

Singapore

ADD (no change)

Consensus ratings*: Buy 14 Hold 1 Sell 0

Current price:	S\$3.92
Target price:	S\$4.59
Previous target:	S\$4.59
Up/downside:	17.1%
CGS-CIMB / Consensus:	6.7%
Reuters:	CAPN.SI
Bloomberg:	CLI SP
Market cap:	US\$14,674m
	S\$20,075m
Average daily turnover:	US\$21.35m
	S\$29.58m
Current shares o/s:	5,140m
Free float:	48.3%

*Source: Bloomberg

Key changes in this note

➤ No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.8	1	
Relative (%)	-3.7	-1.4	

Major shareholders	% held
Temasek Holdings	51.8

Analyst(s)



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Capitaland Investment

1H performance supported by fee income

- 1H operating PATMI of S\$346m was in line at 49% of our FY22F forecast.
- Operating PATMI bolstered by higher fee income.
- Reiterate Add rating with TP of S\$4.59.

1H22 results highlights

CLI reported revenue of S\$1.35bn, +29.1% yoy, in 1H22, boosted by higher contributions from fee-related and real estate investment businesses. Reported PATMI declined 38.3% yoy to S\$433m due to lower portfolio gains, rental rebates extended to China retail tenants and income vacuum from divested assets. Excluding portfolio gains, operating PATMI came in at S\$346m, +31.1% yoy. CLI's balance sheet remains robust, with net gearing of 0.51x at end-1H.

FRB income lifted by higher fees from listed and private funds

Fee-related (FRB) revenue grew 20.8% yoy in 1H22 to S\$238m, led by higher fees from listed funds as well as increased event-driven income from private funds. Fee to fund rate stands at 52bp, unchanged qoq. Looking ahead, CLI indicated that it has some S\$3.5bn of embedded FUM from committed and undeployed capital for private funds. CLI's FUM remained flat qoq at S\$86bn. CLI has divested S\$1.6bn and made S\$2.5bn worth of investments to date. Despite the slower investment environment amid global macro uncertainty and rising interest rates, CLI indicated that it could achieve its S\$3bn asset recycling target for the year. Its aim to reach S\$100bn of FUM by 2024F remains unchanged.

Growing units under management on track

Lodging management segment posted a 37% increase in fee income to S\$118m, thanks to a rebound in global travel and a 44% jump in portfolio RevPAU, largely in Europe as well as in India, Singapore, South Korea, Malaysia and Indonesia. CLI continues to grow its units under management and recent acquisition of the Oakwood Worldwide platform has boosted units under management to 153k units and appears on track to meet its 2023F target of 160k units. This will underpin growth of the lodging management income.

REIB impacted by tenant rebates in China

Revenue from real estate investment business (REIB) rose 44.1% yoy to S\$967m, due to recovery of CLI's lodging RevPAU amid easing of global travel restrictions as well as contributions from newly acquired data centres, business park and student accommodation properties in China, USA and Japan. However, operating PATMI from REIB declined 9% yoy due to income vacuum from divested assets and rental rebates extended to its retail tenants in China. Management indicated that China's ongoing deleveraging presents a potential window to access investment opportunities driven by special situations and market dislocation, and it remains on the lookout for attractive new economy projects.

Reiterate Add rating

We leave our FY22-24F EPS unchanged and maintain our RNAV-based TP of S\$4.59. We believe that as CLI continues to lighten its balance sheet and accelerate the growth of its fee income business, there is room for a further re-rating of the valuation of its fund management business. Key downside risks include slower-than-expected scaling up of its funds under management (FUM) or dampened real estate outlook that could weaken its fund performance and hamper the pace of its capital recycling activities.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (S\$m)	1,983	2,293	2,475	2,621	2,679
Operating EBITDA (S\$m)	680	817	1,192	1,223	1,266
Net Profit (S\$m)	(559)	1,349	955	999	1,106
Normalised EPS (S\$)	0.06	0.27	0.19	0.19	0.22
Normalised EPS Growth		346%	(31%)	5%	11%
FD Normalised P/E (x)	92.91	16.50	21.10	20.15	18.20
DPS (S\$)	0.00	0.15	0.07	0.07	0.08
Dividend Yield	0.00%	3.83%	1.66%	1.74%	1.92%
EV/EBITDA (x)	11.77	16.98	16.59	16.26	15.58
P/FCFE (x)	NA	7.31	NA	NA	NA
Net Gearing	42.8%	48.1%	47.2%	48.7%	50.1%
P/BV (x)	0.90	1.23	1.17	1.12	1.07
ROE	2.75%	6.58%	5.67%	5.69%	6.03%
Normalised EPS/consensus EPS (x)			0.73	0.78	0.77

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell



Refinitiv ESG Scores



According to Refinitiv 2020 rankings, CLI scored C for overall ESG, with Environmental and Social Pillars at B-, and Governance at D; its ESG controversies is rated A+. CLI has adopted Capitaland Group's 2030 Sustainability Master Plan, which focuses on building portfolio resilience and resource efficiency, growing dynamic human capital, and accelerating sustainable innovation and collaboration. These objectives can be achieved through integrating sustainability in CLI's real estate life cycle, strengthening innovation and collaboration to drive sustainability, leveraging sustainability trends and data analytics, increasing engagement and communication with key stakeholders and monitoring progress to ensure transparency. It has set out an objective to reduce carbon intensity/energy intensity/water intensity to 78%/35%/45% vs. a 2008 baseline by 2030. It also aims for 100% of its properties to be green-rated by 2030 and for renewable energy to comprise 35% of its energy usage by 2030. As at Feb 2022, CLI has secured a total of S\$3.7bn of sustainable finance, including sustainability-linked loans, green loans, green bonds and perpetual securities, and targets to reach S\$6bn. CLI intends to deploy interest savings from these loans towards its green initiative. CLI is included in the Global 100 Most Sustainable Corporations in the World Index, Carbon Clean 2020, Global Sustainability Yearbook, Global Real Estate Sustainability Benchmark, Dow Jones World and Asia Pacific Sustainability Indices, MSCI ESG Leaders Index, and FTSE4Good Index.

<p>Keep your eye on</p> <p>Based on Refinitiv's rankings, CLI scored low on environmental innovation (D-) and community scores (D+).</p>	<p>Implications</p> <p>We believe that as CLI continues to raise its E and G efforts and reporting standards, its ranking should likely continue to improve.</p>
<p>ESG highlights</p> <p>According to Refinitiv's 2020 rankings, CLI ranks 64th out of 94 Singapore companies and 9th against its real estate peers. In 2021, CLI achieved a 52% reduction in carbon emissions intensity, 42% lower energy intensity, and 53% reduction in water intensity. All these are compared to a 2008 baseline. In addition, 3% of its energy usage is from renewable sources. 42% of its portfolio have achieved green certification. The group has consistently increased the use of renewable energy and has installed solar panels atop seven of its buildings in Singapore to date, generating a total of 11,462 MWh of renewable energy.</p>	<p>Implications</p> <p>Its 2030 Sustainability Master Plan includes building portfolio resilience and resource efficiency, enabling thriving and future-adaptive communities, and accelerating sustainability and collaboration. These objectives include low carbon transition, water conservation and resilience, waste management and circular economy, dynamic human capital and sustainable operational excellence and financing as well as technology and innovation. We believe CLI's continued ESG efforts will be a differentiating factor among the more discerning investors. We have not applied any premium/discount for ESG in our fundamental valuations.</p>
<p>Trends</p> <p>CLI stands out for its product responsibility (A-), emissions (B+) and CSR strategies (B+) scores.</p>	<p>Implications</p> <p>We have not applied any premium/discount for ESG in our fundamental valuations. However, as the group continues to build on its ESG efforts, we believe these could lead to improved operational efficiencies and financial performance.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 1: Results comparison

FYE Dec (\$\$ m)	1HFY22	1HFY21	yoy % chg	2HFY21	hoh % chg	Prev. FY22F	Comments
Revenue	1,354.0	1,049.0	29.1	1,244.0	(8.1)	2,476.5	In line. 1HFY22: 55% of our FY22F forecast
Operating costs	(895.0)	(670.0)	33.6	(970.0)	8.4	(1,602.4)	
EBITDA	459.0	379.0	21.1	274.0	(40.3)	874.2	
EBITDA margin (%)	33.9%	36.1%		22.0%		35.3%	
Depn & amort.	(71.0)	(78.0)	(9.0)	82.0	(215.5)	(160.0)	
EBIT	388.0	301.0	28.9	356.0	(8.2)	714.2	
Interest expense	(197.0)	(183.0)	7.7	(170.0)	(13.7)	(386.3)	
Interest & invt inc	15.0	7.0	114.3	22.0	46.7	29.9	
Associates' contrib	277.0	441.0	(37.2)	777.0	180.5	589.7	
Exceptionals	122.0	456.0	(73.2)	(51.0)	(141.8)	318.0	
Pretax profit	605.0	1,022.0	(40.8)	934.0	54.4	1,265.4	
Tax	(125.0)	(196.0)	(36.2)	(200.0)	60.0	(199.0)	
Tax rate (%)	20.7%	19.2%		21.4%		15.7%	
Minority interests	(47.0)	(124.0)	(62.1)	(87.0)	85.1	(111.8)	
Net profit	433.0	702.0	(38.3)	647.0	49.4	954.7	
Operating PATMI	346.0	264.0	31.1	233.0	(32.7)	703.5	In line. 1HFY22: 49% of our FY22F forecast
EPS (cts)	8.4	25.0	(66.4)	15.3	82.1	18.3	
EPS (cts) - based on operating PATMI	6.7	9.4	(28.4)	5.5	(17.9)	13.7	In line. 1HFY22: 49% of our FY22F forecast

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: CLI RNAV breakdown

Investment properties and lodging assets					(\$m)
Singapore					3,546.4
China					3,422.9
Malaysia					407.1
Japan					24.0
Korea					183.3
India					93.3
Europe/UK					247.0
US					1,189.3
Lodging					1,363.8
Real estate properties					10,477.2
Listed REITs	Stake	No of units	Share price /TP (\$\$)	Exch rate	
CICT	22.6%	6,625.3	2.57	1	3,841.3
CLMT	39.0%	2,152.4	0.63	0.33	174.0
CLCT	24.0%	1,671.6	1.13	1	453.3
ART	39.0%	3,283.5	1.24	1	1,587.9
AREIT	18.0%	4,197.9	3.20	1	2,418.0
AiT	22.0%	1,158.5	1.15	1	293.1
Total					8,767.6
Stakes in unlisted funds					4,151.0
		Est FY22 fee PATMI			
Value of fund management business		385.4			7,163.5
GAV					30,559.3
Net cash/(debt) (deconsol)					-7,147.1
Other assets/(liabilities) (deconsol)					2,767.2
RNAV					26,179.5
RNAV/share (\$\$)					5.10
Assumed discount					-10%
TP (\$\$)					4.59

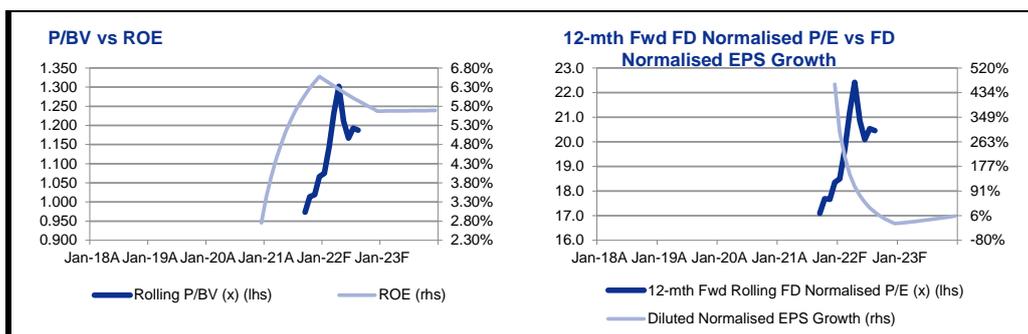
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: 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	1,983	2,293	2,475	2,621	2,679
Gross Profit	872	1,058	1,451	1,504	1,561
Operating EBITDA	680	817	1,192	1,223	1,266
Depreciation And Amortisation	(149)	(160)	(160)	(160)	(160)
Operating EBIT	531	657	1,032	1,063	1,106
Financial Income/(Expense)	(337)	(324)	(356)	(370)	(386)
Pretax Income/(Loss) from Assoc.	(25)	1,218	590	626	738
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	169	1,551	1,265	1,318	1,458
Exceptional Items	(728)	405	0	0	0
Pre-tax Profit	(559)	1,956	1,265	1,318	1,458
Taxation	(114)	(396)	(199)	(208)	(237)
Exceptional Income - post-tax					
Profit After Tax	(673)	1,560	1,066	1,111	1,221
Minority Interests	114	(211)	(112)	(112)	(116)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	(559)	1,349	955	999	1,106
Normalised Net Profit	55	1,155	1,066	1,111	1,221
Fully Diluted Normalised Profit	169	944	955	999	1,106

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	680.0	817.0	1,191.9	1,222.6	1,265.9
Cash Flow from Invnt. & Assoc.	25.0	(1,218.0)	(589.7)	(625.7)	(738.2)
Change In Working Capital	(429.0)	255.0	(189.8)	(305.4)	(308.4)
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(337.0)	(324.0)	(356.3)	(370.1)	(385.9)
Tax Paid	(143.0)	(207.0)	(198.9)	(207.5)	(236.9)
Cashflow From Operations	(204.0)	(677.0)	(142.9)	(286.1)	(403.7)
Capex	(280.0)	(1,283.0)	(1,060.8)	(1,103.0)	(1,020.0)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(280.0)	(1,283.0)	(1,060.8)	(1,103.0)	(1,020.0)
Debt Raised/(repaid)	31.0	4,091.0	500.0	500.0	500.0
Proceeds From Issue Of Shares	0.0	0.0	(16.1)	0.0	0.0
Shares Repurchased	0.0	(208.2)	(77.2)	0.0	0.0
Dividends Paid	(720.0)	(1.0)	(334.1)	(349.6)	(386.9)
Preferred Dividends					
Other Financing Cashflow	82.0	(3,316.8)	(129.4)	(129.5)	(133.4)
Cash Flow From Financing	(607.0)	565.0	(56.8)	20.9	(20.3)

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	1,736	3,877	4,150	3,945	3,648
Properties Under Development	211	268	268	268	268
Total Debtors	4,258	1,661	1,768	1,872	1,913
Inventories	0	0	0	0	0
Total Other Current Assets	38	16	16	16	16
Total Current Assets	6,243	5,822	6,202	6,101	5,845
Fixed Assets	1,096	1,067	1,067	1,067	1,067
Total Investments	29,050	29,497	30,794	32,610	34,699
Intangible Assets	1,006	990	990	990	990
Total Other Non-Current Assets	828	270	270	270	270
Total Non-current Assets	31,980	31,824	33,121	34,937	37,026
Short-term Debt	1,154	2,549	2,549	2,549	2,549
Current Portion of Long-Term Debt					
Total Creditors	5,513	2,128	2,226	2,428	2,541
Other Current Liabilities	470	939	1,138	1,345	1,582
Total Current Liabilities	7,137	5,616	5,913	6,322	6,672
Total Long-term Debt	7,312	10,999	11,499	11,999	12,499
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7,576	392	392	392	392
Total Non-current Liabilities	14,888	11,391	11,891	12,391	12,891
Total Provisions	464	538	538	538	538
Total Liabilities	22,489	17,545	18,342	19,251	20,101
Shareholders' Equity	12,271	16,440	17,208	17,903	18,769
Minority Interests	3,463	3,661	3,773	3,885	4,000
Total Equity	15,734	20,101	20,981	21,787	22,770

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	N/A	15.6%	8.0%	5.9%	2.2%
Operating EBITDA Growth	N/A	20.1%	45.9%	2.6%	3.5%
Operating EBITDA Margin	34.3%	35.6%	48.1%	46.6%	47.3%
Net Cash Per Share (S\$)	(2.40)	(1.88)	(1.93)	(2.07)	(2.22)
BVPS (S\$)	4.37	3.20	3.35	3.49	3.66
Gross Interest Cover	1.41	1.86	2.67	2.65	2.67
Effective Tax Rate	0.0%	20.2%	15.7%	15.7%	16.2%
Net Dividend Payout Ratio	NA	81.7%	35.0%	35.0%	35.0%
Accounts Receivables Days	392.9	471.1	252.8	253.5	258.6
Inventory Days	-	-	-	-	-
Accounts Payables Days	908	1,129	776	761	813
ROIC (%)	N/A	34%	68%	83%	123%
ROCE (%)	4.63%	2.33%	3.04%	3.02%	3.02%
Return On Average Assets	0.86%	3.68%	3.50%	3.49%	3.64%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Real estate investment revenue (S\$m)	1,106.8	1,434.6	1,440.0	1,493.9	1,502.4
Fee income (S\$m)	668.0	776.1	810.3	844.1	873.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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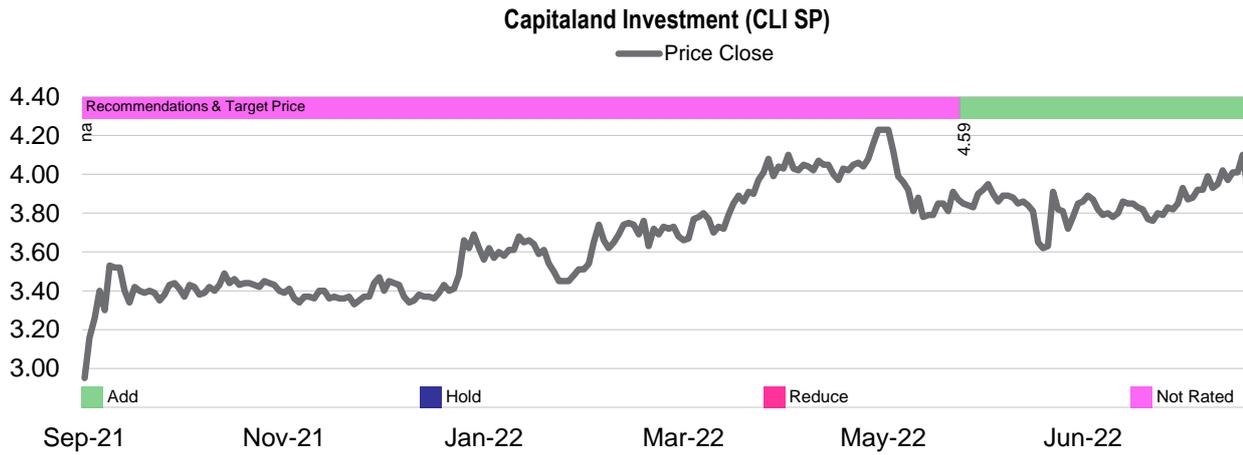
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	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
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Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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