LHN (LHN SP)

Resilient Core Operations; Growth Pipeline Intact

Highlights

- LHN's 3QFY26 operating performance remained resilient, with industrial and Work+Store occupancy improving, while softer Coliwoo occupancy reflected the ramp-up of Midtown.
- Coliwoo's expansion pipeline remains intact, while facilities management and Work+Store continue to support recurring income growth.
- Maintain BUY with a 17% lower target price of S$0.591, pegged to 8.6x FY27F PE.

Analysis

- **Resilient 3QFY26 industrial occupancies, with softer co-living and commercial performance.** Industrial and Work+Store occupancies improved to 97.7% and 92.9% respectively, up 1.2ppt and 0.1ppt from their reported 1HFY26 levels. Coliwoo's average occupancy declined to 93.7% (1HFY26: 97.0%), reflecting the inclusion of Coliwoo Midtown during its ramp-up phase. Excluding Midtown, portfolio occupancy remained healthy at 96.0%. Commercial occupancy fell 6.0ppt to 78.5% following the expiry and non-renewal of an anchor tenant's lease. A replacement tenant has since been secured, with its lease commencing in 4QFY26.
- **Coliwoo expansion remains on track, with pipeline supporting growth.** Coliwoo's portfolio remained at 3,568 rooms as at end-3QFY26, or 3,897 rooms including 85 SOHO. Coliwoo Midtown continued to ramp up following its Mar 26 opening, reaching close to 90% average occupancy by Jul 26. Looking ahead, Coliwoo Resort Changi commenced operations in Jul 26 with 380 rooms, while Coliwoo Hotel Changi Expo is being expanded to 368 rooms ahead of its targeted opening in 1QFY27. Longer-term projects include 153 rooms at 1 King George's Avenue and 120 rooms at 50 Armenian Street. LHN remains on track for around 4,000 rooms in Singapore by end-26 and is targeting 10,000 rooms by 2030.
- **Work+Store continues to optimise yields through higher-value storage units.** Work+Store's portfolio expanded to 2,186 units in 3QFY26, up 6.5% from 2,053 units in 1HFY26, while occupancy remained stable at 92.9%. LHN reconfigured basic storage units at 202 Kallang Bahru, adding more than 100 air-conditioned units as part of its FY26 target to complete around 10,000 sf of air-conditioned storage space. The conversion towards higher-value storage formats should support rental yields and margins over time.

Key Financials

Year to 30 Sep (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	121	131	128	136	145
EBITDA	57	55	37	41	44
Operating profit	37	37	29	30	32
Net profit (rep./act.)	48	20	33	38	40
Net profit (adj.)	28	35	24	30	31
EPS (S$ cent)	6.9	8.2	5.7	6.9	7.2
PE (x)	7.8	6.5	9.4	7.8	7.5
P/B (x)	0.9	0.9	0.8	0.8	0.7
EV/EBITDA (x)	7.4	7.6	11.3	10.2	9.6
Dividend yield (%)	5.6	7.5	6.5	7.5	7.5
Net margin (%)	39.5	15.3	25.7	28.3	27.7
Net debt/(cash) to equity (%)	92.5	70.6	63.8	55.5	46.9
Interest cover (x)	4.8	5.0	3.9	4.5	5.0
ROE (%)	20.3	7.7	12.1	13.1	12.7
Consensus net profit (S$m)	-	-	33	39	40
UOBKH/Consensus (x)	-	-	0.74	0.77	0.77

Source: LHN, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$0.535
Target Price	S$0.591
Upside	+10.5%
Previous TP	S$0.71

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	LHN SP
Shares issued (m):	435.6
Market Cap (S$m):	233.1
Market cap (US$m):	182.6
3-mth avg t'over (US$m):	0.1

Price Performance (%)

52-week high/low: S$1.01/S$0.515

1mth	3mth	6mth	1yr	YTD
(4.5)	(7.0)	(10.1)	(46.5)	(19.5)

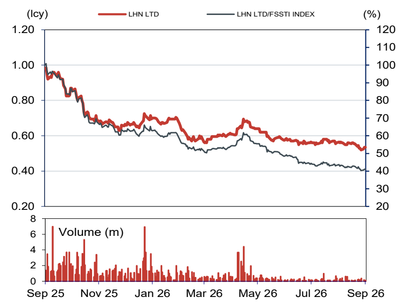
Major Shareholders (%)

LHN Hldgs Ltd	55.55

Balance Sheet Metrics

FY26 NAV/Share (S$)	0.67
FY26 Net Cash/ Share (S$)	0.43

Price Chart



Source: Bloomberg

Company Description

LHN Limited provides property management services. The Company offers industrial, commercial, residential property management services, and other services. LHN also provides logistics services.

- **Facilities management maintains strong contract momentum.** LHN's integrated facilities management portfolio expanded to 134 clients with 326 active revenue-generating contracts as at end-Jun 26, including 30 new contracts and 35 renewals during 3QFY26. Its carpark portfolio also grew to 107 carparks with over 30,100 lots after adding seven new carparks and more than 1,500 lots during the quarter. A further three carpark contracts covering 1,539 lots have been secured for commencement in 4QFY26, providing continued growth visibility.
- **New initiatives broaden recurring income streams.** LHN secured a five-year retail consultancy contract from HDB in Jul 26, covering retail consultancy, marketing and tenancy administration services for interim tenancies. Separately, the group secured a new rental contract for its 55 Tuas South Avenue 1 property, commencing in Aug 26, as it continues to reposition the remaining units at the property for industrial leasing. These initiatives broaden LHN's recurring income base beyond its existing leasing and property management operations.
- **Property development to see revenue recognition in 2HFY26.** In Apr 26, the group completed the sale of two strata-titled units at 55 Tuas South Avenue 1, bringing total sales in the project to nine units. The revenue generated from these transactions will be recognised in 2HFY26, partially offsetting the weakness in 1HFY26.
- **Capital recycling accelerates asset-light growth strategy.** Coliwoo proposed the S$134.0m sale-and-leaseback of Coliwoo Midtown, which is expected to unlock around S$41.0m in net proceeds while allowing the group to continue operating the 212-room property under a 10-year lease. LHN also proposed the divestment of its 50% interest in Metropolitan Parking, which owns the Golden Mile Tower carpark valued at S$28.5m, with approximately S$4.5m of net proceeds expected for LHN. The transactions reinforce the group's strategy of recycling capital into master leases, management contracts and selective acquisitions while growing assets under management.

Valuation/Recommendation

- **Maintain BUY with a 17% lower PE-based target price of S$0.591 (S$0.71 previously),** representing an upside of 10.5%. We lower our target multiple to 8.6x FY27F PE (+0.5SD above historical mean), from 10.0x previously (+1.0SD above historical mean) to reflect a mean reverting valuation as the industry valuation derates.
- Near-term upside still remains capped amid LHN's earnings transition. LHN continues to reposition its business mix following the Coliwoo spin-off, with a stronger earnings recovery expected in FY27 as new assets and contracts ramp up.

Earnings Revision/Risk

- No changes to our earnings forecasts.

Share Price Catalyst

- Further asset monetisation and capital recycling projects.
- Further expansion of the co-living pipeline.
- Higher dividend payouts.

LHN's Occupancy Remains Stable

Industrial Properties	
Work+Store Space	92.9%
Industrial Space	97.7%
Commercial Properties	
Commercial Space	78.5%
Residential Properties	
Co-Living	93.7%

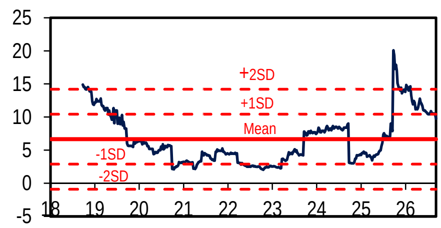
Source: LHN, UOB Kay Hian

Coliwoo's Number Of Rooms

Number of Rooms (30 Jun 26)	
Leased	1,907
Owned	1,136
Managed	525
Total	3,568

Source: LHN, UOB Kay Hian

Historical PE Band



Source: LHN, UOB Kay Hian

Profit & loss

Year to 30 Sep (S$m)	2025	2026F	2027F	2028F
Net turnover	131.5	128.4	136.1	144.7
EBITDA	54.7	37.1	40.8	43.6
Deprec. & amort.	17.3	8.5	10.4	12.1
EBIT	37.4	28.6	30.4	31.5
Total other non-operating income	(3.9)	15.6	18.7	18.9
Associate contributions	3.6	3.7	3.9	4.0
Net interest income/(expense)	(10.9)	(9.6)	(9.0)	(8.7)
Pre-tax profit	26.3	38.4	44.0	45.8
Tax	(4.9)	(5.4)	(5.5)	(5.7)
Minorities	(1.3)	0.0	0.0	0.0
Net profit	20.1	33.0	38.5	40.0
Net profit (adj.)	34.5	24.4	29.6	30.8

Balance Sheet

Year to 30 Sep (S$m)	2025	2026F	2027F	2028F
Fixed assets	445.7	457.2	466.8	474.7
Other LT assets	76.6	76.6	76.6	76.6
Cash/ST investment	52.4	58.8	70.5	85.4
Other current assets	82.7	82.7	82.7	82.7
Total assets	657.4	675.3	696.6	719.4
ST debt	17.6	17.6	17.6	17.6
Other current liabilities	84.2	84.2	84.2	84.2
LT debt	221.6	221.6	221.6	221.6
Other LT liabilities	81.5	81.5	81.5	81.5
Shareholders' equity	264.7	282.6	303.9	327.7
Minority interest	4.2	4.2	4.2	4.2
Total liabilities & equity	673.7	691.7	712.9	736.8

Cash flow

Year to 30 Sep (S$m)	2025	2026F	2027F	2028F
Operating	68.2	42.4	49.0	51.6
Pre-tax profit	26.3	38.4	44.0	45.8
Tax	(3.0)	(5.4)	(5.5)	(5.7)
Deprec. & amort.	17.3	8.5	10.4	12.1
Associates	(3.6)	(3.7)	(3.9)	(4.0)
Working capital changes	12.2	0.0	0.0	0.0
Non-cash items	8.9	(4.9)	(5.0)	(5.2)
Other operating cashflows	10.1	9.6	9.0	8.7
Investing	20.1	(11.4)	(11.1)	(10.8)
Capex (growth)	(18.2)	(20.0)	(20.0)	(20.0)
Investment	(1.0)	0.0	0.0	0.0
Proceeds from sale of assets	15.6	8.6	8.9	9.2
Others	23.7	0.0	0.0	0.0
Financing	(66.9)	(24.6)	(26.2)	(25.9)
Dividend payments	(9.3)	(15.1)	(17.2)	(17.2)
Proceeds from borrowings	34.3	0.0	0.0	0.0
Loan repayment	(42.3)	0.0	0.0	0.0
Others/interest paid	(49.7)	(9.6)	(9.0)	(8.7)
Net cash inflow (outflow)	21.4	6.4	11.7	14.9
Beginning cash & cash equivalent	29.4	50.8	57.2	68.9
Changes due to forex impact	(0.0)	0.0	0.0	-
Ending cash & cash equivalent	50.8	57.2	68.9	83.8

Key Metric

Year to 30 Sep (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	41.6	28.9	30.0	30.1
Pre-tax margin	20.0	29.9	32.3	31.6
Net margin	15.3	25.7	28.3	27.7
ROA	3.0	5.0	5.6	5.7
ROE	7.7	12.1	13.1	12.7
Growth				
Turnover	8.6	(2.3)	6.0	6.3
EBITDA	(3.5)	(32.1)	9.9	6.9
Pre-tax profit	(48.9)	46.1	14.6	4.1
Net profit	(58.1)	64.4	16.6	4.1
Net profit (adj.)	21.3	(29.4)	21.3	4.3
EPS	19.5	(30.8)	21.3	4.3
Leverage				
Debt to total capital	47.1	45.5	43.7	41.9
Debt to equity	90.4	84.6	78.7	73.0
Net debt/(cash) to equity	70.6	63.8	55.5	46.9
Interest cover (x)	5.0	3.9	4.5	5.0