001	1,316	1,664	1,902
Income tax expense	34	195	342	368	416	475
Minorities	13	122	28	41	54	61
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	100	211	631	907	1,194	1,365
DB adjustments (including dilution)	-69	-66	-36	-34	-36	0
DB Net profit	31	145	595	872	1,159	1,365
Cash Flow (CNYm)						
Cash flow from operations	364	1,482	2,065	2,317	1,482	2,834
Net Capex	-37	-407	-539	-674	-815	-919
Free cash flow	327	1,075	1,526	1,643	667	1,915
Equity raised/(bought back)	0	3,804	0	0	0	0
Dividends paid	-35	-35	-7	-65	-94	-124
Net inc/(dec) in borrowings	2,975	16,474	4,813	0	0	0
Other investing/financing cash flows	-3,349	-20,381	-5,986	0	0	0
Net cash flow	-81	937	346	1,577	573	1,791
Change in working capital	*221*	*1,256*	*-50*	*455*	*-648*	*529*
Balance Sheet (CNYm)						
Cash and other liquid assets	167	1,104	1,450	3,028	3,601	5,392
Tangible fixed assets	1,963	2,816	2,701	2,727	2,807	2,896
Goodwill/intangible assets	1,009	8,853	8,757	8,704	8,681	8,686
Associates/investments	453	238	217	217	217	217
Other assets	370	4,282	3,723	3,564	3,387	3,406
Total assets	3,961	17,293	16,847	18,240	18,693	20,597
Interest bearing debt	1,937	5,210	3,933	3,933	3,933	3,933
Other liabilities	618	5,080	5,287	5,839	5,191	5,853
Total liabilities	2,555	10,290	9,220	9,772	9,124	9,786
Shareholders' equity	1,186	6,720	7,339	8,180	9,281	10,522
Minorities	220	283	288	288	288	288
Total shareholders' equity	1,406	7,003	7,627	8,468	9,569	10,810
Net debt	*1,770*	*4,106*	*2,483*	*905*	*332*	*-1,459*
Key Company Metrics						
Sales growth (%)	nm	389.4	29.0	7.0	13.0	12.8
DB EPS growth (%)	na	204.3	76.6	33.3	21.7	17.8
EBITDA Margin (%)	23.4	16.1	18.8	23.5	23.7	22.7
EBIT Margin (%)	11.6	10.8	14.0	15.7	17.1	17.1
Payout ratio (%)	34.7	3.2	10.3	10.3	10.3	0.0
ROE (%)	8.6	5.3	9.0	11.7	13.7	13.8
Capex/sales (%)	2.8	6.2	6.4	7.5	8.0	8.0
Capex/depreciation (x)	0.2	1.2	1.3	1.0	1.2	1.4
Net debt/equity (%)	125.9	58.6	32.6	10.7	3.5	-13.5
Net interest cover (x)	1.3	1.7	5.3	10.1	14.6	17.6

Source: Company data, Deutsche Bank estimates

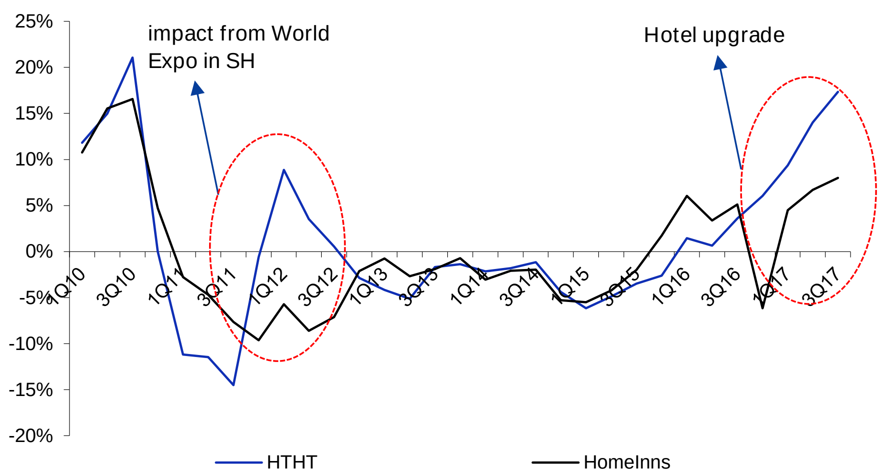
Speeding up to upgrade

BTG's RevPAR growth only slightly lags that of HTHT

...this is different from what the market has historically believed

The market believes that the valuation gap between HTHT and BTG is mainly due to a difference in RevPAR growth. However, when we look at the data from 2010 (see Figure 1 below), HTHT and HomeInns' RevPAR growth remained largely similar, except for two periods: 1) during the World Expo, as most of HTHT's hotels were in Shanghai at that time and 2) during the recent impact made by the mix from mid-scale hotels.

Figure 1: RevPAR growth for HTHT and HomeInns (2010-2017)



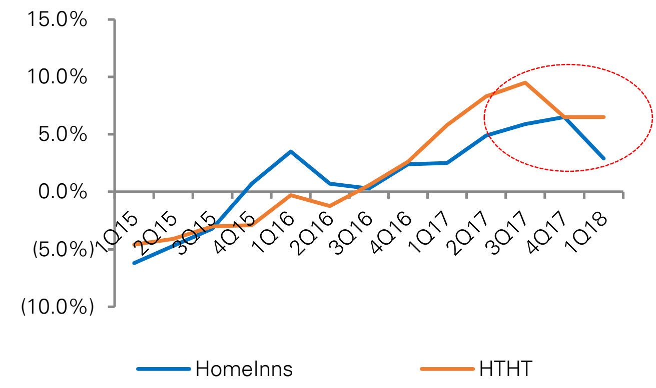
Source: Deutsche Bank

Breakdown by same and blended RevPAR growth

Economy hotels RevPAR growth bottomed in 2015 and began to turn positive in 2H16. As a result, we break down the RevPAR growth further by 1) same hotels (mature hotels with operation periods of more than 18 months) and 2) blended hotels after 2015 (as shown in Figure 2 and Figure 3).

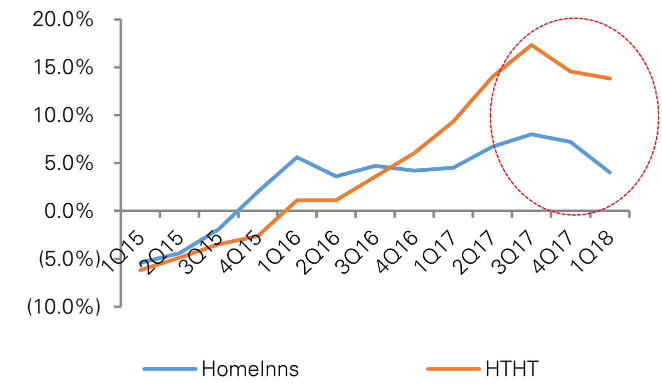
- Same hotel RevPAR between HTHT and HomeInns remained largely similar.
- The gap becomes more outstanding in the blended RevPAR, where hotel mix (i.e., more midscale hotels, higher RevPAR) played an important role.
- The blended RevPAR gap widened after 2017 when the hotel consumption upgrade kicked in.

Figure 2: Same hotel RevPAR growth (2015-18)



Source: Deutsche Bank

Figure 3: Blended hotel RevPAR growth (2015-18)



Source: Deutsche Bank

Will HomeInns' blended RevPAR growth catch up with that of HTHT?

The short answer to this question is yes, as long as HomeInns catches up on its hotel upgrades (not only by building more mid-scale hotels, but also by upgrading its current economy hotels).

To demonstrate how upgraded economy hotels and mid-scale hotels could perceptually support blended RevPAR growth, we map the hotel portfolios for HomeInns and HTHT in their top-five cities (see Figure 4 and Figure 5).

Figure 4: HTHT's hotel portfolio in top-five cities

	全季 JI	汉庭 Hanting	新品汉庭 Hanting (New)	旧汉庭 Hanting (Old)	橘子水晶 Crystal Orange	橘子精选 Orange Selected	橘子 Orange Regula
Shanghai	83	220	103	117	8	15	0
Beijing	23	156	56	100	6	20	2
Hangzhou	41	67	32	35	8	8	1
Nanjing	13	85	39	46	5	7	1
Tianjin	9	52	18	34	2	6	0

Source: Deutsche Bank

Figure 5: HomeInns's hotel portfolio in top-five cities

	如家 HomeInn	旧如家 HomeInn (Old)	如家 NEO HomeInn (Neo)	莫泰 Motel 168	如家精选 HomeInn Plus	如家商旅 HomeInn Selected	和颐 Yitel
Shanghai	144	133	11	72	23	20	34
Beijing	145	144	1	9	16	2	12
Hangzhou	74	72	2	10	14	4	6
Nanjing	50	47	3	10	5	6	7
Tianjin	59	56	3	7	3	4	0

Source: Deutsche Bank

- We pick the top-five cities where we can see the mix of 1) upgraded economy hotels, 2) mid-high-scale hotels and 3) old versions of the economy hotels.
- **Upgraded economy hotel**: HTHT has almost upgraded half of its Hanting hotels (economy hotels) to the new version. However, HomeInns has only upgraded a few (i.e. – only 11 HomeInn brands have been upgraded to HomeInn Neo, the new version).
- **Mid-high-scale hotels:** HTHT's Ji Hotel/Crystal Orange hotel numbers outperformed HomeInn Plus/Selected and Yitel in all top cities.
- When hotel consumption demand is upgraded, more upgraded economy hotels and mid-high-scale hotels should have more flexibility in ADR increase, resulting in the RevPAR growth difference between HTHT and HomeInns.

HomeInns' upgrade plan in 2018

Upgrading HomeInn economy hotels

HomeInns's upgrade plan in 2018 seems to be much more aggressive than what it delivered in 2017. HomeInns brand plans to meet consumption upgrade demand in the following three ways:

- It plans to upgrade 20-25% of its LO hotels by 2018. According to management, at least 10,000 HomeInn economy hotel rooms have already been upgraded to HomeInn Neo (the new brand) as of the end of April 2018.
- It also plans to speed up in order to open more mid-high-scale hotels.
- The upgrade of LO hotels should encourage more MF hotel franchisers to upgrade.

HomeInns' LO hotels (as a percentage of total hotels) lead with the highest percentage compared to peers (see Figure 6). HomeInns has 963 LO hotels, accounting for almost 26% of the total, higher than HTHT's 18%.

Using Shanghai as an example, there are only 11 HomeInn Neo hotels out of a total of 144 HomeInn hotels – less than 10% have been upgraded. Other cities' upgraded hotel percentage is even lower. HomeInns' hotel upgrading progress (estimated to be at 3-5%) significantly lags HTHT's upgrade progress (38% of HTHT's economy hotels were upgraded in 2017).

However, once HomeInns has finished its hotel upgrades, RevPAR growth and higher operating leverage (due to a higher percentage of LO hotels) should lead to a strong impact on its 2019 earnings growth.

Figure 6: LO hotels as percentage of total (2017)

	HomeInns	HTHT	Plateno	Jinjiang
Total hotel	3,712	3,746	3,425	1,220
LO hotel	963	671	432	292
LO hotel %	25.9%	17.9%	12.6%	23.9%

Source: Deutsche Bank

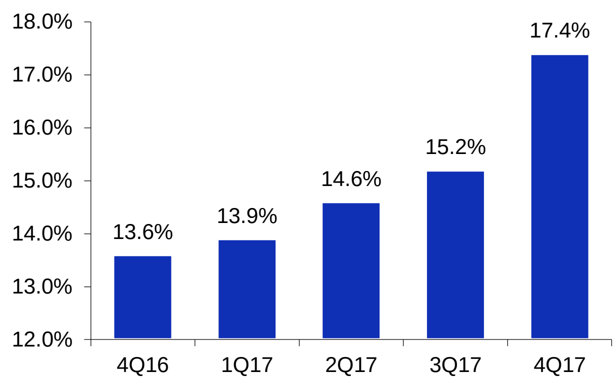
More new additions are mid-high-scale hotels

While it is true that HomeInns' mid-high-scale hotel number and its revenue contribution have increased in the last two years (mid-high-scale hotels now account for 17.4% of the total, and they contributed 28.6% of total revenue), those numbers still significantly lag those of HTHT.

HTHT: New hotel openings normally require a 9-12-month ramp-up period. We see that HTHT's percentage of mid-high-scale hotels saw a significant jump in 2Q17 and 1Q18.

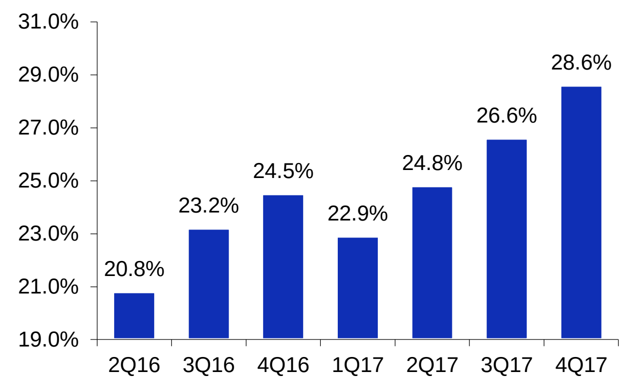
BTG HomeInn: The company guided to open at least 450 new hotels in 2018 (vs. 512 new hotels in 2017, of which 205 were mid-high-scale hotels), and mid-high-scale hotels are set to account for more than 50%.

Figure 7: BTG-HomeInn's mid-high-scale hotels as a percentage of total (2016-17)



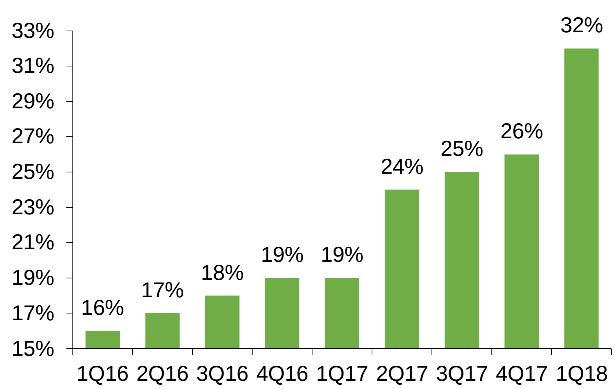
Source: Deutsche Bank

Figure 8: BTG-HomeInn's revenue for mid-high-scale hotels as a percentage of total (2016-17)



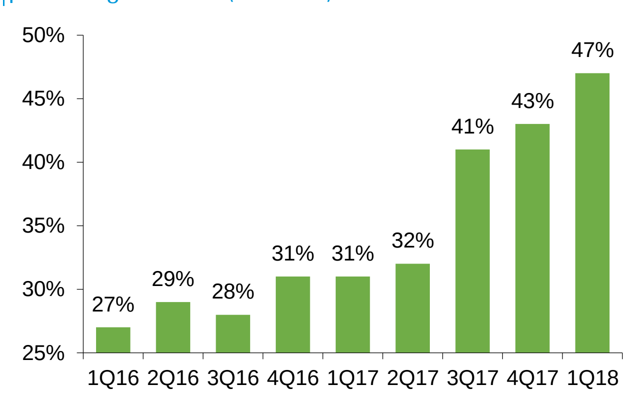
Source: Deutsche Bank

Figure 9: HTHT – mid-high-scale hotels as a percentage of total (2016-17)



Source: Deutsche Bank

Figure 10: HTHT – revenue of mid-high-scale hotels as a percentage of total (2016-17)



Source: Deutsche Bank

Forecast changes

The fruits of upgrades should be reflected in 2H18 & 2019

We believe 2019 RevPAR and earnings will see a significant improvement

Our 2018 earnings estimates are largely unchanged, and we raise our 2019 earnings by 13%. As we have mentioned in fundamental analysis, we believe BTG Hotels is experiencing an accelerating stage: RevPAR growth, new hotel openings (especially mid-high-scale hotels) and margin expansion are all accelerating.

While the company should maintain 7% and 13% top-line growth for 2018E and 2019E, we expect OP margins to expand by 1.5-3ppt on: 1) a higher percentage of MF hotels, 2) a higher proportion of mid-high-scale hotels and 3) operating leverage of LO hotels.

Figure 11: Forecast changes (2018E and 2019E)

RMB m	OLD		NEW		DIFF.	
	2018E	2019E	2018E	2019E	2018E	2019E
Revenue	9,387	10,340	9,007	10,183	-4%	-2%
EBITDA	2,249	2,273	2,116	2,417	-6%	6%
Net profit	947	1,057	907	1,194	-4%	13%

Source: Deutsche Bank estimates

We adjust our target price to RMB32

We adjust our target price to RMB32 from the previous RMB35. The key reasons behind our earnings and target price changes are the following:

- We increase our long-term OP margin by 1.5/3ppt for 2018/19E. This is mainly due to: 1) a favorable mix change, driven by more MF hotels and mid-scale hotels and 2) operating leverage for LO hotels.
- We raise our 2019E RevPAR forecast to 7%/7% for Economy/Mid-scale hotels from 3%/4% before. Our blended RevPAR growth estimate for 2019E is c.10-12%, compared to 5-6% before.
- Therefore, we raise our target price by 9% to RMB38 from RMB35.
- We adjust our target price proportionately down to RMB32 from RMB38 in order to reflect the recent stock split (at the end of May 2018). BTG conducted a 12-for-10 stock split, which increased the current number of outstanding shares to 979m (from 816m previously).

Figure 12: Our major operational assumptions

Major assumption	2018E	2019E
- ADR yoy growth		
Economy	3%	6%
Midscale	3%	6%
- Occupancy yoy growth		
Economy	1 ppt	1 ppt
Midscale	1 ppt	1 ppt
- RevPAR yoy growth		
Economy	4%	7%
Midscale	4%	7%
- New adds (Hotels)	**450**	**450**
Owned/Leased	50	50
Franchised	400	400
- New adds (Hotels)	**450**	**450**
Economy	220	220
Midscale	230	230

Source: Deutsche Bank estimates

Our estimates vs. consensus

Our forecasts in 2018E are in line with consensus, and 2019E earnings are higher than consensus by 6%. This is mainly due to the following factors:

- The company's hotel gross opening guidance (more than 450 in 2018E vs. 400-450 in 2017) is better than market expectations.
- The market might not have fully factored in the accelerated hotel opening rate.
- We have also factored in the product mix change contribution. The company guided for more than 50% of new openings in 2018E to be mid/up-scale hotels (vs. the guidance of 30-40% in 2017).
- The market might not have fully factored in the accelerated mid-scale hotel opening and product mix change contribution.

Figure 13: Deutsche Bank estimates vs. consensus

RMB million	2018E			2019E		
Bloomberg	DB estimate	Consensus	Diff.	DB estimate	Consensus	Diff.
Sales revenue	9,007	9,015	0%	10,183	9,766	4%
Net profit	907	878	3%	1,194	1,130	6%
Core net profit	872	878	-1%	1,159	1,130	3%

RMB million	2018E			2019E		
Wind	DB estimate	Consensus	Diff.	DB estimate	Consensus	Diff.
Sales revenue	9,007	9,047	0%	10,183	9,823	4%
Net profit	907	874	4%	1,194	1,114	7%
Core net profit	872	874	0%	1,159	1,114	4%

Source: Deutsche Bank estimates, Bloomberg Finance LP, WIND

Valuation

DCF-based valuation

Our DCF-based assumptions

We derive our target price based on a DCF valuation. BTG Hotels' operations are strong, and free cash flow should continue to increase. As a result, we believe DCF methodology is the best way to value BTG Hotels from a long-term perspective. Our key valuation assumptions are unchanged:

- WACC of 8.2%.
- Targeting 70% equity for its capital structure.
- Cost of equity of 9.7%.
- A risk-free rate of 3.9% and a market risk premium of 5.6% (in line with our in-house estimates).
- Beta of 1.0, the same as the average for our China tourism and hotel companies.
- Cost of debt (pre-tax) of 6.0% (our in-house estimate).
- Terminal growth of 3%. This is the same as our terminal growth rate for our China tourism and hotel companies. Chinese consumers are starting to change their consumption behaviors, pursuing more luxury products and favoring upgraded hotels. In the long-term, as the middle-class in tier-2 and tier-3 cities grows, new consumers should continue to join the market. We believe BTG Hotels will be able to sustain growth at 3%.
- A tax rate of 25% (for terminal growth).

Figure 14: Our DCF assumptions

DCF assumptions	
Equity as % of capital structure	70.0%
Beta (3Y beta from Bloomberg)	1.0
Risk free rate	3.9%
Equity risk premium	5.6%
Cost of equity	9.7%
Tax rate (for discount rate calculation)	25%
Cost of debt (pre-tax)	6.0%
WACC	8.2%

Source: Deutsche Bank

Figure 15: Our DCF valuation

Items	
Discounted FCF	32,749
WACC	8.2%
Net Cash	(905)
Minority Interest	(283)
Equity Value	31,560
Shares Outstanding	979
Value per Share (RMB)	RMB 32
Upside potential	29%

Source: Deutsche Bank

Figure 16: Our DCF valuation (continued)

RMB m	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	9,007	10,183	11,487	12,635	13,899	15,289	16,665	18,164	19,799	21,581
EBIT	1,410	1,739	1,970	2,167	2,384	2,622	2,858	3,115	3,366	3,669
Tax	(395)	(435)	(492)	(542)	(596)	(655)	(714)	(779)	(841)	(917)
NOPAT	1,016	1,304	1,477	1,625	1,788	1,966	2,143	2,336	2,524	2,752
D&A	1,142	1,146	1,177	758	834	917	1,000	1,090	1,188	1,295
Capex	(674)	(815)	(919)	(1,011)	(1,112)	(1,223)	(1,333)	(1,090)	(1,188)	(1,295)
Change Working Cap	455	(648)	529	(632)	(556)	(459)	(500)	(363)	(396)	(432)
FCF	1,938	987	2,264	741	954	1,202	1,310	1,973	2,128	2,320
Terminal growth rate										3.0%
Terminal value										46,338
	1,938	987	2,264	741	954	1,202	1,310	1,973	2,128	48,658
Discounted value	1,867	880	1,865	564	671	782	788	1,098	1,095	23,139

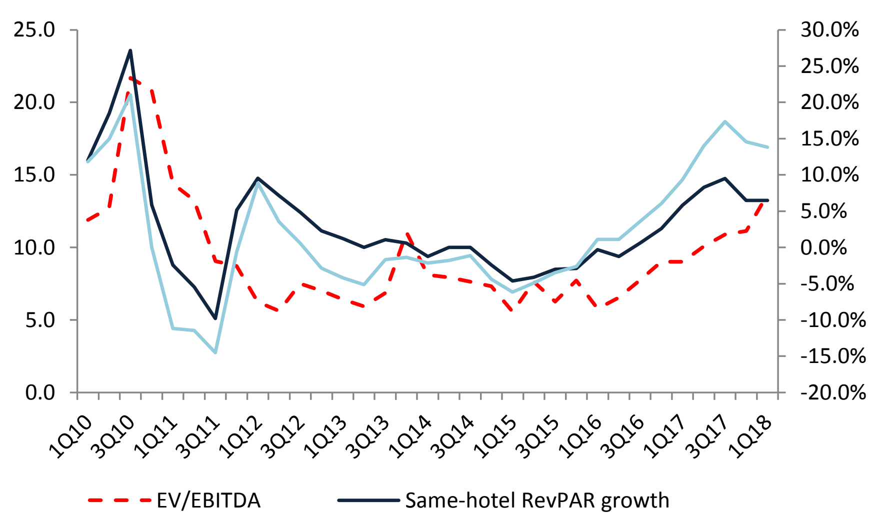
Source: Deutsche Bank estimates

Valuation is correlated with RevPAR growth

Given that BTG has a short trading history (the company acquired HomeInns in 2016), we are not able to run a correlation between HomeInns' RevPAR and the valuation. Yet, if we look at HTHT, the correlation between its valuation (i.e., EV/EBITDA and RevPAR growth) is high, as shown Figure 17.

Therefore, we have reason to believe that once RevPAR growth for BTG begins to accelerate, we are also likely to see its valuation re-rate.

Figure 17: HTHT-EV/EBITDA vs. RevPAR growth



Source: Deutsche Bank

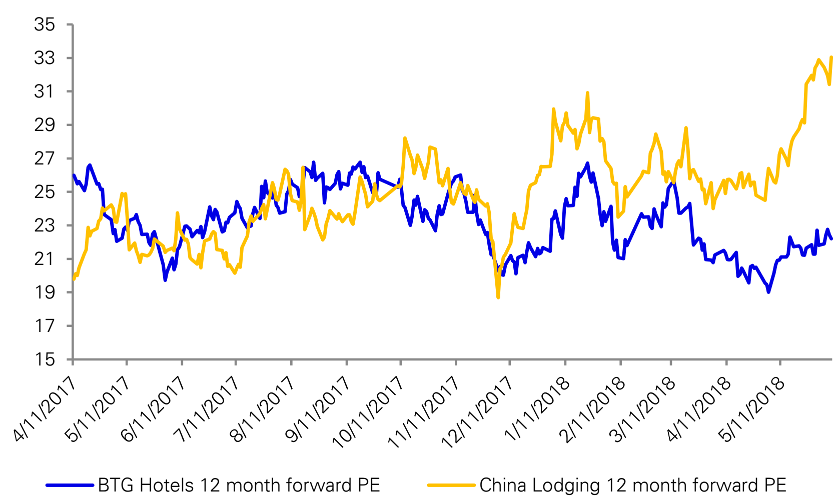
PE valuation gap – BTG Hotels vs. China Lodging

We believe BTG's RevPAR pick-up in the future will lead to its re-rating. If we look at the valuation of these two hotel groups from another angle, the same logic applies to their P/E. As shown in the chart below, the valuation gap between BTG Hotels and China Lodging widened at the end of 2017. According to data from Bloomberg consensus, China Lodging is currently trading at over 30x 2019E PER, much higher than BTG Hotels' c.20x PER.

We believe that the valuation gap between the two companies is widening due to accelerating RevPAR growth for HTHT, as a result of its first-mover advantage in upgrading its hotels. However, by enjoying the tailwind of hotel upgrades, HomeInns should also see significant improvement in RevPAR growth, which should lead to re-rating.

Our target price of RMB32 translates to a target 2019 PER of 27x, or 0.9x PEG against an earnings CAGR of 31%. This compares favorably to China Lodging's current valuation of 1.0x PEG and respective 2019 PER of 34x.

Figure 18: 12-month forward P/E – BTG Hotels vs. China Lodging



Source: Bloomberg Finance LP

Figure 19: Valuation comps

Ticker	English name	Chinese name	Current price	Market cap (USD m)	2018 P/B	2018E PER	2019E PER	2018E EV/EBITDA	2019E EV/EBITDA
Hotels				**2018**	**2018**	**2018**	**2019**	**2018**	**2019**
HTHT US Equity	HUAZHU GROUP LTD	華住酒店集團有限公司	41.99	12,849	12.5x	45.5x	32.4x	26.6x	20.3x
600754 CH Equity	SHANGHAI JINJI-A	錦江股份	33.28	4,934	2.6x	28.3x	22.7x	13.5x	11.8x
2006 HK Equity	SHANGHAI JIN J-H	錦江酒店	3.18	2,341	1.6x	19.2x	15.7x	8.0x	7.1x
69 HK Equity	SHANGRI-LA ASIA	香格里拉（亞洲）	14.76	6,871	1.0x	28.0x	22.7x	17.6x	16.0x
600258 CH Equity	BTG HOTELS GRO-A	首旅酒店	25.34	4,243	3.3x	26.2x	20.6x	12.1x	10.1x
Average					**4.2x**	**29.4x**	**22.8x**	**15.6x**	**13.1x**
Tourism				**2018**	**2018**	**2018**	**2019**	**2018**	**2019**
308 HK Equity	CHINA TRAVEL HK	香港中旅	3.06	2,057	1.0x	14.3x	11.5x	7.2x	5.7x
696 HK Equity	TRAVELSKY TECH-H	中國民航信息網絡	22.85	8,073	3.6x	20.9x	17.9x	13.9x	12.1x
601888 CH Equity	CHINA INTERNAT-A	中國國旅	64.34	20,529	8.0x	34.7x	27.8x	21.2x	16.7x
600138 CH Equity	CHINA CYTS-A	中青旅	19.42	2,248	2.4x	20.9x	18.2x	12.0x	10.6x
300144 CH Equity	SONGCHENG PERF-A	宋城演藝	23.99	4,982	4.5x	24.5x	22.0x	18.1x	14.7x
600054 CH Equity	HUANGSHAN TOUR-A	黃山旅游	11.41	1,163	2.1x	19.4x	17.1x	9.6x	8.6x
002707 CH Equity	UTOUR GROUP CO-A	眾信旅游	9.36	1,165	3.5x	24.9x	19.3x	16.3x	12.5x
000796 CH Equity	HNA-CAISSA TR-A	凱撒旅游	12.90	1,583	5.0x	26.4x	20.9x	13.7x	11.1x
Average					**3.8x**	**23.2x**	**19.3x**	**14.0x**	**11.5x**

Source: Bloomberg Finance LP

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Appendix 1

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Company	Ticker	Recent price*	Disclosure
BTG Hotels	600258.SS	24.90 (CNY) 11 Jul 18	NA

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Historical recommendations and target price: BTG Hotels (600258.SS)
(as of 7/11/2018)

1. 29/11/2017: Upgrade to Buy, Target Price Change CNY35.00 Tallan Zhou

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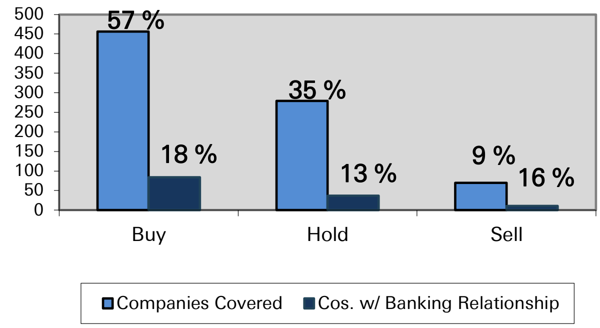

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