

CapitaLand Investment Limited

Commendable recycling and FUM growth



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SINGAPORE | REAL ESTATE | FY21 UPDATE

8 March 2022

- FY21 PATMI of S\$1,349mn (FY20: -\$559mn) was 52% above our forecast due to higher than forecasted performance of JV & Associates, valuation recovery and portfolio gains.
- FY21 DPS of 15 Scts was a positive surprise, exceeding our DPS forecast of 8.3 Scts. DPS comprised 12 Scts of ordinary and 3 Scts of special dividends. Core and total dividends formed 55% and 70% of FY21 cash PATMI respectively.
- Earnings bolstered by portfolio gains from a record year of divestment, higher transaction-driven fees, 8.2k lodging units turning operational and recovery in operations.
- Maintain ACCUMULATE, SOTP TP raised from S\$4.00 to S\$4.05. SOTP TP increases as we raise FY22e investment management PATMI to factor in faster FUM growth as well as higher EBITDA from the lodging segment.

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 3.66
FORECAST DIV	SGD 0.12
TARGET PRICE	SGD 4.05
TOTAL RETURN	13.8%

COMPANY DATA

BLOOMBERG CODE:	CLI SP Equity
O/S SHARES (MN) :	5,149
MARKET CAP (USD mn / SGD mn) :	13837 / 18845
52 - WK HI/LO (SGD) :	3.82 / 2.9
3M Average Daily T/O (mn) :	7.61

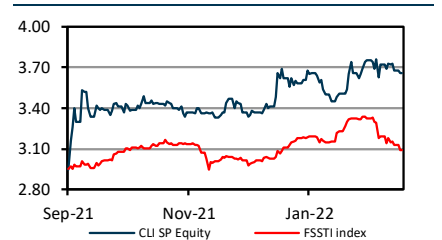
MAJOR SHAREHOLDERS (%)

TEMASEK HOLDINGS	51.5%
BLACKROCK INC	5.0%
VANGUARD GROUP	1.9%
NORGES BANK	87.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	4.8	10.5	7.9
STI RETURN	(3.0)	4.4	3.5

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD mn	FY20*	FY21	FY22e	FY23e
Revenue	1,983	2,293	2,608	2,834
Gross Profit	872	1,058	1,226	1,332
EBIT	(157)	1,091	1,341	1,413
EPS (SGD)	(19.90)	38.30	23.69	23.72
P/E (x)	(18.4)	9.6	15.5	15.4
P/BV (x)	1.2	1.17	1.14	1.10
DPS (cents)	-	-	12.00	13.38
Div Yield, %	-	-	3.3%	3.7%
ROE, %	-4.7%	8.4%	7.4%	7.1%

Source: Company Data, Bloomberg

Valuation Method

SOTP

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Results at a glance

(SGD mn)	FY21	FY20	YoY	Comments
Revenue	2,293	1983	15.6%	
Comprising:				
1. RE investment (REIB)	1,506	1,314	14.6%	
2. Fee-related (FRB)	905	786	15.1%	
- REITs mgmt	295	222	32.9%	Higher transaction-driven fees due to asset recycling and
- PE fund mgmt	114	84	35.7%	10% growth in FUM
- Property mgmt	306	330	-7.3%	
- Lodging mgmt	190	150	26.7%	Recovery in operating performance and 8.2K new units turning operational, record 15k keys signed
Total PATMI	1,349	-559	n.m.	
Comprising:				
- Operating PATMI	497	443	12.2%	Higher fee income from its fund and lodging management, and improved operating performance of IP
- Portfolio gains	616	97	535.1%	A record S\$13.6bn divested in FY21 (FY20: S\$3bn), of which, 82% was converted into FUM. Divestment of 6 RC China assets accounted for S\$274m or 44.5% of portfolio gains
- Reval gains & impairments	236	-1,099	n.m.	Broad-based recovery in valuations

Source: Company, PSR

The Positives

+ Stellar year of capital recycling; driving 9M21 fee-related earnings (+34%) and funds under management (+10%). CLI divested S\$13.6bn in FY21 at an average 13.1% premium to book value, crystallising S\$616mn in portfolio gains. This was 4.5x higher than the S\$3.0bn divested in FY20 and higher than the 8-10% premium CLI has achieved in the last 3-5 years. c.82% of divestments were converted into FUM, helping CLI to achieve its 10% p.a. FUM growth target. CLI incepted seven new private funds in FY21, raising more than S\$1.4bn from external parties. Fee-related earnings (FRE) grew 34% YoY to S\$409mn, bolstered by transaction-driven fees which accounted for 18% of FRE. Recurring earning accounted for the remaining 82% of FRE, which grew 17% YoY. Capital recycling also allowed CLI to rebalance its portfolio into new economy assets. c.70% of assets divested were integrated development assets, while 56% of S\$6.8bn in investment were in new economic assets, which include data centres, business parks and logistics assets.

+ Lodging segment recovering steadily. RevPAU rose 19% YoY, as occupancy improved to c.60%, up from c.50% in FY20. Revenue from the lodging segment grew 27%, on the back of recovery in operations and 8.2k keys turning operational. CLI signed 15k new keys, up from

* FY19 and FY20 numbers have been prepared as if the Internal Restructuring had occurred as at the beginning of the earliest period presented

14k keys signed in FY20, growing the number of keys under management by 8% to 133k keys. CLI is on track to meet its FY23 target of 160k keys under management.

+ China showing recovery; Singapore stabilising. Occupancy across retail, office and new economy assets in China improved 3-4ppts YoY on the back of sustained reopening. Occupancy at Singapore retail and office assets fluctuated 1-2ppts YoY, still impacted by the periodic tightening of restriction. Occupancy at new economy asset was up 2ppts with positive reversions recrossed across multiple asset types.

The Negatives

- Occupancy in India business and logistic parks dipped 8ppts YoY from 93% to 85%. While presented as one of CLI's core markets, India represents <3% of CLI's FY21 EBITDA. CLI secured positive reversions on leases signed during the year, however, occupancy in India business and logistic parks dipped 8ppts YoY. This contrasts with the improving occupancy seen across the new economy assets in China and Singapore, which saw occupancy improve 3ppts to 94% and 90% respectively.

Outlook

CLI's property portfolio continues to recover on the back of a reopening and return-to-normalcy. CLI maintains its S\$3bn p.a. divestment target while growing FUM by 10% p.a.. At current growth rates, CLI is on track to hitting its 2023 lodging target of 160k keys under management and S\$100bn 2024 FUM target. This will increase the proportion of fee-related earnings for CLI, which currently account for 40% of operating PATMI.

As CLI pushes to grow PE FUM, new funds will adopt a traditional PE fee structure which includes an ongoing management fee based on committed capital as well as carry fees which are tied to the performance of the fund manager. As CLI's private fund business is less established compared to its track record as a manager of listed funds, CLI is prepared to take up to a 20% stake in newly incepted private funds as a show of confidence and alignment of interest with its third-party equity providers.

Maintain ACCUMULATE, SOTP TP raised from S\$4.00 to S\$4.05

SOTP TP increases as we raise FY22e investment management PATMI as we bake in faster FUM growth as well as higher EBITDA from the lodging segment. Our SOTP derived TP of S\$4.05 represents an upside of 13.8% and P/E of 15.5x.

SOTP Valuation				
Business Segments	Basis	Multiple (x)	S\$mn	Valuation (S\$mn)
			<u>FY22 PATMI</u>	
1. Investment Management	P/E	16	266.2	4,258
Fund Management				
Property Management				
			<u>FY22 EBITDA</u>	
2. Lodging Management	EV/EBITDA	16	76	1,214
3. Investment Property	IP Valuation			7,773
4. Stake in Listed Funds	Carrying Value			9,050
	<u>Shares (mn)</u>	<u>Stake</u>	<u>TP/Consensus</u>	
CICT	6,621	22.9%	2.39	3,624
AREIT	4,198	18.0%	3.52	2,660
ART	3,284	40.7%	1.23	1,644
CLCT	1,660	22.2%	1.52	560
AIT	1,157	21.6%	1.66	416
CLMT	2,131	38.1%	0.18	147
5. Stake in Unlisted Funds	RNAV			6,186
		<u>Stake</u>		
		6% - 55%		
All Segments				28,482
Less: Net Debt and Capitalised Overheads				(7,433)
Valuation				21,049
Shares Outstanding (mn)				5,203
Valuation Per Share (S\$)				4.05

Source: PSR

Financials

Income Statement

Y/E Dec, SGD mn	FY19*	FY20*	FY21	FY22e	FY23e
Revenue	2,488	1,983	2,293	2,608	2,834
Gross profit	1,171	872	1,058	1,226	1,332
Operating inc./exp	212	(1,029)	33	115	81
Gross operating profit	1,383	(157)	1,091	1,341	1,413
Finance cost	(327)	(377)	(353)	(347)	(340)
Share of results from:					
- Associates	793	81	1,008	581	481
- Joint ventures	172	(106)	210	204	165
(Loss)/Profit before tax	2,021	(559)	1,956	1,779	1,719
Tax expense	(273)	(114)	(396)	(343)	(295)
(Loss)/Profit for the year	1,748	(673)	1,560	1,437	1,424
Attributed to:					
Owners of the company	1,444	(559)	1,349	1,218	1,219
Non-controlling interests	304	(114)	211	219	205

Per share data (SGD)

Y/E Dec, SGD cents	FY19*	FY20*	FY21	FY22e	FY23e
EPS		(19.90)	38.30	23.69	23.72
DPS				12.00	13.38
BVPS		3.02	3.12	3.20	3.32

Cash Flows

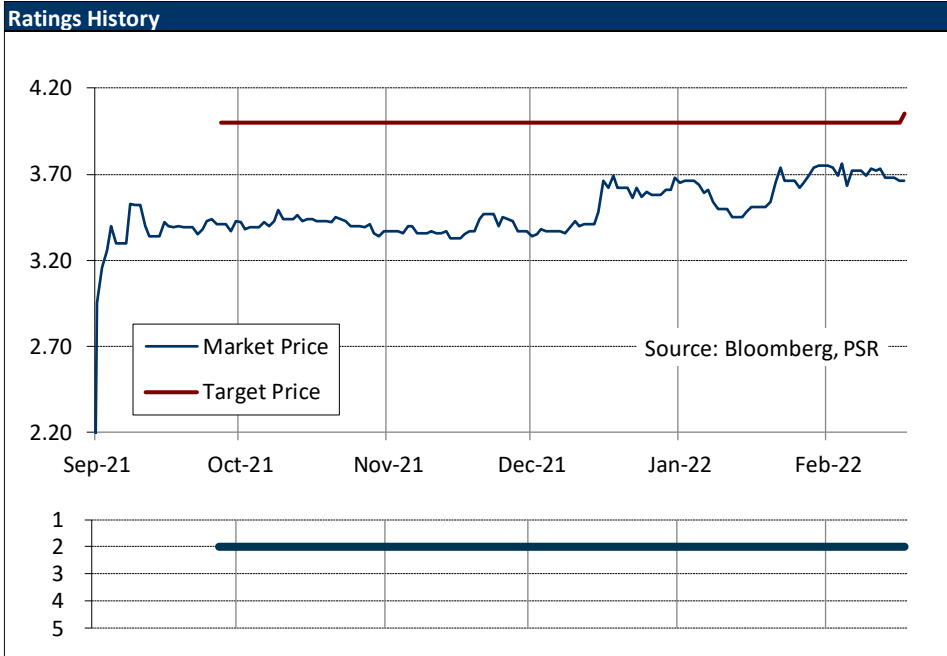
Y/E Dec, SGD mn	FY19*	FY20*	FY21	FY22e	FY23e
CFO					
(Loss)/Profit for the year	1,748	(673)	1,560	1,437	1,424
Adjustments	(858)	1,428	(941)	(555)	(421)
WC changes	(463)	(429)	255	55	45
Cash generated from ops	427	326	874	936	1,048
Taxes paid, others	(110)	(143)	(207)	(206)	(171)
Cashflow from ops	317	183	667	730	877
CFI					
CAPEX and acquisitions	(175)	(236)	(1,241)	(2,208)	(2,180)
Dividends from associates & JV	466	502	1,980	432	432
Proceeds from disposal of IP	-	364	1,354	5,000	4,250
Cashflow from investments	58	1,068	1,268	2,194	1,474
CFF					
Dividends paid	(454)	(720)	(1)	(771)	(617)
Interest expense paid	(308)	(365)	(342)	(336)	(330)
Net cash from borrowings/debt securities	493	31	4,091	(508)	50
Cashflow from financing	(48)	(972)	223	(1,765)	(1,029)
Net change in cash	327	279	2,158	1,159	1,323
Effects of exchange rates	(2)	42	(21)	-	-
Cash & equivalents at end of year	1,354	1,678	3,815	4,974	6,297

Source: Company, Phillip Securities Research (Singapore) Estimates

* FY19 and FY20 numbers have been prepared as if the Internal Restructuring had occurred as at the beginning of the earliest period presented

Balance Sheet

Y/E Dec, SGD mn	FY19*	FY20*	FY21	FY22e	FY23e
ASSETS					
PPE	914	1,096	1,067	998	934
Associates & JVs	13,693	13,198	13,248	14,606	15,826
Investment Properties	16,256	15,852	16,249	14,037	12,490
Others	1,777	1,834	1,260	1,222	1,185
Total non-current assets	32,640	31,980	31,824	30,864	30,435
Accounts Receivables	4,302	4,258	1,661	1,826	1,984
Cash balance	1,421	1,736	3,877	5,036	6,359
Others	479	249	284	284	284
Total current assets	6,202	6,243	5,822	7,146	8,627
Total Assets	38,842	38,223	37,646	38,009	39,062
LIABILITIES					
Short term borrowings	1,263	1,132	1,941	1,841	2,091
Accounts Payables	5,293	5,513	2,128	2,347	2,551
Others	628	492	1,547	939	939
Total current liabilities	7,184	7,137	5,616	5,127	5,581
Long term borrowings	5,437	6,049	10,428	10,028	9,828
Others	9,645	9,303	1,501	2,238	2,362
Total non-current liabilities	15,082	15,352	11,929	12,266	12,190
Total Liabilities	22,266	22,489	17,545	17,393	17,771
EQUITY					
Shareholder Equity	12,611	11,875	16,044	16,472	17,055
Perpetual Securities	396	396	396	396	396
Non-controlling interest	3,569	3,463	3,661	3,749	3,841
Total Equity	16,576	15,734	20,101	20,616	21,292
Valuation Ratios					
Y/E Dec	FY19*	FY20*	FY21	FY22e	FY23e
P/E		-18.4	9.6	15.5	15.4
P/B		1.21	1.17	1.14	1.10
Dividend Yield				3.3%	3.7%
Growth & Margins					
Growth					
Revenue	-46.1%	-20.3%	15.6%	13.7%	8.7%
EBIT			n.m.	22.9%	5.4%
Net Income, adj.			n.m.	-7.9%	-0.9%
Margins					
EBIT margin	52.4%	55.6%	-7.9%	47.6%	51.4%
Net Profit Margin	34.0%	70.3%	-33.9%	68.0%	55.1%
Key Ratios					
ROE	11.5%	-4.7%	8.4%	7.4%	7.1%
ROA	4.5%	-1.8%	4.1%	3.8%	3.6%
Debt/Equity	0.40	0.43	0.48	0.39	0.32



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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