

### COMPANY RESULTS

## CapitaLand Investment (CLI SP)

2021: A Strong Set Of Numbers For Its Maiden Results

There was much to admire in CLI's 2021 results: PATMI of \$1.3b vs a loss in 2020, material divestments of S\$13.6b, the S\$0.15 dividend, continued decline in gearing to 0.48x as at end-21 and fund management EBITDA margin remaining well above 50%. Going forward, we expect CLI to continue to witness strong growth in its funds under management as well as fee income-related businesses. Importantly, we expect lodging to drive earnings growth in the near term. Maintain BUY. Target price upgraded to S\$4.13.

### 2021 RESULTS

Year to 31 Dec (S\$m)	2020A	2021A	Yoy %	Remarks
Revenue	1,983	2,293	15.6%	- Strong contributions from both fee-income related
Gross profit	872	1,058	21.3%	business and real estate investment business
EBIT	(142)	2,338	NM	
EBITDA	808	2,178	169.6%	- 2020 impacted by exceptional items
Pre-tax profit	(559)	1,956	NM	
Reported PATMI	(559)	1,349	NM	- Improved operating performance and strong
Core PATMI	443	497	12.2%	recycling gains
Gross profit margin	44.0%	46.1%	2.2	
EBITDA margin	40.7%	95.0%	54.2	
PATMI margin	-28.2%	58.8%	87.0	

Source: CapitaLand Investment, UOB Kay Hian

### RESULTS

- A strong set of maiden results.** CapitaLand Investment's (CLI) reported 2021 revenue of S\$2.3b (+16% yoy) and core PATMI of S\$497m (+12% yoy) were slightly ahead of our expectations. The strong numbers were the result of a broad based recovery in CLI's assets with higher contributions from both its fee-income related business (FRB) as well as its real estate investment business (REIB). Including portfolio and revaluation gains, the company's PATMI swung from a loss in 2020 to a profit of S\$1.3b.
- Better-than-expected dividends.** The company declared a total dividend of S\$0.15/share comprising S\$0.12 ordinary dividend and S\$0.03 special dividend, implying a 57% payout ratio. During the results briefing, the company stated its belief that it will be able to generate a healthy core PATMI to pay a S\$0.13 dividend for at least the next two years.

### KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	1,983	2,293	2,610	2,899	3,013
EBITDA	(8)	1,251	1,425	1,539	1,607
Operating profit	(157)	1,091	1,261	1,371	1,434
Net profit (rep./act.)	(560)	1,349	1,078	1,207	1,334
Net profit (adj.)	(560)	1,349	1,078	1,207	1,334
EPS (S\$ cent)	(19.9)	38.4	30.7	34.3	37.9
PE (x)	n.m.	9.5	11.8	10.6	9.6
P/B (x)	0.9	1.2	1.2	1.2	1.2
EV/EBITDA (x)	n.m.	24.5	21.5	19.9	19.1
Dividend yield (%)	2.5	3.3	2.5	2.8	3.0
Net margin (%)	(28.2)	58.8	41.3	41.6	44.3
Net debt/(cash) to equity (%)	54.7	51.7	49.4	47.0	44.0
Interest cover (x)	(0.4)	2.9	2.2	3.0	3.3
ROE (%)	n.a.	9.4	6.5	7.3	8.4
Consensus net profit	-	-	815	1,069	1,236
UOBKH/Consensus (x)	-	-	1.32	1.13	1.08

Source: CapitaLand Investments Limited, Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

## BUY

(Maintained)

Share Price	S\$3.72
Target Price	S\$4.13
Upside	+11.0%
(Previous TP)	S\$4.02

### COMPANY DESCRIPTION

CLI is a global real estate manager with an Asian foothold and a diversified exposure across retail, office, lodging and new economy asset classes.

### STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CLI SP
Shares issued (m):	5,141.2
Market cap (S\$m):	19,125.3
Market cap (US\$m):	14,117.7
3-mth avg daily t'over (US\$m):	22.0

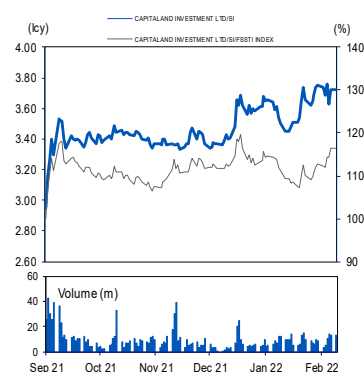
### Price Performance (%)

52-week high/low	S\$3.75/S\$2.95			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
3.6	9.4	n.a.	n.a.	9.1

### Major Shareholders

CapitaLand Group	52.4%
FY22 NAV/Share (S\$)	3.14
FY22 Net Debt/Share (S\$)	1.59

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

**Adrian Loh**  
+65 6590 6633  
adrianloh@uobkayhian.com

### STOCK IMPACT

- Lodging – potentially a major earnings driver for CLI in 2022.** While this business continued to experience difficult operating conditions in 2021, CLI nevertheless still progressed the build-out of its long-stay business as well as the moving into adjacent segments such as purpose build student accommodation (72% of its lodging investment in 2021 was in this segment). Over the course of the next 12-18 months, we should see the return of international travel which should then allow margin expansion in CLI's lodging assets as well as higher ROE. During the analyst call, management stated that this business could generate about S\$150m in EBITDA vs our current 2022 and 2023 estimate of S\$48m and S\$78m respectively.
- Private funds will be a focus.** With seven new funds incepted in 2021 (totalling S\$1.4b in external capital), management stated that it had received very encouraging support for its private funds and thus is seeing more investor interest. In particular, it highlighted a special situations fund in China, a China data centre fund (as well as other data centre strategies in Asia), credit strategy in commercial and residential spaces in China and possibly Australia, as well as renewable energy and energy transition funds.
- Targeting a sustainable ROE.** A sustainable double-digit ROE is within CLI's medium- to long-term reach in our view. In the near to medium term, the company will need to continue to use its balance sheet to seed its private equity funds; given that it does not have a track record, it will need to inject more equity and thus an ROE in the +15% range will necessarily take longer. Thus, in the short term, more capital will be needed for the private equity business given its small size of S\$26b while on the public funds businesses, CLI is arguably overcapitalised; thus it will look to rebalance over time.
- A more than solid year for divestment.** CLI divested S\$13.6b worth of assets in 2021 (2020: S\$3.04b). However management cautioned that this will not be repeatable in 2022 as market conditions have changed, and highlighted that its annual capital recycling target remains at S\$3b. In 2021, the company sold out its assets at a very opportune time with average divestment premium above carrying value of 13% vs 8-10% historically. Note that in 2021, 70% of the divestment value was related to integrated developments while 56% of CLI's total invested value of S\$6.8b was in new economy assets.

### EARNINGS REVISION/RISK

- Upgrading earnings.** We have upgraded our 2022 and 2023 earnings by 5% and 8% respectively to account for a slightly faster recovery in CLI's lodging segment as well as slightly better margins in its fund management business.

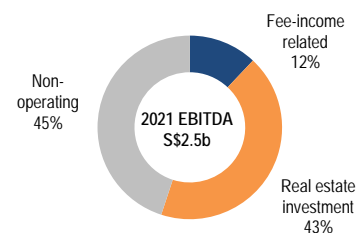
### VALUATION/RECOMMENDATION

- Maintain BUY with higher target price of S\$4.13.** We value CLI at S\$4.13/share (previously S\$4.02) using an SOTP methodology which comprises of: a) its fee-income platform where CLI earns fees from its investment management, property management and lodging management platforms, and b) its investment properties which CLI accounts for on its own balance sheet, as well as its various stakes in its listed REITs and its various stakes in its unlisted funds.

### SHARE PRICE CATALYST

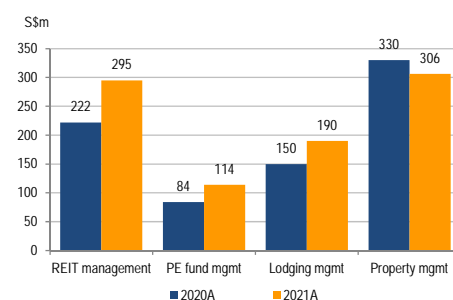
- Cap rate compression and stronger-than-expected growth in its funds under management.
- Recovery in lodging business from the further reopening of regional and global economies.

### EBITDA BY BUSINESS IN 2021



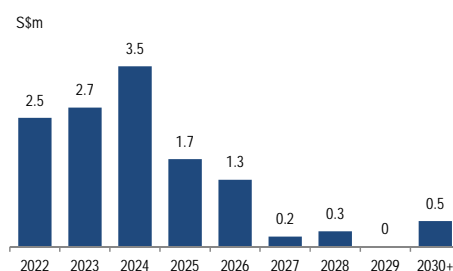
Note: Non-operating = revaluation, impairment and others  
Source: CLI

### GROWTH IN FEE-INCOME RELATED BUSINESS



Source: CLI

### LOAN MATURITY PROFILE



Source: CLI

### FORECAST EARNINGS CHANGES

S\$m	2022E	2023E
Reported PATMI - New	1,011.8	1,160.7
Reported PATMI - Old	961.3	1,078.1
Change	5.2%	7.7%

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (\$Sm)	2021	2022F	2023F	2024F
Net turnover	2,293	2,610	2,899	3,013
EBITDA	1,251	1,425	1,539	1,607
Deprec. & amort.	160	164	168	172
EBIT	1,091	1,261	1,371	1,434
Total other non-operating income	0	1	2	2
Associate contributions	1,218	800	800	900
Net interest income/(expense)	(353)	(504)	(430)	(409)
<b>Pre-tax profit</b>	<b>1,956</b>	<b>1,558</b>	<b>1,743</b>	<b>1,927</b>
Tax	(396)	(311)	(348)	(385)
Minorities	(211)	(168)	(188)	(208)
Preferred dividends	0	0	0	0
<b>Net profit</b>	<b>1,349</b>	<b>1,078</b>	<b>1,207</b>	<b>1,334</b>
Net profit (adj.)	1,349	1,078	1,207	1,334

### CASH FLOW

Year to 31 Dec (\$Sm)	2021	2022F	2023F	2024F
<b>Operating</b>	<b>667</b>	<b>1,113</b>	<b>1,191</b>	<b>1,222</b>
Pre-tax profit	1,956	1,558	1,743	1,927
Tax	(396)	(311)	(348)	(385)
Deprec. & amort.	160	164	168	172
Associates	0	0	0	0
Working capital changes	255	0	0	0
Non-cash items	0	0	0	0
Other operating cashflows	(1,308)	(297)	(372)	(493)
<b>Investing</b>	<b>1,268</b>	<b>68</b>	<b>13</b>	<b>52</b>
Capex (growth)	(1,241)	(250)	(250)	(250)
Capex (maintenance)	0	0	0	0
Investments	1,927	0	0	0
Proceeds from sale of assets	49	0	0	0
Others	533	318	263	302
<b>Financing</b>	<b>223</b>	<b>(3,893)</b>	<b>(774)</b>	<b>(814)</b>
Dividend payments	(117)	(883)	(571)	(623)
Issue of shares	(208)	0	0	0
Proceeds from borrowings	750	0	0	0
Loan repayment	0	(2,928)	(250)	(250)
Others/interest paid	(202)	(81)	47	59
<b>Net cash inflow (outflow)</b>	<b>2,158</b>	<b>(2,712)</b>	<b>430</b>	<b>459</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>1,678</b>	<b>3,815</b>	<b>1,103</b>	<b>1,533</b>
Changes due to forex impact	41	62	62	62
<b>Ending cash &amp; cash equivalent</b>	<b>3,877</b>	<b>1,165</b>	<b>1,595</b>	<b>2,054</b>

### BALANCE SHEET

Year to 31 Dec (\$Sm)	2021	2022F	2023F	2024F
Fixed assets	1,067	1,153	1,235	1,313
Other LT assets	30,757	30,817	30,877	31,007
Cash/ST investment	3,877	1,165	1,595	2,054
Other current assets	1,945	1,952	1,959	1,966
<b>Total assets</b>	<b>37,646</b>	<b>35,087</b>	<b>35,666</b>	<b>36,339</b>
ST debt	1,941	1,941	1,941	1,941
Other current liabilities	3,675	3,675	3,675	3,675
LT debt	10,428	7,500	7,250	7,000
Other LT liabilities	1,501	1,482	2,796	4,129
Shareholders' equity	16,440	16,737	16,157	15,652
Minority interest	3,661	3,753	3,846	3,942
<b>Total liabilities &amp; equity</b>	<b>37,646</b>	<b>35,087</b>	<b>35,666</b>	<b>36,339</b>

### KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	54.6	54.6	53.1	53.3
Pre-tax margin	85.3	59.7	60.1	63.9
Net margin	58.8	41.3	41.6	44.3
ROA	3.6	3.0	3.4	3.7
ROE	9.4	6.5	7.3	8.4
<b>Growth</b>				
Turnover	15.6	13.8	11.1	3.9
EBITDA	n.a.	13.9	8.0	4.4
Pre-tax profit	n.a.	(20.3)	11.9	10.5
Net profit	n.a.	(20.1)	11.9	10.5
Net profit (adj.)	n.a.	(20.1)	11.9	10.5
EPS	n.a.	(20.1)	11.9	10.5
<b>Leverage</b>				
Debt to total capital	38.1	31.5	31.5	31.3
Debt to equity	75.2	56.4	56.9	57.1
Net debt/(cash) to equity	51.7	49.4	47.0	44.0
Interest cover (x)	2.9	2.2	3.0	3.3

## 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 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W