

City Developments Limited

Business as usual



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SINGAPORE | REAL ESTATE | 3Q23 Update

29 November 2023

- No financials were provided for the 3Q23 operational update. The group's net gearing ratio (after factoring fair value on investment properties) now stands at 58% following the completion of various acquisitions in 2023.
- In Nov 2023, the group announced a proposal to buy back up to 10% of its preference shares through an off-market equal access scheme at S\$0.78 in cash for each preference share.
- We maintain BUY with an unchanged TP of \$8.22, a 45% discount to RNAV of S\$14.94.** No change in our forecasts. We view CDL as a proxy for the Singapore residential market and hospitality recovery. Asset monetisation, unlocking value through AEs and redevelopments, establishing a fund management franchise, 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.

The Positives

- Singapore residential market remained resilient despite cooling measures.** In 3Q23, the group and its joint venture associates sold 183 units with a total sales value of S\$325mn (3Q22: 95 units with a total sales value of S\$281mn). Sales were largely driven by the launch of The Myst in July 2023, with 169 units (41%) sold to date at an ASP of S\$2,065 psf. Looking ahead, the group plans to launch Newport Residences in 1H24 after it was delayed due to the cooling measures, as well as the 512-unit Lumina Grand EC at Bukit Batok West Avenue 5 in 1Q24. We anticipate strong demand for Lumina Grand EC as it is near three MRT stations and the new Anglo-Chinese School (Primary), which is relocating to Tengah in 2030. Also, the group has secured a 155k sq ft residential Government Land Sales (GLS) site at Champions Way for S\$295mn (or \$904 psf ppr) in Sep 2023, pipping five other keen competitors. This project is slated for launch in 2H24 and will comprise about 350 residential units.
- Hospitality segment continues to improve.** 9M23 portfolio RevPAR rose 31.6% YoY to S\$163.6, exceeding pre-COVID 9M19 by 20% mainly due to higher room rates. All regions had higher RevPAR YoY, with Asia and Australasia having the greatest improvement of 62.1% and 67.5%, respectively. We expect RevPAR to continue growing in FY24, albeit at a slower pace. The group's strategic expansion of its hotel portfolio continued in 3Q23 as it acquired the 408-room Nine Tree Premier Hotel Myeongdong II in Seoul for KRW140bn (c/S\$143.9mn), and the 256-room Bespoke Hotel Osaka Shinsaibashi in Osaka for JPY8.5bn (S\$78.5mn).
- Expansion of the living sector.** In Sep 2023, the group acquired a residential rental portfolio in Tokyo comprising 25 freehold assets with 836 units for JPY 35bn (S\$321.9mn). It now owns 35 operational Private Rented Sector (PRS) assets in Japan with an occupancy of above 95%.
- Buying back shares to strengthen capital structure.** In Nov 2023, the group announced a proposal to buy back up to 10% of its preference shares through an off-market equal access scheme. Preference shareholders are entitled to sell 10% of their preference shares owned for S\$0.78 in cash for each preference share. After the completion of the offer, the group plans to cancel any preference shares purchased, reducing its finance cost in relation to the coupon payment of the shares.

The Negatives

- Nil

BUY (Maintained)

LAST DONE PRICE	SGD 6.15
FORECAST DIV	SGD 0.20
TARGET PRICE	SGD 8.22
TOTAL RETURN	36.9%

COMPANY DATA

BLOOMBERG CODE:	CIT SP Equity
O/S SHARES (MN):	907
MARKET CAP (USD mn / SGD mn):	4176 / 5577
52 - WK HI/LO (SGD):	8.28 / 5.96
3M Average Daily T/O (mn):	1.60

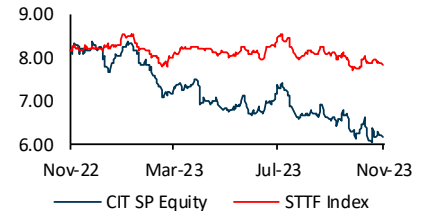
MAJOR SHAREHOLDERS (%)

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

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(0.8)	(7.1)	(21.8)
STTF RETURN	1.4	(2.5)	0.1

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD mn	FY21	FY22	FY23e	FY24e
Revenue	2,626	3,293	3,806	2,949
Gross Profit	978	1,247	1,369	1,200
EBIT	322	1,880	532	516
EPS (SGD)	0.09	1.40	0.30	0.43
DPS (SGD)	0.12	0.28	0.20	0.20
P/E (x)	93.5	6.2	28.6	20.4
P/BV (x)	0.7	0.6	0.6	0.6
Div Yield	1.4%	3.2%	2.3%	2.3%
ROE	1.5%	13.7%	4.0%	4.2%

Source: Company Data, Bloomberg

Valuation Method

RNAV

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Outlook

In 3Q23, the group commenced a c.S\$50mn AEI for City Square Mall which would add c.26k sq ft of net lettable area to the mall via the Community/Sports Facilities Scheme (CSFS) and through the decanting of mechanical and electrical facilities. Expected to be fully completed by 2025, this AEI should enhance City Square Mall's shopper experience with new retail and dining offerings. The mall remains open while the works are carried out.

Maintain BUY with an unchanged RNAV TP of \$8.22

We view CDL as a proxy for the Singapore residential market and hospitality recovery. CDL is trading at an attractive 59% discount to our RNAV/share of S\$14.94. Asset monetisation, unlocking value through AEIs 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 Development Gains	1,107	1.22		
	Overseas Development Gains	460	0.51		
	SG+Overseas NAV	5,958	6.57		
Office	SG	2,775	3.06		
Hotels/SRs	SG + Overseas	6,102	6.73		
Retail	SG	734	0.81		
Industrial	SG	327	0.36		
Commercial	Overseas	2,797	3.08		
Stakes in listed entities:					
	<u>Stake</u>	<u>(S\$)</u>	<u>Shares (mn)</u>		
CDL Hospitality Trust	27%	1.20	1,243	403	0.44
IREIT Global REIT	21%	0.44	1,156	107	0.12
First Sponsor Group	35%	1.24	924	401	0.44
Total GAV			21,170		23.34
Net cash/(debt)			(7,622)		(8.40)
RNAV:			13,549		14.94
No. of shares (mn)			906.9		
RNAV per share (S\$)			14.94		
Discount to RNAV			45%		
Target Price (S\$)			8.22		

Source: Company, PSR

Financials

Income Statement

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
Revenue	2,108	2,626	3,293	3,806	2,949
Gross Profit	829	978	1,247	1,369	1,200
Depreciation & Amortisation	287	278	276	238	235
EBIT	(852)	322	1,880	532	516
Net Finance (Expense)/Inc	(93)	(202)	(193)	(330)	(341)
Associates & JVs	(846)	107	170	314	383
Profit Before Tax	(1,791)	228	1,857	515	559
Taxation	(88)	(88)	(543)	(135)	(142)
Profit After Tax	(1,879)	140	1,314	380	417
Non-Controlling Interest	39	64	29	104	30
Net Income, reported	(1,879)	140	1,314	380	417

Per share data (SGD)

Y/E Dec, SGD	FY20	FY21	FY22	FY23e	FY24e
EPS, reported	-2.13	0.09	1.40	0.30	0.43
DPS	0.12	0.12	0.28	0.20	0.20
BVPS	9.38	9.28	10.16	10.10	10.33

Cash Flows

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
CFO					
Profit for the year	(1,879)	140	1,314	380	417
Adjustments	2,091	193	(1,468)	250	187
WC changes	(581)	814	(177)	321	(88)
Cash generated from ops	(280)	1,234	212	1,086	658
Taxes paid, others	(76)	(100)	(338)	(135)	(142)
Cashflow from ops	(356)	1,134	(126)	951	516
CFI					
CAPEX, net	154	(78)	1,453	(161)	(145)
Cashflow from investments	(1,076)	(863)	780	(623)	(399)
CFF					
Dividends paid	(190)	(174)	(222)	(181)	(181)
Cashflow from financing	1,564	(1,277)	(290)	(644)	(644)
Net change in cash	131	(1,006)	364	(315)	(527)
Effects of exchange rates	34	(5)	(60)	-	-
CCE, end	2,955	1,944	2,248	1,933	1,406

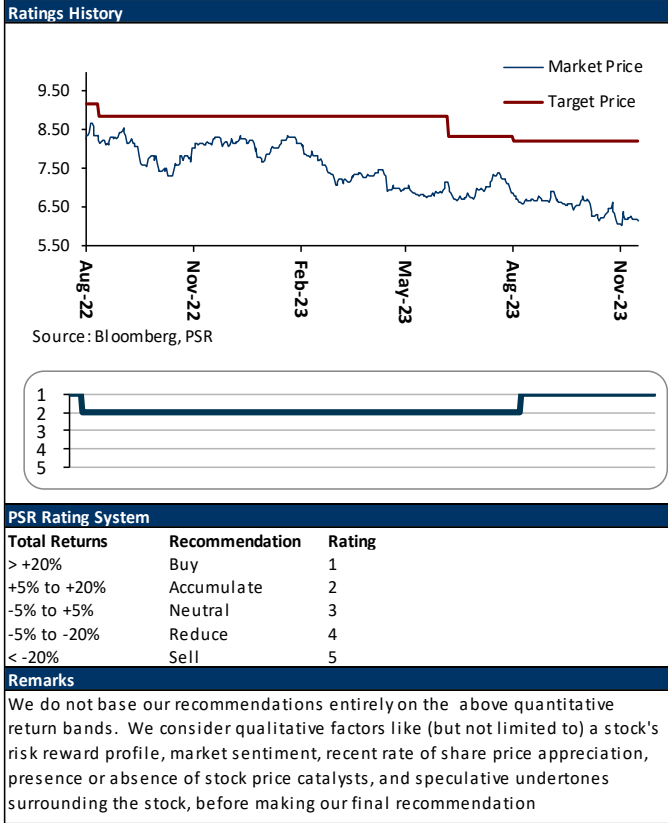
Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
PPE	5,526	5,362	4,061	3,998	3,908
Associates & JVs	1,793	1,856	2,347	2,922	3,375
Investment Properties	4,569	3,997	4,967	5,239	5,511
Others	977	923	1,027	1,032	1,037
Total non-current assets	12,865	12,138	12,401	13,191	13,831
Development property	5,391	5,839	5,958	6,008	6,058
Accounts Receivables	1,681	1,873	1,697	1,962	1,520
Cash balance	3,127	2,083	2,363	2,048	1,521
Others	613	1,961	562	547	547
Total current assets	10,812	11,757	10,580	10,564	9,645
Total Assets	23,677	23,895	22,981	23,755	23,477
LIABILITIES					
Short term loans	2,799	5,188	2,354	2,354	2,354
Accounts Payables	1,349	1,453	1,466	2,106	1,632
Others	867	1,261	1,097	1,093	1,087
Total current liabilities	5,014	7,902	4,918	5,553	5,073
Long term loans	8,756	5,952	7,315	7,315	7,315
Others	634	707	1,183	1,280	1,256
Total non-current liabilities	9,390	6,659	8,499	8,596	8,571
Total Liabilities	14,404	14,561	13,416	14,148	13,645
EQUITY					
Shareholder Equity	8,502	8,414	9,216	9,164	9,370
Non-controlling interest	740	918	348	443	462
Total Equity	9,272	9,334	9,565	9,607	9,832

Valuation Ratios

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
P/E (X), adj.	-4.08	93.47	6.20	28.55	20.38
P/B (X)	0.66	0.66	0.61	0.61	0.60
Dividend Yield	1.4%	1.4%	3.2%	2.3%	2.3%
Growth & Margins (%)					
Growth					
Revenue	-38.5%	24.5%	25.4%	15.6%	-22.5%
EBIT	-230.2%	-137.8%	484.0%	-71.7%	-3.0%
Net Income	-406.3%	-107.4%	839.8%	-71.1%	9.6%
Margins					
EBIT margin	-40.4%	12.3%	57.1%	14.0%	17.5%
Net Profit Margin	-89.1%	5.3%	39.9%	10.0%	14.1%
Key Ratios					
ROE (%)	-20.3%	1.5%	13.7%	4.0%	4.2%
ROA (%)	-7.9%	0.6%	5.7%	1.6%	1.8%
Gearing (x)	0.91	0.97	0.85	0.79	0.83



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