

VALUATION

Our **consensus valuation** for LUX is computed to stand at **Rs61.44** which represents an **8.7% upside** on its current market price and represents a **15% drop** on our previous consensus valuation price of Rs72.25. We therefore **upgrade** our **rating** for the company from “**HOLD**” to “**ACCUMULATE**”

PERFORMANCE REVIEW & PROSPECTS

LUX has generated strong revenue growth in recent years – in spite of major refurbishments being carried out on three properties – to Rs5.8bn in FY-18 on the back double-digit average daily rate increments. In FY-19 LUX is expected to cross the Rs6bn-mark despite an unforeseen reduction in domestic tourist arrivals – mainly on account of the Chinese and Réunion markets – in recent months given that 9M revenue at Rs4.9bn is up by over Rs450M year-on-year. While the Mauritian operations are likely to be underwhelming during H2-FY19, its Maldivian hotels continues to deliver and even recorded improved margins. In Réunion, LUX is currently experiencing its best years on record.

A major event recorded in FY-19, was the segregation of the hotel management/operations from the ownership, such that The LUX Collective (TLC) runs the operations against a fee with the economic rights retained by LUX. Going forwards, LUX’s opportunities therefore lie in the premiumisation of its mid-market property, boosting occupancy rates a little higher, and improving margins given our belief that there exists a ceiling to rate hikes, and that its portfolio of hotels is likely to remain stable in the medium-term, although inorganic growth through acquisition is not off the table.

RISK ANALYSIS

LUX’s income is fairly diversified with more than half generated domestically the rest in Maldives and Réunion. The variations in share by source reflect the industry’s sensitivity to its operating environment as well as the impact of closures. Revenue from rooms constitutes a little under 60%, up from over 50% some years ago reflecting increasing dependence on rate hikes to drive growth. Given existing headwinds, another rate war would constitute an appreciable down-side risk. The group has significantly reduced its indebtedness in recent years, however, we remain apprehensive of a re-escalation which can be swiftly achieved through lavish refurbishments. That said, we are comforted by LUX’s willingness to sell assets so as to limit borrowing as part of its endeavours to transform Merville into LUX* Grand Baie.

Catalysts

- Transformation of Merville
- Focused Asset Management
- Regional Diversification

Threats

- Slowdown in Arrivals
- High Up-Market Concentration
- Higher Leverage

Highlights		2015	2016	2017	2018	2019F	2020F
Rev/Rm	[Rs]	8,719	10,058	11,863	12,430	13,637	15,033
Revenue	[RsM]	4,516	5,076	5,199	5,762	6,322	6,859
EBITDA	[RsM]	1,054	1,123	1,089	1,161	1,327	1,435
Adj PAT	[RsM]	377	419	337	339	510	597
EPS	[Rs]	2.75	3.05	2.46	2.47	3.72	4.35
DPS	[Rs]	1.00	1.15	1.25	1.25	1.86	2.18
NAV	[Rs]	41.68	43.84	42.26	43.83	45.70	47.88
Debt/Share	[Rs]	30.67	29.98	28.93	35.61	32.01	37.52

KPIs		2015	2016	2017	2018	2019F	2020F
Occupancy	[%]	77.0	81.0	80.0	77.0	77.2	78.4
Rev. Yield	[%]	49.5	59.6	60.2	58.5	66.3	65.4
EV/Room	[RsM]	8.5	8.3	8.3	10.2	8.6	9.1
EBITDA Marg	[%]	23.3	22.1	20.9	20.2	21.0	20.9
ROE	[%]	8.8	7.3	5.6	5.9	8.5	9.5
EV/EBITDA	[x]	11.4	10.5	10.8	12.5	9.2	9.0
PER	[x]	23.0	18.8	23.7	28.9	15.2	13.0
DY	[%]	1.58	2.00	2.15	1.75	3.29	3.85
PBV	[x]	1.52	1.31	1.38	1.63	1.24	1.18
DER	[%]	73.6	68.4	68.5	81.3	70.1	78.4

LUX



PER+I 13x

DY+I 3.9%

LCP

Rs56.50

PBV+I 1.18x

Δ to FV

8.7%

FP 18.1%

FAIR VALUE

61.44

RATING

ACCUMULATE

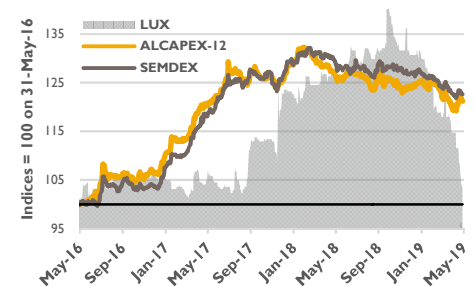


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Bloomberg Code: NRL MP

Reuters Code: NRL.MZ



Low — 52-Wk Range — High

VWAP
Rs56.5 — Rs77.83

Trading data 27-May-19

Market capitalisation: Rs7.75bn

Weight on SEM: 2.3%

Weight in ALEX-20: 3.6%

Foreign Shldg. 0.7%

Ave. daily val. traded: Rs3.8M

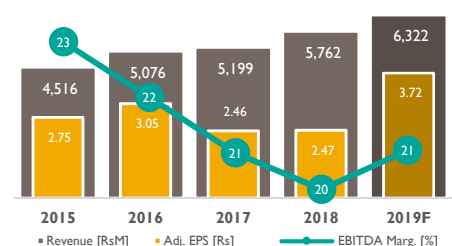
Ave. daily vol. traded: 53,500

YoY Total Return: -15.6%

All Time High: Rs119.05 on

09-Jan-08

KEY P&L TRENDS



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