

My Humble House (2739.TW/2739 TT)

The best is yet to come

Outperform · Maintained

Price as of November 28 (NT\$)	57.80
12M target price (NT\$)	68.00
Previous target price (NT\$)	54.00
Revised up (%)	25.9
Upside (%)	17.6

Key message

1. There is continued recovery in room rates and occupancy towards pre-pandemic levels.
2. With Taiwan's tourist arrivals only recovering to 51% of the 2019 level, My Humble House is best positioned to benefit from any further rebound.
3. Core margin expansion will drive further earnings growth and valuation upside

Trading data

Mkt cap (NT\$bn/US\$m)	5.29 / 167.9
Outstanding shares (mn)	91.52
Foreign ownership (mn)	1.88
3M avg. daily trading (mn)	0.69
52-week trading range (NT\$)	28.80 –81.70

Performance	3M	6M	12M
Absolute (%)	37.6	-20.9	106.8
Relative (%)	32.6	-26	87.7

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	0.05A	(3.28)A	(0.94)A	0.46A
2023	0.90A	0.43A	1.44A	1.50F
2024	1.32F	0.57F	0.34F	1.55F

Share price chart



Source: TEJ

Event

We hosted a conference call with My Humble House. The company has seen a further increase in both room rates and occupancy in 4Q23. With 83% of the firm's rooms located in Taipei City, we believe it is well positioned to benefit from a continued recovery in foreign visitor arrivals, and a potential relaxation of travel restrictions for Chinese tourists.

Impact

Continued a recovery to pre-pandemic levels. The firm said occupancy at Sheraton Grand Hotel rose to 77% in October from 3Q23's 73%, versus an average of 64% in 1H23, with room rates up to NT\$4,800 from NT\$4,230 in 3Q23. The occupancy rate at Le Meridien Taipei further increased to 85% from 77% in 3Q23, versus 1H23's 45%, continuing a recovery towards pre-pandemic levels. For the hotel in Yilan, where a majority of guests are Taiwanese nationals, occupancy rose to 62%, holding up well at 4Q22's level despite increasing outbound travel. With year-end banquet and wedding bookings already exceeding pre-COVID levels, we forecast the firm's sales to rise 11% YoY and 15% QoQ to a record NT\$1.32bn in 4Q23. We believe growth momentum will be sustained well into 2024F, amid rising tourist arrivals and limited new hotel supply.

Well positioned to benefit from rising tourist arrivals. Taiwan's tourist arrivals totaled 4.98mn as of October, up substantially YoY, but only at 51% of the total for the same period in 2019. With the government targeting a doubling of arrivals in 2024F from estimated six million this year, we believe the firm, with 83% of its rooms located in Taipei City, the most popular tourist destination in Taiwan, will be a key beneficiary of a tourist recovery. In addition, we think the firm is well positioned to capitalize on the easing of restrictions on Chinese tourists travelling to Taiwan, thanks to the prime locations of its hotels, and their close proximity to public transportation. Chinese guests account for only 2% of Sheraton Grand Taipei and Le Meridien Taipei guests now, versus 17% and 12% in 2019.

Core margin expansion to drive earnings growth. We have fine-tuned our earnings forecasts to incorporate 3Q23 results, expecting EPS of NT\$4.26 in 2023F. We project its room revenues will rise by a further 12% YoY in 2024F, driving core operating margin expansion and earnings to NT\$3.78/share.

Valuation & Action

We believe continued inbound visitor recovery will drive further upside in room rates and occupancy. We have revised up our target price to NT\$68 based on 18x 2024F EPS. Maintain Outperform.

Risks

A slower than expected tourist arrival recovery; a resurgence of health concerns.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	2,334	3,422	4,767	5,115	5,385
Gross profit (NT\$m)	188	850	1,785	1,883	1,987
Operating profit (NT\$m)	(802)	(230)	583	524	626
Net profit (NT\$m)	(720)	(338)	390	346	450
EPS (NT\$)	(6.45)	(3.69)	4.26	3.78	4.92
Cash DPS (NT\$)	-	-	-	-	-
EPS growth (%)	104.7	(42.8)	0.0	(11.3)	30.1
PE (x)	N.A.	N.A.	13.6	15.3	11.8
PB (x)	8.0	8.5	5.2	3.9	2.9
EV/EBITDA (x)	6.0	0.0	0.2	(0.2)	(0.7)
Net debt to equity (%)	7.1	17.3	Net cash	Net cash	Net cash
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Return on average equity (%)	(62.4)	(47.6)	47.9	29.3	28.5

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 4Q23 & 1Q24 forecast revisions vs. consensus

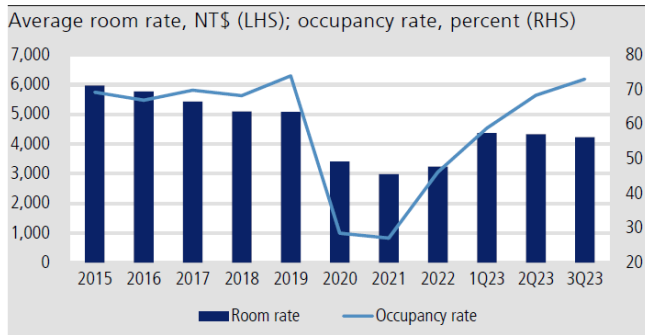
NT\$m	4Q23F							1Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	1,318	1,345	(2.0)	14.9	10.8	1,327	(0.7)	1,334	1,366	(2.4)	1.2	11.6	1,341	(0.5)
Gross profit	523	545	(4.1)	32.0	18.5	518	0.8	512	534	(4.2)	(2.0)	12.0	515	(0.5)
Operating profit	187	202	(7.7)	10.4	83.0	149	25.3	171	186	(8.3)	(8.6)	18.8	139	23.2
Pretax Income	155	135	15.3	17.4	195.5	116	34.0	137	140	(2.1)	(11.7)	36.5	119	15.3
Net income	137	105	30.4	4.0	225.5	94	46.8	121	109	10.9	(11.7)	47.9	94	29.6
EPS (NT\$)	1.50	1.15	30.4	4.0	225.5	1.02	47.0	1.32	1.19	10.9	(11.7)	47.9	1.02	29.8
Gross margin (%)	39.7	40.5	(0.9) ppts	5.1 ppts	2.6 ppts	39.1	0.6 ppts	38.4	39.1	(0.7) ppts	(1.3) ppts	0.1 ppts	38.4	(0.0) ppts
OP margin (%)	14.2	15.0	(0.9) ppts	(0.6) ppts	5.6 ppts	11.2	2.9 ppts	12.8	13.6	(0.8) ppts	(1.4) ppts	0.8 ppts	10.3	2.5 ppts
Net margin (%)	10.4	7.8	2.6 ppts	(1.1) ppts	6.9 ppts	7.0	3.4 ppts	9.1	8.0	1.1 ppts	(1.3) ppts	2.2 ppts	7.0	2.1 ppts

Source: Bloomberg; KGI Research

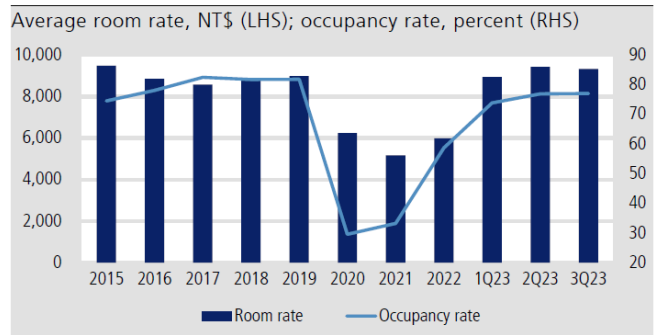
Figure 2: Breakdown of 2023-25 forecast revisions vs. consensus

NT\$m	2023F						2024F						2025F					
	KGI forecast	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	KGI forecast	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	KGI forecast	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	4,767	4,772	(0.1)	39.3	4,774	(0.2)	5,115	5,212	(1.9)	7.3	5,233	(2.3)	5,385	5,461	(1.4)	5.3	5,461	(1.4)
Gross profit	1,785	1,823	(2.1)	110.0	1,806	(1.2)	1,883	1,941	(3.0)	5.5	1,957	(3.8)	1,987	2,044	(2.8)	5.5	2,042	(2.7)
Operating profit	583	520	12.1	-	455	28.2	524	584	(10.3)	(10.1)	472	11.1	626	677	(7.5)	19.4	677	(7.5)
Pretax profit	434	321	34.9	-	314	38.1	389	399	(2.5)	(10.4)	389	0.1	506	506	(0.1)	30.1	506	(0.1)
Net profit	390	258	51.3	-	257	51.8	346	311	11.3	(11.3)	316	9.6	450	395	14.0	30.1	395	13.9
EPS (NT\$)	4.26	2.82	51.3	-	2.87	48.6	3.78	3.40	11.3	(11.3)	3.16	19.7	4.92	4.31	14.0	30.1	4.32	13.9
Gross margin (%)	37.5	38.2	(0.7) ppts	12.6 ppts	37.8	(0.4) ppts	36.8	37.2	(0.4) ppts	(0.6) ppts	37.4	(0.6) ppts	36.9	37.4	(0.5) ppts	0.1 ppts	37.4	(0.5) ppts
OP margin (%)	12.2	10.9	1.3 ppts	18.9 ppts	9.5	2.7 ppts	10.3	11.2	(1.0) ppts	(2.0) ppts	9.0	1.2 ppts	11.6	12.4	(0.8) ppts	1.4 ppts	12.4	(0.8) ppts
Net margin (%)	8.2	5.4	2.8 ppts	18.1 ppts	5.4	2.8 ppts	6.8	6.0	0.8 ppts	(1.4) ppts	6.0	0.7 ppts	8.4	7.2	1.1 ppts	1.6 ppts	7.2	1.1 ppts

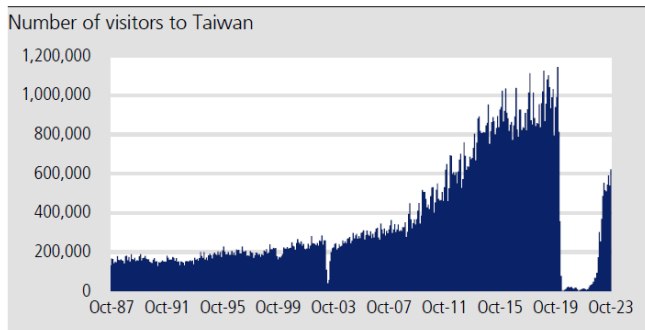
Source: Bloomberg; KGI Research

Figure 3: Sheraton Grand Taipei occupancy on the rise


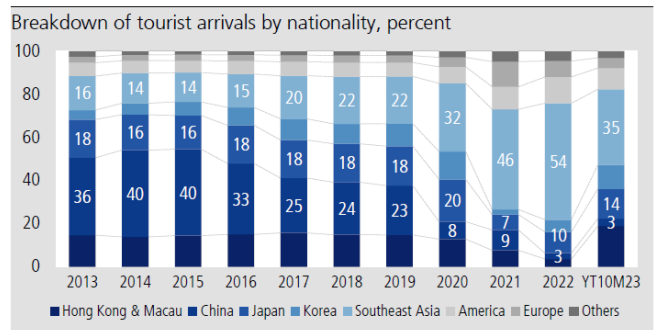
Source: Company data, KGI Research

Figure 4: Le Meridien Taipei room rates above pre-COVID level


Source: Company data, KGI Research

Figure 5: Tourist arrivals only recover to 51% of 2019 level


Source: Tourism Bureau, MOTC; KGI Research

Figure 6: Southeast Asian visitors are the lion's share


Source: Tourism Bureau, MOTC; KGI Research

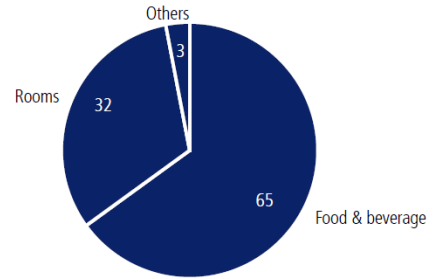
Figure 7: Company profile

Founded in 2000, My Humble House is engaged in the hotel and dining businesses. It owns two five-star international hotels, Sheraton Grand Taipei Hotel and Meridien Taipei, as well as managing Mu Jiao Xi Hotel in Jiao Xi, a renowned tourism spot in Taiwan. The company's newest hotel is Humble Boutique Hotel, a private-label unit launched in 2022. My Humble House also has a 29% stake in Humble House Taipei.

Source: KGI Research

Figure 8: Food & beverage accounts for a majority of sales

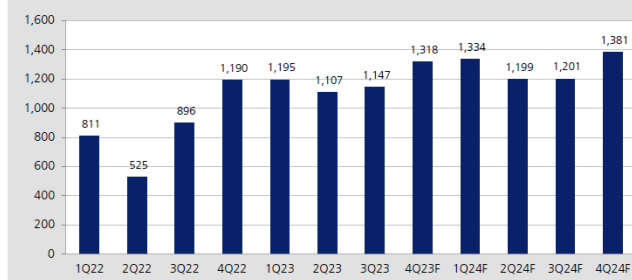
2022 sales weighting, percent



Source: KGI Research

Figure 9: Sales

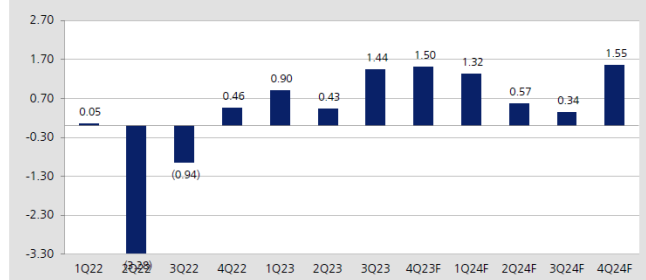
Sales, NT\$m



Source: KGI Research

Figure 10: EPS

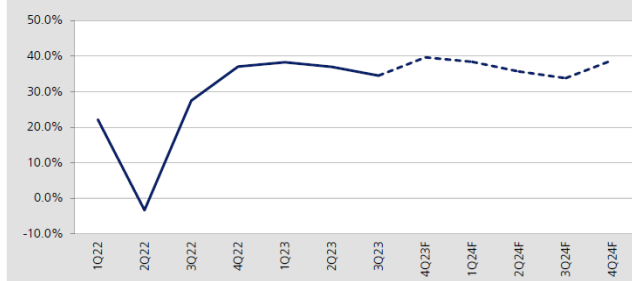
EPS, NT\$



Source: KGI Research

Figure 11: Gross Margin

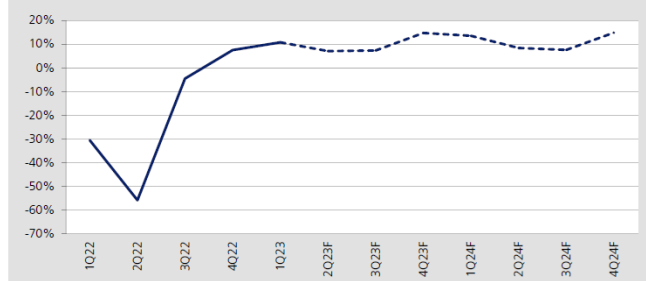
Gross margin, percent



Source: KGI Research

Figure 12: Operating Margin

Operating margin, percent



Source: KGI Research

Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-23F	Dec-24F	Dec-25F
Income statement (NT\$mn)											
Revenue	1,195	1,107	1,147	1,318	1,334	1,199	1,201	1,381	4,767	5,115	5,385
Cost of goods sold	(738)	(698)	(751)	(795)	(822)	(771)	(795)	(844)	(2,981)	(3,232)	(3,399)
Gross profit	457	410	396	523	512	428	406	537	1,785	1,883	1,987
Operating expenses	(314)	(326)	(227)	(336)	(341)	(336)	(336)	(345)	(1,202)	(1,359)	(1,361)
Operating profit	144	84	169	187	171	92	70	192	583	524	626
Depreciation of fixed assets	(302)	(303)	(303)	(467)	(347)	(347)	(347)	(347)	(1,375)	(1,386)	(1,398)
Amortisation of intangible assets	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(3)	(3)
EBITDA	446	387	473	655	518	440	417	539	1,961	1,914	2,027
Interest income	1	1	0	4	3	3	3	3	6	12	18
Investment income	1	4	3	(1)	5	4	4	5	7	16	25
Other non-op income	7	8	9	8	8	8	8	8	32	33	33
Non-operating income	9	12	13	11	16	15	15	16	45	60	76
Interest expense	(51)	(50)	(49)	(44)	(49)	(49)	(49)	(49)	(194)	(196)	(197)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(1)	(0)	(1)	1	-	-	-	-	-	-	-
Non-operating expenses	(52)	(50)	(50)	(42)	(49)	(49)	(49)	(49)	(194)	(196)	(197)
Pre-tax profit	100	45	132	155	137	58	35	158	434	389	506
Current taxation	(19)	(6)	(0)	(18)	(16)	(6)	(4)	(17)	(43)	(43)	(56)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	82	39	132	137	121	52	31	142	390	346	450
Extraordinary items	0	0	0	(0)	-	-	-	-	-	-	-
Net profit	82	39	132	137	121	52	31	142	390	346	450
EPS (NT\$)	0.90	0.43	1.44	1.50	1.32	0.57	0.34	1.55	4.26	3.78	4.92
Margins (%)											
Gross profit margin	38.3	37.0	34.5	39.7	38.4	35.7	33.8	38.9	37.5	36.8	36.9
Operating margin	12.0	7.6	14.7	14.2	12.8	7.7	5.8	13.9	12.2	10.3	11.6
EBITDA margin	37.4	35.0	41.2	49.7	38.8	36.7	34.7	39.0	41.1	37.4	37.6
Pretax profit margin	8.4	4.1	11.5	11.8	10.3	4.8	3.0	11.4	9.1	7.6	9.4
Net profit margin	6.9	3.5	11.5	10.4	9.1	4.3	2.6	10.2	8.2	6.8	8.4
Sequential growth (%)											
Revenue growth	0.5	(7.4)	3.6	14.9	1.2	(10.1)	0.2	15.0			
Gross profit growth	3.7	(10.4)	(3.3)	32.0	(2.0)	(16.4)	(5.1)	32.1			
Operating profit growth	40.8	(41.7)	101.9	10.4	(8.6)	(45.9)	(24.4)	174.1			
EBITDA growth	9.8	(13.2)	22.0	38.5	(20.9)	(15.1)	(5.1)	29.2			
Pretax profit growth	91.0	(55.0)	192.7	17.4	(11.7)	(57.8)	(38.8)	346.0			
Net profit growth	94.4	(52.4)	238.0	4.0	(11.7)	(57.3)	(39.3)	350.0			
YoY growth (%)											
Revenue growth	47.3	110.9	27.9	10.8	11.6	8.3	4.8	4.8	39.3	7.3	5.3
Gross profit growth	153.8		60.7	18.5	12.0	4.5	2.6	2.7	110.0	5.5	5.5
Operating profit growth	375.3			83.0	18.8	10.3	(58.7)	2.6		(10.1)	19.4
EBITDA growth	39.8		98.8	61.0	16.0	13.5	(11.7)	(17.7)	104.9	(2.4)	5.9
Pretax profit growth				195.5	36.5	28.1	(73.2)	1.7		(10.4)	30.1
Net profit growth	1258.9			225.5	47.9	32.6	(76.2)	3.1		(11.3)	30.1

Source: Company data, KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total assets	13,629	14,354	14,911	15,335	15,889
Current assets	916	900	2,705	4,389	6,202
Cash & ST securities	747	695	2,456	4,125	5,925
Inventory	78	83	97	104	110
Accounts receivable	50	79	110	117	124
Other current assets	41	43	43	43	43
Non-current assets	12,714	13,454	12,206	10,945	9,688
LT investments	634	642	649	665	690
Net fixed assets	1,064	987	(268)	(1,544)	(2,827)
Other assets	11,016	11,824	11,824	11,824	11,824
Total liabilities	12,828	13,635	13,802	13,880	13,984
Current liabilities	2,342	2,504	2,535	2,609	2,631
Accounts payable	200	305	354	383	404
Interest bearing ST liabilities	42	96	78	124	125
Other current liabilities	2,100	2,103	2,103	2,103	2,103
Non-current liabilities	10,485	11,130	11,267	11,271	11,353
Long-term debt	330	234	371	374	457
Other L-T liabilities	122	114	114	114	114
Total equity	802	719	1,109	1,455	1,905
Share capital	1,115	915	915	915	915
Retained earnings reserve	(800)	(930)	(540)	(194)	256
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	100	100	100	100

Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Growth					
Revenue growth	(16.8%)	46.6%	39.3%	7.3%	5.3%
Operating profit growth	92.2%	(71.3%)		(10.1%)	19.4%
EBITDA growth	(64.2%)	310.5%	104.9%	(2.4%)	5.9%
Net profit growth	104.7%	(53.0%)		(11.3%)	30.1%
EPS growth	104.7%	(42.8%)		(11.3%)	30.1%
Profitability					
Gross profit margin	8.1%	24.8%	37.5%	36.8%	36.9%
Operating margin	(34.4%)	(6.7%)	12.2%	10.3%	11.6%
EBITDA margin	10.0%	28.0%	41.1%	37.4%	37.6%
Net profit margin	(30.8%)	(9.9%)	8.2%	6.8%	8.4%
Return on average assets	(5.1%)	(2.4%)	2.7%	2.3%	2.9%
Return on average equity	(62.4%)	(47.6%)	47.9%	29.3%	28.5%
Stability					
Gross debt to equity	46.5%	46.0%	40.5%	34.2%	30.5%
Net debt to equity	7.1%	17.3%			
Interest coverage (x)	(3.4)	(1.1)	3.2	3.0	3.6
Interest & ST debt coverage (x)	1.3	1.9	0.5	0.4	0.5
Cash flow interest coverage(x)	1.6	3.4	9.1	8.8	9.3
Cash flow/int. & ST debt (x)	1.3	2.3	6.5	5.4	5.7
Current ratio (x)	0.4	0.4	1.1	1.7	2.4
Quick ratio (x)	0.4	0.3	1.0	1.6	2.3
Net debt (NT\$m)	57	125	(1,518)	(3,138)	(4,854)
Per share data					
EPS (NT\$)	(6.45)	(3.69)	4.26	3.78	4.92
CFPS (NT\$)	2.95	7.89	19.29	18.93	20.04
BVPS (NT\$)	7.19	6.76	11.02	14.80	19.72
Adj BVPS (NT\$)	7.19	6.76	11.02	14.80	19.72
SPS (NT\$)	20.93	37.39	52.08	55.89	58.84
EBITDA/share (NT\$)	2.09	10.46	21.43	20.91	22.14
Cash DPS (NT\$)	-	-	-	-	-
Activity					
Sales / avg assets	0.16	0.24	0.33	0.34	0.34
Days receivable	7.8	8.4	8.4	8.4	8.4
Days inventory	13.3	11.8	11.8	11.8	11.8
Days payable	34.1	43.3	43.3	43.3	43.3
Cash cycle	(12.9)	(23.1)	(23.1)	(23.1)	(23.1)

Source: Company data, KGI Research estimates

Profit & loss

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue	2,334	3,422	4,767	5,115	5,385
Cost of goods sold	(2,146)	(2,572)	(2,981)	(3,232)	(3,399)
Gross profit	188	850	1,785	1,883	1,987
Operating expenses	(990)	(1,080)	(1,202)	(1,359)	(1,361)
Operating profit	(802)	(230)	583	524	626
Non-operating income	117	43	45	60	76
Interest income	1	3	6	12	18
Investment income	-	-	7	16	25
Other non-op income	116	41	32	33	33
Non-operating expenses	(220)	(251)	(194)	(196)	(197)
Interest expense	(206)	(213)	(194)	(196)	(197)
Investment loss	(57)	(42)	-	-	-
Other non-op expenses	43	4	-	-	-
Pre-tax profit	(904)	(438)	434	389	506
Current taxation	185	100	(43)	(43)	(56)
Minorities	-	-	-	-	-
Extraordinary items	-	(0)	-	-	-
Net profit	(720)	(338)	390	346	450
EBITDA	233	957	1,961	1,914	2,027
EPS (NT\$)	(6.45)	(3.69)	4.26	3.78	4.92

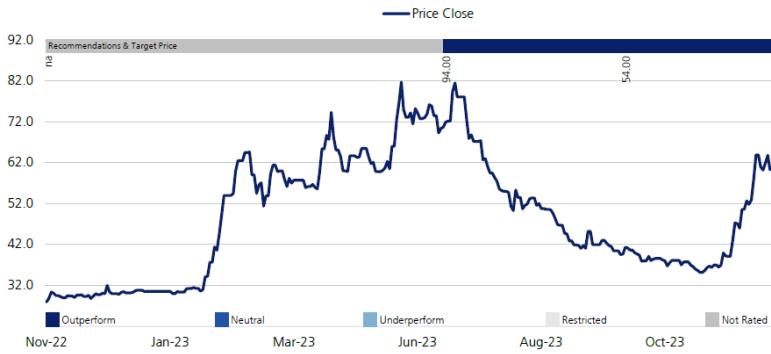
Cash flow

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Operations cash flow	329	722	1,766	1,733	1,834
Net profit	(720)	(338)	390	346	450
Depreciation & amortisation	1,035	1,187	1,378	1,389	1,401
Decrease in working capital	33	(22)	4	13	9
Other operating cash flow	(19)	(105)	(7)	(16)	(25)
Investing cash flow	(28)	(94)	(123)	(113)	(118)
Sale of ST investment	(20)	35	-	-	-
New investments	-	-	-	-	-
Capital expenditure	(85)	(124)	(120)	(110)	(115)
Others investing cashflow	77	(5)	(3)	(3)	(3)
Free cash flow	342	861	1,784	1,756	1,848
Financing cash flow	(410)	(738)	118	49	84
Increase in short term debt	(2)	(23)	-	-	-
Increase in long term loans	256	(20)	118	49	84
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	-	-	-	-	-
Other financing cashflow	(664)	(695)	-	-	-
Forex effects	-	-	-	-	-
Total cash generated	(109)	(110)	1,761	1,669	1,800

ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	42.4%	31.6%	25.2%	26.6%	25.3%
= Operating margin	(34.4%)	(6.7%)	12.2%	10.3%	11.6%
1 / (Working capital/revenue	(0.9)	(0.6)	(0.5)	(0.4)	(0.4)
+ Net PPE/revenue	0.5	0.3	(0.1)	(0.3)	(0.5)
+ Other assets/revenue)	0.2	0.1	0.1	0.1	0.1
= Capital turnover	(3.4)	(4.1)	(2.3)	(1.5)	(1.2)
Operating margin	(34.4%)	(6.7%)	12.2%	10.3%	11.6%
x Capital turnover	(3.4)	(4.1)	(2.3)	(1.5)	(1.2)
x (1 - tax rate)	79.6%	77.2%	90.0%	89.0%	89.0%
= After-tax ROIC	92.9%	21.3%	(25.1%)	(13.8%)	(11.9%)

Source: Company data, KGI Research estimates

My Humble House – Recommendation & target price history


Date	Rating	Target	Price
2023-09-13	Outperform	54.00	41.30
2023-06-15	Outperform	94.00	71.90
2023-06-15	Outperform	94.00	71.90

Source: TEJ, KGI Research

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