

Singapore Company Update

City Developments

Bloomberg: CIT SP | Reuters: CTDM.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 Oct 2022

BUY

Last Traded Price (17 Oct 2022): S\$7.48 (STI: 3,015.75)
Price Target 12-mth: S\$10.50 (40% upside)

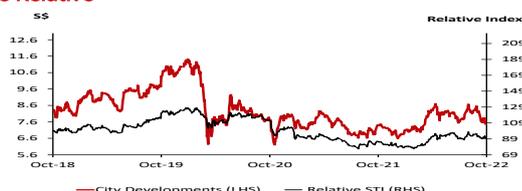
Analyst

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What's New

- CDL / MCL unveils first luxury executive condominium in Tengah Town – Copen Grand at c. S\$1.3k psf
- First-mover advantage in a new master-planned town, within walking distance to three MRT stations
- Strong sales at Copen Grand would set good momentum for CDL's next EC in Bukit Batok
- Firm EC sales a catalyst; Maintain BUY, TP of S\$10.50

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2021A	2022F	2023F	2024F
Revenue	2,626	2,675	3,225	4,338
EBITDA	707	925	966	1,028
Pre-tax Profit	228	2,319	502	545
Net Profit	84.8	1,511	361	383
Net Pft (Pre Ex.)	84.8	(394)	361	383
Net Pft Gth (Pre-ex) (%)	nm	nm	nm	6.2
EPS (S cts)	9.35	167	39.8	42.3
EPS Pre Ex. (S cts)	9.35	(43.5)	39.8	42.3
EPS Gth Pre Ex (%)	nm	nm	nm	6
Diluted EPS (S cts)	8.90	159	37.9	40.3
Net DPS (S cts)	12.0	26.0	14.0	14.0
BV Per Share (S cts)	928	1,082	1,096	1,124
PE (X)	80.0	4.5	18.8	17.7
PE Pre Ex. (X)	80.0	nm	18.8	17.7
P/Cash Flow (X)	6.0	2.6	11.6	5.1
EV/EBITDA (X)	23.7	14.1	13.7	12.2
Net Div Yield (%)	1.6	3.5	1.9	1.9
P/Book Value (X)	0.8	0.7	0.7	0.7
Net Debt/Equity (X)	1.1	0.5	0.5	0.5
ROAE (%)	1.0	16.6	3.7	3.8
Earnings Rev (%):		0	0	0
Consensus EPS (S cts):		64.7	56.7	59.4
Other Broker Recs:		B: 15	S: 1	H: 0

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

New uptown ECs to drive earnings

Investment Thesis

Realising hidden value. City Developments Limited (City Dev) has quickened its pace to unlock the deep, hidden value of "legacy assets" within its books via asset recycling or redevelopment, which presents a significant upside potential for NAV which we believe is yet to be priced in.

Recovery momentum, from hospitality in particular. COVID-19 had hit operations, but we see light at the end of tunnel as growth momentum returns and the economy picks up, particularly from the hospitality segment.

Trading at "distressed valuations". City Dev is trading at an attractive valuation of 0.8x P/NAV (book value at cost) below the low seen during the global financial crisis (GFC).

Valuation:

Our TP of S\$10.50 is based on a 35% discount to RNAV, which implies 1x P/NAV, slightly above -0.5SD of its historical range.

Where we differ:

Potential to unlock hidden value yet to be priced in. City Dev has quickened its pace in optimising its portfolio and unlocking deep hidden value via asset divestments to realise huge gains or redevelopment with GFA uplift. We believe investors will eventually appreciate the stock as City Dev realises more gains.

Key Risks to Our View:

Slower-than-expected economic recovery and rising unemployment. A longer drag in the economic recovery post COVID-19 will raise earnings risks.

Property measures impacting Singapore residential market. Additional property measures which could impact Singapore's residential market more than expected may see prices and demand soften, thus impacting its unsold stocks.

At A Glance

Issued Capital (m shrs)	907
Mkt. Cap (\$m/US\$m)	6,784 / 4,757
Major Shareholders (%)	
Hong Leong Investment Holdings Pte Ltd	18.6
Davos Investment Holdings Pte Ltd	17.5
Hong Realty Pvt Ltd	7.2
Free Float (%)	51.7
3m Avg. Daily Val (US\$m)	9.6

GIC Industry: Real Estate / Real Estate Management &



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City Developments

WHAT'S NEW

New uptown “EC” (girl)

City Developments Limited (“CDL”) – MCL Land’s Copen Grand, an executive condominium, a hybrid between public and private housing – was opened for preview on 7 Oct’22. E-applications closed on 17 Oct and booking of units is to start on 22 Oct, Saturday. This will be the first residential project launch after the recent government measures announced on 30 Sept’22.

A first mover advantage in a master-planned new town, within walking distance to three MRT stations.

Planting its first luxury executive condominium in the newest planned neighbourhood in Singapore, CDL / MCL Land is probably one of the first developers in recent years to launch a new project in Tengah. While there may be risks in starting in a new town, we believe there is infinite future potential for this new town. Tengah could be the new Punggol district, which has transformed into a new suburb bustling with affluent society and young and budding families.

Copen Grand will have 639 units across 12 blocks and will be located within the new 700-hectare new master-planned Tengah Town. Buyers will have a first mover advantage in this work-live-play precinct with the authorities planning to build over 42,000 new homes with offices and supporting amenities in the medium term. The project will be located within walking distance to three MRT stations on the upcoming Jurong Region Line – Tengah, Hong Kah, and Tengah Plantation.

Will the project see strong response? Based on market chatters, we understand that the show-flat received less than 10k visitors on the first weekend of opening and accepted a good traction of e-applications. We visited the showflat on a weekday and saw a very decent crowd constantly coming through. The crowd comprised of some young couples and young families. Our first impression of the show-flat was that it felt more like a private housing rather than an executive condominium. We believe that CDL / MCL has really upped the game of this executive condominium into a luxury condominium.

Pricing is in line with the market with decent sizes.

According to marketing materials, Copen Grand will have units ranging from 807 sq. ft for a two-bedroom plus study to 1,722 sq. ft for a top-floor five-bedroom unit, with varying unit types to cater to needs from a young couple to families with kids. Pricing will range from S\$1.08m (S\$1,338psf) for a two-bedroom plus study, S\$1.18m (S\$1,260psf) to S\$1.28m (S\$1,279psf) for a three bedroom

unit, S\$1.48m (S\$1,250psf) – S\$1.58m (S\$1,255psf) for a four-bedroom unit up to S\$1.88m (S\$1,189psf) for a five-bedroom premium unit.

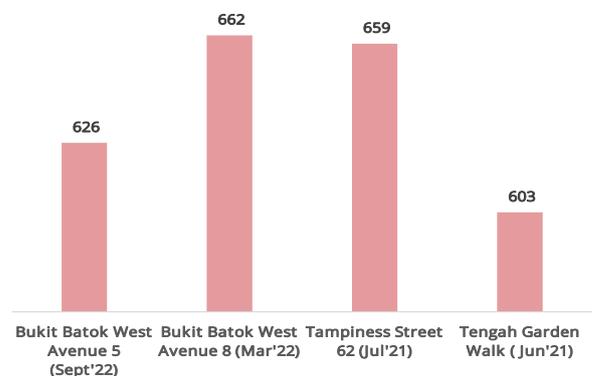
Limited supply in the market to drive buyers to look closely at Copen Grand.

The launch of the EC will be keenly watched given that it will provide the market how demand for homes may change post-recent new measures in the aim to curb the continued rise in property prices in the face of higher mortgage rates and economic uncertainties. That said, based on our estimates of the past four executive condominium (“EC”) launches in the past two years, most of the projects have already been fully sold, with only North Gaia (launch in Apr’22) still at c.29% sold as of end Sept’22, implying strong inherent demand from households for this hybrid public-private housing asset class.

Next EC site at Bukit Batok expected to launch in 2023

/2024. CDL has recently been awarded a new Executive Condominium (“EC”) site at Bukit Batok Avenue 5 at S\$626 psf ppr. We note that the pricing for pricing for the Bukit Batok Avenue 5 site is a c.5% tad lower than the tender price for a recent EC site that was awarded to Qingjian nearby in Bukit Batok West Avenue 8. Based on our estimates, CDL should be looking to price the EC at close to s\$1,200 psf given estimated breakeven of between S\$1,300 psf onwards.

Land prices of recent EC sites



Source: URA, DBS Bank

Company Background

City Developments Limited (City Dev) is one of the pioneers in Singapore's property sector. It is a property and hotel conglomerate involved in real estate development and investment, hotel ownership and management, and facility management.

Existing and Upcoming EC launches

	Developer	District	Units	Launch Mth	Sold (launch weekend)	% sold (End Sept'22)	Median Pricing
Park Central Residences	Hoi Hup Sunway	Tampines St 86	700	Jan'21	54%	100%	S\$1,103 psf
Provence Residence	MCC Land	Canberra Crescent	413	May'21	51%	100%	S\$1,169 psf
Parc Greenwich	Frasers Property	Fernvale Lane	496	Sept'21	62%	100%	S\$1,233 psf
North Gaia	Sing Holdings	Yishun Close	616	Apr'22	23%	29%	S\$1,298 psf
Existing launches			2,225		46%	80%	
Copen Grand	CDL - MCL	Tengah Garden Walk	639	Oct'22			S\$1,260 - S\$1,338 psf
Tenet	Qingjian	Tampines St 62	618	Nov'22			S\$1,300 psf onwards
Bukit Batok West Ave 8	Qingjian	Bukit Batok	375	Est 2H23			S\$1,350 psf onwards
Bukit Batok West Ave 5	CDL	Bukit Batok	495	Est 2024			S\$1,350 psf onwards
Upcoming launches			2,127				

Source: URA, DBS Bank

Copen Grand show-flat pictures



Source: DBS Bank



Source: DBS Bank



Source: DBS Bank



Source: DBS Bank



Source: DBS Bank



Source: DBS Bank

City Developments

Historical PB band



Source: Bloomberg Finance L.P., DBS Bank estimates

Segmental Breakdown

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenues (\$m)					
Property devt	966	1,254	1,456	1,399	1,808
Rental income	361	873	314	320	389
Hotel operations	640	341	748	1,348	1,984
Others	141	157	157	157	157
Total	2,108	2,626	2,675	3,225	4,338
Pre-tax Profit (\$m)					
Property devt	(740)	245	304	298	315
Rental income	(575)	24.3	100	102	104
Hotel operations	(573)	(71.1)	111	199	293
Others	(773)	102	(100)	(97.6)	(167)
Total	(2,662)	300	415	502	545
Pre-tax Profit Margins					
Property devt	(76.6)	19.5	20.9	21.3	17.4
Rental income	(159.1)	2.8	32.0	32.0	26.8
Hotel operations	(89.5)	(20.8)	14.8	14.8	14.8
Others	(550.0)	65.2	(63.7)	(62.1)	(106.4)
Total	(126.2)	11.4	15.5	15.6	12.6

Income Statement (\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenue	2,108	2,626	2,675	3,225	4,338
Cost of Goods Sold	(1,279)	(1,648)	(1,431)	(1,801)	(2,522)
Gross Profit	829	978	1,244	1,424	1,816
Other Opng (Exp)/Inc	(1,069)	(656)	(668)	(806)	(1,084)
Operating Profit	(230)	322	576	618	732
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(856)	107	72.0	70.9	19.1
Net Interest (Exp)/Inc	(93.4)	(202)	(234)	(187)	(205)
Exceptional Gain/(Loss)	(612)	0.0	1,905	0.0	0.0
Pre-tax Profit	(1,791)	228	2,319	502	545
Tax	(87.7)	(87.9)	(732)	(86.1)	(105)
Minority Interest	(38.9)	(42.2)	(63.5)	(41.6)	(44.0)
Preference Dividend	(12.9)	(12.9)	(12.9)	(12.9)	(12.9)
Net Profit	(1,930)	84.8	1,511	361	383
Net Profit before Except.	(1,318)	84.8	(394)	361	383
EBITDA	(798)	707	925	966	1,028
Growth					
Revenue Gth (%)	(38.5)	24.5	1.9	20.5	34.5
EBITDA Gth (%)	nm	nm	30.9	4.4	6.4
Opg Profit Gth (%)	(143.2)	(240.1)	78.9	7.3	18.4
Net Profit Gth (Pre-ex) (%)	nm	nm	nm	nm	6.2
Margins & Ratio					
Gross Margins (%)	39.3	37.2	46.5	44.2	41.9
Opg Profit Margin (%)	(10.9)	12.3	21.5	19.2	16.9
Net Profit Margin (%)	(91.6)	3.2	56.5	11.2	8.8
ROAE (%)	(20.3)	1.0	16.6	3.7	3.8
ROA (%)	(8.2)	0.4	6.1	1.4	1.5
ROCE (%)	(1.1)	0.9	1.8	2.2	2.5
Div Payout Ratio (%)	N/A	128.4	15.6	35.2	33.1
Net Interest Cover (x)	(2.5)	1.6	2.5	3.3	3.6

Source: Company, DBS Bank

Interim Income Statement (\$m)

FY Dec	1H2020	2H2020	1H2021	2H2021	1H2022
Revenue	1,073	1,036	1,192	1,434	1,473
Cost of Goods Sold	(626)	(653)	(775)	(873)	(889)
Gross Profit	446	382	417	561	583
Other Oper. (Exp)/Inc	(125)	(455)	(91.2)	(63.2)	(188)
Operating Profit	61.7	(301)	76.4	246	118
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(12.6)	(833)	51.7	55.8	92.7
Net Interest (Exp)/Inc	(35.4)	(57.9)	(118)	(83.3)	(38.8)
Exceptional Gain/(Loss)	0.0	(612)	0.0	0.0	1,413
Pre-tax Profit	13.8	(1,804)	9.75	218	1,585
Tax	(13.4)	(74.3)	(28.5)	(59.5)	(433)
Minority Interest	2.75	(41.6)	(13.4)	(28.8)	(25.8)
Net Profit	3.14	(1,920)	(32.1)	130	1,126
Net profit bef Except.	3.14	(1,308)	(32.1)	130	(287)
EBITDA	49.2	(1,135)	128	301	210

Growth

Revenue Gth (%)	(41.4)	(3.5)	15.1	20.3	2.7
EBITDA Gth (%)	(84.6)	nm	nm	135.3	(30.2)
Opg Profit Gth (%)	(73.2)	(588.4)	(125.3)	221.6	(52.0)
Net Profit Gth (%)	(98.4)	(61,160.6)	(98.3)	(504.4)	768.1

Margins

Gross Margins (%)	41.6	36.9	35.0	39.1	39.6
Opg Profit Margins (%)	5.8	(29.1)	6.4	17.1	8.0
Net Profit Margins (%)	0.3	(185.4)	(2.7)	9.0	76.5

Balance Sheet (\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Net Fixed Assets	5,526	5,362	4,503	4,626	4,748
Invts in Associates & JVs	1,793	1,854	2,005	2,155	2,254
Other LT Assets	5,546	4,920	4,920	4,920	4,920
Cash & ST Invts	3,193	2,111	6,156	6,311	7,331
Inventory	10.5	10.8	8.21	10.3	14.5
Debtors	1,681	1,873	605	730	982
Other Current Assets	5,928	7,763	7,179	6,653	6,180
Total Assets	23,677	23,893	25,376	25,404	26,428
ST Debt	2,799	5,188	5,188	5,188	5,188
Creditor	1,349	1,453	802	1,009	1,413
Other Current Liab	897	1,261	1,630	984	1,004
LT Debt	8,756	5,952	6,252	6,552	6,852
Other LT Liabilities	634	707	707	707	707
Shareholder's Equity	8,502	8,414	9,816	9,941	10,197
Minority Interests	740	918	982	1,024	1,068
Total Cap. & Liab.	23,677	23,893	25,376	25,404	26,428
Non-Cash Wkg. Capital	5,374	6,932	5,361	5,400	4,759
Net Cash/(Debt)	(8,361)	(9,029)	(5,284)	(5,429)	(4,709)
Debtors Turn (avg days)	216.7	247.1	169.1	75.6	72.0
Creditors Turn (avg days)	468.5	373.1	356.8	216.9	196.9
Inventory Turn (avg days)	5.0	2.8	3.0	2.2	2.0
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.2
Current Ratio (x)	2.1	1.5	1.8	1.9	1.9
Quick Ratio (x)	1.0	0.5	0.9	1.0	1.1
Net Debt/Equity (X)	1.0	1.1	0.5	0.5	0.5
Net Debt/Equity ex MI (X)	1.0	1.1	0.5	0.5	0.5
Capex to Debt (%)	(0.6)	0.7	(11.9)	3.4	3.3
Z-Score (X)	1.3	1.4	1.4	1.4	1.4

Source: Company, DBS Bank

Cash Flow Statement (\$m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Pre-Tax Profit	(1,879)	140	1,540	502	545
Dep. & Amort.	287	278	278	278	278
Tax Paid	(76.2)	(100.0)	(363)	(732)	(86.1)
Assoc. & JV Inc/(loss)	856	(107)	(72.0)	(70.9)	(19.1)
Chg in Wkg.Cap.	(159)	814	1,203	606	621
Other Operating CF	615	111	0.0	0.0	0.0
Net Operating CF	(356)	1,134	2,586	583	1,339
Capital Exp.(net)	70.6	(77.9)	1,360	(400)	(400)
Other Invs.(net)	(35.8)	(684)	0.0	0.0	0.0
Invs in Assoc. & JV	(1,172)	(143)	(100.0)	(100.0)	(100.0)
Div from Assoc & JV	42.0	20.7	20.7	20.7	20.7
Other Investing CF	19.4	20.9	0.0	0.0	0.0
Net Investing CF	(1,076)	(863)	1,281	(479)	(479)
Div Paid	(190)	(174)	(122)	(249)	(140)
Chg in Gross Debt	1,724	(931)	300	300	300
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	30.2	(173)	0.0	0.0	0.0
Net Financing CF	1,564	(1,277)	178	51.3	160
Currency Adjustments	197	(37.1)	0.0	0.0	0.0
Chg in Cash	329	(1,043)	4,045	155	1,020
Opg CFPS (S cts)	(21.7)	35.3	152	(2.6)	79.1
Free CFPS (S cts)	(31.5)	116	435	20.2	104

Source: Company, DBS Bank

Target Price & Ratings History



Note : Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	28 Feb 22	7.12	10.50	BUY
2:	12 Aug 22	8.34	10.50	BUY

Source: DBS Bank

Analyst: Rachel TAN

Derek TAN

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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