

City Developments Limited

Hospitality lifts overall profitability

SINGAPORE | REAL ESTATE | RESULT



StocksBnB.com

6 December 2022

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 8.24
FORECAST DIV	SGD 0.24
TARGET PRICE	SGD 8.86
TOTAL RETURN	10.5%

COMPANY DATA

BLOOMBERG CODE:	CIT SP Equity
O/S SHARES (MN):	907
MARKET CAP (USD mn / SGD mn):	5511 / 7473
52 - WK HI/LO (SGD):	8.58 / 6.31
3M Average Daily T/O (mn):	1.63

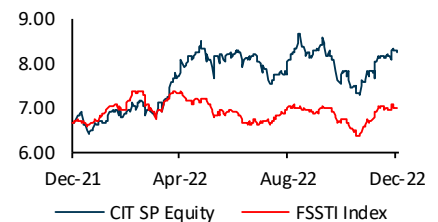
MAJOR SHAREHOLDERS (%)

HONG LEONG INVESTMENT HOLDINGS	17.2%
DAVOS INVESTMENT HOLDINGS	16.4%
ABRDN PLC	5.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	5.9	(0.1)	27.6
STI RETURN	4.8	2.1	9.8

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD mn	FY20	FY21	FY22e	FY23e
Revenue	2,108	2,626	3,191	2,855
Gross Profit	829	978	1,448	1,220
EBIT	(852)	322	2,088	544
EPS (SGD)	(2.13)	0.09	1.36	0.54
DPS (SGD)	0.12	0.12	0.24	0.15
P/E (x)	-4.1	93.5	6.4	16.0
P/BV (x)	0.9	0.9	0.9	0.9
Div Yield	1.4%	1.4%	2.8%	1.7%
ROE	-20.3%	1.5%	16.4%	5.1%

Source: Company Data, Bloomberg

Valuation Method

RNAV

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- Copen Grand Executive Condominium (EC) fully sold within a month of launch. The recent launch of its 639-unit EC was well received. We estimate the Group achieved a comfortable ~25% profit margin on the project.
- Hospitality segment continues to benefit from pent-up demand. RevPAR surged 110% YoY, driven by increases in room rates and occupancy in Singapore, US and London.
- **Maintain ACCUMULATE with unchanged RNAV-derived TP of \$8.86, a 35% discount to RNAV of \$13.64.** We view CDL as a proxy for the Singapore residential market and hospitality recovery. Asset monetisation, unlocking value through AEs and redevelopments, and faster-than-expected recovery in the hospitality portfolio are potential catalysts for CDL, which could help narrow the discount between CDL's share price and RNAV.

Project	Location	Launched	Total Units	Units Sold#
Piccadilly Grand*	Northumberland Road	May 2022	407	344 (85%)
CanningHill Piers*	Clarke Quay	November 2021	696	670 (96%)
Irwell Hill Residences	Irwell Bank Road	April 2021	540	505 (94%)
Boulevard 88*	Orchard Boulevard	March 2019	154	133 (86%)
Amber Park*	Amber Road	May 2019	592	582 (98%)
Nouvel 18*	Anderson Road	July 2019	156	153 (98%)
Haus on Handy	Handy Road	July 2019	188	154 (82%)
Piermont Grand*	Sumang Walk	July 2019	820	819 (99.9%)
Sengkang Grand Residences*	Sengkang Central	November 2019	680	Fully sold

Source: Company data; No financial results were provided as part of its voluntary 3Q22 update

*JV projects # As at 30 Nov 2022

The Positives

- + **Copen Grand EC fully sold within a month of launch.** The recent launch of its 639-unit Copen Grand EC in Oct 2022, at \$1,300psf, was well received and the project was fully sold within a month of launch. We estimate the breakeven price for the development to be at \$1,050-\$1,100psf. The price of \$1,300psf therefore gives it a comfortable ~25% profit margin.
- + **Hospitality segment continues to benefit from pent-up demand.** RevPAR surged 110% YoY, driven by a 46% increase in average room rate and 15.9% points (71% from 55.1%) increase in occupancy. Hotels in Singapore, US and Europe continued to recover faster than those in Asia, though average room rates increased across all regions, signalling a strong recovery momentum.
- + **Healthy gearing levels boost ability of the Group to replenish landbank.** The Group's net gearing levels remain stable at ~83% for 3Q22 (83% for 1H22) with interest cover at 12.1x (16.5x for 1H22). With its strong cash reserves and available undrawn committed bank facilities totalling \$4bn, we believe this gives the Group sufficient capacity to replenish its landbank with its existing inventory levels now at lower levels as most of its launched projects have been substantially sold.

The Negative

- **Residential sales slowed in 3Q22 as lower inventory weighed.** Residential sales declined in 3Q22 as lower inventory and the absence of new launches in 3Q22 weighed. CDL sold 95 units with total sales value of \$281mn vs. 414 units with total sales value of \$784.4mn in the same period last year.

Outlook

Successful launch of Copen Grand EC bodes well for its other EC in the same vicinity

Cumulative launch pipeline of 1,292 units after the launch of Copen Grand in 4Q22. The successful launch of Copen Grand EC bodes well for its other project in the same vicinity, another 512-unit EC Bukit Batok West, in its launch pipeline. With the recent launch, we believe the Company would be looking to replenish its landbank. Given the higher land prices and cost of construction, we believe CDL is aiming for margins of at least 10% for new projects.

Strategic review of global hospitality portfolio

CDL has launched a strategic review of its global hospitality portfolio that should help narrow the discount to its RNAV. Its restructuring plans for its hotel business, Millennium & Copthorne, in the next few years should help the Group crystallise value for its assets. These restructuring plans may include asset divestments, portfolio optimisation as well as a rebranding of its hotels to improve earnings and drive upside to NAV.

Maintain ACCUMULATE with unchanged RNAV TP of \$8.86

We view CDL as proxy for the Singapore residential market and hospitality recovery. While land prices have trended up in recent years, redevelopment and off-market purchases should provide better margins, allowing it to replenish its inventory and participate in the peaking Singapore residential market. CDL is trading at an attractive 40% discount to our RNAV/share of S\$13.64. Asset monetisation, unlocking value through AEs and redevelopments, and faster-than-expected recovery in the hospitality portfolio are potential catalysts for CDL, which could help narrow the discount between CDL's share price and RNAV.

Figure 1: RNAV table

Segment	Location	RNAV (S\$m)	Per share (S\$)		
Residential	SG Surplus	1,671	1.84		
	Overseas Surplus	460	0.51		
	SG+Overseas NAV	5,889	6.49		
Office	SG	2,775	3.06		
Hotels/SRs	SG + Overseas	7,954	8.77		
Retail	SG	734	0.81		
Industrial	SG	327	0.36		
Commercial	Overseas	2,736	3.02		
Stakes in listed entities:					
	<u>Stake</u>	<u>TP/Consenses (S\$)</u>	<u>Shares (mn)</u>		
CDL Hospitality Trust	39%	1.20	1,231	576	0.64
IREIT Global REIT	21%	0.75	1,155	182	0.20
First Sponsor Group	36%	1.56	924	519	0.57
Total GAV				23,823	26.27
Net cash/(debt)				(11,455)	(12.63)
RNAV:				12,368	13.64
No. of shares (mn)				906.9	
RNAV per share (S\$)				13.64	
Discount to RNAV				35%	
Target Price (S\$)				8.86	

Source: Company, PSR

Financials

Income Statement

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
Revenue	3,429	2,108	2,626	3,191	2,855
Gross Profit	1,638	829	978	1,448	1,220
Depreciation & Amortisation	276	287	278	232	231
EBIT	654	(852)	322	2,088	544
Net Finance (Expense)/Inc	(96)	(93)	(202)	(178)	(180)
Associates & JVs	196	(846)	107	255	291
Profit Before Tax	754	(1,791)	228	2,165	655
Taxation	(141)	(88)	(88)	(628)	(159)
Profit After Tax	613	(1,879)	140	1,537	496
Non-Controlling Interest	49	39	64	308	4
Net Income, reported	613	(1,879)	140	1,537	496

Per share data (SGD)

Y/E Dec, SGD	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	0.61	-2.13	0.09	1.36	0.54
DPS	0.20	0.12	0.12	0.24	0.15
BVPS	11.60	9.38	9.28	8.99	9.32

Cash Flows

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit for the year	613	(1,879)	140	1,537	496
Adjustments	50	2,091	193	(1,264)	114
WC changes	276	(581)	814	708	(89)
Cash generated from ops	1,080	(280)	1,234	1,608	680
Taxes paid, others	(244)	(76)	(100)	(628)	(159)
Cashflow from ops	836	(356)	1,134	980	522
CFI					
CAPEX, net	(204)	154	(78)	1,236	(207)
Cashflow from investments	(1,350)	(1,076)	(863)	170	(791)
CFF					
Dividends paid	(269)	(190)	(174)	(218)	(136)
Cashflow from financing	1,149	1,564	(1,277)	(1,179)	(413)
Net change in cash	636	131	(1,006)	(29)	(682)
Effects of exchange rates	(8)	34	(5)	-	-
CCE, end	2,790	2,955	1,944	1,916	1,234

Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
PPE	5,462	5,526	5,362	5,340	5,316
Associates & JVs	1,755	1,793	1,856	2,511	3,197
Investment Properties	4,410	4,569	3,997	4,717	4,952
Others	1,738	977	923	1,088	1,093
Total non-current assets	13,366	12,865	12,138	13,656	14,558
Development property	5,156	5,391	5,839	5,889	5,939
Accounts Receivables	822	1,681	1,873	765	685
Cash balance	2,798	3,127	2,083	2,055	1,373
Others	1,059	613	1,961	515	515
Total current assets	9,834	10,812	11,757	9,224	8,512
Total Assets	23,200	23,677	23,895	22,880	23,069

LIABILITIES

Short term loans	2,038	2,799	5,188	478	1,504
Accounts Payables	1,199	1,349	1,453	1,116	998
Others	540	867	1,261	1,248	1,246
Total current liabilities	3,777	5,014	7,902	2,841	3,748
Long term loans	7,673	8,756	5,952	9,972	8,946
Others	483	634	707	697	715
Total non-current liability	8,156	9,390	6,659	10,669	9,661
Total Liabilities	11,934	14,404	14,561	13,510	13,409

EQUITY

Shareholder Equity	10,520	8,502	8,414	8,154	8,450
Non-controlling interest	746	740	918	1,216	1,210
Total Equity	11,267	9,272	9,334	9,370	9,660

Valuation Ratios

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
P/E (X), adj.	14.30	-4.08	93.47	6.41	16.00
P/B (X)	0.71	0.88	0.89	0.92	0.88
Dividend Yield	2.3%	1.4%	1.4%	2.8%	1.7%

Growth & Margins (%)

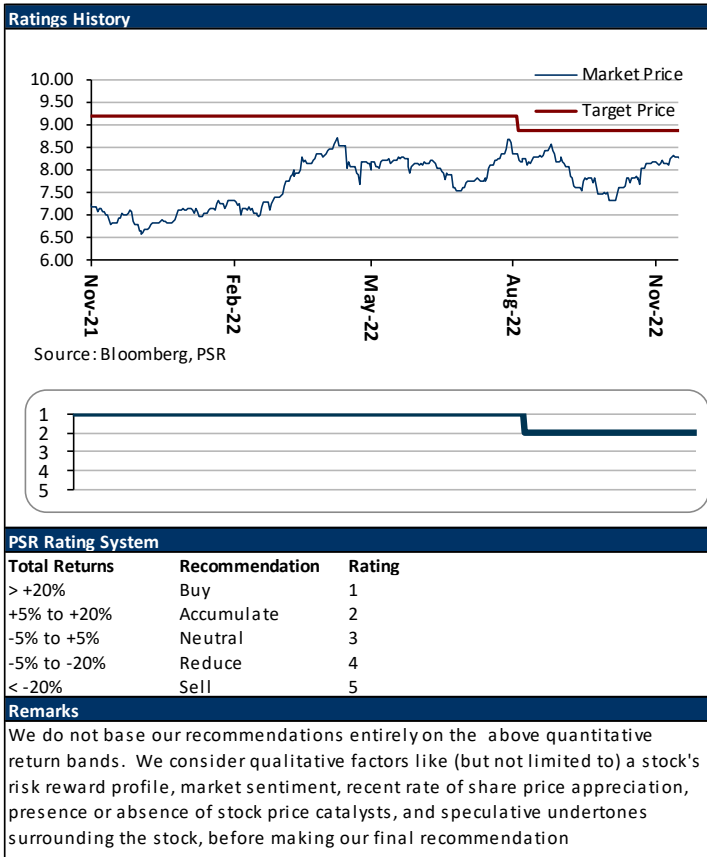
Growth					
Revenue	-18.8%	-38.5%	24.5%	21.5%	-10.5%
EBIT	-27.7%	-230.2%	-137.8%	548.6%	-74.0%
Net Income	-7.2%	-406.3%	-107.4%	999.3%	-67.7%

Margins

EBIT margin	19.1%	-40.4%	12.3%	65.4%	19.0%
Net Profit Margin	17.9%	-89.1%	5.3%	48.2%	17.4%

Key Ratios

ROE (%)	5.4%	-20.3%	1.5%	16.4%	5.1%
ROA (%)	2.6%	-7.9%	0.6%	6.7%	2.2%
Gearing (x)	0.61	0.91	0.97	0.90	0.94



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