**BANYAN TREE HOLDINGS LIMITED**

# PRESS RELEASE

27TH February 2019

## FY18 OPERATING PROFIT* INCREASED BY 11%

**FINANCIAL HIGHLIGHTS:**

**4Q18:**
- Revenue increased 4% to S$92.8 million.
- Operating Profit increased by 40% to S$29.4 million.

**FY18:**
- Revenue increased 4% to S$329.0 million.
- Operating Profit increased by 11% to S$83.1 million.

**Revenue:**

Increased in 4Q18 due to:
- Higher revenue recognition from Property Sales segment.
- Partially offset by under performance of our Thailand hotels and non-consolidation of revenue from Seychelles hotel following its sale in November 2018.

Increased in FY18 due to:
- Higher revenue recognition from Property Sales segment.
- Partially offset by non-consolidation of revenue from China operations.

**Operating Profit:**

Increased in 4Q18 due to:
- Gain from sale of 18.6% of Banyan Tree Assets (China) Holdings Pte. Ltd. (“BTAC”) and from sale of assets in Seychelles.
- Partially offset by exchange loss in 4Q18 vs. exchange gain 4Q17.

Increased in FY18 due to:
- Higher revenue recognition from Property Sales segment.
- Lower operating expenses.
- Partially offset by lower other income as FY2017 recorded higher gain from divestment of China entities.

**Final Dividend:**

- Proposed dividend of 1.05 cent per ordinary share.

**OUTLOOK:**

- On Hotel Investments segment, hotel forward bookings for owned hotels for 1Q19 are 8% below the same period last year (Outside Thailand is 4% below and Thailand is 10% below).

- On Property Sales segment, deposits for 57 units with sales value of S$37.2 million were received in 4Q18 compared to 101 units with sales value of S$63.6 million in 4Q17. As at 31 December 2018, unrecognised revenue was S$189.9 million, an increase of 14% as compared to S$166.2 million as at 31 December 2017. Approximately 40% will be recognised in year 2019.

- Macro outlook[1]:

  Based on International Monetary Fund’s latest report[1], world economy is forecast to slow in 2019 amid rising trade tensions and weakness in Europe. Growth projections for China, our key market had been revised downwards due to slowdown in investment and export driven growth.

[1] Source: IMF, World Economic Outlook Update (January 2019)

# ADDENDUM

## RESULTS SNAPSHOT:

**4Q18 Results (in S$' million):**

| | 4Q18 | 4Q17 | Change@ (%) |
|---|---|---|---|
| Revenue | 92.8 | 88.9 | 4% ⇧ |
| Operating Profit * | 29.4 | 21.0 | 40% ⇧ |
| PATMI** | 5.6 | 3.9 | 44% ⇧ |

**FY18 Results (in S$' million):**

| | FY18 | FY17 | Change@ (%) |
|---|---|---|---|
| Revenue | 329.0 | 317.5 | 4% ⇧ |
| Operating Profit * | 83.1 | 74.7 | 11% ⇧ |
| PATMI** | 13.5 | 12.9 | 4% ⇧ |

* *Operating Profit = EBITDA (Earnings before interests, taxes, depreciation & amortisation).*
** *PATMI = Profit after taxation and minority interests.*
@ *Variances are computed based on figures to the nearest thousands to be in line with announcement in the SGXnet.*

## QUOTE:

Mr Ho Kwon Ping, Executive Chairman –

"In 2018, we continued our path of rebalancing assets to be more asset light by taking profit on our matured properties. We sold our Seychelles assets and also further reduced our shareholding in BTAC to a small minority stake. Amidst global slowdown and rising interest rates, we will be conservative and will deploy the proceeds from sale to reduce bank borrowings while continue to generate growth from existing core businesses."

# ADDENDUM

## DETAILED BUSINESS SEGMENTS REVIEW

**Note A: Transaction with Vanke**

As announced on 10 August 2017, the Group had executed and completed the definitive agreement with China Vanke Co., Ltd ("Vanke") to create Banyan Tree Assets (China) Holdings Pte. Ltd. ("BTAC"), a 50:50 joint venture incorporated in Singapore between the Group and Vanke, to consolidate the ownership of its Banyan Tree-branded hotels and assets in China. BTAC had in turn invested in and holds 40% stake in each of Banyan Tree's operating companies incorporated in Singapore, Banyan Tree Services (China) Pte. Ltd. ("BTSC") and Banyan Tree Hotel Management (China) Pte. Ltd. ("BTMC").

The Group had since deconsolidated certain entities and recognised the gain on the interest divested. In addition, the Group's retained interest in these entities had been reclassified to investment in Joint ventures/Associates.

The results of the Joint ventures/Associates were equity accounted by the Group from August 2017. Please refer to the Group's SGX-Net announcement dated 10 August 2017 for more details on the execution and completion of the definitive agreements with Vanke.

As announced on 2 April 2018, Vanke and the Group have funded and acquired stakes of 93.3% and 6.7% respectively in Banyan Tree China Hospitality Fund ("China Fund"). The China Fund was subsequently injected into BTAC at the end of March 2018. In recognition of the respective contributions from Vanke and the Group for the acquisition of the China Fund, the Group's interest in BTAC has been diluted from 50% to 22.8%. In addition, BTAC has been reclassified from Joint ventures to Associates following the dilution.

As announced on 21 November 2018, the Group entered into a share purchase agreement to sell 18.6% interest in BTAC to Vanke. The Group's interest in BTAC was reduced to 4.2% after the sale and BTAC ceased to be an Associate of the Group.

# ADDENDUM

**Hotel Investments segment**

Hotel Investments segment achieved revenue of S$47.6 million in 4Q18, a decrease of 13% or S$6.8 million compared to S$54.4 million in 4Q17. The decrease in revenue was mainly from Thailand (S$3.3 million) and Seychelles (S$3.3 million).

For Thailand, hotel performance was below the same period last year mainly due to inventory shortage caused by ongoing renovations at Banyan Tree Phuket and under performance from Angsana Laguna Phuket due to absence of major events as compared to 4Q17. Revenue per Available Room (“RevPAR”) for Thailand resorts decreased by 18% from S$191 in 4Q17 to S$157 in 4Q18. For Seychelles, we stopped consolidating their results after we disposed our entire assets portfolio in November 2018.

For FY18, Hotel Investments segment achieved revenue of S$192.5 million which was a decrease of S$9.0 million compared to S$201.5 million in FY17. The decrease in revenue was mainly from China (S$6.4 million), Maldives (S$2.9 million) and Seychelles (S$1.2 million) partially cushioned by higher revenue from Indonesia (S$1.7 million) due to increase in room inventory during the year. For Maldives, revenue decrease was mainly due to decline in tourist arrivals during the year, especially from China following declaration of state of emergency in Maldives in 1Q18. For China, we stopped consolidating their results for FY18 after we disposed them in 2017 as mentioned in note A. For Seychelles, the decrease was due to similar reasons mentioned above.

Notwithstanding lower revenue, Operating Profit increased by S$0.4 million in 4Q18 and S$2.1 million in FY18. This was mainly due to certain hotel assets in Morocco being written off in 4Q17 but no such provision in 4Q18. In addition, for FY18, we stopped consolidating the results of China hotels (which recorded losses in FY17) following our disposals to Vanke as mentioned in note A.

**Property Sales segment**

Revenue from the Property Sales segment increased by S$11.4 million or 61% to S$30.0 million in 4Q18. For FY18, revenue increased by S$25.6 million or 50% to S$77.0 million.

In 4Q18, a total of 41 units of Cassia Phuket, Banyan Tree Grand Residences, Laguna Park townhomes/villas and Laguna Village residences were recognised. In comparison, a total of 31 units of Cassia Phuket, Laguna Village townhomes/villas and Laguna Village residences were recognised in 4Q17.

In FY18, a total of 128 units of Banyan Tree Phuket, Banyan Tree Grand Residences, Cassia Phuket, Laguna Park townhomes/villas, Laguna Village residences and Cassia Bintan were recognised. In comparison, a total of 139 units of Cassia Phuket, Cassia Bintan, Laguna Park townhomes/villas, Laguna Village residences and Laguna Chengdu were recognized in FY17. Despite the lower quantities recognized in FY18, overall revenue was higher than FY17 due to higher value of properties recognised in FY18 compared to FY17.

Deposits for 57 new units sold with total sales value of S$37.2 million were received in 4Q18 compared to deposits for 101 units in 4Q17 of S$63.6 million, a 44% decrease in units and 42% decrease in value terms. For FY18, deposits for 211 new units of total sales value of S$125.6 million were received, an increase of 8% in unit terms but 9% decrease in value terms.

Overall unrecognised revenue as at 31 December 2018 was S$189.9 million as compared to S$166.2 million as at 31 December 2017, of which about 40% will be progressively recognised in 2019.

Despite higher revenue, Operating Profit decreased by S$3.2 million in 4Q18 mainly due to increase in cost of properties sold and higher sales commissions. For FY18, Operating Profit increased by S$2.7 million mainly due to higher revenue as mentioned above but partially offset by write-off of deposit paid for land purchase in Thailand.

# ADDENDUM

**Fee-based segment**

Revenue from the Fee-based segment decreased by S$0.7 million or 5% to S$15.2 million in 4Q18 mainly due to lower architectural and design fees earned from projects based on project milestones.

For FY18, revenue decreased by S$5.1 million or 8% to S$59.6 million. This was mainly due to lower revenue from China as we have stopped consolidating our China operations but receive license fees following the execution of the Vanke transactions as mentioned in note A. This was partially cushioned by higher hotel management fees.

Operating Profit decreased by S$3.8 million in 4Q18 mainly due to lower revenue as mentioned above, coupled with higher provision for bonus and incentives, higher foreign exchange losses and higher reservation and sales and marketing expenses. For FY18, Operating Profit increased by S$6.1 million or 81% to S$13.6 million notwithstanding lower revenue. This was mainly due to lower provision for doubtful debts, lower foreign exchange losses, lower staff costs and lower provision for bonus and incentives.

If management fees of those resorts which the Group has a majority interest were not eliminated on consolidation, Operating Profit would have been S$4.2 million in 4Q18 as compared to S$8.7 million in 4Q17, and S$28.7 million in FY18 as compared to S$23.2 million in FY17.

**Head Office**

Head office expenses increased by S$0.4 million or 8% to S$5.4 million in 4Q18 mainly due to higher provision for bonus and incentives and foreign exchange losses in 4Q18 as compared to exchange gain in 4Q17. In 4Q17, there was also a one-off reversal of fair value loss on convertible debentures and call options. The increase was partially cushioned by lower impairment of intangible assets and lower provision for doubtful debts.

Head office expenses decreased by S$5.3 million or 30% to S$12.3 million in FY18 mainly due to lower impairment of intangible assets, lower provision for doubtful debts and lower provision for bonus and incentives, but partially offset by lower exchange gain.

**Other income**

Other income increased by S$15.3 million from S$9.0 million in 4Q17 to S$24.3 million in 4Q18, mainly due to gain on disposal of assets in Seychelles and disposal of 18.6% interest in BTAC as disclosed in note A. This was partially offset by absence of fair value gain on debentures issued to Accor S.A. upon conversion into ordinary shares of the Company which was recorded in 4Q17.

For FY18, other income decreased by S$7.8 million mainly due to lower gains from divestment of China entities as mentioned in note A and absence of one-off fair value gain on debentures. This was partially cushioned by gain on disposal of assets in Seychelles.

**Profit attributable to owners of the Company**

Profit increased by S$1.7 million from S$3.9 million in 4Q17 to S$5.6 million in 4Q18 mainly attributable to higher other income, lower depreciation of property, plant and equipment, higher share of profits of associates/joint ventures and lower non-controlling interests' share of profits. This was partially offset by lower Operating Profit from Property Sales and Fee-based segments, higher finance costs and higher income tax expenses.

For FY18, profit increased by S$0.6 million from S$12.9 million in FY17 to S$13.5 million. This was mainly attributable to higher Operating Profit from all segments, lower head office expenses, lower depreciation of property, plant and equipment, higher share of profits of associates/joint venture and lower non-controlling interests' share of profits. This was partially offset by lower other income, higher finance costs and higher income tax expenses.

# ADDENDUM

**Cash Flow**

During FY18, the Group generated its funds mainly from operations as well as proceeds from disposal of subsidiaries and associates/joint ventures.

It made schedule repayment of bank borrowings and medium term notes payable, acquired additional shares in Laguna Resorts & Hotels Public Company Limited and made payments on interests and income tax during the period.

As at 31 December 2018, the Group's cash and cash equivalents was S$206.2 million.

**About Banyan Tree Holdings Limited**

Banyan Tree Holdings Limited ("Banyan Tree" or the "Group") is a leading international operator and developer of premium resorts, hotels, residences and spas, with 47 hotels and resorts, 63 spas, 75 retail galleries, and three golf courses in 23 countries as at 31 December 2018.

The Group's primary business is centered on four brands: the award-winning ***Banyan Tree*** and ***Angsana***, as well as newly established ***Cassia*** and ***Dhawa***. Banyan Tree also operates the leading integrated resort in Thailand - Laguna Phuket - through the Group's subsidiary, Laguna Resorts & Hotels Public Company Limited. Two other integrated resorts – Laguna Bintan in Indonesia and Laguna Lăng Cô in Central Vietnam – complete the status of the Group as the leading operator of integrated resorts in Asia.

As a leading operator of spas in Asia, Banyan Tree's spas are one of the key features in their resorts and hotels. Its retail arm Banyan Tree Gallery complements and reinforces the branding of the resort, hotel and spa operations.

Since the launch of the first Banyan Tree resort, Banyan Tree Phuket, in 1994, Banyan Tree has received over 2,396 awards and accolades for the resorts, hotels and spas that the Group manages. The Group has also received recognition for its commitment to environmental protection and emphasis on corporate social responsibility.

In addition to its currently operating hotels, resorts, spas and golf courses, the Group currently has 23 hotels and resorts under construction, and another 30 under design development.

www.banyantree.com www.angsana.com www.cassia.com www.dhawa.com

BANYAN TREE

**BANYAN TREE HOLDINGS LIMITED**
(Company Registration Number: 200003108H)
211 Upper Bukit Timah Road Singapore 588182
Tel: (65) 6849-5888
Fax: (65) 6462-0186
Website: http://www.banyantree.com