

REAL ESTATE EQUITY RESEARCH

PRICE PERFORMANCE

Banyan Tree Holdings

SGX: B58

Bloomberg: BTH:SP

ISIN code: SG1T49930665

Country: Singapore

Industry: Hotels, Consumer Services

3 September 2021

RECOMMENDATION: BUY

Current price: S\$0.325

Target price: S\$0.450

Issued units: 850.19 million (30 Jun 21)

Market capitalisation: S\$276.31 million

52-week range: S\$0.2250 - S\$0.4100



COMPANY DESCRIPTION

Banyan Tree Holdings Limited (BTH) is an investment holding company which develops, operates, and manages resorts, hotels, spas, and residences in Singapore, Southeast Asia, Indian Oceania, the Middle East, Northeast Asia, and internationally. It operates through Hotel Investments, Property Sales, and Fee-Based segments.

SUMMARY

Owing to the COVID-19 pandemic, international tourism continued to be impacted by imposition of quarantine measures or other forms of travel restrictions primarily in Asia. Revenue declined by 24.3% in the first half of 2021 compared to the same period a year ago. BTH implemented various cash conservation measures such as reducing payroll, unpaid leave programs and deferral of noncritical capital expenditures. However, a loss attributable to shareholders of S\$45.7 million was recorded for the first half of 2021, translating to a loss per share of 5.04 cents. Meanwhile, as at 30 June 2021, no dividends were declared as BTH was still recovering from the economic consequences of COVID-19 pandemic.

RECOMMENDATION

Based on BTH's reported NAV per share of S\$0.60 as at 30 June 2021, the share is currently trading at a P/B of 0.54x, representing a discount of approximately 46% to NAV. Our peer comparison results show that BTH could be undervalued, given a lower P/B of 0.54x compared to peer average P/B of 0.75x. Adopting a relative valuation approach, we estimate a target price of S\$0.450 if BTH's P/B were to adjust to the peer average P/B of 0.75x. This target price is a 38.46% upside from the current share price of S\$0.325. We believe this upside could be justified by potential recovery in BTH's earnings as supported by the growth in RevPAR (Revenue Per Available Room), stable contribution from property sales and its pipeline of hotels/resorts over the next 3 years. Given the above, we believe a buy recommendation is warranted on BTH.

KEY FINANCIALS

	Revenue	Profit*	EPS	P/E	DPS	Dividend	NAV per unit	P/B
Year ended Dec 31	(S\$ million)	(S\$ million)	(cents)	(x)	(cents)	yield (%)	(S\$)	(x)
2019 actual	352.8	0.7	0.08	406.25	-	-	0.89	0.37
2020 actual	159.6	(95.8)	(11.4)	NM	-	-	0.75	0.44
2021 forecast	144.3	(54.3)	(6.43)	NM			0.60**	0.54
2022 forecast	256.3	2.5	0.30	108.33				

NM: not meaningful

Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S\$0.325

*Profit attributable to owners of the Company

** Reported NAV as at 30 June 2021

Source: Banyan Tree Holdings, FPA Financial

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COMPANY OVERVIEW

In this section, we will discuss Banyan Tree Holdings' corporate profile, shareholders of the company and the portfolio of BTH.

(I) Corporate profile

Banyan Tree Holdings Limited (BTH) is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Limited (SGX).

Headquartered in Singapore, BTH and its subsidiaries is a leading international operator and developer of premium resorts, hotels, residences and spas, with 50 hotels and resorts, 63 spas, 75 retail galleries, and three golf courses in 23 countries. It operates through Hotel Investments, Branded Residences and Extended Stay (Property Sales), and Fee-Based segments. As at 30 June 2021, BTH had approximately total asset of S\$1.5 billion and equity attributable to shareholders of S\$0.6 billion.

(II) Shareholders of the company

As at 5 August 2021, Bibace Investment Ltd is BTH's largest substantial shareholder with 34.04% stake. Other substantial shareholders include Qatar Investment Authority and Goodview Properties Pte Ltd, who hold 24.46% and 5.17% stake in BTH respectively, as shown in **Exhibit 1**. We also note that ICD (HK) Ltd and Mr Ho KwonCjan hold 3.68% and 1.90% stake in BTH respectively.

Exhibit 1: BTH's Register of Substantial Shareholders

Shareholders	Type	Percentage of shares held ⁽¹⁾
Bibace Investment Ltd	Corporation	34.04%
Qatar Investment Authority	Sovereign Wealth Fund	24.46%
Goodview Properties Pte Ltd	Corporation	5.17%

⁽¹⁾ Based on the no. of issued shares as at 15.03.21

Source: Banyan Tree Holdings as at 15.08.21

Bibace Investment Ltd is deemed to be owned by Mr Ho KwonPing, the founder of Banyan Tree Holdings. As at 15 August 2021, Mr KwonPing is deemed to hold a total of 301,948,882 shares, representing a 35.88% stake in BTH. He is deemed to have an interest in the shares held by Bibace Investment Ltd, Recourse Investment Ltd, RHYC Pte Ltd, KAP Holdings Ltd and Li-Ho Holdings (Private) Limited.

Mr. Ho KwonPing has been a Director of BTH since 5 July 2000 and is responsible for its overall management and operations. He was designated Executive Chairman on 1 March 2004 and was last re-elected on 24 April 2019.

Qatar Investment Authority (QIA) is a sovereign wealth fund of the Government of Qatar specializing in public equity, fixed income, private equity, startups, real estate, and alternative assets. The firm also makes fund of funds investments across the globe. In 2021, QIA has approximately US\$295 billion of assets under management.

Goodview Properties Pte Ltd is a real estate developer firm. The Estate of Ng Teng Fong (the "Estate") has a controlling interest in Far East Organization Centre Pte. Ltd., which in turn has a controlling interest in Goodview Properties Pte Ltd. Mr. Ng Chee Siong and Mr. Ng Chee Tat Philip are Joint Executors of the Estate and are therefore deemed to be interested in the 43,500,000 shares in which Goodview Properties Pte Ltd has an interest.

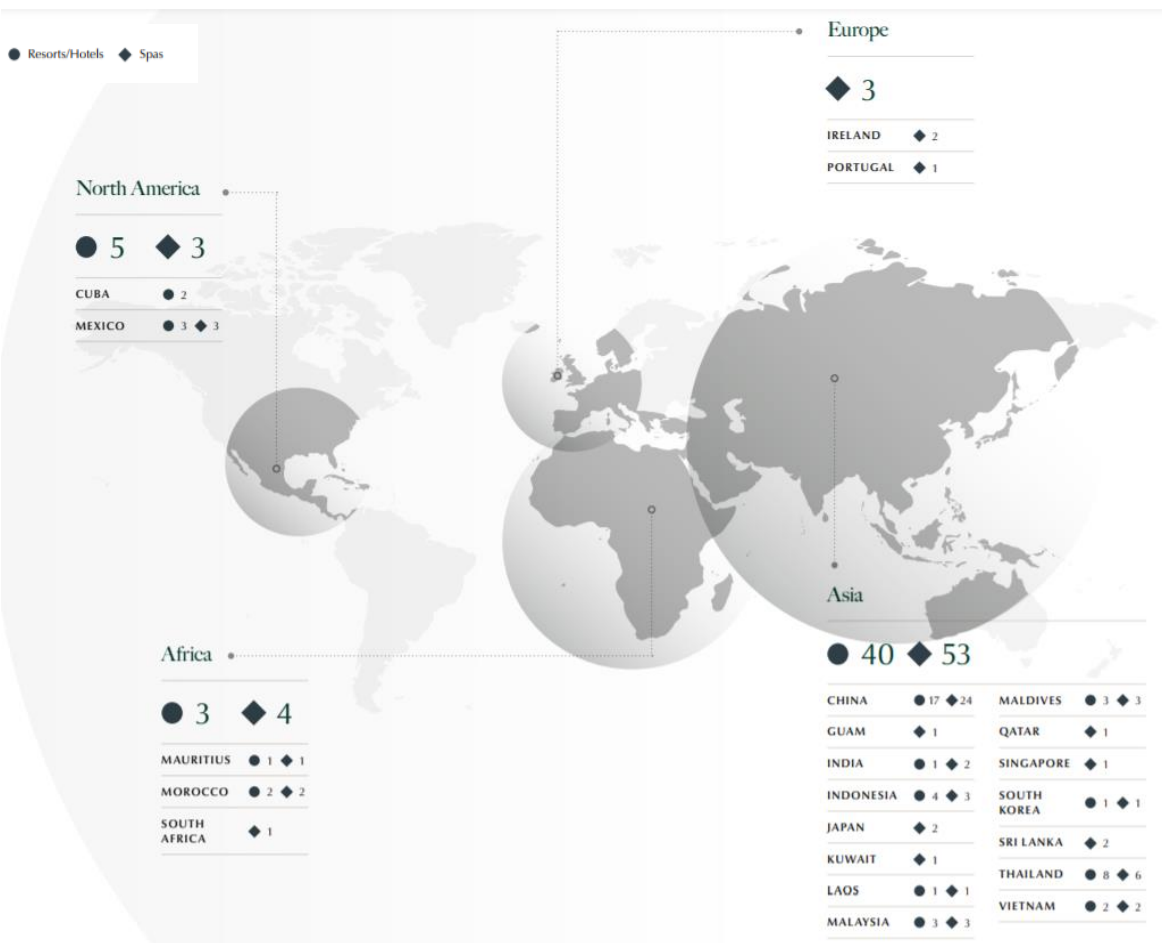
Mr. Ho KwonCjan serves as a Chief Designer, Executive Officer and Senior Vice President of BTH. He is involved in overseeing design and project teams in the architectural subsidiary of BTH. Mr Ho is the brother of the Executive Chairman, Mr Ho KwonPing.

(III) Overview of BTH’s portfolio

BTH’s diversified portfolio is centered on five award-winning brands, namely Banyan Tree, Angsana, Cassia, Dhawa and Laguna. Its business comprises three core segments: Hotel Investments, Residences and Extended Stay for Hotel and Laguna Residences (Property Sales), and Fee-based which include hotel management, club management and fund management, Spa and Gallery operations and Design and Other Services.

As at 31 December 2020, BTH manages 48 hotels and resorts, 63 spas, 72 retail galleries, and 3 golf courses in 22 countries as shown in **Exhibit 2**.

Exhibit 2: BTH’s Global Portfolio (as at 31 Dec 2020)



Source: Banyan Tree Holdings

In the first half of 2021, BTH added 2 new properties –Dhawa Quzhou and Angsana Corfu– increasing the total number of hotels managed to 50. As at 30 June 2021, with the addition of Angsana Corfu in Greece, it expanded BTH’s geographical presence to 23 countries.

(a) Hotel Investments

BTH owns and manages hotels under their Banyan Tree, Angsana, Cassia and Dhawa brands. They hold equity interest in 19 hotels, comprising over 2,000 keys in seven different countries. A summary of BTH's 19 hotels with equity interest is shown in **Exhibit 3**.

Exhibit 3: Portfolio of BTH's Hotel Investments (as at 30 June 2021)

Country	Name of hotel/resort	Brand	No. of keys	Equity Interest
Thailand	Banyan Tree Bangkok	Banyan Tree	327	86.3%
	Banyan Tree Phuket	Banyan Tree	217	86.3%
	Laguna Phuket	Angsana	371	86.3%
	Villas Resort Phuket	Angsana	63	86.3%
	Cassia Phuket	Cassia	304	86.3%
	Laguna Holiday Club Phuket Resort	Others	99	86.3%
China	Ringha	Banyan Tree	32	5.2%
	Lijiang	Banyan Tree	125	5.2%
	Yangshou	Banyan Tree	141	5.2%
	Huangshan	Banyan Tree	127	5.2%
Maldives	Vabbinfaru	Banyan Tree	48	100.0%
	Ihuru	Angsana	45	100.0%
	Velavaru	Angsana	113	100.0%
Vietnam	Lăng Cô	Banyan Tree	68	15.9%
	Lăng Cô	Angsana	215	15.9%
Indonesia	Bintan	Cassia	179	100.0%
Mexico	Cabo Marques	Banyan Tree	45	14.3%
	Mayakoba	Banyan Tree	121	5.6%
Morocco	Riads Collection Marrakech Morocco	Angsana	42	100.0%

Source: Banyan Tree Holdings

(b) Branded Residences And Extended Stay (Property Sales)

BTH's hotel residences business comprises the sale of villas or apartments to investors under a leaseback scheme. Such residences, which are part of their hotel operations are available in Indonesia, Mexico, Thailand and Vietnam. Meanwhile, residences and extended stay refer to sale of townhomes, bungalows and apartments that are within the vicinity of their resorts but are not part of their hotel operations. Details of the developed properties for sale as at 31 December 2020 is shown in **Exhibit 4**.

Exhibit 4: BTH's Developed Properties for Sale (as at 31 Dec 2020)

Description	Location of property	Estimated completion (%)	Existing use of property	Gross floor area (Sq Meter)	Estimated completion date	Effective equity held by the Group (%)
Banyan Tree Phuket Double Pool Villas	Phuket, Thailand	100	Held for sale	1,353	Completed	86.28
Cassia Phuket phase 1	Phuket, Thailand	100	Held for sale	2,371	Completed	86.28
Cassia Phuket phase 2	Phuket, Thailand	100	Held for sale	2,110	Completed	86.28
Cassia Phuket phase 3	Phuket, Thailand	100	Held for sale	358	Completed	86.28
Laguna Park 2 Townhouse and Villas	Phuket, Thailand	66	Under construction	9,616	December 2022	86.28
Laguna Village Residences	Phuket, Thailand	44	Under construction	7,381	December 2024	86.28
Banyan Tree Grand Residence Phase 1	Phuket, Thailand	34	Under construction	12,848	December 2028	86.28
Angsana Beach Front	Phuket, Thailand	91	Under construction	6,953	December 2022	86.28
Angsana Oceanview Residences	Phuket, Thailand	43	Under construction	7,367	December 2025	86.28
Dhawa apartments	Phuket, Thailand	43	Under construction	5,217	December 2022	86.28
Banyan Tree Residences, Brisbane	Brisbane, Australia	-	Under construction	27,375	-	100.00
Northpoint, Surfer Paradise, Australia ⁽¹⁾	Northpoint Australia	-	Under construction	4,424	-	100.00
Banyan Tree Bintan	Bintan, Indonesia	100	Held for sale	6,080	Completed	100.00
Cassia Bintan Phase 1	Bintan, Indonesia	100	Held for sale	475	Completed	100.00
Cassia Bintan Phase 2	Bintan, Indonesia	100	Held for sale	3,997	Completed	100.00
Cassia Bintan Phase 3	Bintan, Indonesia	100	Held for sale	4,258	Completed	100.00

Source: Banyan Tree Holdings

We note that the BTH's Surfers Paradise development land was recently contracted to be sold for A\$75 million (S\$73 million), with sale proceeds expected to be received before the end of August 2021. The land and buildings were purchased for approximately A\$55 million about six years ago.

(c) Fee-Based

BTH's fee-based business comprises hotel fund and club management, spa and gallery operations, and design and other services. BTH manages 31 resorts and hotels, and operates 63 spas, 72 gallery outlets and 3 golf courses. A summary of BTH's 31 resorts and hotels without equity interest are shown in **Exhibit 5**.

Exhibit 5: Summary of BTH's Resorts/Hotels Without Equity Interest (as at 30 June 2021)

	No. of Resorts/Hotels without Equity Interest	No. of Keys for Resorts/Hotels without Equity Interest
Banyan Tree		
China	9	1,154
Indonesia	2	140
Thailand	2	160
Morocco	1	92
Malaysia	1	55
South Korea	1	50
Subtotal	16	1,651
Angsana		
China	4	1,047
Malaysia	1	250
Cuba	1	252
Indonesia	1	109
India	1	79
Mauritius	1	55
Laos	1	24
Greece	1	99
Subtotal	11	1,915
Dhawa		
Cuba	1	516
China	1	191
Subtotal	2	707
Others		
Mexico	1	18
Malaysia	1	325
Subtotal	2	343
Total	31	4,616

Source: Banyan Tree Holdings

BTH also manages spas both within their own resorts and at resorts that are owned by other companies. As at 31 Dec 2020, BTH manage 63 spa outlets with a total of 506 treatment rooms as shown in **Exhibit 6**.

Exhibit 6: Summary of BTH's Spas Outlet

Existing Spas		63 Total No. of Outlets		506 Total No. of Treatment Rooms	
	No. of Outlets	No. of Treatment Rooms		No. of Outlets	No. of Treatment Rooms
Banyan Tree			Angsana		
China	13	99	China	11	92
Thailand	4	42	Sri Lanka	2	19
Mexico	2	21	Thailand	2	18
Indonesia	2	18	Maldives	2	18
Singapore	1	13	India	2	17
South Korea	1	10	Ireland	2	11
Japan	1	9	Indonesia	1	14
Morocco	1	8	Vietnam	1	10
Vietnam	1	6	South Africa	1	10
Portugal	1	5	Qatar	1	8
Maldives	1	4	Guam	1	8
Malaysia	1	4	Japan	1	8
Subtotal	29	239	Mauritius	1	6
			Malaysia	1	4
			Laos	1	3
			Mexico	1	3
			Morocco	1	2
			Subtotal	32	251
Elements Spa by Banyan Tree			Chill Chill		
Kuwait	1	8	Malaysia	1	8

Source: Banyan Tree Holdings

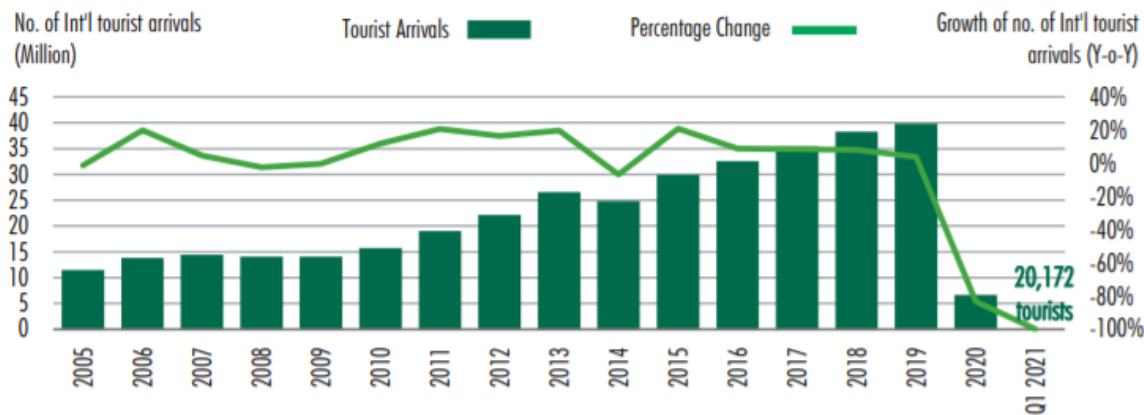
INDUSTRY OUTLOOK

In this section, we will provide a review of the hospitality industry in Thailand and China. In FY2020, BTH's hotel in Thailand contributed 71.06% of BTH's revenue from Hotel Investments. Meanwhile, as noted on page 8 and 9, BTH has a strong presence in China. As at 31 December 2020, BTH manages 4 hotels with equity interest and 13 hotels without equity interest with a total of approximately 2,600 keys in China.

(I) Thailand

The COVID-19 pandemic continued to have significant impact on Thailand's tourism industry. According to CBRE, the number of international tourist arrivals decreased by 99.7% yoy from 6.7 million tourists in 2020 to 20,172 tourists in Q1 2021, as shown in **Exhibit 7**.

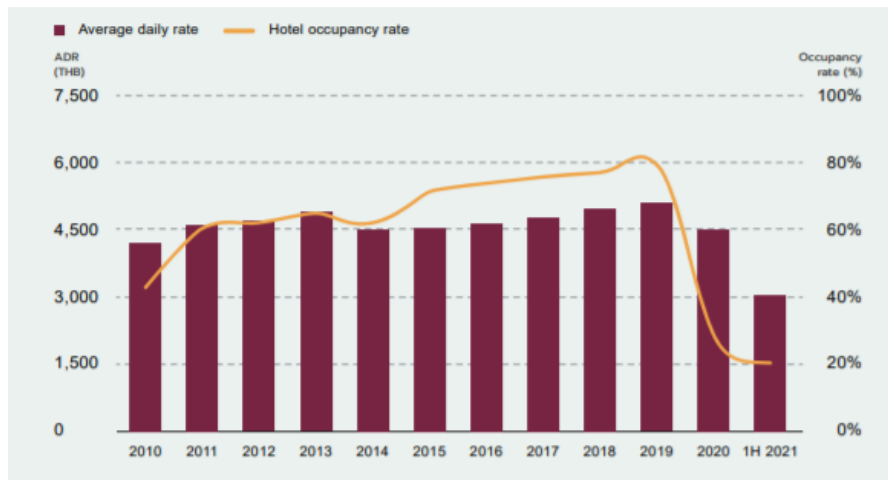
Exhibit 7: Number of International Tourist Arrivals



Source: CBRE

According to Knight Frank, the average occupancy rate in for luxury hotels Bangkok fell by 15 percentage points to 20% in the first half of 2021. Further, the Average Daily Rate (ADR) fell by 36% yoy to THB 3,072 as hotels competed with discounts and promotions to attract a weak domestic market as shown in **Exhibit 8**. Further, Savills anticipates that room rates would continue to remain highly discounted as the competition for occupancy intensifies.

Exhibit 8: Bangkok's Hotel Performance



Source: Knight Frank

In 1Q 2021, Bangkok's Revenue per Available Room (RevPAR) dropped in line with the decrease in occupancy rate and ADR, lower to THB 417 which is a 77.2% decrease yoy, according to CBRE.

Meanwhile, according to Knight Frank, prior to the pandemic, foreign visitors accounted for roughly 90% of Phuket's tourism receipts. Owing to the pandemic, in the first half of 2021, the demand for hotel accommodation in Phuket fell and its occupancy rate for luxury and upscale hotels dropped 30 percentage points yoy to 8%. Phuket's ADR of luxury and upscale hotels fell by 39% yoy to THB 2,342 due to aggressively discounted room rates as hotels compete for limited demand. However, recent remarks by STR in its "Asia Pacific Hotel Performance Analysis" webinar suggest that from 1 July 2021 to 14 August 2021, occupancy rates in Phuket for the luxury & upper upscale classes outperformed the other classes, providing a better outlook for hotels in the luxury & upper upscale class.

Overall, CBRE believes that Thailand's hotel and tourist industry poor performance is likely to persist in 2021 and its recovery may start earliest in 2022, depending on the stability of COVID-19 situation.

We would like to note that the Tourism Authority of Thailand (TAT) has mapped out a roadmap to revive the tourism & hospitality sector by reopening six major tourist provinces to foreign tourists who have received two doses of COVID-19 vaccine. A summary of Thailand Tourism's Re-Opening Plan is shown **in Exhibit 9** on the next page.

Exhibit 9: Thailand Tourism's Re-Opening Plan

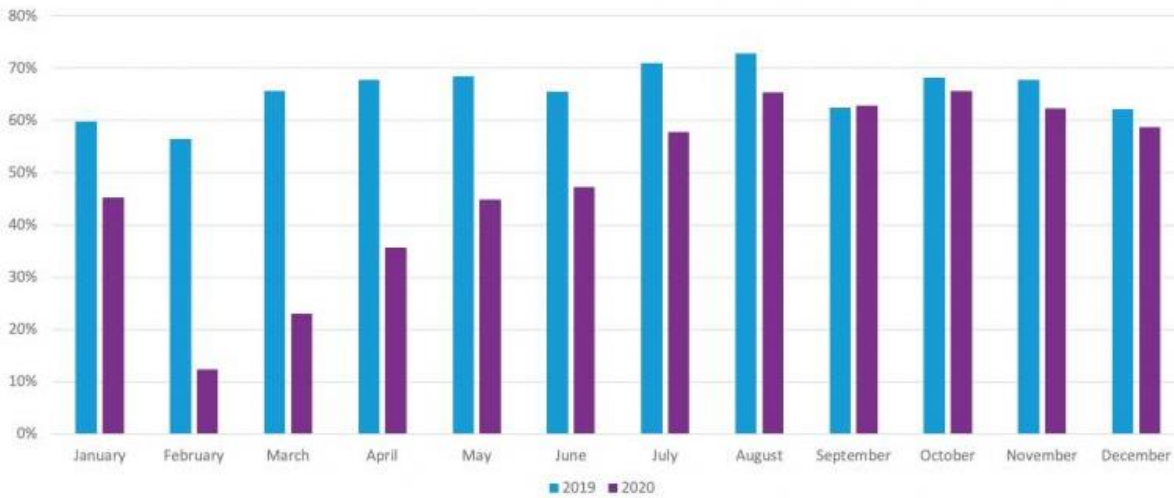
	Phase 1 (Apr-Jun 2021)	Phase 2 (Jul - Sep 2021)	Phase 3 (Oct-Dec 2021)	Phase 4 (Jan 2022 onwards)
Measures	Relax Hotel Quarantine	Sandbox Pilot (Phuket)	Sandbox Extension	Self-Quarantine
Objectives	To increase public awareness and boost leisure demand	To prepare the readiness of re-opening plan within the safe zones	To gradually extend the re-opening to other major destinations	To fully re-open the country to eligible source markets
Details	<ul style="list-style-type: none"> Instead of 14 days of quarantine, vaccinated foreign tourists will be allowed to undergo quarantine in government-approved hotels or other facilities under a '0+7 nights + designated routes' model After completing the first 7 nights, they will be allowed to visit other destinations in Thailand. Vaccinated foreign tourists will be allowed to engage in leisure activities within the premises of their hotels or other accommodation establishments. They will also be allowed to engage in outside travel activities within designated areas in their selected destination of arrival. 	<ul style="list-style-type: none"> No quarantine for vaccinated travellers in Phuket Travelers spend 7 days in designated areas of Phuket before visiting other destinations in Thailand They need advance travel arrangements and the tracing application 	<ul style="list-style-type: none"> No quarantine for vaccinated travellers in 5 other destinations - Krabi, Phang Nga, Surat Thani (Ko Samui), Chon Buri (Pattaya) and Chiang Mai Travellers spend 7 days in designated areas of the above destinations before visiting other parts of Thailand They need advance travel arrangements and the tracing application 	<ul style="list-style-type: none"> No quarantine for eligible foreign visitors with necessary travel documents and vaccination certificate At most, one-day quarantine until the COVID-test result is out Lift travel restrictions for all provinces across Thailand

Source: Tourism Authority of Thailand

(II) China

We note from STR data that China's hotel occupancy rate is recovering and has recovered to near its pre-pandemic levels since dropping to its lowest of 12% in February 2020. Since then, its occupancy rates have increased month-on-month (mom) and recovered to its high at 66% in October. Further, in September 2020, China recorded an occupancy rate of 63%, its first year-on year (yoy) increase for the year of 0.7%, as shown in **Exhibit 10** on the next page.

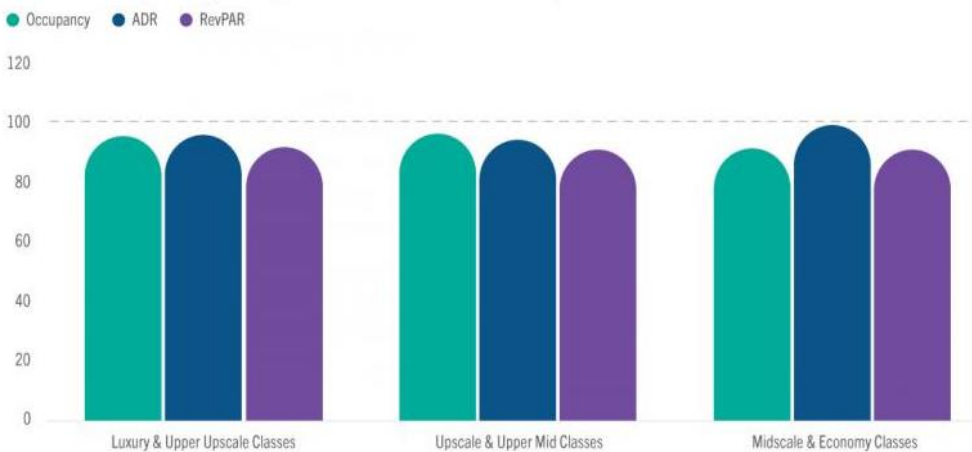
Exhibit 10: China's Hotel Occupancy (2020)



Source: STR

We also note from STR that in June 2021, indicators suggest that China's hotel recovery is strong across all classes. In China, the Luxury and Upper Upscale hotels have been the most affected during the pandemic as essential workers and other sources of essential demand chose budget-friendly options for their hotel stays. However, as border closures hindered outbound travel, high-spending Chinese consumers turned to domestic travel and stimulated the Luxury and Upscale hotel demand. This has caused the recovery of the luxury & upper upscale classes as its occupancy, ADR and RevPAR performance have recovered by at least 90% when compared to pre-COVID levels in 2019 as shown in **Exhibit 11**.

Exhibit 11: China's Hotel Performance by Classes (indexed to 2019, as at 5 June 2021)



Source: STR

In addition, we note that China has accelerated its vaccination progress by offering incentives to citizens to get vaccinated, with the goal of fully vaccinating 70% of the country's 1.4 billion people by the end of 2021. This has helped China contained the spread of COVID-19 virus and China has begun to ease its domestic Covid-19 controls. Meanwhile, there are still a lot uncertainties surrounding the pandemic situation across the world and with China's commitment to its zero-tolerance COVID-19 strategy, we believe that China is unlikely to open its international borders and domestic tourism would remain the main driving force behind China's hospitality and hotel industry.

RECENT SHARE PRICE DEVELOPMENT

In 2021 year to date (YTD), BTH's share price was trading between S\$0.225 and S\$0.390. In late March, BTH's share price closed at its 52-week high of S\$0.390. On 26 March 2021, Tourism Authority of Thailand (TAT) announced its plans to reopen to vaccinated foreign visitors without quarantine requirements, with Phuket being the pilot destination. We believe the surge in share price appears to be in line with optimism linking to the announcement of easing travel restriction in Thailand.

However, in Q2, BTH's share price has declined slightly to S\$0.285, after reaching its high in March, amid the resurgence of COVID-19 cases.

Since mid-June, BTH's share price has remained relatively stable, trading between S\$0.300 and S\$0.345. During this period, BTH announced its business update for Q1 of 2021. The voluntary business update provided an overview of its financial performance and cash management showing that BTH has maintained its financial stability through fiscal prudence.

Meanwhile, we note that on 5 August 2021, Goodview Properties has increased its stakes in BTH, acquiring 1.5 million shares for a total sum of S\$465,387 at an average price of S\$0.31 per share through open market transactions. After this acquisition, Goodview Properties holds 5.12% stake from 4.94% previously, becoming a new substantial shareholder of BTH, as shown in **Exhibit 12**.

Exhibit 12: Details of Share Acquisition of Goodview Properties

Date of acquisition	5-Aug-21
Purchaser	Goodview Properties
No. of Shares Acquired	1,500,000
Price Per Share (S\$)	0.31
Shares Held After Acquisition	43,500,000
Total Interest After Acquisition	5.12%

Source: *Banyan Tree Holdings*

BTH announced its strategic partnership with Accor S.A (Accor) on 8 December 2016. BTH allotted and issued to Accor 40,000,000 shares, representing 4.76% stake and granted Accor the option to increase its stakes in BTH, representing up to 10% of BTH's share capital on 19 December 2017. BTH last updated on 19 June 2018 that Accor did not exercise the option.

In addition, BTH announced on 23 January 2017 that they entered into a partnership with China Vanke Co. Ltd (Vanke). BTH also allotted and issued 39,962,700 placement shares, representing 4.99% stake to Vanke and granted Vanke the option to subscribe additional shares in BTH on 27 September 2017. BTH last updated on 20 April 2018 that Vanke did not exercise the option due to the change in China's macro regulatory environment impacting overseas investments in hotel industry.

FINANCIAL ANALYSIS

In this section, we will provide a review of BTH's financial performance and capital management.

(I) Financial review**Review of Half Year 2021 Results**

For the half year ended 30 June 2021 (1H2021), BTH reported a 24.3% year-on-year (yoy) decrease in revenue to S\$57.6 million as shown in **Exhibit 13**.

Exhibit 13: Revenue for 1H2021 and 1H2020

S\$'000	1H 2021	1H 2020	y-o-y change
Revenue	56,467	75,364	-25.1%
Other Income	1,175	830	41.6%
Total Revenue	57,642	76,194	-24.3%

Source: Banyan Tree Holdings

We conducted a further review of BTH's revenue based on its business segments and noted that the decrease in revenue was mainly due to lower revenue from Hotel Investments segment as shown in **Exhibit 14**.

Exhibit 14: Breakdown of BTH's Revenue By Business Segments

S\$'000	1H 2021	1H 2020	y-o-y change
Hotel Investment	22,522	48,155	-53.2%
Property Sales	17,433	12,671	37.6%
Hotel Residences	13,198	7,827	68.6%
Laguna Property Sales	4,235	4,844	-12.6%
Fee-based segment	16,512	14,538	13.6%
Hotel/Fund/Club Management	9,914	4,706	110.7%
Spa/ Gallery Operations	3,178	4,860	-34.6%
Design and Others	3,420	4,972	-31.2%
Other Income	1,175	830	41.6%
Total Revenue	57,642	76,194	-24.3%

Source: Banyan Tree Holdings

Hotel Investment Segment

Hotel Investments segment reported revenue of S\$22.5 million in 1H2021, a decrease of 53.2% yoy, compared to S\$48.2 million in 1H2020. The decrease in revenue was mainly due to the drop in revenue in Thailand as it was still subjected to border controls and countries around the world had imposed travel restrictions to Thailand since 2Q20. Meanwhile, Maldives re-opened its borders in July 2020 and reported revenue of S\$16.6 million which was S\$5.1 million higher than the same period last year.

Property Sales Segment

Revenue from Property Sales segment increased by 37.6% yoy from S\$12.7 million in 1H2020 to S\$17.4 million in 1H2021 due to a higher average value of units sold that were recognised in 1H2021 as compared to the same period last year, and the completion & progressive handover of Angsana Beachfront Residences since Q42020.

For 1H2021, a total of 11 units of Angsana Beachfront Residences, Cassia Phuket, Laguna Park Villas and Laguna Village Residences were recognised. In comparison, 16 units of Cassia Phuket, Cassia Bintan, Laguna Park townhomes/villas, Laguna Village Residences and Banyan Tree Spa Pool villas were recognised in 1H2020.

Deposits for 51 new units with total sales value of S\$30.9 million were received in 1H2021 compared to 61 new units sold with total sales value of S\$29.8 million in 1H2020, representing a 3.7% increase in gross value.

Fee-based Segment

Revenue from Fee-based segment increased by 13.6% yoy from S\$14.5 million in 1H2020 to S\$16.5 million in 1H2021. BTH's hotels in China and Mexico recorded higher management fees as it benefited from strong domestic demand in the absence of international tourism. The hotels in China and Mexico also performed better than Pre-COVID levels. In addition, higher royalty income from property development projects in China and Dubai was recorded. This was partially offset by lower recognition of architectural and design fees from projects based on project milestones.

Cost and Expenses

We also note that the total cost and expenses decreased by 27.7% yoy to S\$74.0 million in 1H2021. The cost of operating supplies decreased by 28.0% yoy due to lower revenue from Hotel Investment segment, while the cost of properties sold increased by 55.6% yoy due to the higher Property Sales revenue recognised during the period, as noted on page 15 and 16 respectively.

Salaries and related expenses also decreased by 39.8% yoy mainly due to lower headcount as a result of group wide restructuring exercise since April 2020. Administrative expenses decreased by 21.5% and was mainly attributable to lower one-off write-down of property development costs. Property development cost write-down amounted to S\$1.2 million in 1H2021 as compared to S\$14.3 million in 1H2020. The decrease in other operating expense by 34.7% yoy was due to lower utilities expenses, lower repair & maintenance cost and lower commission paid to travel agents.

A summary of BTH's total cost and expenses for 1H2021 and 1H2020 is shown in **Exhibit 15**.

Exhibit 15: BTH's Half-Year Total Cost and Expenses

S\$'000	1H 2021	1H 2020	y-o-y change
Cost and expenses			
Cost of operating supplies	(4,470)	(6,211)	-28.0%
Cost of properties sold	(8,870)	(5,702)	55.6%
Salaries and related expenses	(22,018)	(36,601)	-39.8%
Administrative expenses	(22,463)	(28,622)	-21.5%
Sales and marketing expenses	(3,146)	(4,971)	-36.7%
Other operating expenses	(11,839)	(18,125)	-34.7%
Impairment losses on financial assets	(1,219)	(2,121)	-42.5%
Total cost and expenses	(74,025)	(102,353)	-27.7%

Source: Banyan Tree Holdings

Consequently, operating loss amounted to S\$16.4 million for the period, decreased by 37.4% yoy, as shown in **Exhibit 16**.

Exhibit 16: BTH's Operating Loss and Core Operating Loss

S\$'000	1H 2021	1H 2020	y-o-y change
Total revenue	57,642	76,194	-24.3%
Total cost and expenses	(74,025)	(102,353)	-27.7%
Operating Loss	(16,383)	(26,159)	-37.4%
Fair value losses on convertible bonds	10,400	14,300	-27.3%
Write down of property development cost	1,200	-	NM
Severance payment	-	7,000	NM
Core Operating Loss ⁽¹⁾	(4,783)	(4,859)	-1.6%

NM: Not meaningful

⁽¹⁾ Core Operating Loss = Operating Loss excluding one-off gains or losses

Source: Banyan Tree Holdings

We also note that with the exclusion of one-off losses, Core Operating Loss in 1H2021 would have been S\$4.8 million which is relatively unchanged to that of 1H2020. The one-off losses in 1H2021 relate to fair value losses on convertible bonds and write-down of property development costs, while the one-off losses in 1H20 relates to write-down of property development costs and severance payments.

Depreciation of property, plant and equipment (PPE) and right-of-use assets decreased by 7.1% yoy from S\$12.6 million in 1H2020 to S\$11.7 million in 1H2021. Amortisation expense also decreased slightly by 1.8% yoy to S\$0.386 million in 1H2021 as shown in **Exhibit 17**.

Exhibit 17: Depreciation and Amortisation Expense

S\$'000	1H 2021	1H 2020	y-o-y change
Depreciation of property, plant and equipment and right-of-use assets	(11,729)	(12,629)	-7.1%
Amortisation expense	(386)	(393)	-1.8%

Source: Banyan Tree Holdings

Net finance cost increased by 69.6% yoy from S\$9.2 million in 1H2020 to S\$15.6 million in 1H2021 as shown in **Exhibit 18**.

Exhibit 18: Net Finance Cost in 1H2021 and 1H2020

S\$'000	1H 2021	1H 2020	y-o-y change
Finance income	1,239	3,846	-67.8%
Finance cost	(16,828)	(13,040)	29.0%
Net finance cost	(15,589)	(9,194)	69.6%

Source: Banyan Tree Holdings

As shown in **Exhibit 18** on the previous page, Finance income for 1H2021 is lower than 1H2020 by approximately S\$2.6 million or 67.8%. The finance income of BTH is mainly derived from loans and receivables. The increase in finance cost of 29.0% yoy is attributable to fair value adjustment of imputed interest on long-term receivables which are repayable by instalments of S\$3.1 million. Without the fair value adjustment, finance costs were S\$0.7 million higher at S\$13.7 million as compared to S\$13.0 million mainly due to higher interest costs from Convertible Bonds.

We note that BTH's share of associates' profits is S\$1.8 million in 1H2021 as compared to losses of S\$0.4 million in 1H2020, as shown in **Exhibit 19**. The increase was mainly due to better performance from BTH's hotels in China.

Exhibit 19: Share of Results of Associates in 1H2021 and 1H2020

S\$'000	1H 2021	1H 2020	y-o-y change
Share of results of associates	1,789	(395)	NM

NM: Not meaningful

Source: Banyan Tree Holdings

Consequently, net loss before taxation amounted to S\$42.3 million for the period, a decrease of 13.3% yoy from 1H2020, as shown in **Exhibit 20**.

Exhibit 20: BTH's Net Loss for 1H2021 and 1H2020

S\$'000	1H 2021	1H 2020	y-o-y change
Revenue	56,467	75,364	-25.1%
Other Income	1,175	830	41.6%
Total Revenue	57,642	76,194	-24.3%
Cost and expenses			
Cost of operating supplies	(4,470)	(6,211)	-28.0%
Cost of properties sold	(8,870)	(5,702)	55.6%
Salaries and related expenses	(22,018)	(36,601)	-39.8%
Administrative expenses	(22,463)	(28,622)	-21.5%
Sales and marketing expenses	(3,146)	(4,971)	-36.7%
Other operating expenses	(11,839)	(18,125)	-34.7%
Impairment losses on financial assets	(1,219)	(2,121)	-42.5%
Total cost and expenses	(74,025)	(102,353)	-27.7%
Operating Loss	(16,383)	(26,159)	-37.4%
Depreciation of property, plant and equipment and right-of-use assets	(11,729)	(12,629)	-7.1%
Amortisation expense	(386)	(393)	-1.8%
Finance income	1,239	3,846	-67.8%
Finance cost	(16,828)	(13,040)	29.0%
Share of results of associates	1,789	(395)	NM
Net Loss before taxation	(42,298)	(48,770)	-13.3%

NM: Not meaningful

Source: Banyan Tree Holdings

On tax expenses, 1H2021 recorded tax expenses of S\$3.3 million, notwithstanding losses incurred during the period, as shown in **Exhibit 21**. It was mainly due to reversal of deferred tax assets due to tax expiry and deferred tax assets not recognised for some of the loss-making companies.

Exhibit 21: Income Tax Expense for 1H2021 and 1H2020

S\$'000	1H 2021	1H 2020	y-o-y change
Income tax expense	(3,339)	(3,940)	-15.3%

Source: Banyan Tree Holdings

As a result, BTH reported an after-tax loss of S\$45.6 million in 1H2020. This comprised a S\$42.6 million loss attributable to owners of the company and a S\$3.0 million loss attributable to non-controlling interest, as shown in **Exhibit 22**.

Exhibit 22: BTH's Financial Result for 1H2021 and 1H2020

S\$'000	1H 2021	1H 2020	y-o-y change
Total Revenue	57,642	76,194	-24.3%
Total cost and expenses	(74,025)	(102,353)	-27.7%
Operating Loss	(16,383)	(26,159)	-37.4%
Net Loss before taxation	(42,298)	(48,770)	-13.3%
Income tax expense	(3,339)	(3,940)	-15.3%
Net loss after taxation	(45,637)	(52,710)	-13.4%

Attribution to:

Owners of the Company	(42,604)	(49,148)	-13.3%
Non-controlling interest	(3,033)	(3,562)	-14.9%

Source: Banyan Tree Holdings

Basic earnings per share (EPS) is calculated by dividing profit after taxation for the year that is attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of ordinary shares in 1H2021 and 1H2020 were 844,640,638 and 839,919,230 respectively

Net loss attributed to owner of the company was S\$42.6 million. Accordingly, loss per share amounted to 5.04 cents for the period as compared to 5.85 cents a year ago, as shown in **Exhibit 23**.

Exhibit 23: EPS for 1H2021 and 1H2020

S\$'000	1H 2021	1H 2020	y-o-y change
Net loss after taxation attribution to:			
Owners of the Company	(42,604)	(49,148)	-13.3%
Weighted average number of ordinary shares for basic earnings per share computation			
	844,640,638	839,919,230	
Earnings per share attributable to owners of the Company (in cents):	(5.04)	(5.85)	-13.8%

Source: Banyan Tree Holdings

Review of Historical Financials

We also reviewed BTH's historical financial results to evaluate how it has performed prior to the COVID-19 pandemic. With reference to **Exhibit 24**, we note that BTH managed to grow its revenue stream from FY2016 to FY2018, but its revenue performance has weakened in FY2020 due to COVID-19. During the financial year, BTH's revenue has decreased across all business segments and its total revenue decreased from S\$352.8 million in FY2019 to S\$159.6 million in FY2020. Hotel Investments segment reported lower revenue as countries imposed travel restrictions and lockdown measures resulting in lower occupancies in FY2020 compared to FY2019. Revenue from Property Sales also decreased as BTH recognised the revenue of 49 units in FY2020 compared to 226 units in FY2019. Fee-based segment was also impacted by COVID-19 as BTH reported lower management fees across all hotels and lower revenue from Spa/Gallery operations.

In FY2016, BTH reported Other Income of S\$29.7 million mainly due to the reclassification of net fair value gains from "Fair value adjustment reserve" in equity to other income. While in FY2017 and FY2018, Other Income was S\$50.9 million and S\$43.2 million respectively. This was largely due to gains arising from BTH's divestment of its interest in the entities under the Vanke transaction* as highlighted below.

Exhibit 24: BTH's Historical Financials

[S\$'000]	For year ended Dec 31				
	2016	2017	2018	2019	2020
Hotel Investments	197,411	201,500	192,524	173,690	62,176
Property Sales	51,305	51,395	76,959	114,223	69,398
Fee-based segment	60,849	64,616	59,563	59,041	26,258
Other Income	29,652	50,928	43,168	5,827	1,747
Total Revenue	339,217	368,439	372,214	352,781	159,579
Core Operating Profit ⁽¹⁾	29,000	39,000	45,519	65,141	4,205
Operating Profit/ (Loss)	51,696	74,669	83,133	56,228	(35,118)
Operating Profit/ (Loss) Margin	15%	20%	22%	16%	(22%)
Net Profit/ (Loss) after Tax	(6,950)	14,857	14,393	2,529	(102,508)

⁽¹⁾ Core Operating Profit = Operating Profit/(Loss) excluding one-off gains or losses

Source: Banyan Tree Holdings

Similarly, BTH reported operating profit from FY2017 to FY2019 but reported an operating loss of S\$35.1 million in FY2020. However, excluding non-recurring, one-off gains or losses, BTH reported a Core Operating Profit of S\$4.2 million in FY2020. The one-off items relate to allowance for impairment losses, write-down of property development cost, fair value loss on derivatives, one-off settlement cost from a claim provision and severance payment.

Overall, we note that the BTH's profitability has decreased since FY2018, as reflected by lower net profit after tax. The decrease in net profit after tax in FY2019 was largely due to the lower revenue from Hotel Investments, while the reported net loss in FY2020 was attributed to the decrease in revenue across all business segments.

*Vanke transaction

BTH announced in August 2017 that it had executed and completed the definitive agreement with China Vanke Co., Ltd. (Vanke) to create a 50:50 joint venture, Banyan Tree Assets (China) Holdings Pte. Ltd. (BTAC). BTAC has in turn invested in and holds a 40% stake in each of Banyan Tree's operating companies incorporated in Singapore, namely Banyan Tree Services (China) Pte. Ltd. ("BTSC") and Banyan Tree Hotel Management (China) Pte. Ltd. ("BTMC"). BTH has since deconsolidated certain entities and recognised the gain on the interest divested.

(II) Capital Management**Review of Half Year Balance Sheet**

BTH reported total assets of S\$1,516.6 million as at 30 June 2021 compared to S\$1,578.7 million a year ago. The decrease in total assets was largely due to the decrease in property plant and equipment to S\$596.8 million from S\$651.8 million and decrease in property development costs to S\$285.5 million from S\$314.1 million, which offset increases in items such as investment properties and amounts due from associates. At the same time, total liabilities decreased by S\$2.1 million to S\$949.0 million, mainly due to a decrease in trade payables and deferred tax liabilities of S\$10.0 million and S\$3.8 million respectively, which in part offset a S\$9.7 million increase in derivative liability conversion option in convertible bonds.

Consequently, BTH recorded total equity or net assets of S\$567.6 million at the end of 1H2021 compared to S\$627.6 million a year ago. This comprised S\$512.0 million in equity attributable to owners of the company and S\$55.6 million in non-controlling interests.

Given S\$512.0 million in equity attributable to owners of the company, BTH's net asset value (NAV) per share stood at S\$0.60, based on 850.19 million issued shares (excluding treasury shares of 1,230,200). BTH's balance sheet data are summarized in **Exhibit 25**.

Exhibit 25: Summary of BTH's Balance Sheet

[S\$'000]	As at June 30	
	2021	2020
Total assets	1,516,599	1,578,711
Total liabilities	948,991	951,111
Net assets	567,608	627,600
Equity attributable to owners of the company	512,035	566,239
Equity attributable to non-controlling interests	55,573	61,361
No. of issued shares	850,185,892	840,963,480
NAV per share (S\$)	0.60	0.67

Source: *Banyan Tree Holdings*

As at 30 June 2021, BTH's total debt was S\$458.6 million compared to S\$459.3 million a year ago. This comprised of secured and unsecured borrowings of S\$385.6 million and S\$73.0 million, respectively. After considering convertible bonds, cash and short-term deposits, BTH's net debt stood at S\$429.8 million as at 30 June 2021 compared to S\$449.3 million a year ago. Thus, BTH's gearing ratio as computed by net debt over total capital stood at approximately 75.7% as at 30 June 2021 versus 71.6% as at 30 June 2020. A breakdown of the BTH's net debt and gearing ratio is shown in **Exhibit 26** on the next page.

Exhibit 26 Breakdown of BTH's Net Debt and Gearing Ratio

S\$'000	Maturity	As at June 30	
		2021	2020
Amount repayable in one year or less, or on demand:			
Secured	2021-2022	157,338	179,303
Unsecured	2021-2022	37,950	46,901
Amount repayable after one year:			
Secured	2022-2033	228,248	223,330
Unsecured	2022-2025	35,029	9,766
Total debt		458,565	459,300
Convertible bonds		41,543	41,318
Less: Cash and short term deposits		(70,293)	(51,287)
Net debt		429,815	449,331
Total capital		567,608	627,600
Gearing ratio		75.72%	71.60%

Source: Banyan Tree Holdings

Further, the secured bank loans of the BTH are secured by assets with the following net book values as shown in **Exhibit 27**.

Exhibit 27: Net Book Values of Assets for Secured Bank Loans

S\$'000	As at June 30	
	2021	2020
Freehold land and buildings	396,730	446,547
Investment properties	56,899	35,158
Leasehold buildings	13,333	13,556
Property development costs	116,191	131,848
Unquoted shares	4,075	4,048
Prepaid island rental	15,504	15,735
Investment in associates	3,598	3,731
Long-term restricted deposit pledge	1,598	1,674
Other assets	2,858	1,399
Total net book value	610,786	653,696

Source: Banyan Tree Holdings

According to its latest update on 24 August 2021, the S\$195 million = [S\$157 million (secured loans) + S\$38 million (unsecured loans)] current loans and borrowing comprise of S\$91 million of revolving credit facilities (RCF) and S\$104 million of short term loans.

BTH reported that all the RCF were rolled-over in 1H2021 and there is no indication that these facilities would not continue to be rolled over. With regards to the S\$104 million short term loans, S\$54 million was repaid on 17 August 2021 from the sales proceeds of S\$73 million from the sale of Surfers Paradise development land, as noted on page 7. Net cash generated of S\$19 million from the sale will add to its existing cash and short term deposits. For the remaining S\$50 million of short term loans, BTH is in various stage of discussions with its lenders to term out or roll-over approximately S\$25 million beyond 12 months. The balance of S\$25 million will be repaid from its cash and short term deposits within the next 12 months.

Given the above, we will estimate the new gearing ratio of BTH. Due to the repayment of S\$54 million on 17 August 2021, BTH's total debt decreased from S\$458 million as at 30 June 2021 to S\$404 million as at 24 August 2021. Further, cash and short term deposits increased by S\$19 million from S\$70 million as at 30 June 2021 to S\$89 million as at 24 August 2021 owing to the net cash generated from the sale of surfers paradise development land. With a net cash generated of S\$19 million from the sale, total capital increased from S\$568 million to S\$587 million. Accordingly, after the sale of the development land and the repayment of the S\$54 million short term loans, BTH's projected gearing ratio decreased to 60.8% as at 24 August 2021 from 75.7% as at 30 June 2021 as shown in **Exhibit 28**.

Exhibit 28: Projected Gearing Ratio as at 24 August 2021

S\$ million	As at 24 August 2021
Revolving credit facility	91
Short term loans	104
Less: Repayment	(54)
Amount repayable after one year	263
Total debt	404
Convertible bonds	42
Less: Cash and short term deposits	(89)
Net debt	357
Total capital	587
Gearing ratio	60.82%

Source: Banyan Tree Holdings, FPA Financial

Further, we note from BTH's 5-year historical data as shown in **Exhibit 29** that its NAV per share has decreased over the years. BTH's gearing ratio has also increased to 71.60% in FY2020 from 57.36% in FY2019. The increase is mainly due to the increase in net debt as the company allotted and issued S\$50.4 million in aggregate principal amount of 7.5% Convertible Bonds maturing on 6 August 2022 and its net asset decreasing to S\$566.2 million in FY2020 from S\$674.2 million in FY2019

Exhibit 29: BTH's 5-year historical year-end balance sheet

[S\$'000]	For year ended Dec 31				
	2016	2017	2018	2019	2020
Total assets	1,608,222	1,679,067	1,633,801	1,743,869	1,578,711
Total liabilities	875,376	901,531	914,046	996,456	951,111
Net asset	732,846	777,536	719,755	747,413	627,600
Equity attributable to shareholders	564,484	600,626	646,128	674,235	566,239
No. of issued shares	760,976,488	826,691,426	883,860,319	840,916,614	840,028,634
NAV per share (S\$)	0.96	0.94	0.81	0.89	0.75
Net debt	507,818	406,958	339,551	428,750	449,331
Gearing ratio	69.29%	52.34%	47.18%	57.36%	71.60%

Source: Banyan Tree Holdings

POTENTIAL CATALYSTS

(I) Pipeline Supply

BTH has a projected pipeline for growth of 43 hotels to be opened, potentially doubling its operating footprint in the next 3 years. The number of room keys are estimated to grow from roughly 7,000 as at 30 June 2021 to approximately 14,000 keys by end of 2023. These additional keys are largely managed without any equity interest. The details of BTH's projected pipeline growth for 2021 to 2023 is shown in **Exhibit 30**.

Exhibit 30: BTH's Projected Pipeline Growth (2021-2023) as at 30 June 2021

Hotel	Brand	Country	New Hotels in Pipeline	New Keys
BT Nanjing Garden Expo, Jiangsu	BT	China	1	115
BT Doha At La Cigale Mushaireb, Doha	BT	Qatar	1	341
Buahan, A Banyan Tree Escape, Bali	BT	Indonesia	1	16
AN Saranam Wellness Resort, Bali	AN	Indonesia	1	80
BT AlUla	BT	Saudi Arabia	1	79
AN Tengchong, Yunnan	AN	China	1	174
BT Ilha Caldeira, Topiuto Islands	BT	Mozambique	1	40
DH Jinan Daming Lake, Shandong	DH	China	1	100
GR Huzhou Lucun, Zhenjiang	OT	China	1	106
DH Xian Chanba, Shaanxi	DH	China	1	306
AN Ho Tram	AN	Vietnam	1	113
AN Leishan	AN	China	1	140
AN Quan Lan	AN	Vietnam	1	163
AN Quzhou	AN	China	1	227
AN Wenjiang	AN	China	1	153
BT Mozambique Veya Ilha Nejovo	BT	Mozambique	1	20
BT Quzhou	BT	China	1	36
DH Ho Tram	DH	Vietnam	1	162
HM Homm Patong Bliss	OT	Thailand	1	73
AN Siem Reap	AN	Cambodia	1	158
GR Liuzhou	OT	China	1	279
Hacienda Xcanantun by AN (Extension)	OT	Mexico		42
HM Huzhou Xisai Shan	OT	China	1	178
Skypark Phuket	OT	Thailand	1	416
BT Ermeishan	BT	China	1	131
BT Illa Bahamas	BT	Bahamas	1	85
BT Tuwaiq	BT	Saudi Arabia	1	90
CA Saekdal Jeju	CA	South Korea	1	38
AN Clark [Accor]	AN	Philippines	1	200
BT Clark	BT	Philippines	1	50
BT Nipah Lombok	BT	Indonesia	1	75
CA Sokcho	CA	South Korea	1	674
CA Tuan Chau Halong Bay	CA	Vietnam	1	698
DH Tuan Chau Halong Bay	DH	Vietnam	1	189
AN Shuzhou Shishan	AN	China	1	160
BT Haeundae Busan	BT	South Korea	1	195
BT Suzhou Shishan	BT	China	1	66
BT Xianju	BT	China	1	73
GR Xianju	OT	China	1	195
Mandai Rainforest by BT	OT	Singapore	1	338
BT Chongqing Tiandi	BT	China	1	192
BT Ngerur Island Palau	BT	Palau	1	198
BT Jomtien Pattaya	BT	Thailand	1	118
BT Kyoto	BT	Japan	1	52
			43	7334

Source: Banyan Tree Holdings

As at 30 June 2021, BTH managed to signed 13 Hotel Management Agreements and 2 Franchise agreements. BTH also reported that there would be 10 resorts opening in the next 12 months, spanning across China, Indonesia, Qatar, Mozambique and Saudi Arabia. Barring no further delay arising from the impact of the COVID-19 pandemic, these 10 hotels would represent a 19.0% increase in total room keys.

A summary of the 10 hotels expected to be opened in the next 12 months is shown in **Exhibit 31**.

Exhibit 31: Hotels Expected to be Opened in the Next 12 Months

Country	Name of hotel/resort	Brand	No. of keys
China	Nanjing Garden Expo, Jiangsu	Banyan Tree	115
	Garrya Huzhou Lucun, Zhejiang	Banyan Tree	107
	Tengchong, Yunnan	Angsana	174
	Jinan Daming Lake, Shandong	Dhawa	100
	Xian Chanba, Shaanxi	Dhawa	306
Indonesia	Buahan, A Banyan Tree Escape, Bali	Banyan Tree	16
	Saranam Wellness Resort, Bali	Angsana	80
Qatar	Doha at la Cigale Mushaireb, Doha	Banyan Tree	341
Mozambique	Ilha Caldeira, Topiuto Islands	Banyan Tree	40
Saudi Arabia	AlUla	Banyan Tree	79

Source: Banyan Tree Holdings

(II) Land Bank

We would also like to note that BTH has 127 hectares of existing land bank development potential with gross development value of S\$4.7 billion. Currently, BTH has 4 projects activated with a land size of 9 hectares and a gross development value of S\$0.5 billion. Going forward, BTH still has 93% of its land bank to be utilized as shown in **Exhibit 32**.

Exhibit 32: BTH's Land Bank

EXISTING LAND BANK	
Land Size	127 hectares
Gross Development Value	S\$4.7 billion
PROJECTS ACTIVATED FOR DEVELOPMENT	
Number Of Projects	4
Land Size	9 hectares
Gross Development Value	S\$0.5 billion
Percentage Of Land Bank To Be Utilised (Land Size)	7%

Source: *Banyan Tree Holdings*

Further, we would like to note that, due to the pandemic, BTH did not launch any new property projects in 2020. However, we note that BTH remains committed to its strategy to unlock value from their land bank by rolling out new projects to meet ongoing demand. When the situation is more stable in 2021, BTH plans to launch projects in the entry-level, mid-range, and luxury segments.

FINANCIAL PROJECTION

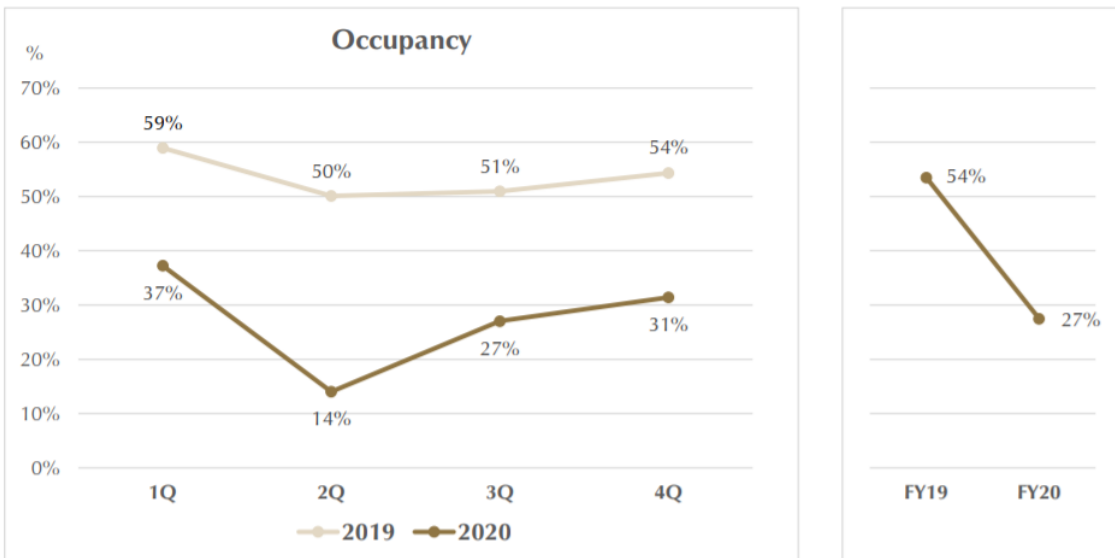
In this section, we will be providing our projections for BTH's revenue, earnings and dividends in FY2021 and FY2022.

(I) Revenue Projection

Occupancy Rate

As at 31 December 2020, BTH's average occupancy rate decreased from 54% in FY2019 to 27% in FY2020 as shown in **Exhibit 33**.

Exhibit 33: BTH Overall Hotels' (Same Store¹) Occupancy Rate



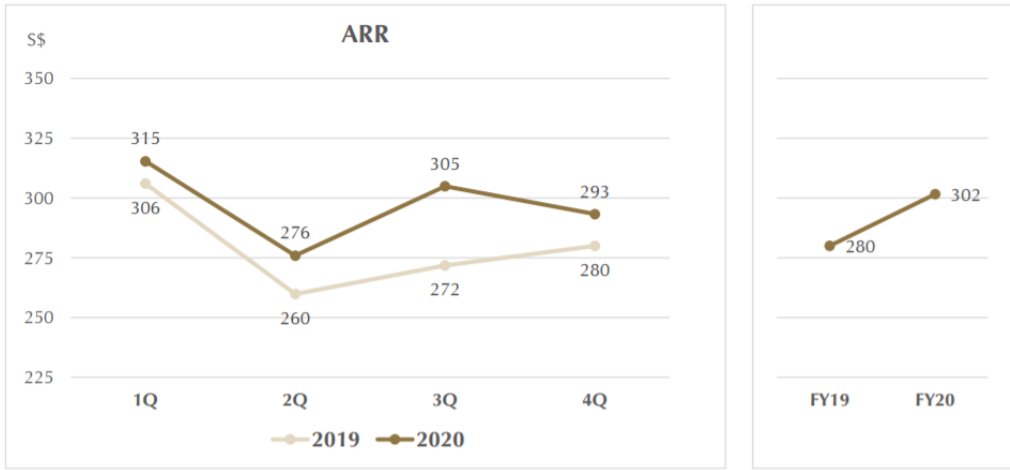
¹ Same store concept excludes all new resorts opened in the past 2 year as they take on average two years to stabilize
Source: Banyan Tree Holdings

We would like to note that from BTH's business update on 10 June 2021, in Q1 2021, hotels in China registered 39% occupancy whilst in Asia Pacific ex-China, Maldives, and the rest of hotels globally recorded occupancies of 17%, 66% and 28% respectively

Average Room Rate

Next, BTH overall hotels' average room rate (ARR) increased from S\$280 to S\$302 from FY2019 to FY2020 respectively, as shown in **Exhibit 34** on the next page.

Exhibit 34: BTH Overall Hotels' (Same Store¹) ARR

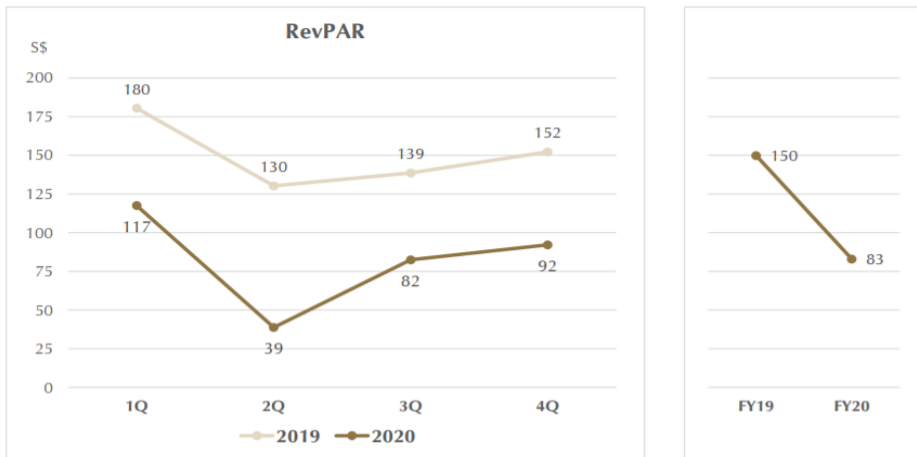


¹ Same store concept excludes all new resorts opened in the past 2 year as they take on average two years to stabilize
 Source: Banyan Tree Holdings

Revenue per Available Room

In FY2020, BTH's overall hotels revenue per available room (RevPAR) decreased by 44.67% to S\$83 from S\$150 in FY2019. However, we would like to note that on a quarter-on-quarter basis, BTH's overall RevPAR has been increasing since its lowest point in Q2. RevPAR increased by 12.20% from S\$82 in Q3 to S\$92 in Q4, as shown in Exhibit 35.

Exhibit 35: BTH Overall Hotels' (Same Store¹) RevPAR



¹ Same store concept excludes all new resorts opened in the past 2 year as they take on average two years to stabilize
 Source: Banyan Tree Holdings

(a) Hotel Investments Segment

To estimate revenue generated from Hotel Investments, we will project room rate and occupancy, and in turn RevPAR for BTH's Thailand resorts/hotels with equity interest. BTH owns 86.28% of Laguna Resorts & Hotels Public Company Limited which owns Banyan Tree Bangkok, Banyan Tree Phuket, Laguna Phuket, Villas Resort Phuket, Cassia Phuket and Laguna Holiday Club Phuket Resort. We obtained the lowest priced room rates for a 1-night stay for 1 adult at end/close to end of each month to calculate the average room rates for each hotel. The projected room rates (as represented by the average figures) for BTH's resorts/hotels with equity interest in Thailand for 2H2021 and FY2022 are summarized in **Exhibit 36** and **Exhibit 37** respectively.

Exhibit 36: Room rates for Hotel Investments in Thailand – 2H2021

Name of property	Brand	Room rates (S\$)					
		Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Average
Banyan Tree Bangkok	Banyan Tree	102	98	119	123	156	120
Banyan Tree Phuket	Banyan Tree	360	360	377	360	557	403
Laguna Phuket	Angsana	98	98	98	164	164	124
Villas Resort Phuket	Angsana	347	347	347	252	360	331
Cassia Phuket	Cassia	52	52	59	92	98	71
Laguna Holiday Club Phuket Resort	Others	199	199	112	158	158	165

Based on lowest priced room rates for a 1-night stay for 1 adult at end/close to end of each month. Data extracted 23 Aug 21.

Certain data points may vary by a difference of a few days to account for aberrations

Source: Banyan Tree Holdings, FPA Financial

Exhibit 37: Room rates for Hotel Investments in Thailand – FY2022

Name of property	Brand	Room rates (S\$)												
		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Average
Banyan Tree Bangkok	Banyan Tree	202	190	196	190	178	178	190	190	206	190	206	206	194
Banyan Tree Phuket	Banyan Tree	622	557	458	344	344	344	344	344	344	344	393	491	411
Laguna Phuket	Angsana	192	192	180	143	143	143	143	172	143	188	192	188	168
Villas Resort Phuket ⁽¹⁾	Angsana	295	196	196	86	86	86	86	86	86	86	-	-	129
Cassia Phuket ⁽²⁾	Cassia	141	141	121	105	105	105	105	105	105	-	-	-	115
Laguna Holiday Club Phuket Resort ⁽¹⁾	Others	195	195	178	112	112	112	112	112	112	112	-	-	135

Based on lowest priced room rates for a 1-night stay for 1 adult at end/close to end of each month. Data extracted 23 Aug 21.

Certain data points may vary by a difference of a few days to account for aberrations

(1) While hotel is operational, there is no availability of room rates for Nov-22 and Dec-22

(2) While hotel is operational, there is no availability of room rates between Oct-22 and Dec-22

Source: Banyan Tree Holdings, FPA Financial

According to BTH, during the first half of 2021, Thailand reported occupancy of 13% as it was still subjected to border controls, limiting its international arrivals. However, we believe that even though Thailand's hotel industry will continue to be impacted by the lack of international tourists, its government is pushing out measures to encourage domestic travelling and launching initiatives to slowly reopen its borders to vaccinated tourists. As mentioned on page 12, the Thai government launched a Phuket "Sandbox" scheme in an attempt to revive the tourism & hospitality sector. In this scheme, starting from 1 July 2021, vaccinated locals and foreign travellers will be able to roam freely around Phuket instead of being quarantined for 14 days. Straits Times also reported that in the third quarter, the government expects at least 100,000 foreign tourists to visit Phuket. With four hotels/ resorts in Phuket, BTH is likely to benefit from the surge in travellers as a result of this initiative.

Further, BTH also reported that forward bookings, have doubled in July and August compared to the 2 months prior to 1 July 2021. Using forward booking as a proxy, we would assume the occupancy rate to double in 2H2021 to 26%.

Looking ahead, for FY2022, we would expect a slightly stronger revenue performance from Hotel Investments amid a stabilisation of the virus situation. Given expectations of further vaccination progress in 2022 across most regions and a more relaxed entry conditions for vaccinated travellers, we could expect international tourism to pick up. Further, we note that the Thai government plans to administer approximately 500,000 shots per day, targeting to vaccinate 70% of its population by the end of 2021. This could bode well for Thailand tourism industry as tourists may deem Thailand as a safe destination for travel.

Further, as noted on page 12, the Thai government plans to lift travel restrictions for all provinces across Thailand. This would allow an increase in inflow of tourists which would be beneficial to BTH. Reuters also reported that Siripakorn Cheawsamoot, deputy governor of the Tourism Authority of Thailand, expects 20 million foreign arrivals in 2022, compared to an expected 3 million foreign tourist arrivals in 2021, which represents an increase in foreign arrivals by more than 6 times in 2022.

In view of further improvement in the travel outlook, Thailand's plan to fully reopen the country and the surge in projected foreign arrivals, we would expect a sustained occupancy recovery in 2022. Thus, we would assume that Thailand's occupancy rate in FY2022 to recover to FY2019, pre-COVID's overall occupancy rate of 54%, as shown on page 27.

Given the above estimated room rates and occupancy for 2H2021 and FY2022, we then project the RevPAR for the hotels in Thailand during these periods, as shown in **Exhibit 38**.

Exhibit 38: Projected RevPAR for Hotel Investments in Thailand

Name of property	Room rates		Occupancy		RevPAR	
	2H2021	FY2022	2H2021	FY2022	2H2021	FY2022
Banyan Tree Bangkok	120	194	26%	54%	\$ 31.1	\$ 104.5
Banyan Tree Phuket	403	411	26%	54%	\$ 104.7	\$ 221.8
Laguna Phuket	124	168	26%	54%	\$ 32.3	\$ 91.0
Villas Resort Phuket	331	129	26%	54%	\$ 86.0	\$ 69.6
Cassia Phuket	71	115	26%	54%	\$ 18.4	\$ 61.9
Laguna Holiday Club Phuket Resort	165	135	26%	54%	\$ 42.9	\$ 72.9

Source: Banyan Tree Holdings, FPA Financial

Based on the above projected RevPAR for individual hotels in Thailand, we then project the room revenue generated by the individual properties for 2H2021 and FY2022. Assuming all the hotels to be fully operational for the rest of 2021 and the whole of 2022, the projected total revenue in Thailand for 2H2021 and FY2022 would be S\$10.9 million and S\$53.5 million respectively, as shown in **Exhibit 39**. Further, BTH has an effective equity interest of 86.28% in these hotels, as noted on page 29. Thus, the total revenue from Hotel Investments in Thailand attributable to BTH would be S\$9.4 million and S\$46.1 million in 2H2021 and FY2022 respectively, as shown in **Exhibit 39**.

Exhibit 39: Projected room revenue for Hotel Investments in Thailand

Name of property	No of Keys	RevPAR (S\$)		No. of days		Total revenue (S\$'000)	
		2H2021	FY2022	2H2021	FY2022	2H2021	FY2022
Banyan Tree Bangkok	327	31.1	104.5	182	365	1,849	12,478
Banyan Tree Phuket	217	104.7	221.8	182	365	4,136	17,565
Laguna Phuket	371	32.3	91.0	182	365	2,184	12,318
Villas Resort Phuket	63	86.0	69.6	182	365	986	1,601
Cassia Phuket	304	18.4	61.9	182	365	1,017	6,865
Laguna Holiday Club Phuket Resort	99	42.9	72.9	182	365	772	2,633
Total						10,944	53,461
Effective equity interest						86.28%	86.28%
Total Revenue attributable to BTH						9,442	46,126

Source: Banyan Tree Holdings, FPA Financial

A summary of the projected revenue for Hotel Investments in Thailand for FY2021 and FY2022 is shown in **Exhibit 40**.

Exhibit 40: Projected Hotel Investment Revenue in Thailand for FY2021 and FY2022

S\$'000	Thailand's Hotel Investments Revenue (S\$'000)
1H 2021 (Actual)	5,722
2H 2021 (Forecast)	9,442
FY2021 (Forecast)	15,164
FY2022 (Forecast)	46,126

Source: Banyan Tree Holdings, FPA Financial

As mentioned on page 15, BTH's hotels in Maldives have benefited from the reopening of its border since July 2020. In 1H2021, BTH reported an increase in RevPAR by 53% compared to the same period a year ago and reported an increase in revenue of S\$5.1 million to S\$16.6 million compared to S\$11.5 million in 1H2020. As at 18 August 2021, 33 international airlines have resumed flights to the country. Further, according to the Ministry of Tourism (MOT) Republic of Maldives, Maldives has seen a steady improvement in arrivals in the second half of 2H2021 as the tourist arrivals in July and August (1st to 21st) have recovered to near pre-COVID levels. In July 2021, international arrivals recovered by approximately 77.1% to 101,818 compared to 132,144 arrivals in July 2019. From 1st to 21st August 2021, international arrivals recovered by almost 97.5% to 101,374 compared to 104,005 for the same period in 2019 as shown in **Exhibit 41**.

Exhibit 41: Tourist Arrivals for Maldives as at 22 August 2021

	Arrivals			Growth %		Daily Average			Avg. Duration of Stay 2021
	2019	2020 ⁻¹	2021	2021/2019	2021/2020	2019	2020	2021	
January	151,552	173,347	92,103	-39.2	-46.9	4,889	5,592	2,971	9.2
February	168,583	149,785	96,882	-42.5	-35.3	6,021	5,165	3,460	8.8
March	162,843	59,630	109,585	-32.7	83.8	5,253	1,924	3,535	8.7
April	163,114	13	91,200	-44.1	N/A	5,437	N/A	3,040	9.3
May	103,022	41	64,613	-37.3	N/A	3,323	N/A	2,084	9.1
June	113,475	1	56,166	-50.5	N/A	3,783	N/A	1,872	9.0
July	132,144	1,752	101,818	-22.9	5,711.5	4,263	103	3,284	9.1
August (1st-21st)	104,005	5,262	101,374	-2.5	1,826.5	5,321	213	4,827	9.7
TOTAL	1,098,738	389,831	713,741	-35.0	83.1	4,716	3,022	3,063	9.1

Note: ⁻¹ International border was closed for tourists from 27th March till 14th July during 2020

Source: Ministry of Tourism Republic of Maldives

However, the recovery in hotel performance in Maldives would be contingent on the low COVID-19 cases. According to latest data from Health Protection Agency (HPA), Maldives reported 108 new cases on 23 August 2021 bringing the total number of cases pass 80,000. Should there be a resurgence in COVID-19 cases in Maldives, it would negatively impact tourist arrivals in the second half of 2021.

Also, we note that from FY2017 to FY2020, BTH's Maldives hotel performance in the second half was slightly poorer than its first half as shown in **Exhibit 42**.

Exhibit 42: Maldives Historical Hotel Performance

Maldives [S\$ million]	FY2017		FY2018		FY2019		FY2020	
	For year ended Dec 31	% of revenue	For year ended Dec 31	% of revenue	For year ended Dec 31	% of revenue	For year ended Dec 31	% of revenue
First half	22.5	56%	20.9	56%	22.1	59%	11.5	68%
Second half	17.4	44%	16.2	44%	15.5	41%	5.5	32%
Full year	39.9	100%	37.1	100%	37.6	100%	17.0	100%

Source: Banyan Tree Holdings, FPA Financial

Considering the above, we are inclined to believe that the sales performance in Maldives would improve and we will assume the same percentage contribution of 59% and 41% in the first and second half of 2019 respectively, for our projections for FY2021. Accordingly, the projected revenue for Hotel Investments in 2H2021 and FY2021 would be S\$11.5 million = $[(41\%/59\%) \times \text{S\$16.6 million (1H2021 revenue)}]$ and S\$28.1 million = $[\text{S\$16.6 million (1H2021 revenue)} + \text{S\$11.5 million (projected 2H2021 revenue)}]$ respectively, as shown in **Exhibit 43**.

Exhibit 43: Projected Maldives' Hotel Investments Revenue for FY2021

Maldives [S\$ million]	For year ended Dec 31			
	FY2019	% of revenue	FY2021	% of revenue
First half	22.1	59%	16.6	59%
Second half	15.5	41%	11.5	41%
Full year	37.6	100%	28.1	100%

Source: Banyan Tree Holdings, FPA Financial

Looking further ahead in 2022, we expect further improvement in the international travel backdrop as further progression in vaccine distribution globally would facilitate a recovery in leisure travel. South China Morning Post (SCMP) recently reported that more than 60% of Maldives population have received their first vaccination and Ministry of Tourism (MOT), Republic of Maldives reported that more than 90% of resorts employees in Maldives are fully vaccinated. This could reassure travelers that Maldives would be a safe destination to travel to when countries slowly reopen its borders. Thus, we would expect a sustained RevPAR recovery in Maldives in FY2022 and assume a RevPAR growth of 10% for FY2022. Accordingly, projected revenue for Maldives in FY2022 would be S\$30.9 million = $[110\% \times \text{S\$28.1 million (projected revenue in FY2021)}]$.

A summary of the projected revenue for Hotel Investments in Maldives for FY2021 and FY2022 is shown in **Exhibit 44**.

Exhibit 44: Projected Hotel Investments Revenue in Maldives for FY2021 and FY2022

Maldives' Hotel Investments	
S\$'000	Revenue (S\$'000)
1H 2021 (Actual)	16,600
2H 2021 (Forecast)	11,536
FY2021 (Forecast)	28,136
FY2022 (Forecast)	30,949

Source: Banyan Tree Holdings, FPA Financial

We note that historically, BTH's Hotel Investments in Indonesia and Morocco contribute about 3% of the total reported revenue for Hotel Investments. Hence, using the historical average revenue contribution as a proxy, the total projected Hotel Investments revenue for FY2021 and FY2022 would be S\$44.1 million and S\$79.1 million respectively, as shown in **Exhibit 45**.

Exhibit 45: Total Projected Hotel Investments Revenue for FY2021 and FY2022

Hotel Investments S\$'000	Actual		Forecast					
	1H2021	% of revenue	2H2021	% of revenue	FY2021	% of revenue	FY2022	% of revenue
Thailand	5,722	25%	9,442	44%	15,164	34%	46,126	58%
Maldives	16,600	74%	11,536	53%	28,136	64%	30,949	39%
Others ⁽¹⁾	200	1%	649	3%	849	2%	1,976	3%
Total	22,522	100%	21,627	100%	44,149	100%	79,051	100%

⁽¹⁾ Includes Indonesia and Morocco

Source: Banyan Tree Holdings, FPA Financial

(b) Property Sales Segment

According to BTH's management, as at 30 June 2021, BTH's portfolio for property sales comprise of 5 completed projects held for sale and 7 projects that are still under development as shown in **Exhibit 46**.

Exhibit 46: BTH's Portfolio for Property Sales as at 30 June 2021

Project name	Expected completion date	Total units	Total sales value (S\$ million)	Average value per unit (S\$ million)	% of units sold	Number of unit sold	Unit available for sale
Completed Projects							
Banyan Tree 3 Beds Pool Villa	Completed	8	16.2	2.03	75%	6	2
Banyan Tree Double Pool Villa	Completed	22	41.6	1.89	82%	18	4
Banyan Tree Bintan 1B/2B Bayfront Villas	Completed	48	68.2	1.42	23%	11	37
Cassia Phuket (Phase 1 to Phase 3)	Completed	527	165.0	0.31	86%	453	74
Cassia Bintan	Completed	180	53.0	0.29	32%	58	122
Projects Under Development							
Laguna Park Phuket (Phase 2)	December-2022	39	22.5	0.58	90%	35	4
Angsana Beachfront Residences	December-2022	54	88.7	1.64	78%	42	12
Dhawa Apartments	December-2022	124	31.9	0.26	34%	42	82
Skypark (Building A & B)	December-2022	416	91.1	0.22	73%	304	112
Laguna Village Residences	December-2024	16	26.5	1.66	63%	10	6
Angsana Oceanview Residences	December-2025	33	45.7	1.38	21%	7	26
Banyan Tree Grand Residences	December-2028	19	83.8	4.41	16%	3	16

Source: Banyan Tree Holdings, FPA Financial

As part of the Thai government's Sandbox scheme to start reopening Phuket to vaccinated travellers, we could expect an increase in foreign tourists visiting Phuket. The reopening of its borders could be a catalyst for property sales in the second half of 2021 as it would allow foreign buyers who were previously unable to conduct physical inspections of the properties due to international border closures to visit the site before making the purchase.

We also note that BTH has been focusing their sales channel development and digital marketing activities in existing key markets including China and Russia. Recent advertisements also suggest that BTH may be increasing its sales and promotion efforts for the property sales segment. For example, BTH offered a limited-period discount for its 1-bedroom Residences Condominiums and 1–2-bedroom Seaview apartments under Cassia Phuket. BTH also offered virtual private tours for interested buyers. Given the closure of international borders, we believe that BTH may continue to launch similar online sales and marketing initiatives for other projects to reach out to potential buyers and we could see an improvement in sales should the COVID-19 situation persist, and lockdown measures remain in place.

Further, with accelerated vaccination rollouts and easing of lockdown measures globally, we could expect gradual reopening of international borders and for the performance of properties sales to recover. According to World Travel & Tourism Council (WTTC), China was the largest contributor to visitor arrivals for Thailand in 2019 and 2020, representing 28% and 19% of the total inbound arrivals. Also, in its latest World Economic Outlook (WEO), IMF projects China's GDP to grow by 5.7% compared to the global growth rate of 4.9% in 2022, signally a stronger growth in China. Hence, BTH may be able to benefit from the larger inflow of Chinese buyers with higher spending power to generate sales for its luxury properties.

As noted on page 16, total sales value increased from S\$29.8 million in 1H2020 to S\$30.9 million in 1H2021. With the reopening of Phuket's border to vaccinated travellers and the recovery of global economy, we expect sales performance in 2H2021 and FY2022 to improve.

Projected sales for projects which are completed and held for sale

As noted in **Exhibit 46** on the previous page, the average value per unit for Banyan Tree 3 Beds Pool Villa, Banyan Tree Double Pool Villa and Banyan Tree Bintan 1B/2B Bayfront Villas are significantly higher than the average value per unit for Cassia Phuket (Phase 1 to Phase 3) and Cassia Bintan. Thus, we would be conservative in our projections and expect the sales for these villas to be slower and would assume no units to be sold in 2H2021 and 1 unit to be sold in FY2022 for each project as shown in **Exhibit 47**.

For Cassia Phuket and Cassia Bintan, we would assume the percentage of units sold to increase by 5% in 2H2021 and 10% in FY2022. Taking Cassia Bintan as an example, the percentage of units sold as at 30 June 2021 is 32%. Assuming a 5% increase in sales in 2H2021 and a further increase of 10% in FY2022, the projected percentage of units sold would be 37% and 47% in 2H2021 and FY2022 respectively, as shown in **Exhibit 47**. The projected units to be sold for each projects are also shown in **Exhibit 47**.

Exhibit 47: Projected Percentage of Units Sold in 2H2021 and FY2022 for Completed Projects

Completed Projects	% Sold (as at 30 June 2021)	Projected % of units sold		Projected units sold	
		2H2021	FY2022	2H2021	FY2022
Banyan Tree 3 Beds Pool Villa	75%	75%	88%	0	1
Banyan Tree Double Pool Villa	82%	82%	86%	0	1
Banyan Tree Bintan 1B/2B Bayfront Villas	23%	23%	25%	0	1
Cassia Phuket (Phase 1 to Phase 3)	86%	91%	100%	26	47
Cassia Bintan	32%	37%	47%	9	18

Source: Banyan Tree Holdings, FPA Financial

Projected sales for projects which are under development and expected to be completed by FY2022

As noted in **Exhibit 46** on the previous page, there are 4 projects that are expected to be completed by December 2022 – Laguna Park Phuket (Phase 2), Angsana Beachfront Residences, Dhawa Apartments and Skypark (Building A & B). We would estimate the percentage of units sold to increase by 5% in 2H2021 and 10% in FY2022 for projects that are slated to complete by FY2022. Taking Dhawa Apartments as an example, 34% of the project have been sold as at 30 June 2021. Assuming a 5% increase in sales in 2H2021 and a further increase of 10% in FY2022, the projected percentage of units sold would be 39% and 49% in 2H2021 and FY2022 respectively, as shown in **Exhibit 48**. The projected units to be sold for each projects are also noted in **Exhibit 48**.

Exhibit 48: Projected Percentage of Units Sold in 2H2021 and FY2022 for Projects Expected to be Completed in FY2022

Projects Under Development	Expected completion date	% Sold (as at 30 June 2021)	Unit available for sale (as at 30 June 2021)	Projected % of units sold		Projected units sold	
				2H2021	FY2022	2H2021	FY2022
Laguna Park Phuket (Phase 2)	December-2022	90%	4	95%	100%	2	2
Angsana Beachfront Residences	December-2022	78%	12	83%	93%	3	5
Dhawa Apartments	December-2022	34%	82	39%	49%	6	12
Skypark (Building A & B)	December-2022	73%	112	78%	88%	21	42

Source: Banyan Tree Holdings, FPA Financial

Projected sales for projects which are under development and expected to be completed after FY2022

As noted in **Exhibit 46** on page 33, Laguna Village Residences, Angsana Oceanview Residences and Banyan Tree Grand Residences are expected to be completed by 2024, 2025 and 2028 respectively. Also, the average value per unit for Banyan Tree Grand Residences is significantly higher than the average value per unit for the other 2 projects. Thus, we would be conservative in our projections and expect the sales for Banyan Tree Grand Residences to be slower and would assume no units to be sold in 2H2021 and 1 unit to be sold in FY2022 as shown in **Exhibit 49**.

Further, for Laguna Village Residences and Angsana Oceanview Residences, as it would take approximately 3-4 more years before it is completed, we would expect the sales for these projects to be slower than those projects estimated to be completed in FY2022. Thus, we would assume the percentage of units sold to increase by 4% in 2H2021 and 8% in FY2022. Taking Laguna Village Residences as an example, the percentage of units sold as at 30 June 2021 is 63%. Assuming a 4% increase in sales in 2H2021 and a further increase of 8% in FY2022, the projected percentage of units sold would be 67% and 75% in 2H2021 and FY2022 respectively, as shown in **Exhibit 49**. The projected units to be sold for each projects are also noted in **Exhibit 49**.

Exhibit 49: Projected Percentage of Units Sold in 2H2021 and FY2022 for Projects Expected to be Completed After FY2022

Projects Under Development	Expected completion date	% Sold (as at 30 June 2021)	Unit available for sale	Projected % of units sold		Projected units sold	
				2H2021	FY2022	2H2021	FY2022
Laguna Village Residences	Dec-2024	63%	6	67%	75%	1	1
Angsana Oceanview Residences	Dec-2025	21%	26	25%	33%	1	3
Banyan Tree Grand Residences	Dec-2028	16%	16	20%	28%	0	1

Source: Banyan Tree Holdings, FPA Financial

To determine the total property sale revenue for FY2021 and FY2022, we have to consider the recognition of revenue for sales generated during each period and the revenue expected to be recognised for sales made prior to each period, which would be discussed below.

Projected revenue to be recognised for sales generated during each period – completed projects

According to BTH, revenue from sale of a completed development property is recognised when control over the property is transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied. Hence, in our projections, we would recognise all the revenue for the units sold from completed projects in each respective year. Accordingly, the projected revenue to be recognised for completed projects would be S\$10.8 million and S\$25.4 million in 2H2021 and FY2022 respectively, as shown in **Exhibit 50**.

Exhibit 50: Projected Revenue to be Recognised in 2H2021 and FY2022 – Completed Projects

Project name	Average value per unit (S\$ million)	Projected number of units sold		Projected revenue to recognise (S\$ million)	
		2H2021	FY2022	2H2021	FY2022
Completed Projects					
Banyan Tree 3 Beds Pool Villa	2.03	0	1	-	2.0
Banyan Tree Double Pool Villa	1.89	0	1	-	1.9
Banyan Tree Bintan 1B/2B Bayfront Villas	1.42	0	1	-	1.4
Cassia Phuket (Phase 1 to Phase 3)	0.31	26	47	8.1	14.7
Cassia Bintan	0.29	9	18	2.7	5.3
Subtotal	NM	35	68	10.8	25.4
% of revenue to be recognised				100%	100%
Revenue to be recognised				10.8	25.4

NM: not meaningful

Source: Banyan Tree Holdings, FPA Financial

Projected revenue to be recognised for sales generated during each period – projects under development

Based on historical recognised property sales revenue, we note that BTH has been recognising revenue for units sold for projects which have yet to be completed as a whole. For example, as mentioned on page 16, units from uncompleted projects for Angsana Beachfront Residences, Laguna Park Villas and Laguna Village Residences were recognised in 1H2021.

For the 4 projects that are expected to be completed by FY2022, as the sales would eventually be recognised in FY2022 when the projects are completed, we would assume the sales generated in 2H2021 and FY2022 to be fully recognised in each period. Accordingly, the projected revenue to be recognised for projects expected to be completed by FY2022 would be S\$12.2 million and S\$21.7 million in 2H2021 and FY2022 respectively, as shown in **Exhibit 51**.

Exhibit 51: Projected Revenue to be Recognised in 2H2021 and FY2022 – Expected to be Completed in FY2022

Project name	Average value per unit (S\$ million)	Projected number of units sold		Projected revenue to recognise (S\$ million)	
		2H2021	FY2022	2H2021	FY2022
Projects expected to be completed in FY2022					
Laguna Park Phuket (Phase 2)	0.58	2	2	1.2	1.2
Angsana Beachfront Residences	1.64	3	5	4.9	8.2
Dhawa Apartments	0.26	6	12	1.5	3.1
Skypark (Building A & B)	0.22	21	42	4.6	9.2
Subtotal	NM	32	61	12.2	21.7
% of revenue to be recognised				100%	100%
Revenue to be recognised				12.2	21.7

NM: not meaningful

Source: Banyan Tree Holdings, FPA Financial

For the 3 projects that are expected to be completed after FY2022, we would be using BTH's historical percentage of revenue recognised as a proxy for our projections. Property sales value is the amount of sales generated in the year. Recognised property revenue is the amount of revenue BTH recognises from sales generated in the year and years prior to each respective period, depending on the completion of the units. The percentage of revenue recognised is then derived by dividing the recognised property revenue over the property sales value of each respective years. For example, in FY2016, the percentage of revenue recognised is 37% = [S\$51.3 million / S\$137.8 million] as shown in **Exhibit 52**.

We note that from FY2016 to FY2019, BTH's percentage of recognised property revenue was between 37% and 99% of its property sales value. In FY2020, recognised property revenue was higher than its sales due to higher recognition of sales generated from the prior years. The closure of international borders also softened the demand from foreign buyers, causing the drop in sales in FY2020 as shown in **Exhibit 52**.

Exhibit 52: BTH's Historical Percentage of Revenue Recognised

Property Sales [S\$ million]	For year ended Dec 31				
	FY2016	FY2017	FY2018	FY2019	FY2020
Property Sales Value	137.8	137.8	125.6	115.9	47.6
Recognised Property Revenue	51.3	51.4	77.0	114.2	69.4
% of revenue recognised	37%	37%	61%	99%	146%

Source: Banyan Tree Holdings, FPA Financial

Given the above, we would be conservative in our projections and select the lower end of the range and would expect to recognise 37% of the revenue generated from projects that are expected to be completed after FY2022. Accordingly, the projected revenue to be recognised for projects expected to be completed after FY2022 would be S\$1.1 million and S\$3.8 million in 2H2021 and FY2022 respectively, as shown in **Exhibit 53** on the next page.

Exhibit 53: Projected Revenue to be Recognised in 2H2021 and FY2022 – Expected to be Completed after FY2022

Project name	Average value per unit (S\$ million)	Projected number of units sold		Projected revenue to recognise (S\$ million)	
		2H2021	FY2022	2H2021	FY2022
Projects expected to be completed after FY2022					
Laguna Village Residences	1.66	1	1	1.7	1.7
Angsana Oceanview Residences	1.38	1	3	1.4	4.2
Banyan Tree Grand Residences	4.41	0	1	-	4.4
Subtotal	NM	2	5	3.0	10.2
% of revenue to be recognised				37%	37%
Revenue to be recognised				1.1	3.8

Source: Banyan Tree Holdings, FPA Financial

Consequently, the property sales revenue to recognise for sales generated in 2H2021 and FY2022 would be S\$24.1 million and S\$50.8 million respectively, as shown in **Exhibit 54**.

Exhibit 54: Projected Revenue to be Recognised in 2H2021 and FY2022

Project name	Average value per unit (S\$ million)	Projected number of units sold		Projected revenue to recognise ⁽¹⁾ (S\$ million)	
		2H2021	FY2022	2H2021	FY2022
Completed Projects					
Banyan Tree 3 Beds Pool Villa	2.03	0	1	-	2.0
Banyan Tree Double Pool Villa	1.89	0	1	-	1.9
Banyan Tree Bintan 1B/2B Bayfront Villas	1.42	0	1	-	1.4
Cassia Phuket (Phase 1 to Phase 3)	0.31	26	47	8.1	14.7
Cassia Bintan	0.29	9	18	2.7	5.3
Subtotal	NM	35	68	10.8	25.4
% of revenue to be recognised				100%	100%
Revenue to be recognised				10.8	25.4
Projects expected to be completed in FY2022					
Laguna Park Phuket (Phase 2)	0.58	2	2	1.2	1.2
Angsana Beachfront Residences	1.64	3	5	4.9	8.2
Dhawa Apartments	0.26	6	12	1.5	3.1
Skypark (Building A & B)	0.22	21	42	4.6	9.2
Subtotal	NM	32	61	12.2	21.7
% of revenue to be recognised				100%	100%
Revenue to be recognised				12.2	21.7
Projects expected to be completed after FY2022					
Laguna Village Residences	1.66	1	1	1.7	1.7
Angsana Oceanview Residences	1.38	1	3	1.4	4.2
Banyan Tree Grand Residences	4.41	0	1	-	4.4
Subtotal	NM	2	5	3.0	10.2
% of revenue to be recognised				37%	37%
Revenue to be recognised				1.1	3.8
Property Sales Revenue to be Recognised				24.1	50.8

NM: not meaningful

Source: Banyan Tree Holdings, FPA Financial

Expected revenue to be recognised from sales made prior to 30 June 2021

BTH announced on 13 August 2021 in its half year financial statement that it has a healthy pipeline of unrecognised sales revenue amounting to S\$112.3 million. According to BTH's management, they expect to recognise S\$20.5 million, S\$78.0 million and S\$13.8 million in 2H2021, FY2022 and FY2023 respectively. To account for the sales made prior to 30 June 2021 for development projects that were under construction, we would expect to recognise S\$20.5 million and S\$78.0 million in 2H2021 and FY2022 respectively as shown in **Exhibit 55**.

Exhibit 55: Breakdown of the Expected Revenue to be Recognised from 2H2021 to FY2023 (as at 30 June 2021)

Project name	Unrecognised revenue as at 30 June 2021 (S\$ million)	Revenue to be recognised		
		2H2021	FY2022	FY2023
Angsana Beachfront Residences	10.4	7.0	3.4	-
Angsana Oceanview Residences	8.6	-	8.6	-
Banyan Tree Grand Residences	4.6	-	4.6	-
Cassia Phuket	4.6	4.6	-	-
Dhawa Apartments	9.6	-	9.6	-
Laguna Park Phuket (Phase 2)	7.3	7.3	-	-
Laguna Village Residences	6.4	1.7	4.7	-
Skypark (Building A & B)	60.7	-	46.9	13.8
Total ⁽¹⁾	112.2	20.5	78.0	13.8

⁽¹⁾ Figures may differ due to rounding differences

Source: Banyan Tree Holdings

Based on the recognised revenue from sales generated during each period and the expected revenue to be recognised for sales made prior to 30 June 2021 as shown in **Exhibit 54** and **Exhibit 55** respectively, the projected total property sales revenue for 2H2021 and FY2022 would be S\$44.6 million and S\$128.8 million respectively as shown in **Exhibit 56**.

Exhibit 56: Projected Property Sales Revenue for 2H2021 and FY2022

S\$ million	Forecast	
	2H2021	FY2022
Expected revenue to be recognised for sales made prior to 30 June 2021	20.5	78.0
Recognised revenue from sales generated in each respective period	24.1	50.8
Total	44.6	128.8

Source: Banyan Tree Holdings, FPA Financial

Accordingly, the projected property sales revenue for FY2021 and FY2022 would be S\$62.1 million = [S\$17.4 million (1H2021 actual property sales revenue) + S\$44.6 million (2H2021 forecasted property sales revenue)] and S\$128.8 million respectively as shown in **Exhibit 57** on the next page.

Exhibit 57: Projected Property Sales Revenue for FY2021 and FY2022

S\$'000	Property Sales Revenue (S\$'000)
1H 2021 (Actual)	17,433
2H 2021 (Forecast)	44,640
FY2021 (Forecast)	62,073
FY2022 (Forecast)	128,786

Source: Banyan Tree Holdings, FPA Financial

(c) Fee-Based Segment

As mentioned on page 16, revenue from Fee-based segment increased by 13.6% yoy in the first half of 2021 compared to the same period a year ago, due to strong performance from China and Mexico. We believe the recovery in China will continue in the second half of 2021 and in 2022. Also, as BTH's hotels are in the Luxury and Upper Upscale class, it is likely to benefit from the pent-up demand from the high-spending Chinese consumers who have turned to domestic travel as an alternative to travelling overseas.

Considering the above, we would expect revenue growth from Fee-based segment in the 2H2021 to continue and match its yoy growth of 13.6% in 1H2021. Hence, the projected Fee-based revenue for existing portfolio in 2H2021 would be S\$18.8 million = [113.6% x S\$16.5 million (1H2021 revenue)] and the total projected revenue for existing portfolio FY2021 would be S\$35.3 million = [S\$16.5 million (1H2021) + S\$18.8 million (2H2021)], as shown in **Exhibit 58**.

Exhibit 58: Projected Fee-based revenue for Existing Portfolio for FY2021

S\$'000	Actual	Forecast		
	1H 2021	2H 2021	% Change	FY2021
Fee based	16,512	18,758	13.6%	35,270

Source: Banyan Tree Holdings, FPA Financial

Looking ahead, for FY2022, we would expect a slightly stronger revenue and we are positive on the long-term outlook for the Fee-based segment. As mentioned on page 25, amid the pandemic, BTH managed to secure new contracts and plans to open 10 new resorts in the next 12 months, potentially increasing its total room key count by 19.0%.

Further, we would expect countries to slowly reopen its borders in 2022 or establish travel bubble between countries. In its latest World Economic Outlook (WEO), IMF revised its global GDP growth upwards by 0.5% to 4.90% for 2022, signalling a stronger economic outlook. As the global economy recovers from COVID-19, and countries start to lift border restrictions, we expect BTH's exposure to popular tourist destinations like China, Thailand and Indonesia to bode well for the recovery in its hotel division.

In view of BTH's ambition to double its operating footprint, stronger global economic outlook and the potential reopening of borders, we would expect to see a sustained recovery in its Fee-based segment in 2022. Thus, we would expect the revenue growth momentum in FY2021 to continue into FY2022 and assume a revenue growth of 13.6% in FY2022. Accordingly, the projected revenue for existing portfolio in FY2022 would be S\$40.1 million = [113.6% x S\$35.3 million (projected revenue in FY2021)] as shown in **Exhibit 59**.

Exhibit 59: Projected Fee-based Revenue for Existing Portfolio for FY2021 and FY2022

S\$'000	Forecast	
	FY2021 (Forecast)	FY2022 (Forecast)
Fee based	35,270	40,066

Source: Banyan Tree Holdings, FPA Financial

In addition, we would also consider the revenue contributions from the new hotels/resorts which are scheduled to open in the next 12 months. There are 5 hotels/resorts expected to be opened in Q4 2021 and 5 more hotels/resorts in 2022 as shown in **Exhibit 60**.

Exhibit 60: Hotels/ Resorts Scheduled To Open In The Next 12 Months

Country	Name of hotel/resort	Expected Opening	No of Keys
China	Nanjing Garden Expo, Jiangsu	Q4 2021	115
China	Garrya Huzhou Lucun, Zhejiang	Q4 2021	107
Qatar	Doha at la Cigale Mushaireb, Doha	Q4 2021	341
Saudi Arabia	Banyan Tree AlUla	Q4 2021	79
Indonesia	Buahan, A Banyan Tree Escape, Bali	Q4 2022	16
Indonesia	Saranam Wellness Resort, Bali	Q1 2022	80
Mozambique	Ilha Caldeira, Topiuto Islands	Q2 2022	40
China	Angsana Tengchong, Yunnan	Q2 2022	174
China	Jinan Daming Lake, Shandong	Q3 2022	100
China	Xian Chanba, Shaanxi	Q3 2022	306

Source: Banyan Tree Holdings

To estimate the revenue contribution from the new hotels, we would calculate the weighted increase in revenue contribution for each hotel. We would assume that the new hotels would be operational at the start of each expected opening quarter. For hotels that are expected to open in Q4 2021, we would consider the full year revenue contribution in FY2022. For example, Nanjing Garden Expo, Jiangsu is a 115-key hotel that is expected to be opened in Q4 2021. The 115 keys represent a 1.6% = $[(115 / 7298 \text{ (total number of keys managed by BTH)}) \times 100\%]$ increase in number of keys managed by BTH. Thus, by multiplying the percentage increased in keys by the number of operating days in a year, the weighted increase in revenue contribution by Nanjing Garden Expo, Jiangsu would be 0.4% = $[1.6\% \times (91/365)]$ in FY2021 and 1.6% = $[1.6\% \times (365/365)]$ in FY2022. We would adopt the same approach for the other new hotels that are expected to be opened in the next twelve months. Accordingly, the projected weighted increase in revenue contribution would be 2.2% and 15.1% in 2H2021 and FY2022 respectively, as shown in **Exhibit 61**.

Exhibit 61: Projected Weighted Increase in Revenue Contribution for 2H2021 and FY2022

Name of hotel/resort	Expected Opening	No of Keys	% increase in keys	Number of operating days ⁽¹⁾	Weighted increase in revenue contribution
2H2021					
Nanjing Garden Expo, Jiangsu	Q4 2021	115	1.6%	91	0.4%
Garrya Huzhou Lucun, Zhejiang	Q4 2021	107	1.5%	91	0.4%
Doha at la Cigale Mushaireb, Doha	Q4 2021	341	4.7%	91	1.2%
Banyan Tree AlUla	Q4 2021	79	1.1%	91	0.3%
Total		642	8.8%	-	2.2%
FY2022					
Nanjing Garden Expo, Jiangsu	Q4 2021	115	1.6%	365	1.6%
Garrya Huzhou Lucun, Zhejiang	Q4 2021	107	1.5%	365	1.5%
Doha at la Cigale Mushaireb, Doha	Q4 2021	341	4.7%	365	4.7%
Banyan Tree AlUla	Q4 2021	79	1.1%	365	1.1%
Buahan, A Banyan Tree Escape, Bali	Q1 2022	16	0.2%	365	0.2%
Saranam Wellness Resort, Bali	Q1 2022	80	1.1%	365	1.1%
Ilha Caldeira, Topiuto Islands	Q2 2022	40	0.5%	273	0.4%
Angsana Tengchong, Yunnan	Q2 2022	174	2.4%	273	1.8%
Jinan Daming Lake, Shandong	Q3 2022	100	1.4%	182	0.7%
Xian Chanba, Shaanxi	Q3 2022	306	4.2%	182	2.1%
Total		1,358	18.6%	-	15.1%

⁽¹⁾ Assuming 91 days a quarter and 365 days a year

Source: Banyan Tree Holdings, FPA Financial

Given the projected weighted increase in revenue contribution of 2.2% in 2H2021 and 15.1% in FY2022, the projected fee based revenue from new hotels/resorts would be S\$0.4 million = [2.2% x S\$18.8 million (revenue from existing portfolio in 2H2021)] in 2H2021 and S\$6.0 million = [15.1% x 40.1 million (revenue from existing portfolio in FY2022)] in FY2022. Accordingly, the total projected fee-based revenue for FY2021 and FY2022 would be S\$35.7 million and S\$46.1 million respectively, as shown in **Exhibit 62**.

Exhibit 62: Total Projected Fee-based Revenue for FY2021 and FY2022

Fee-based segment S\$'000	Actual		Forecast	
	1H2021	2H2021	FY2021	FY2022
Revenue from existing portfolio	16,512	18,758	35,270	40,066
Revenue from new hotels/resorts	-	411	411	6,042
Total Fee-based segment revenue	16,512	19,169	35,681	46,108

Source: Banyan Tree Holdings, FPA Financial

(d) Other Revenue

Historically, other income is mainly related to net fair value gain/loss on investment properties and securities. As noted on page 15, other income increased by 41.6% to S\$1.2 million in 1H2021. For 2H2021, we would assume the same amount of S\$1.2 million. This would imply total other income of S\$2.4 million in FY2021. We would also assume this figure for FY2022 as shown in **Exhibit 63**.

Exhibit 63: Projected Other Income for FY2021 and FY2022

[S\$'000]	Actual		Forecast	
	1H 2021	2H 2021	FY2021	FY2022
Other Income	1,175	1,175	2,350	2,350

Source: Banyan Tree Holdings, FPA Financial

(e) Total Revenue

Given our projected revenue for each business segments as shown in **Exhibits 45, 57, 62 and 63**, the forecasted revenue for FY2021 and FY2022 would be S\$144.3 million and S\$256.3 million respectively, as shown in **Exhibit 64**.

Exhibit 64: Projected Total Revenue for FY2021 and FY2022

[S\$'000]	Actual		Forecast	
	FY 2019	FY 2020	FY 2021	FY 2022
Hotel Investment	173,690	62,176	44,149	79,051
Property Sales	114,223	69,398	62,073	128,786
Fee-based segment	59,041	26,258	35,681	46,108
Other Income	5,827	1,747	2,350	2,350
Total Revenue	352,781	159,579	144,252	256,295

Source: Banyan Tree Holdings, FPA Financial

(II) Earnings Projection

Given our projected revenue figures for FY2021 and FY2022, we will now estimate BTH's earnings for these periods.

Cost of Operating Supplies

As mentioned on page 16, in 1H2021, cost of operating supplies decreased by 28.0% due to lower revenue from Hotel Investments. For FY2021 and FY2022, we would assume the same cost ratio of 19.85% in 1H2021 to forecast the cost of operating supplies. Accordingly, projected cost of operating supplies for FY2021 and FY2022 would be S\$8.8 million and S\$15.7 million respectively, as shown in **Exhibit 65**.

Exhibit 65: Projected Cost of Operating Supplies for FY2021 and FY2022

S\$'000	Actual			Forecast	
	FY 2019	FY 2020	1H 2021	FY 2021	FY 2022
Hotel Investments Revenue	173,690	62,176	22,522	44,149	79,051
Cost of operating supplies	(23,970)	(9,682)	(4,470)	(8,762)	(15,689)
% of Hotel Investments	13.80%	15.57%	19.85%	19.85%	19.85%

Source: Banyan Tree Holdings, FPA Financial

Cost of Properties Sold

As mentioned on page 16, cost of properties sold move in line with Property Sales revenue recognised during the period. For FY2021 and FY2022, we would assume the same cost ratio of 50.88% in 1H2021 to forecast the cost of properties sold. Accordingly, projected cost of properties sold would be S\$31.6 million and S\$65.5 million for FY2021 and FY2022 respectively, as shown in **Exhibit 66**.

Exhibit 66: Projected Cost of Properties Sold for FY2021 and FY2022

S\$'000	Actual			Forecast	
	FY 2019	FY 2020	1H 2021	FY 2021	FY 2022
Property Sales Revenue	114,223	69,398	17,433	62,073	128,786
Cost of properties sold	(64,052)	(36,186)	(8,870)	(31,583)	(65,527)
% of Property Sales	56.08%	52.14%	50.88%	50.88%	50.88%

Source: Banyan Tree Holdings, FPA Financial

Salaries and Related Expenses

In view of an improved travel outlook due to stronger domestic demand, we could expect salaries and related expenses to increase with the gradual resumption hotel operations. To account for this, we would assume a 5% increase in salaries and related expenses in 2H2021 compared to 1H2021, and a further increase of 20% yoy in FY2022. The summary of the projected salaries and related expenses is shown in **Exhibit 67**.

Exhibit 67: Projected Salaries and Related Expenses for FY2021 and FY2022

S\$'000	Actual	Forecast				
	1H 2021	2H 2021	% Change	FY2021	FY2022	% Change
Salaries and related expenses	(22,018)	(23,119)	5%	(45,137)	(54,164)	20%

Source: Banyan Tree Holdings, FPA Financial

Administrative Expenses

For administrative expenses, we would exclude the one-off write down of property development cost and the fair value losses on convertible bonds. However, we would also expect some increase in administrative expenses which include items like rental expenses to third party property owners, legal and professional fees. To account for this, we would assume a 5% increase in administrative expenses (excluding one-offs) in 2H2021 compared to 1H2021, and a further increase of 20% yoy in FY2022. The summary of the projected administrative expenses is shown in **Exhibit 68**.

Exhibit 68: Projected Administrative Expenses for FY2021 and FY2022

S\$'000	Actual			Forecast		
	1H 2021	2H 2021	% Change	FY2021	FY2022	% Change
Administrative expenses (excluding one-offs)	(10,797)	(11,337)	5%	(22,134)	(26,561)	20%
Write down of property development cost	(1,222)	-	-	(1,222)	-	-
Fair value losses on convertible bonds	(10,444)	-	-	(10,444)	-	-
Total Administrative expenses	(22,463)	(11,337)	-	(33,800)	(26,561)	-

Source: Banyan Tree Holdings, FPA Financial

Sales and Marketing Expenses

Sales and marketing expenses fell by S\$1.9 million in 1H2021 compared to the same period one year ago. With Thailand's government Sandbox scheme to allow vaccinated tourists to visit Phuket without quarantine period of at least 14 days and a stronger domestic demand in China, we could expect more marketing and promotional efforts by BTH. To account for this, we would assume a 5% increase in sales and marketing expenses in 2H2021 compared to 1H2021, and a further increase of 20% yoy in FY2022. The summary of the projected sales and marketing expenses is shown in **Exhibit 69**.

Exhibit 69: Projected Sales and Marketing Expenses for FY2021 and FY2022

S\$'000	Actual			Forecast		
	1H 2021	2H 2021	% Change	FY2021	FY2022	% Change
Sales and marketing expenses	(3,146)	(3,303)	5%	(6,449)	(7,739)	20%

Source: Banyan Tree Holdings, FPA Financial

Other Operating Expenses

Other operating expenses comprise utilities expenses, repair & maintenances and commission paid to travel agents. We would expect these expenses to rise with gradual increase in occupancy and business activities. We would assume a 5% increase in other operating expenses for the second half of 2021 compared to the first half. We would assume a further increase of 20% yoy in FY2022. The summary of the projected other operating expenses is shown in **Exhibit 70**.

Exhibit 70: Projected Other Operating Expenses for FY2021 and FY2022

S\$'000	Actual			Forecast		
	1H 2021	2H 2021	% Change	FY2021	FY2022	% Change
Other operating expense	(11,839)	(12,431)	5%	(24,270)	(29,124)	20%

Source: Banyan Tree Holdings, FPA Financial

Impairment Loss on Financial Assets

As noted on page 16, BTH recorded a loss of S\$1.2 million in impairment losses on financial assets in 1H2021 compared to a loss of S\$2.21 million the previous year. For second half of 2021 and FY2022, we would assume no impairment losses on financial assets.

Consequently, the total projected cost and expenses for FY2021 and FY2022 is S\$151.2 million and S\$198.8 million respectively, as shown in **Exhibit 71**.

Exhibit 71: Projected Total Cost and Expenses for FY2021 and FY2022

[\$\$'000]	Actual	Forecast	
	1H 2021	FY 2021	FY 2022
Cost and expenses			
Cost of operating supplies	(4,470)	(8,762)	(15,689)
Cost of properties sold	(8,870)	(31,583)	(65,527)
Salaries and related expenses	(22,018)	(45,137)	(54,164)
Administrative expenses (excluding one-offs)	(10,797)	(22,134)	(26,561)
Write down of property development cost	(1,222)	(1,222)	-
Fair value losses on convertible bonds	(10,444)	(10,444)	-
Sales and marketing expense	(3,146)	(6,449)	(7,739)
Other operating expenses	(11,839)	(24,270)	(29,124)
Impairment losses on financial assets	(1,219)	(1,219)	-
Total cost and expenses	(74,025)	(151,220)	(198,804)

Source: Banyan Tree Holdings, FPA Financial

Depreciation of PPE, Right-of-use Assets and Amortisation Expense

As noted on page 17, depreciation of PPE and right-of-use assets amounted to S\$11.7 million and amortisation expense amounted to S\$0.4 million in 1H2021. We would assume the same depreciation and amortisation expense for the second half of 2021 and the depreciation and amortisation expense to remain unchanged in FY2022 from FY2021, as shown in **Exhibit 72**.

Exhibit 72: Projected Depreciation and Amortisation Expenses for FY2021 and FY2022

[\$\$'000]	Actual	Forecast	
	1H 2021	FY 2021	FY 2022
Depreciation of property, plant and equipment and right-of-use assets	(11,729)	(23,458)	(23,458)
Amortisation expense	(386)	(772)	(772)

Source: Banyan Tree Holdings, FPA Financial

Net Finance Cost

As at 31 December 2020, BTH's total borrowings was S\$459.3 million and the interest expense on borrowings were S\$21.7 million. Hence, the estimated effective interest rate on BTH's borrowing would be approximately 4.73% = [S\$21.7 million (interest expense on borrowings in FY2020) / S\$459.3 million (total borrowings in FY2020)].

Over the past few months, we have seen a decline in interest rates amid views that inflation could be transitory in the US. The US Federal Reserve (Fed) has also been maintaining its dovish approach on monetary policy. Nonetheless, more recent minutes from the Fed suggest that there could be a sooner-than-expected tightening of monetary policy.

Given the above, we would assume the effective interest rates to maintain at 4.73% for FY2021. In FY2022, in anticipation of a possible rise in interest rates, we would assume a higher interest rate of 4.85%. As noted on page 22, as at 30 June 2021, BTH's total borrowings were S\$458.6 million. Accordingly, the projected interest expense on borrowings for FY2021 and FY2022 would be S\$21.7 million = [4.73% x S\$458.6 million] and S\$22.2 million = [4.85% x S\$458.6 million] respectively, assuming no debt repayment or additional borrowings during these periods. Meanwhile, we would also assume the same amount of interest on lease liability and convertible bonds in FY2020, and assume loss due to associates and related parties and no interest expense to be capitalised for property development cost.

Further, we would assume the same finance income in FY2020 for FY2021, and for the finance income to remain unchanged in FY2022. Accordingly, the projected net finance cost would be S\$18.9 million in FY2021 and S\$19.5 million in FY2022 as shown in **Exhibit 73**.

Exhibit 73: Projected Net Finance Cost for FY2021 and FY2022

[S\$'000]	Actual	Forecast	
	FY2020	FY2021	FY2022
Finance income	7,016	7,016	7,016
Interest expense on			
Bank loans, notes payable and bank overdrafts carried at amortised cost	(21,709)	(21,674)	(22,240)
Lease liability	(2,325)	(2,325)	(2,325)
Convertible bonds	(1,916)	(1,916)	(1,916)
Modification loss on amounts due from associates	(419)	-	-
Modification loss on amounts due from related parties	(7,360)	-	-
Less: interest expense capitalised in property development cost	281	-	-
Finance cost	(33,448)	(25,915)	(26,481)
Net finance cost	(26,432)	(18,899)	(19,465)

Source: Banyan Tree Holdings, FPA Financial

Share of Results of Associates

As noted on page 18, BTH's share of results of associates increased to S\$1.8 million in 1H2021 due to better performance of their hotels in China. Given an expected rebound in hotel markets due to stronger domestic demand in China, we could expect BTH's share of results to improve. However, we would adopt a conservative approach to assume zero share of results of associates for both FY2021 and FY2022, given the uncertainty in the recovery for international travel.

The details of BTH's material associates as at 31 December 2020 are shown in **Exhibit 74** below.

Exhibit 74: BTH's Material Associates (as at 31 December 2020)

Name of associate	Principal activities	Place of incorporation	Ownership interest (%)
Thai Wah Public Company Limited	Manufacture and distribution of vermicelli, tapioca starch and other food products	Thailand	10.03
Banyan Tree Indochina Hospitality Fund, L.P.	Business of a real estate development fund, focused on the hospitality sector in Vietnam	Cayman Islands	17.80

Source: Banyan Tree Holdings

Loss/ Profit before Taxation

Given the above projections, we derived projected pre-tax loss of S\$50.1 million and pre-tax profit of S\$13.8 million for FY2021 and FY2022 respectively, as shown in **Exhibit 75**.

Exhibit 75: Projected Loss before Taxation for FY2021 and FY2022

[S\$'000]	Actual	Forecast	
	1H 2021	FY 2021	FY 2022
Revenue	56,467	141,902	253,945
Other Income	1,175	2,350	2,350
Total Revenue	57,642	144,252	256,295
Cost and expenses			
Cost of operating supplies	(4,470)	(8,762)	(15,689)
Cost of properties sold	(8,870)	(31,583)	(65,527)
Salaries and related expenses	(22,018)	(45,137)	(54,164)
Administrative expenses (excluding one-offs)	(10,797)	(22,134)	(26,561)
Write down of property development cost	(1,222)	(1,222)	-
Fair value losses on convertible bonds	(10,444)	(10,444)	-
Sales and marketing expense	(3,146)	(6,449)	(7,739)
Other operating expense	(11,839)	(24,270)	(29,124)
Impairment losses on financial assets	(1,219)	(1,219)	-
Total cost and expenses	(74,025)	(151,220)	(198,804)
Operating Profit	(16,383)	(6,968)	57,491
Depreciation of property, plant and equipment and right-of-use assets	(11,729)	(23,458)	(23,458)
Amortisation expense	(386)	(772)	(772)
Finance income	1,239	7,016	7,016
Finance cost	(16,828)	(25,915)	(26,481)
Share of results of associates	1,789	-	-
Net (Loss)/ Profit before taxation	(42,298)	(50,097)	13,795

Source: Banyan Tree Holdings, FPA Financial

Income Tax Expense

We note that BTH recorded pre-tax profit of S\$14.0 million in FY2019 and pre-tax loss of S\$94.6 million in FY2020. Accordingly, income tax expense recognised in profit or loss was S\$11.4 million and S\$7.9 million in FY2019 and FY2020 respectively as shown in **Exhibit 76**.

Exhibit 76: BTH's Income Tax Expense for FY2019 and FY2020

[S\$'000]	FY2019	FY2020
Profit before tax	13,956	(94,572)
Income tax using Singapore tax rate of 17% (2019: 17%)	2,373	(16,077)
Effect of different tax rates in other countries	760	(3,116)
Expenses not deductible for tax purposes	4,086	9,171
Tax exempt income	(28)	56
Under/(Over) provision in respect of prior years	(691)	698
Deferred tax assets not recognised	1,346	9,292
Withholding tax	2,854	1,265
Expiry or write-off of previously recognised deferred tax assets	808	5,510
Share of results of associates	(81)	1,137
Income tax expense recognised in profit or loss	11,427	7,936

Source: Banyan Tree Holdings

For FY2021, as we are projecting a pre-tax loss of S\$50.1 million, we would proxy its tax expense to FY2020's tax expense. Given the limited access to information relating to the components of the income tax expense recognised in profit or loss, we would assume the percentage of each income tax expense component to its profit before tax to remain the same. Accordingly, our projected income tax for FY2021 would be S\$4.2 million as shown in **Exhibit 77**.

Exhibit 77: Projected Income Tax Expense for FY2021

[S\$'000]	Actual		Projected	
	FY2020	% of profit before tax	FY2021	% of profit before tax
Profit before tax	(94,572)	-	(50,097)	-
Income tax using Singapore tax rate of 17% (2019: 17%)	(16,077)	17.0%	(8,516)	17.0%
Effect of different tax rates in other countries	(3,116)	3.3%	(1,651)	3.3%
Expenses not deductible for tax purposes	9,171	(9.7%)	4,858	(9.7%)
Tax exempt income	56	(0.1%)	30	(0.1%)
Under/(Over) provision in respect of prior years	698	(0.7%)	370	(0.7%)
Deferred tax assets not recognised	9,292	(9.8%)	4,922	(9.8%)
Withholding tax	1,265	(1.3%)	670	(1.3%)
Expiry or write-off of previously recognised deferred tax ass	5,510	(5.8%)	2,919	(5.8%)
Share of results of associates	1,137	(1.2%)	602	(1.2%)
Income tax expense recognised in profit or loss	7,936	(8.4%)	4,204	(8.4%)

Source: Banyan Tree Holdings, FPA Financial

We would adopt the same approach for our projections of income tax expense for FY2022. For FY2022, as we are projecting a pre-tax profit of S\$13.8 million, we would proxy its tax expense to FY2019's tax expense. Accordingly, our projected income tax for FY2022 would be S\$11.3 million as shown in **Exhibit 78**.

Exhibit 78: Projected Income Tax Expense for FY2022

[S\$'000]	Actual		Projected	
	FY2019	% of profit before tax	FY2022	% of profit before tax
Profit before tax	13,956	-	13,795	-
Income tax using Singapore tax rate of 17% (2019: 17%)	2,373	17.0%	2,345	17.0%
Effect of different tax rates in other countries	760	5.4%	751	5.4%
Expenses not deductible for tax purposes	4,086	29.3%	4,039	29.3%
Tax exempt income	(28)	-0.2%	(28)	-0.2%
Under/(Over) provision in respect of prior years	(691)	-5.0%	(683)	-5.0%
Deferred tax assets not recognised	1,346	9.6%	1,330	9.6%
Withholding tax	2,854	20.4%	2,821	20.4%
Expiry or write-off of previously recognised deferred tax ass	808	5.8%	799	5.8%
Share of results of associates	(81)	-0.6%	(80)	-0.6%
Income tax expense recognised in profit or loss	11,427	81.9%	11,295	81.9%

Source: Banyan Tree Holdings, FPA Financial

A summary of the projected income tax expense for FY2021 and FY2022 is shown in **Exhibit 79**.

Exhibit 79: BTH's Projected Income Tax Expense for FY2021 and FY2022

[S\$'000]	Actual		Projected	
	FY2019	FY2020	FY2021	FY2022
Profit (loss) before tax	13,956	(94,572)	(50,097)	13,795
Income tax expense	(11,427)	(7,936)	(4,204)	(11,295)

Source: Banyan Tree Holdings, FPA Financial

(Loss)/ Profit after Taxation

Adjusting for income tax expense, the projected after-tax loss for FY2021 would be S\$54.3 million and the projected after-tax profit for FY2022 would be S\$2.5 million. We would assume profit after taxation for non-controlling interest to be zero for both FY2021 and FY2022. Accordingly, assuming the same weighted average number of units in issue as at 30 June 2021 for FY2021 and FY2022, we projected a loss per share of 6.43 cents for FY2021 and earnings per share of 0.30 cents for FY2022. We have summarised our projected earnings in **Exhibit 80**.

Exhibit 80: Earnings projection for FY2021 and FY2022

[S\$'000]	Actual		Forecast	
	1H 2021	FY 2021	FY 2021	FY 2022
Revenue	56,467	141,902	253,945	
Other Income	1,175	2,350	2,350	
Total Revenue	57,642	144,252	256,295	
Cost and expenses				
Cost of operating supplies	(4,470)	(8,762)	(15,689)	
Cost of properties sold	(8,870)	(31,583)	(65,527)	
Salaries and related expenses	(22,018)	(45,137)	(54,164)	
Administrative expenses (excluding one-offs)	(10,797)	(22,134)	(26,561)	
Write down of property development cost	(1,222)	(1,222)	-	
Fair value losses on convertible bonds	(10,444)	(10,444)	-	
Sales and marketing expense	(3,146)	(6,449)	(7,739)	
Other operating expense	(11,839)	(24,270)	(29,124)	
Impairment losses on financial assets	(1,219)	(1,219)	-	
Total cost and expenses	(74,025)	(151,220)	(198,804)	
Operating Profit	(16,383)	(6,968)	57,491	
Depreciation of property, plant and equipment and right-of-use assets	(11,729)	(23,458)	(23,458)	
Amortisation expense	(386)	(772)	(772)	
Finance income	1,239	7,016	7,016	
Finance cost	(16,828)	(25,915)	(26,481)	
Share of results of associates	1,789	-	-	
Net (Loss)/ Profit before taxation	(42,298)	(50,097)	13,795	
Income tax expense	(3,339)	(4,204)	(11,295)	
(Loss)/ Profit after taxation	(45,637)	(54,301)	2,500	
Attribution to:				
Owners of the Company	(42,604)	(54,301)	2,500	
Non-controlling interest	(3,033)	-	-	
Earnings per share attributable to owners of the Company (in cents):	(5.04)	(6.43)	0.30	

Source: Banyan Tree Holdings, FPA Financial

(III) Dividends Projection

In its half year financial report in 2021, BTH did not recommend any dividend for FY2021 as its hotel business in destinations that rely primarily on international visitors continue to be harmed by COVID-19. Given the uncertainties owing to the COVID-19 pandemic, we would assume no dividends to be declared in both FY2021 and FY2022

VALUATION ANALYSIS**(I) Peer Comparison**

We performed a peer comparison analysis to review how BTH is faring against industry peers in terms of valuation metrics. We selected peer companies that are similar to BTH in terms of industry and business operations and did a comparison by considering the peer's P/B as shown in **Exhibit 81**.

Exhibit 81: Peer Comparison

Company	SGX code	Price (S\$) as at 3 Sep 2021	Market cap (S\$ million)	EPU ⁽¹⁾ (cents)	P/E (x)	DPU (cents)	Dividend yield (%)	NAV per share ⁽²⁾ (S\$)	P/B (x)
Banyan Tree Holdings ⁽³⁾	B58	0.325	276.31	(11.41)	NM	-	-	0.60	0.54
Peer companies:									
Hotel Properties Limited	H15	3.310	1,724.54	(36.76)	NM	8.00	2.42	3.36	0.99
Mandarin Oriental International ⁽⁴⁾	M04	2.080	2,627.46	(16.30)	NM	-	-	2.78	0.75
Amara Holdings Limited	A34	0.360	207.70	(1.99)	NM	-	-	0.67	0.53
Stamford Land Corporation Limited ⁽⁵⁾	H07	0.510	398.78	1.10	0.46	0.5	0.98	0.68	0.75
Peer average	-	-	-	-	0.46	-	0.85	-	0.75

Figures have been rounded. NM: not meaningful

(1) 12-month trailing diluted EPS based on latest financial statements

(2) As at 31 Dec 20.

(3) NAV per share as at 30 Jun 21

(4) Currency in US\$

(5) NAV per share as at 31 Mar 21

Source: Respective company data, FPA Financial

Based on the results in **Exhibit 81** above, we note that BTH is currently trading at a P/B multiple of 0.54x, which is lower than the peer average P/B of 0.75x, which may suggest that it is undervalued at the current share price of S\$0.325. Adopting a relative valuation approach, we estimate a target price of S\$0.450 if BTH were to trade at the peer average P/B multiple of 0.75x as follows:

➤ Estimated target price = [peer average P/B] x [BTH's NAV per share] = 0.75 x S\$0.60 = S\$0.450

The estimated target price of S\$0.450 would imply a upside potential of 38.46% from the current price of S\$0.325.

SWOT AND COMPETITIVE ANALYSIS

In this section, we undertake a SWOT analysis in **Exhibit 82** to evaluate the various components of the analysis thus far.

Exhibit 82: SWOT analysis

SWOT analysis

<u>Strengths</u> <ul style="list-style-type: none"> • Brand recognition • Award-winning hotels • Digitalization of operation 	<u>Weaknesses</u> <ul style="list-style-type: none"> • Limited portfolio diversification
<u>Opportunities</u> <ul style="list-style-type: none"> • Strong pipeline for growth 	<u>Threats</u> <ul style="list-style-type: none"> • COVID-19 resurgence • Change in dynamics of business travel

(I) Strengths

Banyan Tree Holdings is a global leader in the premium resorts, hotels, and spas industry. As mentioned in page 5, BTH operates 50 hotels, 63 spas and 72 galleries across 23 countries. This has helped built its brand recognition, developing a reputation as a leading hotel operator in Asia-Pacific and other regions. BTH also managed to sign 20 new hotel management agreements in FY2020 despite the COVID-19 pandemic, which is a testament to its strong branding. The breakdown of the 20 contracts are shown in **Exhibit 83**.

Exhibit 83: Breakdown of Hotel Management Agreement

Brands	Angsana	Banyan Tree	Cassia	Dhawa	Others	Total
Hotel Management Agreement	3	6	4	3	4	20

Source: Banyan Tree Holdings

We also note that BTH has received over 2,700 awards and accolades since inception reflecting the strong value of the BTH brand. In 2020, BTH was presented with 148 industry awards, ranging from travel, spas and corporate sustainability. Notable awards include Trip.com Group 2020 – Best Luxury Brand 2020, China Meadin Brand Index Awards – Most influential Brand in Hospitality Industry, TripAdvisor Traveler Choice 2020 – Best of the Best. The Banyan Tree Global Foundation, which aligns BTH's initiatives with the UN Sustainable Development Goals, has also received recognition for its commitments to environmental preservation and community development.

Further, according to Savills, one of the current trends in the hotel industry is digitalisation. The COVID-19 pandemic has forced hotel operators to adapt their operations. Besides online promotional activities, like live streaming and social media posts, major hotels in China have upgraded their onsite technological capabilities and allow visitors to complete their check-in process without any contact with hotel staffs. This provides an extra layer of security and privacy for more cautious guests. Similarly, BTH has also adapted its operations and launched its SafeSanctuary programme in June 2020, which incorporates protocols of assurance and wellbeing standards for its visitors. A summary of the SafeSanctuary programme is shown in **Exhibit 84**.

Exhibit 84: BTH's Protective Assurance Protocols



Source: Banyan Tree Holdings

(II) Weaknesses

Excluding other income, BTH reported revenue of S\$347.0 million and S\$157.8 million for FY2019 and FY2020 respectively. However, the Southeast Asia region contributes 83.4% and 81.9% in FY2019 and FY2020 respectively, as shown in **Exhibit 85**. Despite having presence in 23 countries, BTH's revenue contribution are concentrated in the Southeast Asia region.

Exhibit 85: Geographical Breakdown of BTH's Revenue

[S\$'000]	For year ended Dec 31			
	2019	%	2020	%
Singapore	964	0.3%	594	0.4%
Southeast Asia ⁽¹⁾	289,471	83.4%	129,203	81.9%
Indian Oceania ⁽²⁾	38,275	11.0%	17,246	10.9%
Middle East ⁽³⁾	583	0.2%	219	0.1%
Northeast Asia ⁽⁴⁾	9,048	2.6%	6,134	3.9%
Rest of the World ⁽⁵⁾	8,613	2.5%	4,436	2.8%
Total	346,954	100.0%	157,832	100.0%

⁽¹⁾ Comprises Thailand, Indonesia, Malaysia and Vietnam

⁽²⁾ Comprises Seychelles, Maldives, Sri Lanka and India

⁽³⁾ Comprises Dubai, Kuwait and Qatar

⁽⁴⁾ Comprises China, Japan, Hongkong and Macau

⁽⁵⁾ Comprises Australia, Guam, Morocco, Americas and Europe

Source: Banyan Tree Holdings

(III) Opportunities

We noted earlier on page 25 that BTH has a pipeline of 43 hotels/resorts with an estimated 7,000 room keys to be opened in the next three years. These additional keys are largely managed without any equity interest, which would allow BTH to generate additional revenue without taking on extra risks.

Meanwhile, we also noted on page 26 that BTH has 127 hectares of land bank to tap on should BTH see an opportunity. There were no new property developments developed in 2020 owing to the epidemic. However, with vaccination rollouts and easing of lockdowns measures, BTH may see an opportunity to utilise its land bank for development of new properties.

(IV) Threats

The hotel industry has been severely impacted by the COVID-19 pandemic. The recovery in international travel will determine BTH's performance going forward. According to the World Tourism Organisation, for the first five months of 2021, international arrivals fell by 85%. In addition, with the recent surge in delta variant COVID-19 cases, for example in Thailand, there is a possibility that countries may tighten or prolong their border control measures, further impacting the hotel industry.

Furthermore, there are also concerns about the dynamics of business travel. As organizations migrate to virtual conference sessions to cope with the travel restrictions, the requirement for business travel may be decreased. This would negatively affect the demand for hotel stays.

INVESTMENT RECOMMENDATION

Based on BTH's reported book value of S\$0.60 as at 30 June 2021, it currently has a P/B of 0.54x and is trading at a discount of approximately 46% to NAV.

Meanwhile, our peer comparison analysis results show that BTH's P/B of 0.54x is below the peer average P/B of 0.75x, which suggest that it could be undervalued. We adopted a relative valuation approach to derive an estimated target price of S\$0.450 if BTH were to trade at its peer average P/B of 0.75x.

Owing to the severe impact of the COVID-19 pandemic on the travel and tourism industry, we expect BTH's financial performance to continue to be impacted in 2021 as cross border controls and travel restrictions remain in place across the world. However, we believe its financial performance will improve in the second half of 2021 as revenue from Property Sale remained stable with unrecognised revenue of S\$112.3 million as at 30 June 2021. Also, we expect the Fee-based segment to benefit from the strong domestic demand for hotels in China. In 2022, with improved vaccination rates, we would expect international tourism to pick up and BTH's revenue to improve amid a recovery in hotel occupancy and RevPAR. Further, there are also potential catalysts for BTH such as its strong pipeline of hotels to be opened over the next 3 years and its 127 hectares land bank, which will underpin revenue and profit growth.

Considering the above, we believe a buy recommendation is warranted on BTH. Our target price implies a potential upside of 38.46% from the current share price of S\$0.325. However, there are still risks to our target price which we will highlight in the next section.

RISKS TO THE TARGET PRICE

In this section, we highlight below risk factors that may limit the potential upside in BTH's target price.

(I) Currency Risk

We note that the BTH is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Singapore dollars, United States dollar (USD), Thai Baht and Chinese Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly USD. As at 31 December 2020, approximately 29% of BTH's receivables are denominated in foreign currencies. Amid the current COVID-19 situation, there is a possibility that SGD could strengthen due to higher vaccination rates and containment of the virus. This would imply a reduction in revenue when foreign currency earnings in USD, Thai Baht or RMB are translated to SGD. For example, if SGD were to strengthen by 5% against USD or RMB, revenue received in USD and RMB would result in a loss before taxation of S\$1.6 million or S\$0.3 million respectively, as shown in **Exhibit 86**.

Exhibit 86: Sensitivity analysis of currency risk on BTH's (Loss)/ Profit before taxation in FY2020

S\$'000		(Loss)/Profit before Taxation (FY2020)
SGD/USD	Strengthened 5%	(1,569)
	Weakened 5%	1,569
SGD/RMB	Strengthened 5%	(347)
	Weakened 5%	347

Source: Banyan Tree Holdings

(II) Weak Global Economic Recovery

Travel restrictions and renewed border closures have stifled economic activities in many economies as a result of the COVID-19 pandemic. Countries have responded by introducing unprecedented fiscal and monetary stimulus to support their economies in order to cushion against the economic fallout. In its latest World Economic Outlook (July), the International Monetary Fund projects the global economy to grow by 6.0% in 2021, unchanged from its April forecast. However, prospects for emerging market and developing economies have been marked down by 0.4% for 2021, especially for Emerging Asia.

Further, high uncertainties surround this outlook as it is still largely dependent on the effectiveness of the vaccine distribution and the control measures implemented. Thus, the pace of recovery could be uneven. As it stands, the virus are constantly mutating and new variants of the virus are expected to occur, as seen in the recent spike in COVID-19 cases owing to the delta variant. With this in mind, there is a possibility that countries would tighten or prolong their border control measures, hindering the global economy recovery. This could weigh on the performance of BTH's earnings performance going forward.

SUSTAINABILITY INFORMATION

Banyan Tree was founded as a socially responsible company with the goal of promoting long-term development. Its sustainability philosophy aims to create long-term value for multiple stakeholders and destinations. BTH relies on its Corporate Social Responsibility (CSR) arm of the BTH, Banyan Tree Global Foundation to provide in-house CSR consultancy services.

The Company's triple bottom line of economic, social and environmental success helps direct sustainable development by inspiring associates, guests and partners to take a wider consideration encompassing a long-term view when making business decisions

Stakeholder Engagement

Serving stakeholders and embracing purpose is central to the way Banyan Tree functions in society. Partnership is essential to achieve the SDGs, built on trust that is developed through regular stakeholder engagement. Without stakeholders, a company cannot recover and thrive once more in a post-pandemic world.

BTH encourages regular, personal, two-way communication with stakeholders, including their associates, customers, investors, partners, suppliers and communities where they operate. This is achieved through informal and town-hall style meetings, trainings and workshops, presentations, discussions and feedback forums with guests, and evangelisation of their sustainability philosophy through round table discussions within both the travel and tourism, and wider business communities. A cross-sector collaborative approach engages individuals, businesses, NGOs, and academic institutions worldwide to benefit environmental conservation and society.

In 2020, face-to-face meetings were difficult or impractical. A quarterly e-newsletter was implemented to summarise key efforts towards our broader sustainability goals and objectives carried out at their properties around the globe. Earth Day was marked with the launch of Banyan Tree's 25th anniversary commemorative book "Rooted in Sustainability", which they hope provides a sustainability roadmap and inspiration for others. In the wake of COVID-19, BTH also joined EarthCheck's Global Hygiene Taskforce to help the travel and tourism industry meet the needed health and hygiene challenges necessary for recovery.

Through partnership, business and communities create shared value that is more than the sum of their individual parts. Their future objectives centre on the concept that no single element of society can bring about long-term sustainable prosperity, but all must work together in cohesion to bring positive change. BTH believes that, now more than ever, it is important to move beyond communication to collaboration.

Sustainability Development Goals (SDGs)

Banyan Tree's climate change efforts are integrated into the company's overall environmental, social, and governance sustainability efforts, in alignment with the World Travel and Tourism Council's (WTTC) (2015) call to connect with global climate action by:

1. Integrating climate change and related issues into business strategy,
2. Supporting the global transition to a low carbon economy through emission reductions,
3. Recognising the value of cultural and natural heritage and strengthen local resilience where we operate,
4. Promoting responsible travel through a participatory approach, and
5. Engagement across the values chain

A summary of BTH's alignment of sustainability initiatives with the UN SDGs are outlined in **Exhibit 87** below.

Exhibit 87: Banyan Tree Holdings' SDGs

SUSTAINABLE DEVELOPMENT GOALS	SOCIAL												ENVIRONMENTAL			PEACE & PARTNERSHIP	
	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
CLIMATE CHANGE		○	●			○					●	○	●	●	●	●	●
ENERGY & EMISSIONS			○			○	●		○		○	●	●	○	○	○	○
BIODIVERSITY & ENVIRONMENT	○		○	○	○	○			○	○	○	○	●	●	●	○	○
EMPLOYEE HAPPINESS & WELFARE	●	○	●	●	●		●		●	○						●	○
STAFF DEVELOPMENT	●		○	●	●		●		●	○						●	●
COMMUNITY EMPOWERMENT	●	●	●		○	●	○	●		●			○		●	●	●
SPA & GALLERY	●	○	●	○	●		●	●	●	○		●	○	○	○	●	●
SEEDLINGS MENTORSHIP & CAFE	●	○	●	●	●		●		●							●	○
GOOD GOVERNANCE	●		●	●	●		●	●	●	●		●				●	●
SUSTAINABLE SUPPLY CHAIN	●	○	○		○	●	●	○	○	●	●	●	●	○	○	●	●
RESPONSIBLE TRAVEL		○	●	●	●	○	●	●		●	●	●	●	●	●	●	●
PARTNERSHIP AND COLLABORATION	○	○	○	●	●	○	○	●	○	○	○	○	●	●	●	●	●

● Direct benefit ○ Indirect benefit

Source: Banyan Tree Holdings

Material Topic Assessment

In 2017, BTH conducted a stakeholder inclusive material assessment to frame and focus their sustainability efforts and ensure long term sustainability. This process will be repeated every 5 years to ensure their efforts remain relevant in a rapidly changing world. A comprehensive list of 142 material topics was consolidated into a shortlist of 30 relevant material topics based on the WTTC's (2017) assessment of issues crucial to the future of travel and tourism, published literature, and reports.

Online questionnaires and internal workshops were used to rate material topics on a four-point forced likert scale. Suppliers, community members, business partners, government officials, and local organizations were among those whose opinions were taken into account. Results from 143 internal and 71 external respondents were used to prioritize the topics.

A summary of matrix ranking importance of material topics to internal and external stakeholders are shown in **Exhibit 88**.

Exhibit 88: Banyan Tree Holdings' Material Topic Assessment



Source: Banyan Tree Holdings

Seven primary topics were chosen based on importance to internal and external stakeholders: 1) Climate Change, 2) Pollution and Waste, 3) Ethical Compliance and Corruption, 4) Data Security, 5) Employee Satisfaction, 6) Leadership, and 7) Biodiversity. An additional four were included due to their importance to BTH: 8) Staff Development, 9) Supply Chain, 10) Culture and Heritage, and 11) Responsible Travel.

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