

Singapore

ADD (no change)

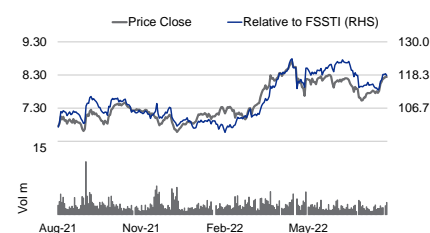
Consensus ratings*: Buy 14 Hold 0 Sell 1

Current price:	S\$8.24
Target price:	S\$8.97
Previous target:	S\$8.97
Up/downside:	8.9%
CGS-CIMB / Consensus:	-2.0%
Reuters:	CTDM.SI
Bloomberg:	CIT SP
Market cap:	US\$5,463m
	S\$7,473m
Average daily turnover:	US\$9.78m
	S\$13.56m
Current shares o/s:	906.9m
Free float:	59.7%

*Source: Bloomberg

Key changes in this note

- FY22F EPS decreased by 20.8%
- FY23F EPS decreased by 0.5%
- FY24F EPS decreased by 0.6%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.6	4.3	24.7
Relative (%)	-0.9	1.9	20.9

Major shareholders	% held
Hong Leong	35.3
Standard Life Aberdeen	5.0

Analyst(s)


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City Developments

Lifted by better hotel operations and one-offs

- 1H22 EPS of 123.5 Scts exceeded expectations due to divestment gains.
- Hotel operations turned around in 1H while residential PBT remained stable.
- Reiterate an Add rating with TP of S\$8.97.

1H22 boosted by divestment gains

CIT reported a 23.5% rise in 1H22 revenue to S\$1.47bn, mainly from better hotel segment performance. PATMI of S\$1.13bn turned around from a loss in the previous year, due to higher hospitality contributions and S\$1.4bn worth of one-off gains from the divestment of the Seoul Millennium Hotel and negative goodwill arising from the distribution in specie of CDL Hospitality Trust units in May 2022. Excluding one-offs, PATMI would have amounted to S\$110.3m in 1H. CIT proposed a special interim DPS of 12 Scts. In terms of capital management, CIT's net gearing ratio (after fair value adjustment) was stable qoq at 52% at end-1H22 with strong cash reserves of S\$4.1bn.

Singapore projects underpin residential development activities

Property development segment posted a PBT of S\$104m, with profit recognition from Singapore and China projects as well as New Zealand property sales. CIT sold 712 residential units in 1H valued at S\$1.6bn. Sales were driven by the recently launched 407-unit Piccadilly Grand (82% sold to date). CIT plans to launch Copen Grand Executive Condominium in 4Q22. It has another 1,500 units in its pipeline from 2023F in Singapore. Meanwhile, sales at its Melbourne, Brisbane and New South Wales continued to see a healthy take-up rate. To grow its pipeline, CIT had also entered into a new JV with New Urban Villages to acquire a mixed-use development site in Brisbane. CIT also continues to build scale in the private rental sector (PRS) in UK and Japan with a portfolio of 2,053 completed and under-development units, to build its recurrent income stream.

Rebound in hotel operations in 1H22

Hotel operations achieved a PBT of S\$1.325bn, underpinned by improved operating performance and divestment gains. Excluding the latter, this segment recorded a PBT of S\$15m compared to a loss in the previous period. Portfolio RevPAR more than doubled to S\$113.6 while GOP margin improved 12% pts to 24.7% in 1H22. Occupancy rate increased significantly in Europe and US, driven by a rebound in global leisure travel. Management expects a sequential improvement in 2H22 RevPAR on continued travel demand. In terms of portfolio optimisation, CIT aims to rebalance its hotel portfolio through asset enhancement initiatives, redevelopment and divestment opportunities.

Reiterate Add rating

We lower our FY22-24F EPS by 0.5-20.8% to factor in the exceptional items. Management shared that the collective sale of Tanglin Shopping Centre and Golden Mile Complex could potentially be completed towards year end. We have not included any gains from these sales, pending details of the transactions. Our TP of S\$8.97 is based on a 45% discount to RNAV of S\$16.30. CIT indicated that it continues to execute on its strategic initiatives, including building its fund management platform and looking at innovation and venture capital. A potential re-rating catalyst is a faster-than-expected recovery in the global hospitality sector. Downside risk: drag from slow macro outlook.

Financial Summary

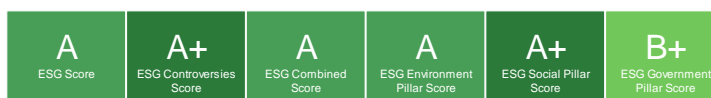
	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (S\$m)	2,108	2,626	2,756	4,500	3,767
Operating EBITDA (S\$m)	339	432	846	1,132	1,026
Net Profit (S\$m)	(1,917)	98	1,370	740	510
Core EPS (S\$)	(0.11)	(0.01)	0.41	0.82	0.56
Core EPS Growth	(121%)	(95%)		100%	(31%)
FD Core P/E (x)	NA	NA	20.23	10.09	14.64
DPS (S\$)	0.12	0.14	0.20	0.20	0.20
Dividend Yield	1.46%	1.70%	2.43%	2.43%	2.43%
EV/EBITDA (x)	47.01	38.47	19.04	13.54	14.39
P/FCFE (x)	160.8	NA	11.9	9.1	12.1
Net Gearing	91.2%	97.1%	73.1%	57.6%	50.7%
P/BV (x)	0.88	0.89	0.70	0.60	0.57
ROE	(1.07%)	(0.06%)	3.88%	6.44%	4.02%
% Change In Core EPS Estimates			(20.8%)	(0.5%)	(0.6%)
CGS-CIMB/Consensus EPS (x)			2.27	1.41	0.91

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell



Refinitiv ESG Scores



According to Refinitiv, CIT's overall ESG rating for FY20 is A, made up of Environmental (A), Social (A+) and Governance (A-). CIT also rates well for ESG Controversies at A+. CIT's strong fundamental in sustainability is underpinned by its four strategic pillars of integration, innovation, investment and impact. It has also laid out the CDL Future Value 2030 sustainability blueprint which maps out its strategic goals and ESG targets. CIT is the first real estate conglomerate in South East Asia to sign the Net Zero Carbon Buildings Commitment by the World Green Building Council and aims to achieve net zero emissions for its directly owned assets by 2030 and is advocating for all buildings to be net zero operational carbon by 2050. It also targets to achieve Green Mark Certification for 90% of its owned/managed buildings by 2030. On the asset management front, it aims to reduce energy and water use intensity of its office and industrial properties by 45%/50% from 2007 levels.

<p>Keep your eye on</p> <p>According to Refinitiv, CIT's environmental innovation is rated B. Some of its initiatives include its strategic R&D partnership with the NUS School of Design and Environment since 2017. In 2020, the NUS-CDL Smart Green Home developed an Acoustic Friendly Ventilation Window prototype that reduces noise while achieving air change efficiency of up to four times more than conventional windows. It also partnered with SERIS to apply for a Solar Competitive Research Programme in 2020 to testbed cost-effective high-power density Building-Integrated Photovoltaics (BIPV) modules and to pilot printed BIPV panels at its City Square Mall.</p>	<p>Implications</p> <p>Our current valuations have not ascribed a premium/discount for ESG achievements. As CIT continues its ESG journey, its overall ESG score should continue to improve.</p>
<p>ESG highlights</p> <p>According to Refinitiv, CIT takes pole position within both its Singapore companies coverage as well as amongst developer peers. Some of its key achievements in FY20 include a 44% reduction in carbon emissions intensity from 2007 and appears on track to achieve its Science Based Targets Initiative (SBTi)-validated target of a 59% reduction by 2030. In 2012-20, CIT reported energy savings of over S\$30m from energy-retrofitting and initiatives across its commercial buildings. It has secured more than S\$2.5bn of sustainable financing since 2017.</p>	<p>Implications</p> <p>We have not applied any premium/discount on ESG in our fundamental valuations. However, as the group continues to build on its ESG efforts, we believe that these could lead to improved operational efficiencies and financial performance.</p>
<p>Trends</p> <p>Within the different pillars, CIT scores well in resource use (A), emissions (A+), workforce (A+), human rights (A+), community (A+), product responsibility (A-), management (A), CSR strategy (A-). The biggest improvements over the past three years were in workforce and management scores.</p>	<p>Implications</p> <p>We have not applied any premium/discount of ESG in our fundamental valuations.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 1: Results comparison

FYE Dec (\$\$ m)	1HFY22	1HFY21	yoy % chg	2HFY21	hoh % chg	Prev. FY22F Comments
Revenue	1,472.6	1,192.2	23.5%	1,433.7	2.7%	2,756.4 Broadly in line. 1HFY22: 53% of our FY22F forecast
Operating costs	(1,222.9)	(1,021.9)	19.7%	(1,173.5)	4.2%	(2,341.0)
EBITDA	249.7	170.3	46.6%	260.2	-4.0%	415.4
EBITDA margin (%)	17.0%	14.3%		18.1%	-6.6%	15.1%
Depn & amort.	(131.1)	(144.1)	-9.0%	(133.5)	-1.8%	(256.6)
EBIT	118.6	26.2	351.9%	126.7	-6.4%	158.8
Interest expense	(99.5)	(132.3)	-24.8%	(106.1)	-6.3%	(207.3)
Interest & invt inc	60.7	14.0	332.7%	22.8	165.8%	22.2
Associates' contrib	92.7	51.7	79.3%	55.8	66.2%	213.1
Exceptionals	1,412.4	50.1	n.m.	118.8	n.m.	523.9 Includes divestment gains from the sale of Millennium Hilton Seoul (\$\$911.5m) and the gain on deconsolidation of CDLHT (\$\$492.4m)
Pretax profit	1,584.9	9.7	n.m.	218.0	627%	1,125.3
Tax	(432.7)	(28.5)	n.m.	(59.5)	n.m.	(216.9)
Tax rate (%)	27.3	291.9		27.3		0.2
Minority interests	(25.8)	(13.4)	92.7%	(28.8)	-10.5%	(18.8)
Net profit	1,126.3	(32.1)	n.m.	129.7	768%	889.6 Above. 1HFY22: 127% of our FY22 forecast.
Core net profit	110.3	(82.2)	n.m.	162.4	-32%	352.8 Broadly in line. 1HFY22: 31.3% of our FY22F forecast
EPS (cts)	123.5	(4.2)	n.m.	13.60	808%	96.67 Above. 1HFY22: 128% of our FY22 forecast
Core EPS (cts)	12.2	(9.1)	n.m.	19.1	-36.2%	38.9 Broadly in line. 1HFY22: 31.3% of our FY22F forecast

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Key earnings revisions

FYE Dec (\$\$m)	Previous			New			% chg		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Gross revenue	2756.4	4500.3	3767.4	2756.4	4500.3	3767.4	0.0%	0.0%	0.0%
PATMI	889.6	744.1	513.8	352.8	727.5	497.5	-60.3%	-2.2%	-3.2%
EPS (Scts)	96.67	80.62	55.23	149.62	80.22	54.86	54.8%	-0.5%	-0.7%

SOURCES: CGS-CIMB RESEARCH estimates

Figure 3: CIT RNAV breakdown

	Cap rate	RNAV (\$\$m)
OFFICE		
Singapore investment properties	3.6%/4.5%	5,591
Others		337
HOTELS/HOSPITALITY		
Singapore investment properties	4.8%/5.5%	769
Others		127
M&C		
CDL Hospitality Trust	Stake TP (\$\$) Shares (m)	4,944
	39% 1.24 1,220.0	590
RETAIL		
Singapore investment properties	4.8%/5.5%	2,023
Others		188
INDUSTRIAL		
Singapore developments	6.50%	364
Others		67
MIXED DEVELOPMENTS		
South Beach	Stake	1,474
SIP Mixed D (excl Resi)	50%	311
Others	100%	186
		16,970
PV OF RESIDENTIAL GDV		
Singapore		5,324
China		73
Others		344
OTHERS		
		8
GAV (\$\$m)		
		22,720
Add: Adjustment for CDLHT net debt (not attributable)		508
Less net debt (incl est off b/s commitments)		(8,445)
RNAV (\$\$m)		
		14,783
No of shares (m)		906.9
RNAV per share (\$\$)		
		16.30
	Disc/Prem to RNAV	
Target price (\$\$)	-45%	8.97

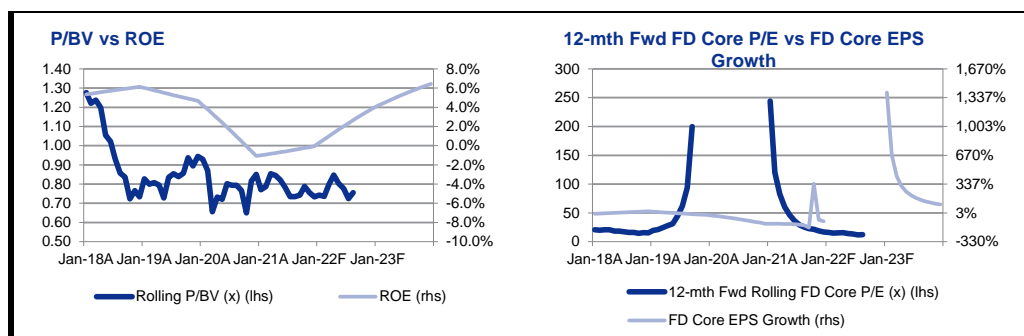
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Singapore developers peer comparison table

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY23F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY22F	FY23F	FY24F			FY22F	FY23F	FY22F	FY23F
APAC Realty Ltd	APAC SP	Add	0.71	0.84	184	9.9	8.3	7.4	n.a.	n.a.	1.65	1.50	7.6%	9.1%
Capitaland Investment	CLI SP	Add	3.92	4.59	14,674	21.1	20.1	18.2	5.10	-23%	1.17	1.12	1.7%	1.7%
City Developments	CIT SP	Add	8.24	8.97	5,463	20.2	10.1	14.6	16.30	-49%	0.70	0.60	2.4%	2.4%
Frasers Property Limited	FPL SP	Add	1.04	1.41	2,985	14.3	15.2	13.1	2.56	-59%	0.36	0.34	2.9%	3.8%
Hongkong Land Holdings Ltd	HKL SP	Add	5.06	6.10	11,810	13.1	12.3	11.2	10.20	-50%	0.33	0.29	4.3%	4.3%
Propnex Ltd	PROP SP	Add	1.67	2.07	452	12.7	12.2	11.7	n.a.	n.a.	5.53	5.01	6.3%	6.5%
UOL Group	UOL SP	Add	7.35	8.00	4,537	18.6	18.4	22.0	13.34	-45%	0.60	0.59	2.4%	2.4%
Wing Tai Holdings	WINGT SP	Add	1.68	1.98	934	15.0	20.1	na	3.96	-58%	0.34	0.32	3.0%	3.0%
Singapore average						16.7	14.8	14.8		-35%	0.55	0.51	2.8%	2.9%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Share price as at 11 Aug 2022

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	2,108	2,626	2,756	4,500	3,767
Gross Profit	829	978	1,296	1,867	1,642
Operating EBITDA	339	432	846	1,132	1,026
Depreciation And Amortisation	(287)	(278)	(272)	(266)	(260)
Operating EBIT	52	155	574	866	766
Financial Income/(Expense)	(93)	(202)	(188)	(182)	(176)
Pretax Income/(Loss) from Assoc.	36	107	213	257	67
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	(5)	61	599	941	657
Exceptional Items	(1,785)	167	1,413	0	0
Pre-tax Profit	(1,791)	228	2,012	941	657
Taxation	(88)	(88)	(588)	(184)	(136)
Exceptional Income - post-tax					
Profit After Tax	(1,879)	140	1,424	756	521
Minority Interests	(39)	(42)	(54)	(16)	(11)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(1,917)	98	1,370	740	510
Recurring Net Profit	(102)	(5)	369	740	510
Fully Diluted Recurring Net Profit	(102)	(5)	369	740	510

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	339	432	846	1,132	1,026
Cash Flow from Invnt. & Assoc.	922	11	(213)	(257)	(67)
Change In Working Capital	(581)	814	27	5	30
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	287	278	272	266	260
Other Operating Cashflow	(1,370)	(482)	1,166	(191)	(369)
Net Interest (Paid)/Received	(122)	(182)	(188)	(182)	(176)
Tax Paid	(76)	(100)	(588)	(184)	(136)
Cashflow From Operations	(601)	771	1,322	588	567
Capex	(460)	(349)	(100)	(50)	(50)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments	(834)	(30)	(614)	257	67
Other Investing Cashflow	218	(484)	20	25	31
Cash Flow From Investing	(1,076)	(863)	(695)	232	48
Debt Raised/(repaid)	1,724	(637)	0	0	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	(190)	(174)	(218)	(181)	(181)
Preferred Dividends					
Other Financing Cashflow	30	(466)	(207)	(207)	(207)
Cash Flow From Financing	1,564	(1,277)	(425)	(389)	(389)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	3,127	2,083	2,661	3,457	4,036
Properties Under Development	5,391	5,839	6,913	7,425	7,628
Total Debtors	1,681	1,873	1,969	2,046	2,153
Inventories	11	11	11	11	11
Total Other Current Assets	603	1,950	1,950	1,950	1,950
Total Current Assets	10,812	11,757	13,503	14,888	15,778
Fixed Assets	5,526	5,362	5,271	5,135	5,003
Total Investments	6,362	5,851	6,810	6,987	6,977
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	977	923	923	923	923
Total Non-current Assets	12,865	12,136	13,005	13,045	12,903
Short-term Debt	2,799	5,188	5,188	5,188	5,188
Current Portion of Long-Term Debt					
Total Creditors	1,349	1,453	1,575	1,657	1,794
Other Current Liabilities	897	1,261	1,486	1,083	1,034
Total Current Liabilities	5,044	7,902	8,249	7,927	8,016
Total Long-term Debt	8,756	5,952	5,952	5,952	5,952
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	634	707	707	707	707
Total Non-current Liabilities	9,390	6,659	6,659	6,659	6,659
Total Provisions	0	0	0	0	0
Total Liabilities	14,434	14,561	14,908	14,586	14,675
Shareholders' Equity	8,502	8,414	10,627	12,358	13,007
Minority Interests	740	918	973	989	999
Total Equity	9,242	9,332	11,600	13,347	14,006

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(38.5%)	24.5%	5.0%	63.3%	(16.3%)
Operating EBITDA Growth	(60.3%)	27.5%	95.7%	33.8%	(9.4%)
Operating EBITDA Margin	16.1%	16.5%	30.7%	25.2%	27.2%
Net Cash Per Share (S\$)	(9.29)	(9.99)	(9.35)	(8.47)	(7.83)
BVPS (S\$)	9.38	9.28	11.72	13.63	14.34
Gross Interest Cover	0.20	0.65	2.77	4.18	3.70
Effective Tax Rate	0.0%	38.6%	29.2%	19.6%	20.7%
Net Dividend Payout Ratio	NA	NA	NA	24.5%	35.5%
Accounts Receivables Days	217.3	247.1	254.4	162.8	203.9
Inventory Days	3.88	2.36	2.69	1.49	1.85
Accounts Payables Days	364.4	310.2	378.5	224.0	297.0
ROIC (%)	0.43%	0.80%	3.50%	4.98%	4.12%
ROCE (%)	1.06%	0.93%	2.75%	3.77%	3.21%
Return On Average Assets	0.02%	0.41%	0.65%	3.32%	2.34%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Property development revenue (S\$m)	965.9	1,242.3	1,154.9	2,653.1	1,779.7
Hotel operations (S\$m)	640.4	972.8	1,065.1	1,281.9	1,419.9
Rental income (S\$m)	361.4	360.4	408.6	437.3	439.5
Others (S\$m)	140.6	126.3	127.8	128.0	128.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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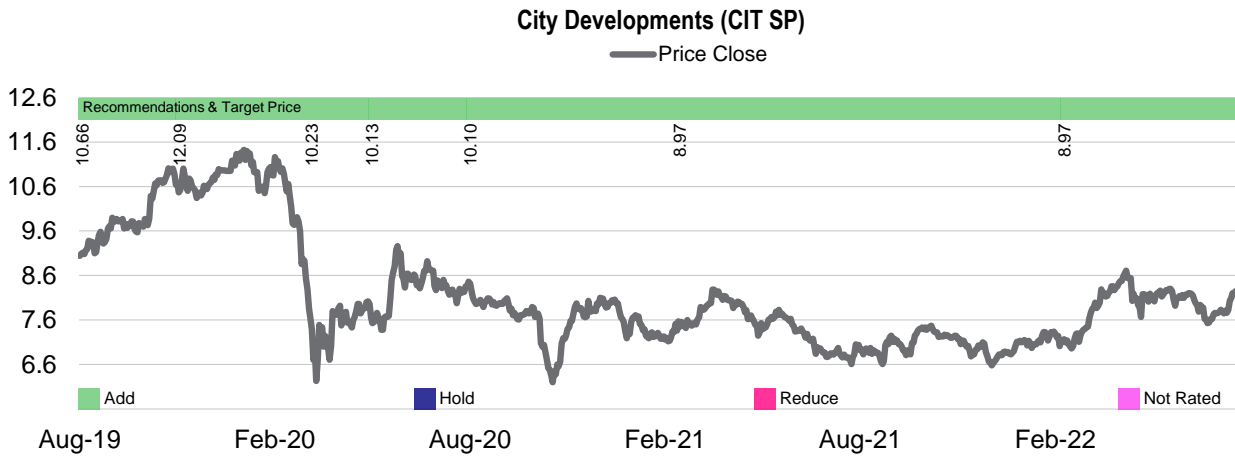
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	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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