

### INITIATE COVERAGE

## LHN (LHN SP)

Market Leader In Co-living Space; Upside From More Value Unlocking

LHN has established itself as the market leader in the newly emerged co-living sector in Singapore with a 32% market share and has a robust growth pipeline. Demand for co-living space is expected to be driven by recovering foreign demand. We expect about 70% increase in the number of co-living keys to drive LHN's FY23 core earnings by 46% yoy. More value unlocking activities after the divestment of the logistics business may lead to higher special dividends. Initiate coverage with BUY. Target price: S\$0.55.

- Real estate management group with market-leading position in the co-living space.** Founded in 1991, LHN is an integrated real estate management company with a focus on the property leasing business. In 1HFY23, LHN derived the majority (75%) of its PBT from the space optimisation business, which focuses on recycling under-utilised properties through the acquisition and master leasing of commercial, industrial and residential properties. Through thoughtful design and spatial planning, LHN grows these properties' net lettable area and potential rental yield. LHN entered the co-living space in 2019 and has become the market leader in Singapore with a 32% market share. As of 1HFY23, it owned and subleased 17 properties under the Coliwoo brand, with a total of 1,678 keys.
- Coliwoo expected to drive FY23 core earnings by 46% yoy from 70% increase in number of new keys.** Coliwoo caters to a diverse group of tenants such as freelancers, expatriates, exchange students, medical tourists and younger Singaporeans. Despite competing with established peers such as Ascott's Lyf and Cove, Coliwoo stands out with its ability to offer accommodations in good locations with a full suite of room amenities at an affordable rate. LHN's growth strategy is to expand its current property portfolio through master leases and acquisitions, and targets to add around 800 keys per year for the next three years. LHN's FY21/FY22 earnings of S\$6.5m/S\$3.5m from Coliwoo are made up of 976/1,602 keys respectively which will increase by about 700 keys (+44% yoy) by end-FY23. As the new keys will take 6-9 months to reach steady state, we expect FY24/25's Coliwoo earnings to grow 211%/76% yoy to S\$11.0m/S\$19.4m respectively. This will likely lift LHN's FY23 core earnings by 46% yoy to S\$25m.
- Value unlocking of more assets and moving to an asset-light model could lead to more special dividends.** In the 1HFY23 results press release, LHN highlighted that it is exploring options to further enhance shareholder value and is considering capital recycling to move towards an asset-light model. On 9 Jun 23, LHN received an offer to take over its 84%-owned subsidiary LHN Logistics. This is expected to generate a disposal gain of S\$21m and cash proceeds of S\$32m (21% of LHN's market cap). LHN owns 12 properties, estimated to be worth S\$178m as of FY22, which could be divested to unlock more value. We have not factored any special dividend into our estimates.
- Initiate coverage with BUY and a target price of S\$0.55,** pegged to 9x FY23F PE (based on long-term mean PE). We think that LHN's current valuation of 6x FY24F PE and dividend yield of 6.3% are attractive, given the group's leading market share in the co-living space, robust expansion pipeline and strong EPS growth.

### KEY FINANCIALS

Year to 30 Sep (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover (S\$ m)	121.0	111.8	123.2	125.1	146.3
EBITDA (S\$ m)	50.9	37.9	37.4	44.1	50.0
Operating profit (S\$ m)	32.0	17.4	25.8	29.4	34.4
Net profit (rep./act.) (S\$ m)	28.0	45.8	52.1	32.5	36.1
Net profit (adj.) (S\$ m)	36.0	17.1	24.9	27.5	31.1
EPS (S\$ cent)	8.9	4.2	6.1	6.7	7.6
PE (x)	4.1	8.7	6.0	5.4	4.8
P/B (x)	1.0	0.8	0.7	0.6	0.5
EV/EBITDA (x)	4.5	6.1	6.1	5.2	4.6
Dividend yield (%)	4.8	4.8	6.3	6.8	7.4
Net margin (%)	23.2	41.0	42.3	26.0	24.7
Net debt/(cash) to equity (%)	44.3	58.3	31.5	25.1	14.6
Interest cover (x)	10.5	7.7	4.1	4.4	4.5
ROE (%)	21.0	27.6	25.1	13.5	13.7
Consensus net profit ()	-	-	29	32	-
UOBKH/Consensus (x)	-	-	0.86	0.85	-

Source: LHN, Bloomberg, UOB Kay Hian

## BUY

Share Price	S\$0.365
Target Price	S\$0.55
Upside	+50.6%

### COMPANY DESCRIPTION

LHN Group is an integrated real estate management service company with a market-leading position in the co-living space.

### STOCK DATA

GICS sector	Property
Bloomberg ticker:	LHN:SP
Shares issued (m):	408.9
Market cap (S\$m):	149.3
Market cap (US\$m):	110.0
3-mth avg daily t'over (US\$m):	0.2

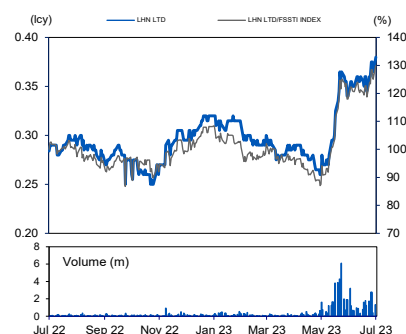
### Price Performance (%)

52-week high/low	S\$0.375/S\$0.250				
1mth	3mth	6mth	1yr	YTD	
2.8	28.1	14.1	28.7	14.1	

### Major Shareholders

	%
Lim Lung Tieng	54.0
FY23 NAV/Share (S\$)	0.56
FY23 Net Debt/Share (S\$)	0.18

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

**Heidi Mo**  
 +65 6590 6630  
 heidimo@uobkayhian.com

## Contents

---

Investment Highlights .....	3
Valuation .....	5
Financial Outlook .....	6
Financial Statements .....	8
Appendix I: Company Background .....	10
Appendix II: Business Outlook .....	11
Appendix III: Industry Overview .....	12
Appendix IV: Risk Factors .....	14
Appendix V: Key Development Timeline .....	15
Appendix VI: Key Properties Managed, Estimated Monthly Rental And Owned Properties .....	16
Appendix VII: Board of Directors and Key Executives .....	17

*This report uses the closing prices of 30 June 2023*

### Investment Highlights

#### REAL ESTATE MANAGEMENT GROUP WITH MARKET-LEADING POSITION IN THE CO-LIVING SPACE

**Overview.** Founded in 1991, LHN is an integrated real estate management company with a focus on the property leasing business. In 1HFY23, LHN derived the majority (75%) of its PBT from the space optimisation business, which focuses on recycling under-utilised properties through the acquisition and master leasing of commercial, industrial and residential properties. Through thoughtful design and spatial planning, LHN increases these properties' net lettable area and potential rental yield. LHN entered the co-living space in 2019 and has become the market leader in Singapore with a 32% market share. As of 1HFY23, LHN owned and subleased 17 properties under the Coliwoo brand, with a total of 1,678 keys.

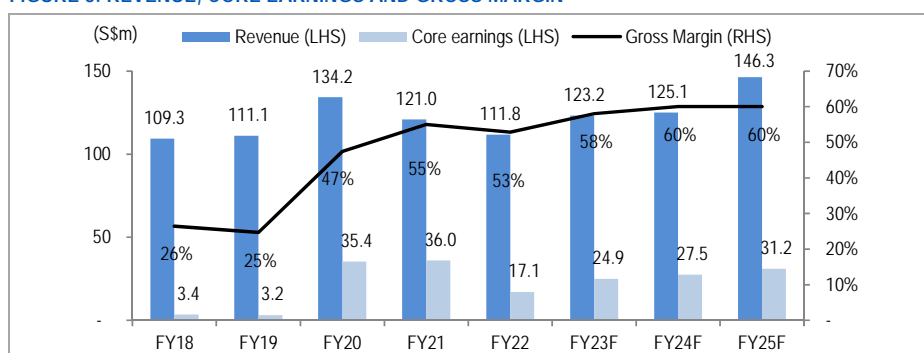
#### COLIWOO TO DRIVE CORE EARNINGS IN FY23

**Coliwoo continues to achieve high occupancy rates...** Coliwoo caters to a diverse group of tenants such as freelancers, expatriates, exchange students, medical tourists and younger Singaporeans. Despite competing with established peers such as Ascott's Lyf and Cove, Coliwoo stands out with its ability to offer accommodations in good locations with a full suite of room amenities at an affordable rate. This is also evidenced by Coliwoo's strong occupancy rates of 96.7% as of 1HFY23, despite the monthly rental of S\$2,900 to S\$5,800 per room.

**...and is expected to drive FY23 core earnings by 46% yoy from a 70% rise in number of new keys.** LHN's growth strategy is to expand its current property portfolio through master leases and acquisitions, and targets to add around 800 keys per year for the next three years. LHN's FY21/FY22 earnings of S\$6.5m/S\$3.5m from Coliwoo are made up of 976/1,602 keys respectively and the keys will increase by about 700 keys (+44% yoy) by end-FY23. Due to the impact of COVID-19 and the gestation period from new keys, Coliwoo's FY22 earnings had suffered. Given that the new keys will take 6-9 months to reach steady state, FY23 earnings should enjoy a more significant contribution from the high number of new keys added in FY22. As a result, we expect FY24/25's Coliwoo earnings to grow 211%/76% yoy to S\$11.0m/S\$19.4m respectively. This will lift LHN's FY23 core earnings by 46% yoy to S\$25m.

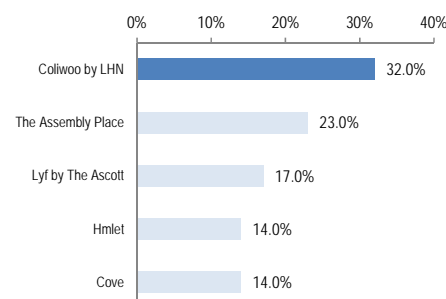
**Revenue and core earnings growth to be driven by expansion in co-living segment.** For FY23-25, we estimate total revenue at S\$123.2m-146.3m (CAGR of 9%) and core earnings at S\$24.9m-31.2m (CAGR of 22%). This comes on the back of the expansion in the co-living and industrial segments. Given that most of the 700 keys added in FY22 will be out of their gestation period to reach optimum occupancy rate, we expect LHN's gross margin to expand to 58%/60%/60% for FY23/24/25 respectively. Combined with the revenue growth of 10%/2%/17%, this gross margin expansion will drive earnings growth of 46%/10%/13% for FY23/24/25 respectively. We have excluded two major one-off gains of S\$29m in FY23 (S\$21m from disposal of LHN Logistics and S\$8m from disposal of GetGo Technologies) for the calculation of core earnings. In addition, we expect revenue growth from the co-living and industrial segments in FY24 to more than offset the loss of revenue from the logistics segment after the completion of disposal in end-FY23.

FIGURE 3: REVENUE, CORE EARNINGS AND GROSS MARGIN



Source: LHN, UOB Kay Hian

FIGURE 1: MARKET SHARE OF TOP 5 CO-LIVING PLAYERS

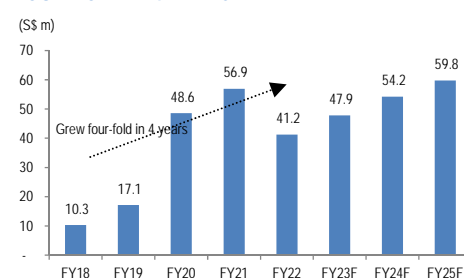


Source: Cushman & Wakefield, UOB Kay Hian

As new keys take 6-9 months to reach steady state, earnings should enjoy significant contribution in FY23, lifting FY23 core earnings by 34% yoy

With most keys added in FY22 out of its gestation period to reach optimum occupancy rate, we expect revenue and core earnings growth in FY23-25

FIGURE 2: OPERATING CASH FLOW HAS GROWN FOUR-FOLD IN 4 YEARS



Source: LHN, UOB Kay Hian

**Strong operating cash flow, which has grown four-fold in four years.** LHN has a track record of growing its operating cash flow, from around S\$10m in FY18 to around S\$41m in FY22. Excluding FY21, where LHN's facility segment enjoyed a one-off boost from the dormitory management business, as the segment's revenue doubled yoy to S\$40m, LHN has grown its operating cash flow by four-fold, from S\$10m in FY18 to S\$41m in FY22. We expect LHN's continued expansion in the co-living and industrial segments to sustain growth in operating cash flow and core earnings.

**Co-living's positive demand driven by recovering foreign demand...** Singapore's swift economic reopening has driven a return in foreign demand. The country's status as a regional business and tech hub coupled with pro-business policies would continue to attract businesses to set up shop in Singapore. In fact, Singapore has been recognised as one of the top tech cities in Asia Pacific, scoring well across criteria pertaining to key talent, real estate and business, according to Cushman & Wakefield's 2022 Tech Cities report. This is also evidenced by the 16% yoy rebound in the number of Singapore's employment pass holders in 2022.

**...and expanding demand pool from local Singaporeans.** On the other hand, demand for co-living is underpinned by an increasing number of high-earning singles who prioritise lifestyle and flexibility. Couples are getting married late and women are giving birth at a later age. COVID-19 has accelerated the mindset shift of younger generations, both singles and married couples, towards postponing traditional home ownership aspirations and renting a home to live independently first. The number of resident households with those under 35 who lived alone or with non-family members has indeed jumped 83%, from 29,500 in 2011 to 53,900 in 2021.

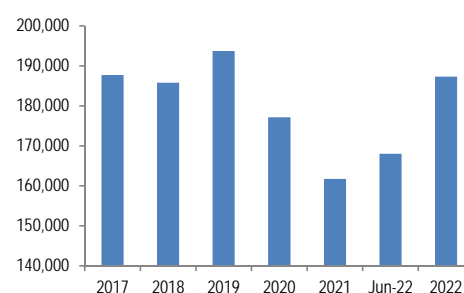
**Coliwoo directly catering to consumer preferences.** With expatriates and foreign students being the traditional demand drivers for co-living, much has changed with several new demand drivers such as young professionals seeking to live away from parents or nearer to their workplace, and business travellers coming to Singapore, among others. As it operates Coliwoo and is able to cater to diverse needs, LHN is well-positioned to benefit from the growth in this co-living industry. Consumers are increasingly preferring private rooms that contain a kitchenette, ensuite bathroom, washer-dryer, and TVs, as per JLL's report. This directly plays into Coliwoo's offerings and amenities provided, which would translate into better tenant retention and attraction. Furthermore, co-living operators offering private rooms are able to charge a premium compared with other more conventional co-living arrangements that have shared spaces and amenities

### VALUE UNLOCKING OF MORE ASSETS TO ASSET-LIGHT MODEL COULD LEAD TO MORE SPECIAL DIVIDENDS

**Good track record in asset recycling.** In the latest 1HFY23 results press release, LHN highlighted that it is exploring various options to further enhance shareholder value and it is considering capital recycling to move towards an asset-light model. On 9 Jun 23, LHN received an offer to take over its 84%-owned subsidiary LHN Logistics. This is expected to generate a disposal gain of S\$21m and cash proceeds of S\$32m (21% of LHN's market cap).

LHN still owns 12 properties, estimated to be worth S\$178m as of FY22, which could be divested to unlock more value. We believe this will be supported by LHN's track record in buying underutilised or undervalued properties for asset enhancement initiatives, and selling them for a premium. Notable divestment successes include: a) acquisition of Coliwoo Hotel Amber for S\$27m in Mar 21 and disposal of S\$47m in Nov 22, and b) investment of S\$40,000 in GetGo Technologies and divestment for S\$7.9m in Sep 22. In the nearer term, potential divestment of the 540-lots Golden Mile Tower carpark and strata unit sale of food processing industrial building at 55 Tuas South can provide further disposal gains. We have not factored any special dividend into our financial estimates.

**FIGURE 4: NUMBER OF EMPLOYMENT PASS HOLDERS**



Source: Cushman & Wakefield, UOB Kay Hian

**FIGURE 5: DEMAND DRIVERS FOR CO-LIVING: TRADITIONAL VS NEW DEMAND DRIVERS**

Traditional Demand Drivers
Expatriates
Foreign students
New Demand Drivers
Locals awaiting new home/renovation completion
Project-based contractors
Young professionals
Local students
Singles, couples, and small families
Business and leisure travellers

Source: JLL

*Takeover of 84%-owned subsidiary LHN Logistics expected to generate a disposal gain of S\$21m and cash proceeds of S\$32m*

*LHN's 12 properties could be sold to unlock value*

### Valuation

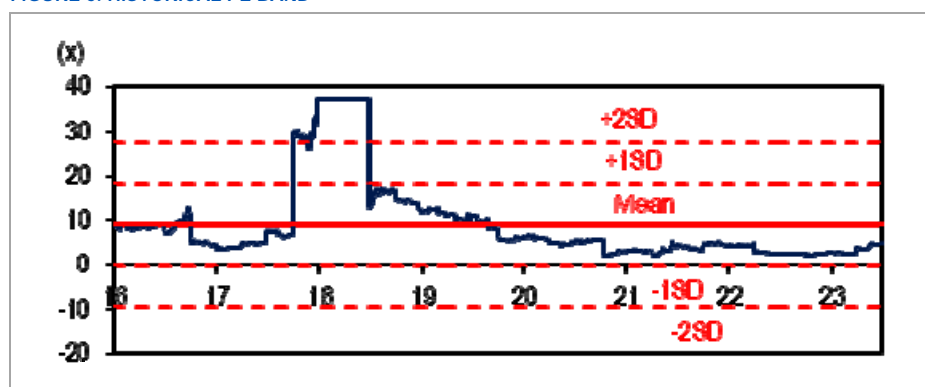
**Initiate coverage with BUY and a target price of S\$0.55**, pegged to 9x FY23F PE, based on its long-term historical average PE. We think LHN deserves a re-rating vs its own historical valuation band, as it is shifting towards a more sustainable and scalable revenue model that relies more heavily on the space optimisation areas (including the co-living, industrial and commercial segments). To recap, LHN's substantial core earnings of S\$35m/S36m in FY20/FY21 respectively were largely driven by COVID-19-related business in the facility management segment, where LHN won the tender to temporarily manage several foreign worker dormitories. The space optimisation segment contributed only 32%/38% of total revenue in FY21/FY22 respectively, and is expected to grow significantly to 50%/69% in FY23/FY24 due to the aggressive expansion in the co-living business since FY22 and the disposal of the logistics business that is expected to complete in end-FY23.

**Our valuation multiple is conservative** as it is at a 55% discount compared with peers' average of 20x 2023F PE. We think LHN's current valuation of 6x FY24F PE and dividend yield of 6.3% are attractive, given the group's leading market share in the co-living space, robust expansion pipeline and strong EPS growth. Compared with its peers, LHN offers higher ROE and dividend yield.

*We opine that LHN deserves a re-rating vs its own historical valuation band, with its shift to a more sustainable and scalable revenue model*

*Current valuation of 6x FY24F PE and dividend yield of 6.6% are attractive*

FIGURE 6: HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

FIGURE 7: PEER COMPARISON

Company	Ticker	Price @ 30-Jun-23 (Icy)	Market Cap (US\$m)	PE			P/B		Yield		ROE	
				2022 (x)	2023 (x)	2024 (x)	2022 (x)	2023 (x)	2022 (%)	2023 (%)	2022 (%)	2023 (%)
Hotel Properties	HPL SP	3.87	1,491	30.6	22.8	19.4	1.23	1.18	1.0	2.1	3.9	5.1
Capitaland Ascott T	CLAS SP	1.08	2,764	17.2	18.9	18.9	0.94	0.94	5.3	5.6	4.8	4.2
Cdl Hosp	CDREIT SP	1.22	1,121	7.0	19.1	17.4	0.85	0.85	4.6	5.5	12.6	4.1
Far East Hosp	FEHT SP	0.63	930	6.1	18.5	17.5	0.70	0.69	5.2	6.0	11.8	3.7
Frasers Hosp	FHT SP	0.47	669	15.5	23.5	20.4	0.73	0.75	3.5	5.7	4.7	2.7
<b>Average</b>				<b>15.3</b>	<b>20.6</b>	<b>18.7</b>	<b>0.9</b>	<b>0.9</b>	<b>3.9</b>	<b>5.0</b>	<b>7.6</b>	<b>4.0</b>
LHN	LHN SP	0.365	110	3.3	5.1	4.6	0.80	0.68	4.4	5.5	27.6	14.4

**Hotel Properties.** Through its subsidiaries, operates and manages hotels. The company also operates restaurants and retail outlets and distributes food and fashion merchandise. Besides trading shares, Hotel Properties also develops and invests in properties, hotels, and resorts.

**Capitaland Ascott Trust.** Operates as a real estate investment trust primarily investing in income-producing real estate and real estate-related assets such as serviced residences, hotels, rental housing properties, and other hospitality assets. Capitaland Ascott Trust serves customers worldwide.

**CDL Hospitality Trust.** A stapled group comprising of CDL Hospitality Real Estate Investment Trust (H-REIT) and CDL Hospitality Business Trust (HBT). The trusts invest in a portfolio of hospitality and/or hospitality-related income-producing real estate assets, with an emphasis in the Asia Pacific region.

**Far East Hospitality Trust.** A hospitality stapled group comprising Far East Hospitality Real Estate Investment Trust (Far East H-REIT) and Far East Hospitality Business Trust (Far East H-BT). Far East H-REIT is a Singapore-based real estate investment trust which invests in hospitality assets.

**Frasers Hospitality Trust.** Operates as a real estate investment trust that owns, operates and invests in hotels. Frasers Hospitality Trust serves customers worldwide.

Source: Bloomberg, UOB Kay Hian

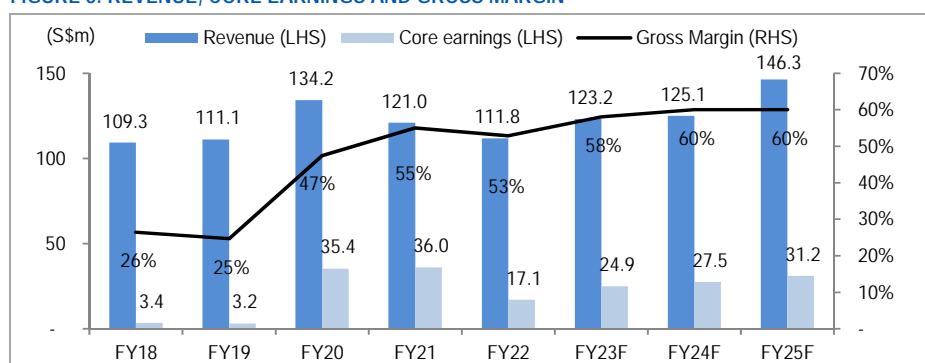
### Financial Outlook

**Revenue and core earnings growth to be driven by expansion in co-living segment, with new keys in pipeline...** For FY23-25, we estimate total revenue at S\$123.2m-146.3m (CAGR of 9%) and core earnings at S\$24.9m-31.2m (CAGR of 22%). This comes on the back of the expansion in the co-living and industrial segments. LHN targets to add around 800 keys per year for the next three years. LHN's FY21/FY22 earnings of S\$6.5m/S\$3.5m from Coliwoo are made up of 976/1,602 keys respectively and the keys will increase by about 700 keys (+70% yoy) by end-FY23 from FY21. Given that the new keys will take 6-9 months to reach steady state, FY23 earnings will enjoy a more significant contribution from the high number of new keys added in FY22. As a result, we expect FY24/25's Coliwoo earnings to grow 211%/76% yoy to S\$11.0m/S\$19.4m respectively.

*With margin expansion and revenue growth, we expect earnings growth of 46%/10%/13% for FY23/24/25*

**...and most keys added in FY22 coming out of the gestation period.** In addition, as most of the 700 keys added in FY22 will be out of their gestation period to reach optimum occupancy rate, we expect LHN's gross margin to expand to 58%/60%/60% for FY23/24/25 respectively. Combined with the revenue growth of 10%/2%/17%, this gross margin expansion will drive earnings growth of 46%/10%/13% for FY23/24/25 respectively. We have excluded two major one-off gains of S\$29m in FY23 (S\$21m from the disposal of LHN Logistics and S\$8m from the disposal of GetGo Technologies).

FIGURE 8: REVENUE, CORE EARNINGS AND GROSS MARGIN



Source: LHN, UOB Kay Hian

FIGURE 9: KEY PROFIT AND LOSS ASSUMPTIONS

Year to 30 September (\$'m)	FY18	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F
<b>Revenue</b>	<b>109.3</b>	<b>111.1</b>	<b>134.2</b>	<b>121.0</b>	<b>111.8</b>	<b>123.2</b>	<b>125.1</b>	<b>146.3</b>
yoy growth		2%	21%	-10%	-8%	10%	2%	17%
- Industrial segment	40.5	39.2	26.9	17.7	18.9	27.8	34.8	40.0
yoy growth	0%	-3%	-31%	-34%	7%	47%	25%	15%
- Commercial segment	25.0	21.2	15.6	7.7	7.6	6.0	7.5	8.7
yoy growth	0%	-15%	-26%	-50%	-2%	-20%	25%	15%
- Residential / co-living segment	2.1	5.3	27.0	13.0	16.2	27.3	43.7	54.6
yoy growth	0%	149%	407%	-52%	24%	69%	60%	25%
- Logistics Services segment	22.2	24.9	25.2	27.2	27.3	28.0	-	-
- Facilities Management segment	19.5	20.4	39.6	55.4	41.9	34.0	39.1	43.0
Cost of Sales	(80.4)	(83.7)	(70.6)	(54.4)	(52.7)	(51.7)	(50.0)	(58.5)
Gross Profit	28.9	27.4	63.6	66.6	59.0	71.4	75.0	87.8
Gross margin	26.4%	24.7%	47.4%	55.0%	52.8%	58.0%	60.0%	60.0%
Other Gain/(Loss) - Net and Other Income	3.7	5.0	17.1	15.0	11.8	46.5	14.8	15.0
Impairment Loss on Trade	(1.3)	(1.7)	(3.2)	(0.2)	(0.4)	-	-	-
Selling & Distribution Expenses	(1.6)	(1.8)	(1.4)	(1.6)	(2.1)	(2.5)	(2.5)	(2.9)
% of revenue	-1.5%	-1.6%	-1.1%	-1.4%	-1.9%	-2.0%	-2.0%	-2.0%
Administrative Expenses	(24.6)	(23.7)	(30.4)	(32.6)	(39.2)	(43.1)	(43.2)	(50.5)
% of revenue	-22.5%	-21.3%	-22.7%	-27.0%	-35.1%	-35.0%	-34.5%	-34.5%
Finance Costs	(0.8)	(1.3)	(5.1)	(4.9)	(4.9)	(9.2)	(10.0)	(11.0)
Share of Results of Associates and JVs	2.0	4.5	0.6	3.7	16.5	2.6	2.6	2.6
Fair Value Gain/(Loss) on Investment Properties	0.0	0.5	(11.8)	(11.6)	12.3	(4.2)	2.4	2.4
<b>Profit before Taxation</b>	<b>6.2</b>	<b>8.9</b>	<b>29.3</b>	<b>34.3</b>	<b>53.0</b>	<b>61.5</b>	<b>39.2</b>	<b>43.4</b>
Income Tax Expense	(0.4)	(0.2)	(4.6)	(5.4)	(5.5)	(7.4)	(4.7)	(5.2)
Income tax rate	-7.0%	-2.3%	-15.8%	-15.8%	-10.4%	-12.0%	-12.0%	-12.0%
<b>Net Income (Loss)</b>	<b>5.8</b>	<b>8.7</b>	<b>24.7</b>	<b>28.9</b>	<b>47.5</b>	<b>54.1</b>	<b>34.5</b>	<b>38.2</b>
Minority Interest (After Tax)	(0.4)	(0.5)	(0.5)	(0.8)	(1.7)	(2.0)	(2.0)	(2.0)
<b>PATMI</b>	<b>5.4</b>	<b>8.2</b>	<b>24.1</b>	<b>28.1</b>	<b>45.8</b>	<b>52.1</b>	<b>32.5</b>	<b>36.2</b>
Less: Adjustment for one-off gain/(loss)	2.0	5.0	(11.3)	(7.9)	28.7	27.2	5.0	5.0
<b>Core PATMI</b>	<b>3.4</b>	<b>3.2</b>	<b>35.4</b>	<b>36.0</b>	<b>17.1</b>	<b>24.9</b>	<b>27.5</b>	<b>31.2</b>
yoy growth		-8%	1013%	2%	-52%	46%	10%	13%

Source: LHN, UOB Kay Hian



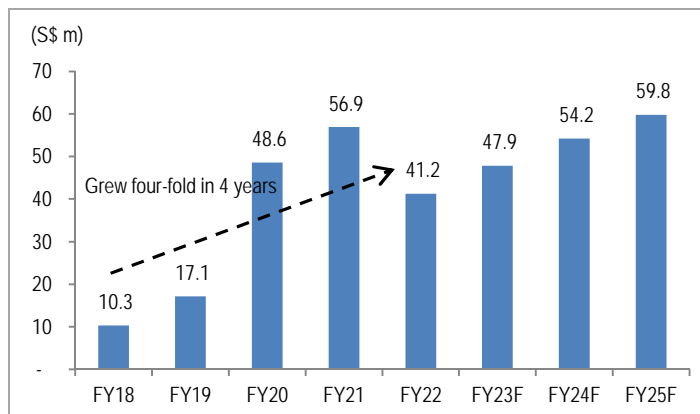
**Strong operating cash flow, which has grown four-fold in four years.** LHN has a track record of growing its operating cash flow, from around S\$10m in FY18 to around S\$41m in FY22. Excluding FY21, where LHN's facility segment enjoyed a one-off boost from the dormitory management business, as the segment's revenue doubled yoy to S\$40m, LHN has grown its operating cash flow by four-fold, from S\$10m in FY18 to S\$41m in FY22. We expect LHN's continued expansion in the co-living and industrial segments to underpin a continued growth in operating cash flow and core earnings.

*Continued expansion in co-living and industrial segments to contribute to continued growth in operating cash flow*

**Expect higher DPS on rising profitability; potential upside from special dividend not factored in pending completion of LHN Logistics disposal.** Given LHN's strong 1HFY23 results from the ramp-up of its co-living segment, the company raised its interim dividend by 33% yoy to 1.0 S cent. LHN has recently announced a 30% dividend payout policy (excluding fair value gain/loss) for FY23 and FY24. For FY23-25, we forecast 2.3-2.7 S cents/share in dividend, which translates to a payout ratio of 35-38%. We have not factored in the potential upside from the special dividend which could be paid out from the S\$21m (5.1 S cents/share) disposal gain of LHN Logistics, pending completion of the deal by Sep 23.

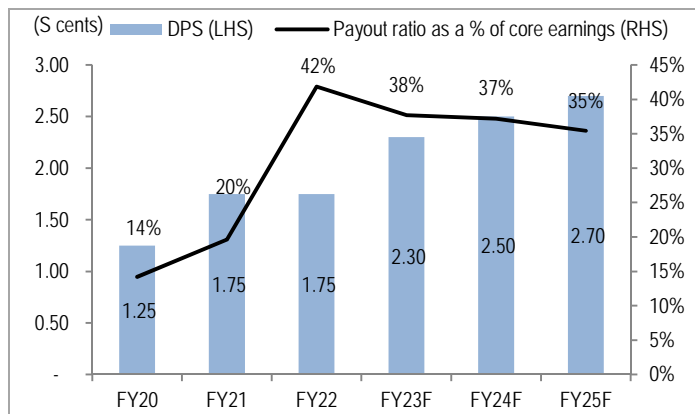
*For FY22-24, we forecast 2.4-3.0 S cents/share in dividend, which translates to a payout ratio of 51%*

**FIGURE 10: OPERATING CASH FLOW HAS GROWN FOUR-FOLD IN 4 YEARS**



Source: LHN, UOB Kay Hian

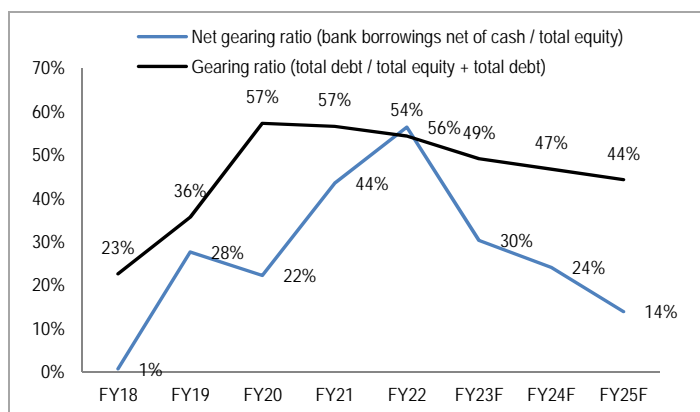
**FIGURE 11: INCREASING DPS AND DIVIDEND PAYOUT**



Source: LHN, UOB Kay Hian

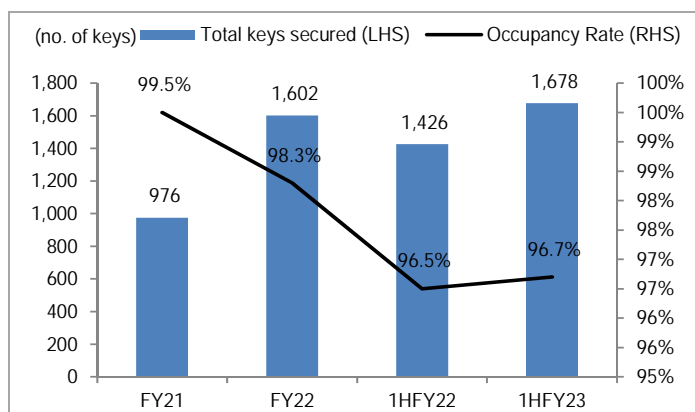
**Healthy gearing ratios and growth in number of keys coupled with occupancy rate.** LHN's gearing ratio remains healthy although its net gearing ratio has nearly doubled from 28% in FY19 to 54% in FY22. The reason behind the increase is the more active expansion into the co-living space, where LHN has increased the number of keys significantly by around 70% from FY21 to FY23. On hindsight, this has been a good move as co-living rental and demand have improved significantly over the same period, which has led to improved earnings and operating cash flow. In addition, LHN's co-living segment continued to enjoy a healthy occupation rate of above 96% in 1HFY23 despite the big increase in number of new keys since FY22.

**FIGURE 12: HEALTHY GEARING RATIOS**



Source: LHN, UOB Kay Hian

**FIGURE 13: HEALTHY GROWTH IN NO. OF KEYS AND OCCUPANCY RATE**



Source: LHN, UOB Kay Hian

**FIGURE 14: PROFIT & LOSS**

Year to 30 Sep (S\$)	2019	2020	2021	2022	2023F	2024F	2025F
Revenue, net (S\$ m)	111.1	134.2	121.0	111.8	123.2	125.1	146.3
Operating expenses (S\$ m)	(110.9)	(105.6)	(88.9)	(94.4)	(97.3)	(95.7)	(111.9)
<b>EBIT (S\$ m)</b>	<b>0.2</b>	<b>28.6</b>	<b>32.0</b>	<b>17.4</b>	<b>25.8</b>	<b>29.4</b>	<b>34.4</b>
Other non-operating income (S\$ m)	5.5	5.3	3.4	24.1	42.2	17.2	17.4
Associate contributions (S\$ m)	4.5	0.6	3.7	16.5	2.6	2.6	2.6
Net interest income/(expense) (S\$ m)	(1.3)	(5.1)	(4.9)	(4.9)	(9.2)	(10.0)	(11.0)
<b>Pre-tax profit (S\$ m)</b>	<b>8.9</b>	<b>29.3</b>	<b>34.2</b>	<b>53.0</b>	<b>61.5</b>	<b>39.2</b>	<b>43.3</b>
Tax (S\$ m)	(0.2)	(4.6)	(5.4)	(5.5)	(7.4)	(4.7)	(5.2)
Minorities (S\$ m)	(0.5)	(0.5)	(0.8)	(1.7)	(2.0)	(2.0)	(2.0)
<b>Net profit(rep./act.) (S\$ m)</b>	<b>8.2</b>	<b>24.1</b>	<b>28.0</b>	<b>45.8</b>	<b>52.1</b>	<b>32.5</b>	<b>36.1</b>
Net profit(adj.) (S\$ m)	3.2	35.4	36.0	17.1	24.9	27.5	31.1
Deprec. & amort. (S\$ m)	6.7	20.9	18.9	20.5	11.6	14.7	15.6
EBITDA (S\$ m)	6.9	49.5	50.9	37.9	37.4	44.1	50.0

Source: UOB Kay Hian

**FIGURE 15: BALANCE SHEET**

Year to 30 Sep (S\$)	2019	2020	2021	2022	2023F	2024F	2025F
Cash/Near cash equiv. (S\$ m)	21.3	38.4	36.8	39.7	76.2	85.2	107.9
Accounts receivable/debtors (S\$ m)	17.6	43.4	31.8	25.4	25.4	25.4	25.4
Stocks (S\$ m)	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other current assets (S\$ m)	11.9	27.0	31.9	34.8	34.8	34.8	34.8
<b>Current assets (S\$ m)</b>	<b>50.7</b>	<b>108.9</b>	<b>100.5</b>	<b>100.0</b>	<b>136.5</b>	<b>145.5</b>	<b>168.2</b>
Fixed assets (S\$ m)	104.7	191.1	251.4	306.6	315.0	330.3	334.7
Investments (S\$ m)	17.5	17.4	20.9	36.2	36.2	36.2	36.2
Other financial assets (S\$ m)	0.5	0.0	0.0	0.5	0.5	0.5	0.5
Intangible assets (S\$ m)	136.2	234.9	14.0	25.5	25.4	25.4	25.4
<b>Total non-current assets (S\$ m)</b>	<b>186.9</b>	<b>343.7</b>	<b>286.3</b>	<b>368.9</b>	<b>377.1</b>	<b>392.4</b>	<b>396.8</b>
<b>Total assets (S\$ m)</b>	<b>32.7</b>	<b>43.7</b>	<b>386.8</b>	<b>468.9</b>	<b>513.6</b>	<b>537.9</b>	<b>565.0</b>
Accounts payable/creditors (S\$ m)	7.0	10.7	35.4	37.1	37.1	37.1	37.1
Short-term debt/borrowings (S\$ m)	4.1	39.8	11.6	19.3	19.3	19.3	19.3
Other current liabilities (S\$ m)	<b>43.8</b>	<b>94.2</b>	43.4	34.3	34.3	34.3	34.3
<b>Current liabilities (S\$ m)</b>	<b>41.1</b>	<b>56.0</b>	<b>90.3</b>	<b>90.7</b>	<b>90.7</b>	<b>90.7</b>	<b>90.7</b>
Long-term debt (S\$ m)	0.5	3.6	89.8	128.9	128.9	128.9	128.9
Deferred tax liability (S\$ m)	4.6	66.4	3.7	5.6	5.6	5.6	5.6
Other non-current liabilities (S\$ m)	<b>46.3</b>	<b>126.0</b>	54.7	51.6	51.6	51.6	51.6
<b>Total non-current liabilities (S\$ m)</b>	<b>136.2</b>	<b>234.9</b>	<b>148.2</b>	<b>186.0</b>	<b>186.0</b>	<b>186.0</b>	<b>186.0</b>
<b>Total liabilities (S\$ m)</b>	<b>90.1</b>	<b>220.2</b>	<b>238.5</b>	<b>276.7</b>	<b>276.7</b>	<b>276.7</b>	<b>276.7</b>
Minority interest - accumulated (S\$ m)	1.5	1.9	2.6	6.3	8.3	10.3	12.3
<b>Shareholders' equity (S\$ m)</b>	<b>95.3</b>	<b>121.6</b>	<b>145.7</b>	<b>185.9</b>	<b>228.6</b>	<b>250.9</b>	<b>276.0</b>
<b>Liabilities and shareholders' funds (S\$ m)</b>	<b>186.9</b>	<b>343.7</b>	<b>386.8</b>	<b>468.9</b>	<b>513.6</b>	<b>537.9</b>	<b>565.0</b>

Source: UOB Kay Hian



**FIGURE 16: CASH FLOW**

Year to 30 Sep (S\$)	2019	2020	2021	2022	2023F	2024F	2025F
<b>Operating cashflows (S\$ m)</b>	<b>17.1</b>	<b>48.6</b>	<b>56.9</b>	<b>41.2</b>	<b>47.9</b>	<b>54.2</b>	<b>59.8</b>
Pre-tax profit (S\$ m)	8.9	29.3	34.3	53.0	61.5	39.2	43.4
Tax (S\$ m)	(0.6)	0.1	(4.8)	(5.0)	(7.4)	(4.7)	(5.2)
Deprec. & amort. (S\$ m)	6.7	20.9	18.9	20.5	11.6	14.7	15.6
Associates (S\$ m)	(4.5)	(0.6)	(3.7)	(16.5)	(2.6)	(2.6)	(2.6)
Working capital changes (S\$ m)	4.5	(12.5)	1.4	(1.4)	0.0	0.0	0.0
Non-cash items (S\$ m)	1.1	7.7	7.4	(14.2)	(24.4)	(2.4)	(2.4)
Others (S\$ m)	1.0	3.5	3.5	4.8	9.2	10.0	11.0
<b>Cash from investing activities (S\$ m)</b>	<b>(38.4)</b>	<b>(10.5)</b>	<b>(44.1)</b>	<b>(36.2)</b>	<b>7.2</b>	<b>(25.0)</b>	<b>(15.0)</b>
Capex (growth) (S\$ m)	(39.9)	(22.5)	(62.5)	(56.4)	(20.0)	(30.0)	(20.0)
Investments (S\$ m)	10.1	(3.3)	(3.4)	(3.6)	0.0	0.0	0.0
Proceeds from sale of assets (S\$ m)	0.1	0.6	0.4	0.1	27.2	5.0	5.0
Others (S\$ m)	(8.6)	14.7	21.4	23.7	0.0	0.0	0.0
<b>Cash from financing activities (S\$ m)</b>	<b>21.8</b>	<b>(20.2)</b>	<b>(15.1)</b>	<b>(2.1)</b>	<b>(18.6)</b>	<b>(20.2)</b>	<b>(22.0)</b>
Dividend payments (S\$ m)	0.0	(3.1)	(7.0)	(7.1)	(9.4)	(10.2)	(11.0)
Issue of shares (S\$ m)	0.0	0.0	2.1	5.0	0.0	0.0	0.0
Proceeds from borrowings (S\$ m)	42.4	28.8	49.0	70.8	0.0	0.0	0.0
Loan repayment (S\$ m)	(15.6)	(9.6)	(14.4)	(23.8)	0.0	0.0	0.0
Others/interest paid (S\$ m)	(4.9)	(36.2)	(44.8)	(47.0)	(9.2)	(10.0)	(11.0)
<b>Net increase/(decrease) in cash (S\$ m)</b>	<b>0.6</b>	<b>17.9</b>	<b>(2.3)</b>	<b>2.9</b>	<b>36.4</b>	<b>9.0</b>	<b>22.7</b>
Beginning cash (S\$ m)	20.7	21.3	39.1	36.8	39.7	76.2	85.2
Changes due to forex impact (S\$ m)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>End cash (S\$ m)</b>	<b>21.3</b>	<b>39.1</b>	<b>36.8</b>	<b>39.7</b>	<b>76.2</b>	<b>85.2</b>	<b>107.9</b>

Source: UOB Kay Hian

**FIGURE 17: KEY METRICS**

Year to 30 Sep (%)	2019	2020	2021	2022	2023F	2024F	2025F
<b>Growth</b>							
Turnover	1.7	20.8	(9.9)	(7.6)	10.2	1.6	16.9
EBITDA	(5.3)	618.2	2.8	(25.6)	(1.1)	17.8	13.3
Pre-tax profit	43.9	229.0	16.8	54.8	16.0	(36.3)	10.7
Net profit	51.5	195.4	16.2	63.4	13.7	(37.7)	11.3
Net profit (adj.)	(7.8)	1,013.5	1.7	(52.5)	45.8	10.2	13.4
<b>Profitability</b>							
EBITDA margin	6.2	36.9	42.1	33.9	30.4	35.3	34.2
EBIT margin	0.2	21.3	26.5	15.5	21.0	23.5	23.5
Gross margin	24.7	47.4	55.0	52.8	58.0	60.0	60.0
Pre-tax margin	8.0	21.8	28.3	47.4	49.9	31.3	29.6
Net margin	7.4	18.0	23.2	41.0	42.3	26.0	24.7
ROE	8.9	22.2	21.0	27.6	25.1	13.5	13.7
ROA	4.9	9.1	7.7	10.7	10.6	6.2	6.6
ROIC	(0.4)	14.1	11.9	3.5	4.6	6.2	7.2
<b>Leverage</b>							
Interest cover (x)	5.2	9.7	10.5	7.7	4.1	4.4	4.5
Debt to total capital	49.7	54.0	40.6	43.5	38.5	36.2	33.9
Debt to equity	50.5	54.9	69.6	79.7	64.8	59.1	53.7
Net debt/(cash) to equity	28.2	23.2	44.3	58.3	31.5	25.1	14.6
Current ratio (x)	1.2	1.2	1.1	1.1	1.5	1.6	1.9

Source: UOB Kay Hian

## Appendix I: Company Background

**LHN is an integrated real estate management service company** with its customers spread across Asia. Its strength lies in providing value through transforming under-utilised properties and leasing them out. Its experience in property management enables it to apply its expertise in space optimisation into its properties.

LHN has five business segments: Space optimisation, property development, facilities management, energy resources, and logistics services.

**Space optimisation:** LHN acquires properties as well as master leases of under-utilised properties (commercial, industrial and residential). It then refurbishes and transforms the properties into usable spaces and lease them out to tenants.

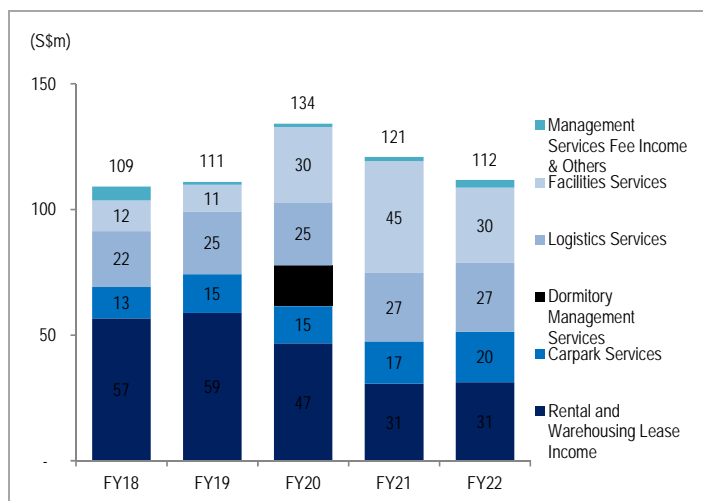
**Property development:** LHN is engaged in: a) property development activities including acquisition, development and/or sale of properties; and b) property investment activities related to property development, property investment, and property management.

**Facilities management:** LHN provides car park management services and property maintenance services, eg amenities and utilities provision, repairs and general maintenance, and cleaning. The services are offered to both external parties and LHN-leased and managed properties.

**Energy resources:** LHN provides sustainable energy solutions to customers, including supply of electric vehicle charging stations, installation of solar power systems, and electricity retailing.

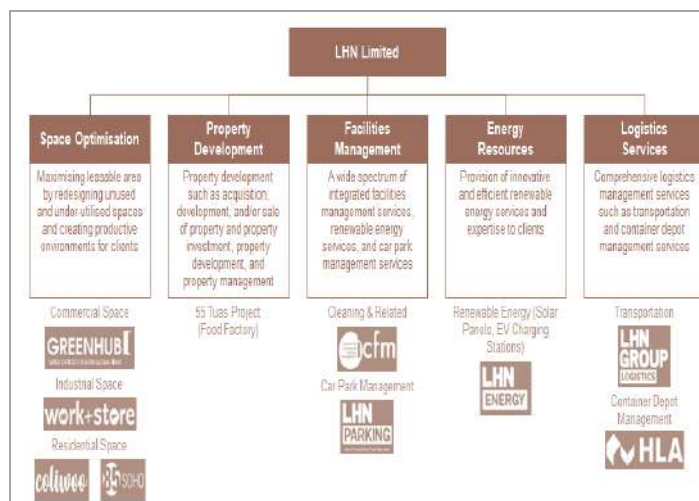
**Logistics services:** LHN's indirect non-wholly owned subsidiary, LHN Logistics, in this segment was spun off in Apr 22. This segment provides transport services, container depot services and container depot management services. Transport is mainly focused on ISO tanks and containers, while container depot management services include container cleaning, on-site repairs, container surveying, and container storage.

### REVENUE BY SEGMENT



Source: LHN

### KEY SEGMENTS



Source: LHN

### Appendix II: Business Outlook

**Proposed sale of LHN Logistics.** On 4 Jun 23, LHN received a conditional offer from Milkyway International Chemical Supply Chain (a wholly-owned subsidiary of MilkyWay Chemical Supply Chain Service Co, a listed company on the Shanghai Stock Exchange) for a stake in LHN Logistics. The offer price per share of S\$0.2266 represents a 35% premium above the pre-offer closing price of S\$0.1680 on 1 Jun 23, a 45% premium above the 6M VWAP, and a 13% premium above the listing price of S\$0.20. The offer is due to lapse on 3 Aug 23 and the transaction is expected to go through, given that the controlling shareholder has made an irrevocable undertaking to procure LHN to accept the offer. With LHN owning 84% of LHN Logistics, the sale would bring in around S\$32m for LHN, which we believe could be partially used for a special dividend.

**Space optimisation segment targeting aggressive expansion via asset-light model.** LHN aims to grow this segment by increasing the number of rooms by 800 for the next three years. It is also keeping an eye on capital recycling and pivoting towards an asset-light model, where it will be managing the properties instead of owning them. This would free up capital and result in higher growth for LHN, ultimately rewarding shareholders.

**Project pipeline.** LHN has a healthy pipeline of projects which are poised to result in revenue contribution across FY23 to FY25.

#### MANAGEMENT'S PROJECTED NO. OF KEYS IN FY23 BY SINGAPORE AND OVERSEAS PROJECT

Singapore – Co-living		Overseas		Total
Master Lease	Owned / JV	Master Lease	Owned / JV	
1,387	291	275	108	2,061

Source: LHN

#### PROJECT PIPELINE ACROSS SEGMENTS

##### Project Pipeline – Residential Space

Location	No of Keys	Target Occupancy Rate (by end-FY23)	Rental Rate (\$ per month)	Implied Average Annual Revenue (\$)
Coliwoo Orchard	411	95%	2,900-5,800	\$20,381,490
Coliwoo Lavendar	105	95%	2,100-4,800	\$4,129,650

Location	No of Keys	Commercial Area (sf)	Expected Operational Date
404 Pasir Panjang	63	2,800	1Q24
48 & 50 Arab Street	26	1,346	1Q24
GSM Building	187	12,000	3Q25

##### Project Pipeline – Property Development

Location	No of Units	Saleable Area (sf)	Expected Operational Date
55 Tuas South	49	112,000	3Q24

##### Project Pipeline – Facilities Management (Car Park Management)

Location	Commenced Operations	Parking Lots
Defu Industrial City Car Park	Apr 23	2,800 (13% of total parking lots managed)

Source: LHN

## Appendix III: Industry Overview

### CO-LIVING AND RESIDENTIAL PROPERTIES

**Co-living poised to benefit from growth drivers...** While expatriates and foreign students were the traditional demand drivers for co-living, much has changed with the addition of new demand drivers such as young professionals seeking to live away from parents or nearer to their workplace, and business travellers coming to Singapore, among others. With LHN operating Coliwoo and being able to cater to all these needs, LHN is well-positioned to benefit from the growth in this co-living industry.

**... and Coliwoo directly catering to consumer preferences.** Consumers are increasingly preferring private rooms that contain a kitchenette, ensuite bathroom, washer-dryer, and TVs, as per JLL's report. This directly plays into Coliwoo's offerings and amenities provided, which would translate into better tenant retention and attraction. Furthermore, co-living operators offering private rooms are able to charge a premium compared with other more conventional co-living arrangements that have shared spaces and amenities

**Rental index still surging, which could drive spillover demand to co-living.** Per URA's 1Q23 report, the rental index reached 158.8, representing a 7.2% qoq increase, a slight downward taper from the 7.4% and 8.6% increases in 4Q22 and 3Q22 respectively. Non-landed properties rentals slowed to a 6.2% increase qoq, compared with a hotter 7.5% qoq uptick in 4Q22. However, landed property rentals spiked 14.5% qoq in 1Q23, more than double the 6.3% rise in 4Q22. In the Core Central Region (CCR), non-landed properties saw rentals increase 6.4% qoq, compared with 7.3% qoq in 4Q22. Rest of Central Region saw a 6.2% qoq jump, vs a 7.3% qoq hike in 4Q22. Outside Central Region also slowed to a 6.1% qoq increase, relative to an 8.2% growth in 4Q22.

**Ramp-up in housing supply, but recent increase in ABSD means housing will be prioritised for locals.** In 1Q23, around 3,800 private residential units including ECs were completed, which was 60% more than 2022's quarterly average of 2,400. Accordingly, the vacancy rate for private residential properties climbed to 6.0% in 1Q23, representing a five-quarter high (4Q22: 5.5%). A total of 19,000 units is expected to be completed in 2023, which is the highest since 2017. As part of the 100,000 public and private housing units to be completed between 2023 and 2025, 40% are estimated to be private residential units (including ECs). This supply ramp-up complements the increase in ABSD rates announced on 27 Apr 23, which was implemented to manage investment housing demand and prioritise housing for locals who are looking to purchase for owner-occupancy.

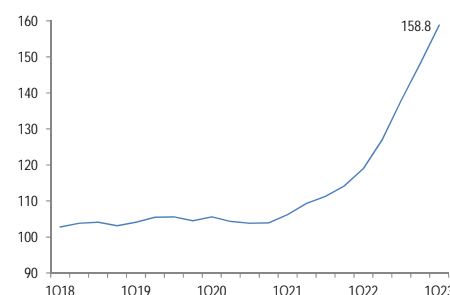
**Lease volumes declining as leasable homes are undergoing a supply crunch.** The number of leases declined for a second consecutive quarter, with a 3.8% qoq contraction to 20,050 in 1Q23. Leasing volumes saw an 11.7% yoy contraction and 1Q23 also had the lowest 1Q number in the recent six years. Pre-COVID-19 from 2010-19, the number of private residential leasing transactions in Singapore climbed by an average of 7.8% annually. Despite most travel restrictions worldwide largely coming to a halt in 2022, the expected transaction increase did not materialise. We have instead seen leasable homes undergoing a supply crunch (with the rental index going up) and an influx of foreigners.

### DEMAND DRIVERS FOR CO-LIVING: TRADITIONAL VS NEW DEMAND DRIVERS

Traditional Demand Drivers	
Expatriates	
Foreign students	
New Demand Drivers	
Locals awaiting new home/renovation completion	
Project-based contractors	
Young professionals	
Local students	
Singles, couples, and small families	
Business and leisure travellers	

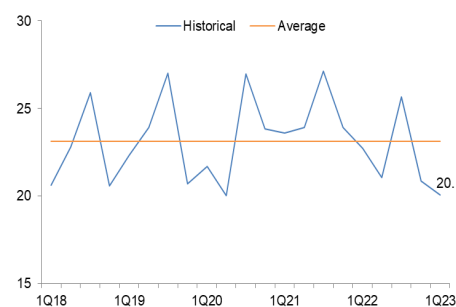
Source: JLL

### PRIVATE RESIDENTIAL PROPERTIES RENTAL INDEX (WHOLE ISLAND) (1Q09 = 100)



Source: URA

### LEASING TRANSACTION VOLUMES - PRIVATE RESIDENTIAL UNITS ('000)



Source: Savills

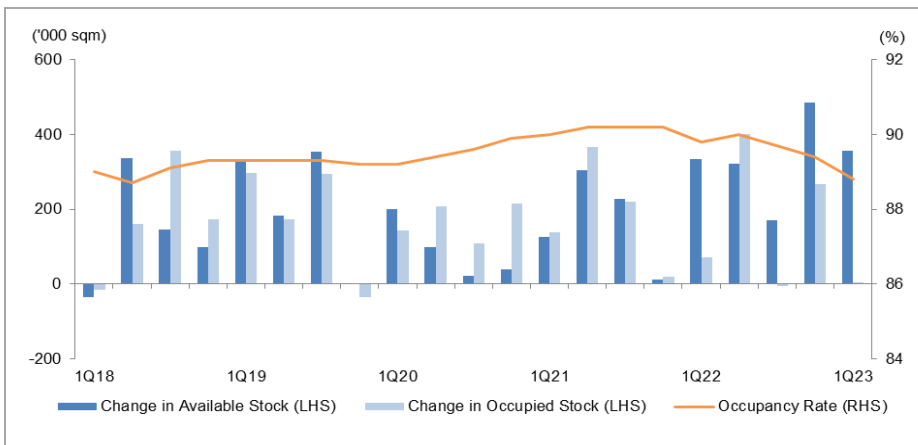
### INDUSTRIAL PROPERTIES

**Occupancy rates dipping slightly to 88.8%.** This represents a decrease of 60bp qoq and 100bp yoy. This was attributed to new completions remaining strong in 1Q23, with new supply remaining ahead of new demand. There was an increase in total available stock by 357,000sqm, while total occupied stock increased by 5,000sqm qoq.

**Prices and rental rates for industrial space growing in the past year.** From JTC's 1Q23 report, it is evident that the rental index and price index for private industrial spaces have been ticking upwards, with a sharp spike in the past year alone when compared with the sluggish prior four years.

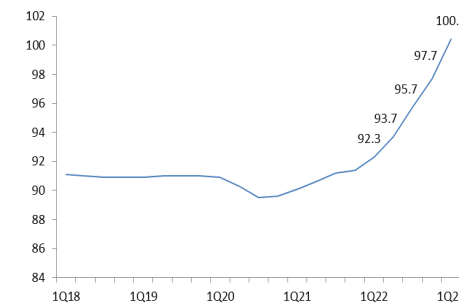
**Robust demand and growth with potential moderation in prices and rentals.** For 2Q-4Q23, an estimated 1.0m sqm of new industrial space is expected to be completed. Overall demand for industrial space should remain strong, but with occupancy rates declining, prices and rentals might also moderate in tandem.

### SINGAPORE'S INDUSTRIAL PROPERTIES STOCK AND OCCUPANCY



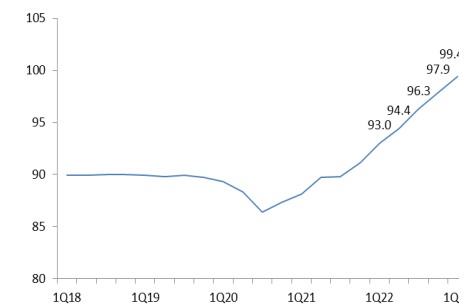
Source: JTC

### RENTAL INDEX (PRIVATE INDUSTRIAL SPACE) (4Q12 = 100)



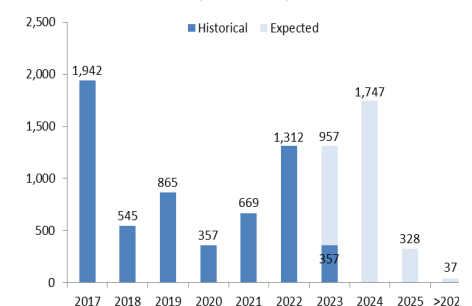
Source: JTC

### PRICE INDEX (PRIVATE INDUSTRIAL SPACE) (4Q12 = 100)



Source: JTC

### SUPPLY OUTLOOK ('000 SQM)



Source: JTC

## Appendix IV: Risk Factors

**Weakening property sector rental rates.** LHN is reliant on rental income, and with the overall rental index in Singapore climbing to historical highs in the past year and with rental prices yet to see a decline, a sudden decline led by weakening property rental rates or another resurgence in COVID-19 cases could see LHN being adversely impacted. However, LHN also has a diversified business model with other business segments such as facilities management and property development to safeguard itself against such risks.

**Decline in occupancy rates and tenant retention.** With Coliwoo's tenants largely committing to 3- to 6-month lease terms on average, LHN has to ensure that there is a constant stream of new tenants. Should it fail to secure new tenants, it would negatively impact its revenue. However, LHN has historically been able to maintain occupancy rate above 95% while offering competitive rates.

**Higher operating costs from construction delays or manpower shortages.** Should the construction industry undergo any raw material or manpower shortages that lead to delays, LHN would be impacted due to increased costs and delays that prevent it from leasing out its properties.

**Fair value losses dampening its bottom line.** LHN has historically seen its bottom line impacted by non-cash gains and losses, mainly due to annual revaluation of its properties. Such gains and losses are hard to predict, and should it sustain a large non-cash fair value loss, it could affect the short-term perception of LHN's profitability and impact its share price. However, this does not detract from LHN's core profit which would be what investors are focused on, and the basis for LHN's dividend payouts.

**Rising interest rates.** With gearing ratio at 0.54x, rising interest rates could adversely affect LHN's profitability and cash flow. LHN has S\$146m in variable rate bank borrowings and S\$84m in fixed rate bank borrowings and lease liabilities. LHN's sensitivity analysis of interest rate fluctuation shows that for a 1% increase in interest rates, LHN's net profit after tax would decrease by S\$1.21m, representing a 2.5% fall from FY22 earnings of S\$47.5m.



## Appendix V: Key Developments

### TIMELINE OF KEY DEVELOPMENTS IN FY23

Date	Description
4 Jun 23	Received offer for sale of LHN Logistics
12 May 23	Release of 1H23 results; NPAT of S\$18.3m
4 May 23	Profit warning of about S\$19m EBT for 1H23 due to fair value loss on properties
11 Apr 23	Completed disposal of JV company Coliwoo East for net proceeds of around S\$11.8m
27 Feb 23	Launch of Coliwoo Orchard @ 2 Mount Elizabeth Link
10 Feb 23	Acquisition of GSM property through public tender for S\$80m
30 Jan 23	Declared final dividend of S\$0.01 per share for FY22
27 Jan 23	Completed disposal of GetGo Technologies
16 Dec 22	Completed acquisition of 48 Arab Street property for S\$6.4m
28 Nov 22	Release of FY22 results; NPAT of S\$47.5m
16 Nov 22	Completed acquisition of Pasir Panjang property for S\$30m
10 Nov 22	Profit guidance of S\$52m EBT for 2022
12 Oct 22	Entered into Lease Agreement for Tampines property

Source: LHN

### Appendix VI: Key Properties Managed, Estimated Monthly Rental And Owned Properties

#### ESTIMATED MONTHLY RENTAL OF LHN'S OWNED PROPERTIES

No.	Address	Estimated monthly rental (S\$)
1	31 Boon Lay Dr	2,100
2	1A Lutheran Road	2,000
3	471 Balestier Road	3,000
4	320 Balestier Road	2,800
5	Lavender Collection	2,400
6	115 Geylang Road	3,200
7	40-42 Amber Road	3,100
8	2 Mount Elizabeth	3,500
9	450 & 452 Serangoon Road	3,200
10	298 River Valley Road	3,300
11	75 Beach Road	3,500
12	1557 Keppel Road	3,300
13	10 Raeburn Park	Master Lease
14	150 Cantonment Road	Master Lease

Source: LHN

#### LHN'S INVESTMENT PROPERTIES

Owned properties	Lease expiry	FY22 Value (S\$m)
72 Eunos Avenue 7	2041	7.0
100 Eunos Avenue 7	2040	15.5
23 Woodlands Industrial Park A	2055	0.4
71 Lorong 23 Geylang	2092	25.0
320 Balestier Road	Freehold	35.3
75 Beach Road	2826	13.1
115 Geylang Road	Freehold	19.0
55 Tuas South Avenue 1, Singapore	2059	25.0
298 River Valley Road, Singapore	Freehold	10.6
52 Arab Street, Singapore	2051	4.6
88 Building, Jalan Kasablanka Raya Kav, Jakarta, Indonesia	2027	6.1
Street Duong Ngeap III, Phnom Penh, Cambodia	Freehold	16.6
<b>Total</b>		<b>178.2</b>

#### Right-of-Use leased properties

8 Jalan Papan, Singapore	2023	0.0
43 Keppel Road, Singapore	2027	3.8
18 Tampines Industrial Crescent, Singapore	2022	0.3
20, 21, 23, 23A, 24, 24A, 25, 25A Depot Lane	2024	0.7
2 Tuas South Avenue 2, Singapore	2023	0.3
18 New Industrial Road, Singapore	2023	0.1
10 Raeburn Park, Singapore	2025	2.2
27 West Coast Highway, Singapore	2022	0.0
5 Tampines Central 6 Telepark #03-32 to #03-40 Singapore	2023	0.1
1557 Keppel Road, Singapore	2026	1.0
45 Burghley Drive, Singapore	2023	0.0
300 - 320 Tanglin Road, Singapore	2022	0.0
31 Boon Lay Drive, Singapore**	2024	4.4
1A Lutheran Road, Singapore**	2025	1.1
34 Boon Leat Terrace, Singapore	2026	7.9
2 Mount Elizabeth Link, Singapore	2027	24.3
Lavender Collection	2029	8.8
<b>Total</b>		<b>7.0</b>

Source: LHN

## Appendix VII: Board of Directors And Key Executives

Name	Position	Experience
Kelvin Lim	Executive Chairman, Executive Director & Group Managing Director	<p>Kelvin Lim is a controlling shareholder and was appointed to the Board in 2014. He is the current Executive Chairman, Executive Director, Group Managing Director and a member of the Nominating Committee. Kelvin is also a director of all of the subsidiaries of the group other than Hean Nerng Facilities Management.</p> <p>He has over two decades of experience in the logistics services, property leasing, and facilities management industries. He oversees the overall management and business development of the group, such as operations, marketing, and investment activities.</p> <p>He was awarded the public service medal (Pingat Bakti Masyarakat ("PBM")) in 2012 for his contributions to society.</p> <p>He is the brother of Jess Lim, Executive Director &amp; Group Deputy Managing Director.</p>
Jess Lim	Executive Director & Group Deputy Managing Director	<p>Jess Lim is a controlling shareholder and was appointed to the Board in 2014. She is the current Group Deputy Managing Director and director of all the group's subsidiaries except LHN Management Services (Nan An) Co, LHN Asset Management (Xiamen) Co, LHN Logistics and its subsidiaries (excluding LHN Logistics Sdn. Bhd.) LHN Parking HK, PT Hean Nerng Group and PT Hub Hijau Serviced Offices.</p> <p>She has over two decades of experience in business management and supply chain management, with over 15 years' experience in the leasing and facility management businesses. She oversees the corporate development, finance, human resource, and contract administration functions, among others.</p> <p>She is the sister of Kelvin Lim, Executive Chairman, Executive Director and Group Managing Director.</p>
Ch'ng Li-Ling	Lead Independent Non- Executive Director	<p>Ch'ng Li-Ling was appointed to the Board in 2015. She is the Chairwoman of the Remuneration Committee and a member of the Audit and Nominating Committees. She is also the co-founder of RHTLaw Asia and currently heads its Financial Services (Regulatory) Practice.</p> <p>Her practice areas include capital markets, securities and financial services regulatory compliance, corporate governance, corporate and security laws, and M&amp;A. She currently advises on MAS licensing and digital token issuances with fintech firms and capital market service providers.</p> <p>She was previously an independent director of DeClout Limited and Anchor Reserves Limited, both of which are SGX-ST listed.</p>
Eddie Yong	Independent Non-Executive Director	<p>Eddie Yong was appointed to the Board in 2015. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He has over four decades of experience in real estate.</p> <p>He was previously an executive director at Far East Orchard, and deputy chairman of the industry and development committee and board member of the Singapore Corporation of Rehabilitative Enterprises. He was previously a management committee member of the Real Estate Developers' Association of Singapore.</p>
Gary Chan	Independent Non-Executive Director	<p>Gary Chan was appointed to the Board in 2017. He is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He is well-versed in accounting, private equity, corporate finance, and financial consultation.</p> <p>He is currently the CEO of CFO Centre Group's Greater China business. He is the Chairman of ESG Chapter – Forbes Global Alliance. He also serves as an executive director in Pomona Acquisition and Bombax Healthcare Acquisition Corp, and as an independent non-executive director of True Yoga Holdings.</p>
Yeo Swee Cheng	Chief Financial Officer	<p>Yeo Swee Cheng joined the group in 2011 as Group Finance Manager and was previously the Group Financial Controller before taking on her current role.</p> <p>She oversees all finance-related functions such as treasury, audit and tax. She supports management with strategic and financial planning aspects.</p> <p>She has over two decades of experience in financial accounting, corporate finance, taxation and treasury.</p>
Wong Sze Peng, Danny	Chief Executive Officer of Work+Store	<p>Danny Wong joined the group in 2008 and held the roles of Assistant General Manager and General Manager before helming his current position.</p> <p>He has over 15 years of experience in real estate. He is primarily responsible for the Work Plus Store business, overseeing functions such as business development, sales and marketing, and operations. He is actively involved in expanding and promoting the Work Plus Store business.</p>

Source: LHN

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

## IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

## Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W