

Company Report: Jinjiangcapital (02006 HK)

公司报告: 锦江资本 (02006 HK)

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Upgrade to "Accumulate" on Continuing RevPAR Recovery

平均每间可供出租客房收入持续恢复, 上调至“收集”

- **We adjust the Company's 2020-2022 revenue forecasts by -5.8%, 5.4% and 2.3%, respectively.** The Company added fewer hotels during 1H2020 than we had forecast; we have lowered our forecasts for the number of the Company's hotel openings during 2020-2022. The Company's 1H2020 revenue was lower than we had forecast, and so we have lowered our 2020 revenue forecast. However, with the COVID-19 outbreak under control in China for several months already, and travel and tourism having re-opened within China, we have increased our RevPAR forecasts. We forecast 2020-2022 total revenue of RMB12.8 bn, RMB15.8 bn and RMB16.2 bn, representing growth of -39.0%, 23.6% and 2.4%, respectively.
- **We forecast 2020-2022 adjusted EBITDA of RMB1.942 bn, RMB2.972 bn and RMB3.492 bn, representing growth of -67.3%, 53.1% and 17.5%, respectively.** For 2020-2022, we forecast shareholders' net profit of -RMB360 mn, RMB222 mn and RMB352 mn, and basic and fully diluted EPS of -RMB0.065, RMB0.040 and RMB0.063, respectively. We expect adjusted EBITDA margin to improve in 2021 and 2022 on higher revenue and also as the Company decreases its proportion of self-managed hotels, which incur hotel operating costs, and increases its proportion of franchise hotels, which have higher profit margin.
- **We increase the Company's target price from HK\$1.25 to HK\$1.28 and raise our investment rating from "Neutral" to "Accumulate".** Our target price is equivalent to 13.9x 2020 EV/adjusted EBITDA and is an 18.8% discount to our DCF derived NAV of HK\$1.58 per share.
- **我们将公司 2020 至 2022 年收入预测分别调整了-5.8%、5.4%和 2.3%。**公司 2020 年上半年新增酒店数量少于我们的预期;我们下调了公司 2020 至 2022 年新开酒店数量的预测。公司 2020 年上半年收入少于我们的预期,因此我们下调了 2020 年的收入预测。然而,随着新冠肺炎疫情在中国得到控制已经持续了数月,旅行和旅游在中国国内重新开放,我们上调了 RevPAR 的预测。我们预期 2020 至 2022 年总收入为人民币 128 亿元、人民币 158 亿元和人民币 162 亿元,分别对应-39.0%、23.6%和 2.4%的增长。
- **我们预期 2020 至 2022 年经调整 EBITDA 为人民币 19.42 亿元、人民币 29.72 亿元和人民币 34.92 亿元,分别对应-67.3%、53.1%和 17.5%的增长。**对于 2020 至 2022 年,我们预测股东净利润分别为人民币-3.60 亿元、人民币 2.22 亿元和人民币 3.52 亿元,基本及摊薄后每股收益分别为人民币-0.065 元、人民币 0.040 元和人民币 0.063 元。因更高的收入,以及公司减少其运营成本更高的自营酒店的比例、增加利润率更高的特许经营酒店的比例,我们预测 2021 和 2022 年经调整 EBITDA 利润率将会提升。
- **我们将公司目标价由 1.25 港元上调至 1.28 港元,并将投资评级从“中性”上调至“收集”。**我们的目标价相当于 13.9 倍 2020 年 EV/经调整 EBITDA 并且相对我们运用折现现金流方法得出的每股估值 1.58 港元有 18.8%的折让。

Rating:

Accumulate

Upgraded

评级:

收集 (上调)

6-18m TP 目标价:

HK\$1.28

Revised from 原目标价:

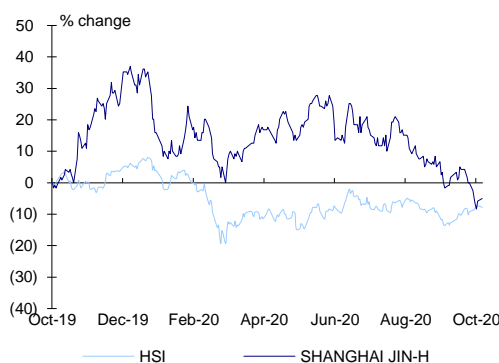
HK\$1.25

Share price 股价:

HK\$1.130

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(3.4)	(16.9)	(4.2)
Rel. % to HS Index 相对恒生变动 %	(10.1)	(17.2)	2.8
Avg. share price (HK\$) 平均股价 (港元)	1.2	1.3	1.4

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	20,631	762	0.137	0.1	7.3	1.702	0.6	0.080	8.0	8.0
2019A	20,972	676	0.121	(11.3)	8.3	1.658	0.6	0.080	8.0	7.2
2020F	12,793	(360)	(0.065)	(153.2)	n.a.	1.235	0.8	0.000	0.0	(4.5)
2021F	15,814	222	0.040	n.a.	24.9	0.919	1.1	0.016	1.6	3.7
2022F	16,190	352	0.063	58.6	15.7	0.685	1.5	0.025	2.5	7.9

Shares in issue (m) 总股数 (m)	5,566.0	Major shareholder 大股东	Jin Jiang International 75.0%
Market cap. (HK\$ m) 市值 (HK\$ m)	6,289.6	Free float (%) 自由流通比率 (%)	25.0
3 month average vol. 3 个月平均成交股数 ('000)	7,435.4	FY20 Net gearing (%) FY20 净负债/股东资金 (%)	55.3
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	1.660 / 1.080	FY20 Est. NAV (HK\$) FY20 每股估值 (港元)	1.6

Source: the Company, Guotai Junan International.

1H2020 Results

Shanghai Jin Jiang Capital Company Limited's (the "Company") 1H2020 revenue decreased by 40.5% yoy to RMB5,922 million. All of the Company's business segments were negatively affected from the COVID-19 pandemic. There was substantial reduction in demand for hotel accommodation following restrictions on business and leisure travel under the impact of the COVID-19 outbreak during 1H2020. Revenue from the Company's largest segment, select service hotels, decreased by 43.7% yoy to RMB3,961 million. The second largest revenue contributor, passenger transportation vehicles & logistics, was the least impacted, with revenue decline of just 3.7% yoy to RMB1,148 million. The travel agency segment had the largest decline in revenue, down 70.4% yoy. This reflected mainly the suspension of domestic and international tourism businesses due to the impact of the worldwide COVID-19 pandemic. With lockdowns over and the virus basically under control in China, the domestic travel market started to recover in 2Q2020 and continues to recover. Currently, inter-provincial tourism in China has gradually resumed.

Table-1: The Company's Revenue Breakdown

RMB (million)	1H2019	1H2020	% of total	yoy
Revenue				
Select Service Hotels - Mainland China	5,065	3,051	51.5%	-39.8%
Select Service Hotels - Overseas	1,965	910	15.4%	-53.7%
Select Service Hotels Revenue	7,030	3,961	66.9%	-43.7%
Passenger Transportation Vehicles & Logistics	1,192	1,148	19.4%	-3.7%
Full Service Hotels	1,007	457	7.7%	-54.6%
Travel Agency	501	149	2.5%	-70.4%
Food & Restaurants	163	146	2.5%	-10.8%
Other Operations	60	61	1.0%	2.3%
Total Revenue	9,953	5,922	100.0%	-40.5%

Source: the Company.

RevPAR for full service hotels declined the most, followed by select service hotels outside of mainland China. Due to the impact on travel demand from COVID-19, revenue per available room for the Company's full service hotels, which are mostly in Shanghai, decreased by 66.0% to RMB212. For select service hotels outside of mainland China, RevPAR decreased 47.2% yoy to EUR19. For select service hotels in mainland China, RevPAR decreased 42.8% yoy to RMB87, while RevPAR for select service hotels in mainland China in operation for over 18 months decreased by 31.6% yoy to RMB102.

Table-2: RevPAR of the Company's Hotels

	1H2019	1H2020	yoy
RevPAR			
Full Service Hotels			
— 5-star Luxury Hotels (RMB)	624	212	(66.0%)
— 4-star Luxury Hotels (RMB)	329	128	(61.1%)
Select Service Hotels in Mainland China	152	87	(42.8%)
— Middle-end hotels (RMB)	200	116	(42.0%)
— Budget hotels (RMB)	112	55	(50.9%)
Select Service Hotels Outside of Mainland China	36	19	(47.2%)
— Middle-end hotels (EUR)	38	24	(36.8%)
— Budget hotels (EUR)	35	17	(51.4%)

Source: the Company.

1H2020 adjusted EBITDA decreased by 56.9% yoy to RMB1,319 million, less than expected. Adjusted EBITDA excludes gains on disposals and gains of fair value gains. Gross profit decreased by 81.9% yoy to RMB487.5 million. Gross margin decreased by 18.9 ppt yoy to just 8.2%. Selling and marketing expenses decreased by 30.8% yoy but as a percentage of revenue increased by 1.1 ppt to 7.8%. Administrative expense to revenue ratio increased by 4.3 ppt yoy to 13.9%. Adjusted operating loss was RMB795 million, compared to adjusted operating profit of RMB1,080 million in 1H2019. The Company continued to incur high operating costs, including staff expenses, even with the sharp decline in revenue. The COVID-19

pandemic also brought one time negative impacts, including fully or partially waiving the ongoing franchise fees for hotel franchisees, properly handling expropriated and temporarily closed hotels, enhancing disinfection and sanitization of hotels and vehicles and processing the cancellation or rescheduling of customers' trips, as the Company fulfilled its corporate and social responsibilities through a range of anti-epidemic initiatives.

Benefitting from a 55.2% yoy increase in other income and gain, reported operating profit was RMB135 million, down 91.9% yoy. Other income and gain increased by 55.2% yoy to RMB1,008 million, which included, among other things, 1) RMB318 million gain on disposal of equity interest in three subsidiaries, and; 2) RMB390 million income from government grants, which was up 272.5% yoy.

Adjusted shareholders' net loss was RMB429 million, compared to adjusted shareholders' net profit of RMB276 million in 1H2019. Adjusted shareholders' net loss excludes gains on disposals and gains of fair value gains. Adjusted loss per share was RMB0.0771. Reported shareholders' net loss was RMB238 million, compared to shareholders' net profit of RMB502 million in 1H2019. Reported loss per share was RMB0.0428.

Table-3: The Company's Results

RMB (million, except for EPS)		1H2019	1H2020	yoy
Revenue		9,953	5,922	(40.5%)
Gross Profit		2,701	488	(81.9%)
	<i>Gross margin</i>	27.1%	8.2%	(18.9) ppt
Selling & Marketing Expenses		(664)	(460)	(30.8%)
	<i>% of revenue</i>	6.7%	7.8%	1.1 ppt
Administrative Expenses		(957)	(823)	(14.0%)
	<i>% of revenue</i>	9.6%	13.9%	4.3 ppt
Adjusted Operating Profit/(Loss)*		1,080	(795)	(173.6%)
	<i>margin</i>	10.9%	-13.4%	(24.3) ppt
Interest Income		54	24	(55.8%)
Dividend income		155	175	13.3%
Gov. Grants & Compensation		105	390	272.5%
Others		45	91	102.1%
Gains		292	329	12.7%
Other Income & Gain		650	1,008	55.2%
Other Expenses & Losses		(64)	(79)	22.7%
Operating Profit		1,666	135	(91.9%)
Finance Costs (net)		(490)	(461)	(6.0%)
Share of Results of J.V.'s & Associates		146	24	(83.6%)
Income Tax Credit/(Expense)		(298)	127	(142.5%)
Profit Attributable to Non-controlling Interests		(522)	(64)	(87.8%)
Shareholders' Net Profit		502	(238)	(147.5%)
	<i>margin</i>	5.0%	-4.0%	(9.1) ppt
Exclude:				
Gains		292	329	12.7%
Tax Effect		(66)	(138)	110.1%
Adjusted Shareholders' Net Profit**		276	(429)	(255.5%)
	<i>margin</i>	2.8%	-7.2%	(10.0) ppt
Basic & Diluted EPS (RMB)		0.0902	(0.0428)	(147.5%)
Adjusted Basic & Diluted EPS** (RMB)		0.0496	(0.0771)	(255.5%)
EBITDA		3,351	1,648	(50.8%)
	<i>margin</i>	33.7%	27.8%	(5.8) ppt
Adjusted EBITDA**		3,059	1,319	(56.9%)
	<i>margin</i>	30.7%	22.3%	(8.5) ppt

Source: the Company, Guotai Junan International.

Note*: We define adjusted operating profit as gross profit less selling, marketing and administrative expenses.

** Adjusted EBITDA, shareholders' net profit and earnings per share exclude gains on disposal of equity interest in subsidiaries, fair value gain on financial assets at fair value and gains on disposal of property, plant and equipment.

As at 30 June 2020, the Company owned or managed a total of 8,906 hotels (approximately 900,000 rooms) in operation in 66 countries. In addition, the Company had 4,916 hotels (approximately 500,000 rooms) under construction. China is the Company's largest market, with 7,619 hotels (85.5%) in operation (approximately 790,000 rooms) in mainland China. In terms of number of rooms in operation, the Company ranked 2nd in HOTELS Magazine's global hotel group ranking in July 2020. As at 30 June 2020, the Company had a total of 87 full service hotels (approximately 27,000 rooms) in operation, all of which are in mainland China, and the other 8,819 hotels (868,930 rooms) in operation are select service hotels. Of the select service hotels in operation, 11% were self-managed hotels and 89% were franchised hotels. During 1H2020, there was a net increase of 305 select service hotels, the result of a reduction of 42 self-managed hotels and an addition of 347 franchised hotels.

The Company has continued to increase its proportion of middle-end hotels, which supports higher RevPAR and better hotel portfolio performance. By class of select service hotel brands, there was an increase of 352 middle-end hotels and a reduction of 47 budget hotels. As of 30 June 2020, 44.4% of the Company's select service hotels were middle-end hotel brands, while 55.6% were budget brands. We think that the increasing proportion of middle-end hotels is good for the Company, since middle-end hotels have higher RevPAR and better performance than budget hotels.

Table-4: The Company's Select-Service Hotels in Operation

	2019	1H2020		
	Hotels in operation (as at period end)	Hotels in operation (as at period end)	Net Additions	% of total
5-star Luxury Hotels	45	n.a.	n.a.	
4-star Luxury Hotels	44	n.a.	n.a.	
Full Service Hotels	92	87	(5)	1.0%
Middle-end hotels	3,563	3,915	352	44.0%
Budget hotels	4,951	4,904	(47)	55.1%
In China	7,221	7,532	311	84.6%
Outside China	1,293	1,287	(6)	14.5%
Select Service Hotels	8,514	8,819	305	99.0%
Total Hotels	8,606	8,906	300	100.0%

Source: the Company, Guotai Junan International.

Forecast Revisions

We adjust the Company's 2020-2022 revenue forecasts by -5.8%, 5.4% and 2.3%, respectively. The Company added fewer hotels during 1H2020 than we had forecast; we have lowered our forecasts for the number of the Company's hotel openings during 2020-2022 in the aftermath of the COVID-19 pandemic. The Company's 1H2020 revenue was lower than we had forecast, and so we have lowered our 2020 revenue forecast. However, with the COVID-19 outbreak under control in China for several months already, and travel and tourism having re-opened within China, we have increased our RevPAR forecasts, now forecasting RevPAR for the Company's select service hotels in China to decline by 32.0% in 2020 and to increase by 36.2% and 4.1% in 2021 and 2022, respectively. We now expect a lower proportion of self managed select service hotels and a higher proportion of franchised select service hotels, which results in less revenue and somewhat offsets the effect of our higher RevPAR assumptions on increasing revenue. We forecast 2020-2022 total revenue of RMB12.8 billion, RMB15.8 billion and RMB16.2 billion, representing growth of -39.0%, 23.6% and 2.4%, respectively.

We forecast 2020-2022 adjusted EBITDA of RMB1.942 billion, RMB2.972 billion and RMB3.492 billion, representing growth of -67.3%, 53.1% and 17.5%, respectively. For 2020-2022, we forecast shareholders' net profit of -RMB360 million, RMB222 million and RMB352 million, and basic and fully diluted EPS of -RMB0.065, RMB0.040 and RMB0.063, respectively. After gross margin fell by 18.9 ppt in 1H2020 to just 8.2%, we now forecast a 64.6% drop in 2020 gross profit, reflecting gross profit margin of 16.8%. We have decreased our forecast for 2020 adjusted EBITDA as operating expenses were higher than expected in 1H2020 and we expect expense ratios to remain high during 2H2020 as the sector gradually recovers. We expect adjusted EBITDA margin to improve in 2021 and 2022 on higher revenue but also as the Company decreases its proportion of self-managed hotels, which incur hotel operating costs, and increases its proportion of franchise hotels, which have higher profit margin.

Table-5: The Company's Updated Forecasts

RMB (million, except EPS)	Old			New			Change (% or ppt.)		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Total Number of Hotels in Operation	9,426	10,226	11,027	9,209	9,965	10,804	(2.3%)	(2.6%)	(2.0%)
Total Revenue	13,586	15,005	15,828	12,793	15,814	16,190	(5.8%)	5.4%	2.3%
Gross Profit	3,369	4,006	4,384	2,149	3,849	4,086	(36.2%)	(3.9%)	(6.8%)
SG&A	(2,581)	(2,791)	(2,881)	-2,770	-2,941	-2,963	7.3%	5.4%	2.8%
Adjusted Operating Profit	788	1,215	1,504	-621	908	1,123	(178.8%)	(25.3%)	(25.3%)
Adjusted Operating Profit Margin	5.8%	8.1%	9.5%	(4.9%)	5.7%	6.9%	(10.7) ppt	(2.4) ppt	(2.6) ppt
Other Income & Gains	983	859	685	1,196	1,030	1,023	21.7%	19.9%	49.3%
Other Expenses & Losses	(59)	(65)	(68)	-157	-158	-162	167.8%	143.9%	136.7%
Operating Profit	1,712	2,010	2,121	418	1,779	1,984	(75.6%)	(11.5%)	(6.4%)
EBITDA	3,581	3,464	3,837	2,308	3,360	3,888	(35.6%)	(3.0%)	1.3%
- Gains	602	584	527	366	388	396	(39.1%)	(33.6%)	(24.9%)
Adjusted EBITDA	2,979	2,880	3,310	1,942	2,972	3,492	(34.8%)	3.2%	5.5%
Adjusted EBITDA Margin	21.9%	19.2%	20.9%	15.2%	18.8%	21.6%	(6.8) ppt	(0.4) ppt	0.7 ppt
Shareholders' Net Profit	136	300	417	-360	222	352	(365.6%)	(25.9%)	(15.5%)
- Gains*	602	584	527	366	388	396	(39.1%)	(33.6%)	(24.9%)
- Tax effect	(126)	(123)	(111)	-154	-83	-85	(22.0%)	32.2%	23.3%
Adjusted Shareholders' Net Profit	(340)	(161)	1	-572	-83	41	(68.2%)	48.9%	3903.9%
Basic & Diluted EPS (RMB)	0.024	0.054	0.075	(0.065)	0.040	0.063	(365.6%)	(25.9%)	(15.5%)
Adjusted Basic & Diluted EPS (RMB)	(0.061)	(0.029)	0.000	(0.103)	(0.015)	0.007	68.2%	(48.9%)	n.a.

Source: Bloomberg, Guotai Junan International.

Valuation

We increase the Company's target price from HK\$1.25 to HK\$1.28 and raise our investment rating from "Neutral" to "Accumulate". Our target price is equivalent to 13.9x 2020 EV/adjusted EBITDA and is an 18.8% discount to our DCF derived NAV of HK\$1.58 per share.

Table-6: Valuation and Target Price Based Multiples

	2019A	2020F	2021F	2022F
Target Price	HK\$1.28			
Target Price RMB	1.13			
Shares Outstanding, Period End, Fully Diluted (mn)	5,566	5,566	5,566	5,566
TP Based Market Cap (RMB mn)	6,279	6,279	6,279	6,279
+ Period End Minority Interest (RMB mn)	10,402	10,430	10,374	10,284
+ Period End Borrowings (RMB mn)	17,286	18,010	14,186	11,037
- Period End Cash & Equivalents (RMB mn)	10,774	7,799	5,304	2,483
Year End Enterprise Value (RMB mn)	23,193	26,920	25,535	25,116
Adjusted EBITDA (RMB mn)	5,941	1,942	2,972	3,492
TP Based EV/Adjusted EBITDA	6.6	13.9	8.6	7.2

Source: the Company, Guotai Junan International.

Table-7: DCF Valuation

Risk free rate	0.69%	Sum of PV FCFF (RMB mn)	14,143
Market return	10.12%	+ PV Terminal Value (RMB mn)	14,202
Market risk premium	9.44%	Enterprise Value (RMB mn)	28,345
Adj. beta	1.1	- Net Debt/(cash) (RMB mn)	10,211
Equity discount rate	11.07%	- Minority Interest (RMB mn)	-36.6%
		Total NAV (RMB mn)	7,731
After tax cost of debt	3.9%		
D/(D+E)	30.0%	Shares Outstanding (mn)	5,566.0
E/(D+E)	70.0%	NAV per Share (RMB)	1.39
WACC	8.9%	Exchange Rate	0.88
		NAV per Share (HK\$)	1.58
Long-term growth rate	3.0%		

Source: Bloomberg, the Company, Guotai Junan International.

Table-8: Peers Comparison

Company	Stock Code	Cncy	Last Price	Mkt Cap	PE				EV/EBITDA				ROE(%)	BPS
					19A	20F	21F	22F	19A	20F	21F	22F	20F	20F
HK Listed														
Huazhu Group Ltd	01179 HK	HKD	330.00	105,769	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(15.3)	n.a.
Shanghai Jin-H	02006 HK	HKD	1.13	6,290	7.4	141.3	11.3	7.7	n.a.	6.9	3.9	3.3	0.1	0.6
Shangri-La Asia	00069 HK	HKD	6.35	22,768	22.2	n.a.	793.8	20.7	n.a.	n.a.	22.5	15.1	(6.2)	0.5
Hk&S Hotels	00045 HK	HKD	5.96	9,831	21.7	n.a.	57.3	22.1	n.a.	n.a.	n.a.	n.a.	(3.1)	n.a.
Jinmao Hotel And	06139 HK	HKD	4.78	9,560	31.9	101.7	43.5	34.1	n.a.	19.6	15.8	14.6	3.1	2.0
Great Eagle	00041 HK	HKD	19.16	13,794	8.4	11.2	5.2	n.a.	n.a.	37.7	16.9	n.a.	2.9	n.a.
Guoco Group Ltd	00053 HK	HKD	94.70	31,161	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sino Hotels	01221 HK	HKD	2.35	2,685	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Regal Hotel Intl	00078 HK	HKD	3.02	2,714	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Regal Hotel Intl	00078 HK	HKD	3.02	2,714	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Paliburg Hldgs	00617 HK	HKD	1.90	2,118	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Century City Int	00355 HK	HKD	0.40	1,282	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Keck Seng Invest	00184 HK	HKD	2.82	959	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shun Ho Property	00219 HK	HKD	1.45	841	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Itc Properties G	00199 HK	HKD	0.85	816	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Magnificent Hote	00201 HK	HKD	0.09	805	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Carrianna Group	00126 HK	HKD	0.47	591	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kai Yuan Holding	01215 HK	HKD	0.04	511	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sai Leisure Grou	01832 HK	HKD	0.91	328	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shun Ho Holdings	00253 HK	HKD	0.87	265	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexan Ltd	00022 HK	HKD	0.12	232	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fujian Holdings	00181 HK	HKD	0.17	196	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greater Bay Area	01189 HK	HKD	0.21	167	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Link Holdings Lt	08237 HK	HKD	0.03	94	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average					18.3	84.7	182.2	21.1	n.a.	21.4	14.8	11.0	(3.1)	1.0
Weighted Avg.					19.1	68.0	308.4	21.9	0.0	25.3	17.6	13.0	(10.2)	0.2
U.S. Listed														
Hilton Grand Vac	HGV US	USD	22.32	1,899	9.2	n.a.	34.3	12.7	12.1	21.9	7.5	5.7	(5.4)	3.5
Hilton Worldwide	HLT US	USD	90.38	25,063	29.4	354.4	39.0	25.6	30.1	38.7	19.0	14.9	24.4	(18.5)
Intercontin-Adr	IHG US	USD	52.53	9,595	n.a.	n.a.	n.a.	n.a.	n.a.	40.9	18.2	13.8	1.2	n.a.
Marriott Intl-A	MAR US	USD	96.02	31,141	25.1	n.a.	34.7	21.5	28.4	36.9	17.2	13.0	(40.0)	(233.1)
Playa Hotels & R	PLYA US	USD	4.20	565	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.8	11.3	(27.7)	0.9
Extended Stay Am	STAY US	USD	11.86	2,105	32.1	56.7	19.2	14.4	10.6	12.0	9.4	8.4	2.2	1.9
Marriott Vacatio	VAC US	USD	98.70	4,052	31.5	n.a.	20.8	13.1	27.9	29.2	10.8	8.4	(10.4)	1.5
Wyndham Hotels &	WH US	USD	50.01	4,659	30.7	40.1	18.9	15.0	n.a.	19.9	12.4	10.8	(11.7)	n.a.
Wyndham Destinat	WYND US	USD	34.54	2,945	6.3	n.a.	9.2	7.0	15.8	22.2	7.6	6.4	28.9	2.8
Simple Average					23.5	150.4	25.2	15.6	20.8	27.7	14.1	10.3	(4.3)	(34.4)
Weighted Avg.					26.3	288.7	32.9	21.0	27.4	35.0	16.5	12.8	(8.0)	(113.6)

Source: Bloomberg, Guotai Junan International.

Note: All data is derived from Bloomberg.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019F	2020F	2021F	2022F	Year end 31 Dec (RMB m)	2018A	2019F	2020F	2021F	2022F
Select service hotels China	10,356	10,695	6,434	8,378	8,321	PP&E	11,986	11,079	10,830	10,270	9,433
Select service hotels abroad	4,102	4,104	1,848	2,186	2,300	Right-of-use assets	0	11,786	11,257	10,728	10,198
Vehicles & logistics	2,429	2,538	2,331	2,508	2,638	Land use rights	3,162	0	0	0	0
Full service hotels	2,068	2,046	1,160	1,323	1,442	Intangible assets	18,823	18,514	18,686	18,497	18,336
Travel agency	1,188	1,123	599	972	1,022	Financial assets	2,587	3,187	3,063	1,580	97
Food, restaurants & other	488	467	420	447	467	Investments	1,845	1,813	1,781	1,749	1,717
Total revenue	20,631	20,972	12,793	15,814	16,190	Deferred income tax assets	817	416	518	550	582
						Others	519	1,254	1,152	1,064	998
						Total non-current assets	39,738	48,050	47,287	44,438	41,360
Cost of sales	(15,425)	(14,900)	(10,643)	(11,965)	(12,104)	Cash & cash equivalents	11,443	9,959	6,887	4,311	1,403
Gross profit	5,206	6,072	2,149	3,849	4,086	Financial assets	787	714	761	784	807
						Inventories	309	319	320	316	324
Selling, marketing & admin	(3,777)	(3,820)	(2,770)	(2,941)	(2,963)	Receivables & prepayments	4,059	3,607	4,349	3,479	3,562
Adjusted operating profit	1,429	2,252	(621)	908	1,123	Restricted cash & deposits	848	784	912	992	1,080
						Total current assets	17,446	15,382	13,229	9,883	7,176
Other income & gains	893	779	1,196	1,030	1,023	Total assets	57,184	63,432	60,516	54,320	48,537
Other expenses & losses	(148)	(117)	(157)	(158)	(162)						
Operating profit	2,173	2,914	418	1,779	1,984	Short-term borrowings	3,134	2,762	3,063	3,337	2,544
						Lease liabilities	0	1,634	1,732	1,836	1,946
J.V.'s & associates	270	277	48	209	214	Income tax & derivatives	372	355	252	273	293
Finance expense (net)	(623)	(965)	(921)	(1,300)	(1,108)	Trade & other payables	10,655	8,701	8,955	8,698	8,095
Profit before tax	1,820	2,225	(455)	687	1,090	Contract liabilities	1,507	1,236	1,082	928	774
						Total current liabilities	15,668	14,687	15,084	15,072	13,652
Income tax	(390)	(583)	191	(147)	(234)						
Profit after tax	1,430	1,642	(264)	540	856	Long-term borrowings	16,907	14,524	14,947	10,849	8,493
Non-controlling interest	(668)	(966)	(96)	(318)	(504)	Lease liabilities	0	9,996	9,352	8,708	8,063
Shareholders' profit / loss	762	676	(360)	222	352	Income tax liabilities	2,711	2,039	1,790	2,035	2,136
						Trade & other payables	1,646	2,354	959	1,186	1,214
Basic EPS	0.137	0.121	(0.065)	0.040	0.063	Contract liabilities	206	201	1,082	982	882
Diluted EPS	0.091	0.078	(0.103)	(0.015)	0.007	Total non-current liabilities	21,470	29,115	28,130	23,760	20,788
						Total liabilities	37,138	43,802	43,214	38,831	34,440
						Total shareholders' equity	9,473	9,227	6,872	5,116	3,812
						Minority interest	10,574	10,402	10,430	10,374	10,284
						Total equity	20,046	19,630	17,302	15,489	14,097
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F		2018A	2019A	2020F	2021F	2022F
Profit before tax	1,820	2,225	(455)	687	1,090	Margins					
D&A	1,984	3,075	1,842	1,372	1,690	Gross margin	6.9%	10.7%	-4.9%	5.7%	6.9%
Other non-cash adjustments	91	904	(688)	(1,480)	(1,392)	Net profit margin	0.0%	0.0%	-561.3%	-69.7%	-67.6%
Changes in working capital	(2,715)	(2,243)	(2,278)	1,100	(582)	Adj. EBITDA margin	0.0%	0.0%	-56.9%	-47.6%	-42.2%
Cash from operations	1,180	3,962	(1,580)	1,679	806						
						Liquidity & leverage					
Capex	(1,211)	(113)	(400)	(440)	(484)	Leverage (i.e., gearing)	98.1%	87.1%	97.5%	86.5%	74.6%
Investments	4,672	(943)	(1,406)	(23)	(24)	Net gearing	37.9%	32.8%	55.3%	54.2%	57.8%
Others	610	394	32	32	32	Interest coverage ratio	229.3%	233.3%	-67.4%	69.8%	101.4%
Cash from investing	4,071	(662)	(1,774)	(431)	(475)	Current ratio (x)	1.11	1.05	0.88	0.66	0.53
Change in borrowings	(3,808)	(2,364)	724	(3,824)	(3,149)	Return ratios					
Lease payments	0	(1,230)	0	0	0	ROA	2.3%	2.2%	2.5%	2.5%	3.2%
Dividends paid	(445)	(445)	(445)	0	(89)	ROE	8.0%	7.2%	-4.5%	3.7%	7.9%
Others	(1,691)	(752)	0	0	0	Return on capital invested	5.2%	6.1%	-1.0%	2.1%	3.6%
Cash from financing	(5,944)	(4,792)	279	(3,824)	(3,238)						
Cash at beg of year	12,098	11,443	9,959	6,887	4,311						
Net changes in cash	(693)	(1,492)	(3,075)	(2,575)	(2,908)						
Exchange rate effect	38	8	3	0	0						
Cash at end of year	11,443	9,959	6,887	4,311	1,403						

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance>15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance>5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance<-5%; Or the fundamental outlook of the sector is unfavorable.

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