

# City Developments Limited

Record revenue driven by property development

SINGAPORE | REAL ESTATE | FY23 RESULTS



StocksBnB.com

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- FY23 PATMI of S\$317.3mn (-75.3% YoY) missed our estimate by 15% due to higher-than-expected finance costs (+73% YoY). The YoY decline in PATMI was largely attributable to the absence of outsized divestment gains from the divestment of Millennium Hilton Seoul (S\$926mn) in FY22.
- Excluding divestment gains and impairment losses, FY23 PATMI quadrupled YoY to S\$188.6mn (FY22: S\$47mn); PBT grew 90% YoY to S\$352.7mn (FY22: S\$186mn). This was mainly due to the contribution of Piermont Grand EC in its entirety in Jan-23 and the sale of land at Shirokane in Jul-23 under the property development segment.
- Maintain BUY with a lower TP of S\$6.87 from S\$8.22, a 45% discount to RNAV of S\$12.50.** We raise our FY24e PATMI estimate by 15%, factoring in higher contributions from hotel operations. 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 the continuous recovery in the hospitality portfolio are potential catalysts for CDL, which could help narrow the discount between CDL's share price and RNAV.

Results at a glance

(SGD mn)	2H23	2H22	YoY	FY23	FY22	YoY	Comments
Gross revenue	2,237	1,821	22.9%	4,941	3,293	50.0%	FY23 record revenue due to property devt segment (+102% YoY)
Gross profit	862	663	29.9%	1,649	1,247	32.2%	
Operating profit	532	356	49.6%	819	1,880	-56.5%	
<b>PBT comprising:</b>	<b>293</b>	<b>279</b>	<b>5.1%</b>	<b>473</b>	<b>1,857</b>	<b>-74.5%</b>	<b>Due to absence of substantial divestment gains</b>
- Property Devt	144	57	152.8%	340	161	110.5%	FY23 PBT recognised for fully sold Piermont Grand EC and sale of land at Shirokane were S\$121mn and S\$155mn, respectively.
- Hotel Ops	195	58	236.0%	189	1,383	-86.4%	FY23 RevPAR grew 25% YoY; FY22 included divestment gains of \$926mn upon sale of Millennium Hilton Seoul and \$399mn on deconsolidation of CDLHT.
- Investment Ppty	(13)	259	n.m.	(41)	384	n.m.	Loss in FY23 mainly due to lower divestment gains of S\$30mn (FY22: S\$453mn), higher financing costs, and impairment losses of S\$44mn for its properties in the UK and China.
- Others	(34)	(96)	-64.8%	(15)	(71)	-79.3%	
PATMI	251	166	51.2%	317	1,285	-75.3%	

Source: Company, PSR

## The Positives

- Record revenue in FY23 boosted by property development segment (+102% YoY).** This was due to the fully sold Piermont Grand EC, which obtained TOP in Jan 23, and the sale of land at Shirokane in July 23. In FY23, the group and its joint venture associates sold 730 units with a total sales value of S\$1.5bn (FY22: 1,487 units with a total sales value of S\$2.9bn). Sales were largely driven by The Myst and Tembusu Grand, which sold 60% of its 638 and 51% of its 408 units to date respectively. The launch of Lumina Grand EC in Jan 24 was well received, with 55% sold to date. The group plans to launch two projects in 2H24 - Union Square Residences (366 units) and Champions Way (348 units). It is still monitoring market conditions to determine the appropriate time to launch Newport Residences, which has no ABSD deadline.
- Hospitality segment continues to improve.** FY23 portfolio RevPAR rose 25.3% YoY to S\$168.7, exceeding pre-COVID FY19 levels by 22%, fuelled by higher room rates (+10%) and occupancy (+9ppts). FY23 GOP margin improved 3.7ppts to 34.5% led by Asia markets. The group's strategic expansion of its hotel portfolio continued in FY23 as it acquired three hotels with a total of 1080 rooms and opened another three hotels with a total of 916 rooms.

## BUY (Maintained)

LAST DONE PRICE	SGD 5.62
FORECAST DIV	SGD 0.12
TARGET PRICE	SGD 6.87
<b>TOTAL RETURN</b>	<b>24.5%</b>

### COMPANY DATA

BLOOMBERG CODE:	CIT SP Equity
O/S SHARES (MN):	907
MARKET CAP (USD mn / SGD mn):	4022 / 5405
52 - WK HI/LO (SGD):	7.69 / 5.85
3M Average Daily T/O (mn):	2.36

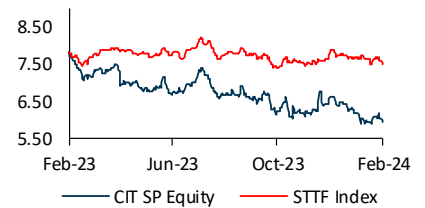
### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(3.2)	(3.7)	(10.1)
STTF RETURN	0.5	2.3	(2.0)

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec, SGD mn	FY22	FY23	FY24e	FY25e
Revenue	3,293	4,941	3,249	3,520
Gross Profit	1,247	1,649	1,219	1,386
EBIT	1,880	819	694	801
EPS (SGD)	1.40	0.34	0.50	0.67
DPS (SGD)	0.28	0.12	0.20	0.20
P/E (x)	4.0	16.7	11.3	8.4
P/BV (x)	0.6	0.6	0.6	0.5
Div Yield	5.0%	2.1%	3.6%	3.6%
ROE	13.7%	3.7%	5.0%	6.4%

Source: Company Data, Bloomberg

### Valuation Method

RNAV

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### The Negatives

- **Average cost of debt rose from 2.4% in FY22 to 4.3% in FY23**, resulting in a 73% jump in finance costs. Net gearing on fair value on investment properties rose to 61% (FY22: 51%). As only 45% of debt is on a fixed rate, CDL will benefit significantly from any interest rate cuts.

### Outlook

CDL is targeting S\$1bn in divestments in 2024 to recycle capital, and successful divestments could translate into significant divestment gains as it carries assets at a cost in its books. It also actively pursues its fund management aspirations through organic and inorganic growth. The property cooling measures introduced in 2023 continue to stifle demand – foreign buyers have disappeared since the ABSD hike to 60%. The hospitality segment should continue to improve on the back of mega-concerts and MICE events in Singapore, as well as the mutual 30-day visa-free entry between Singapore and China with effect from 9 Feb 24.

### Maintain BUY with a lower RNAV TP of S\$6.87 from \$8.22

CDL is a proxy for the Singapore residential market and hospitality recovery. It is trading at an attractive 55% discount to our RNAV/share of S\$12.50.

Figure 1: RNAV table

Segment	Location	RNAV (S\$m)	Per share (S\$)		
Residential	SG Development Gains	1,212	1.34		
	Overseas Development Gains	460	0.51		
	SG+Overseas NAV	4,878	5.38		
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	3,197	3.53		
<b>Stakes in listed entities:</b>					
	<u>Stake</u>	<u>(S\$)</u>	<u>Shares (mn)</u>		
CDL Hospitality Trust	27%	0.96	1,246	323	0.36
IREIT Global REIT	21%	0.35	1,345	99	0.11
First Sponsor Group	35%	1.17	1,110	454	0.50
<b>Total GAV</b>			20,561		22.67
<b>Net cash/(debt)</b>			(9,226)		(10.17)
<b>RNAV:</b>			11,336		12.50
No. of shares (mn)			906.9		
<b>RNAV per share (S\$)</b>			<b>12.50</b>		
Discount to RNAV			45%		
<b>Target Price (S\$)</b>			<b>6.87</b>		

Source: Company, PSR

## Financials

### Income Statement

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>Revenue</b>	<b>2,626</b>	<b>3,293</b>	<b>4,941</b>	<b>3,249</b>	<b>3,520</b>
Gross Profit	978	1,247	1,649	1,219	1,386
Depreciation & Amortisation	278	276	254	247	243
<b>EBIT</b>	<b>322</b>	<b>1,880</b>	<b>819</b>	<b>694</b>	<b>801</b>
Net Finance (Expense)/Inc	(202)	(193)	(394)	(446)	(424)
Associates & JVs	107	170	48	390	450
<b>Profit Before Tax</b>	<b>228</b>	<b>1,857</b>	<b>473</b>	<b>638</b>	<b>828</b>
Taxation	(88)	(543)	(124)	(159)	(192)
<b>Profit After Tax</b>	<b>140</b>	<b>1,314</b>	<b>349</b>	<b>480</b>	<b>636</b>
Non-Controlling Interest	64	29	31	30	30
<b>Net Income, reported</b>	<b>140</b>	<b>1,314</b>	<b>349</b>	<b>480</b>	<b>636</b>

### Per share data (SGD)

Y/E Dec, SGD	FY21	FY22	FY23	FY24e	FY25e
EPS, reported	0.09	1.40	0.34	0.50	0.67
DPS	0.12	0.28	0.12	0.20	0.20
BVPS	9.28	10.16	10.12	10.13	10.58

### Cash Flows

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>CFO</b>					
Profit for the year	140	1,314	349	480	636
Adjustments	193	(1,468)	462	298	211
WC changes	814	(177)	242	549	(38)
Cash generated from ops	1,234	212	1,176	1,484	1,001
Taxes paid, others	(100)	(338)	(226)	(159)	(192)
<b>Cashflow from ops</b>	<b>1,134</b>	<b>(126)</b>	<b>950</b>	<b>1,326</b>	<b>809</b>
<b>CFI</b>					
CAPEX, net	(78)	1,453	(140)	(180)	(192)
<b>Cashflow from investments</b>	<b>(863)</b>	<b>780</b>	<b>(1,860)</b>	<b>(369)</b>	<b>(374)</b>
<b>CFF</b>					
Dividends paid	(174)	(222)	(206)	(181)	(181)
<b>Cashflow from financing</b>	<b>(1,277)</b>	<b>(290)</b>	<b>726</b>	<b>(737)</b>	<b>(712)</b>
<b>Net change in cash</b>	<b>(1,006)</b>	<b>364</b>	<b>(184)</b>	<b>220</b>	<b>(277)</b>
Effects of exchange rates	(5)	(60)	(20)	-	-
<b>CCE, end</b>	<b>1,944</b>	<b>2,248</b>	<b>2,044</b>	<b>2,264</b>	<b>1,987</b>

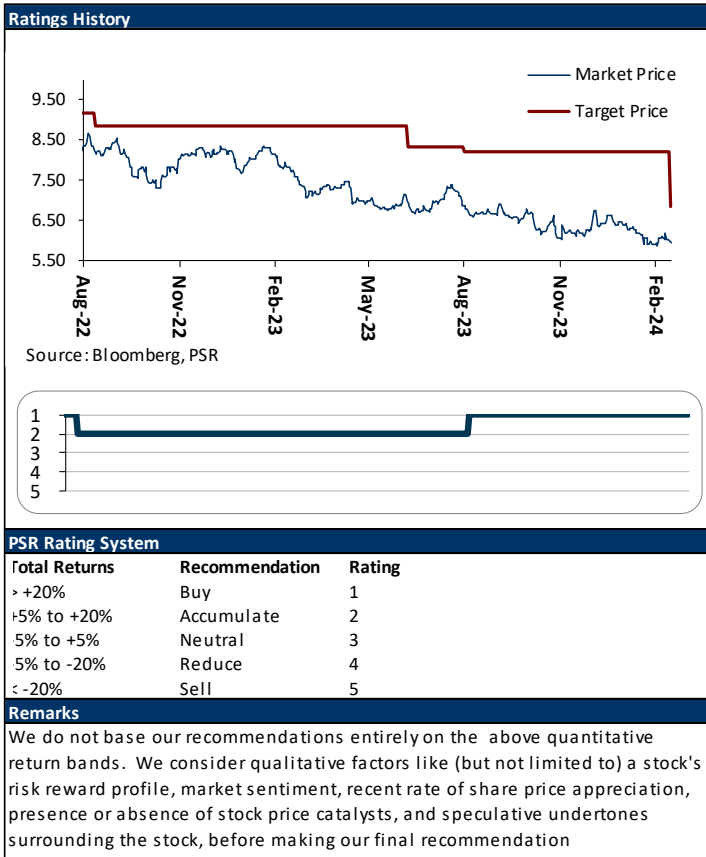
Source: Company, PSR Estimates

### Balance Sheet

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>ASSETS</b>					
PPE	5,362	4,061	4,213	4,146	4,094
Associates & JVs	1,856	2,347	2,475	2,871	3,348
Investment Properties	3,997	4,967	6,291	6,544	6,786
Others	923	1,027	1,159	1,164	1,170
<b>Total non-current assets</b>	<b>12,138</b>	<b>12,401</b>	<b>14,138</b>	<b>14,725</b>	<b>15,398</b>
Development property	5,839	5,958	4,878	4,928	4,978
Accounts Receivables	1,873	1,697	1,810	1,675	1,814
Cash balance	2,083	2,363	2,400	2,379	2,102
Others	1,961	562	1,008	1,008	1,008
<b>Total current assets</b>	<b>11,757</b>	<b>10,580</b>	<b>10,096</b>	<b>9,990</b>	<b>9,902</b>
<b>Total Assets</b>	<b>23,895</b>	<b>22,981</b>	<b>24,234</b>	<b>24,714</b>	<b>25,300</b>
<b>LIABILITIES</b>					
Short term loans	5,188	2,354	3,913	3,913	3,913
Accounts Payables	1,453	1,466	1,324	1,798	1,948
Others	1,261	1,097	470	460	461
<b>Total current liabilities</b>	<b>7,902</b>	<b>4,918</b>	<b>5,707</b>	<b>6,170</b>	<b>6,322</b>
Long term loans	5,952	7,315	7,713	7,713	7,713
Others	707	1,183	1,275	1,266	1,262
<b>Total non-current liabilities</b>	<b>6,659</b>	<b>8,499</b>	<b>8,988</b>	<b>8,979</b>	<b>8,975</b>
<b>Total Liabilities</b>	<b>14,561</b>	<b>13,416</b>	<b>14,695</b>	<b>15,150</b>	<b>15,297</b>
<b>EQUITY</b>					
Shareholder Equity	8,414	9,216	9,180	9,183	9,597
Non-controlling interest	918	348	359	382	406
<b>Total Equity</b>	<b>9,334</b>	<b>9,565</b>	<b>9,539</b>	<b>9,565</b>	<b>10,003</b>

### Valuation Ratios

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
P/E (X), adj.	60.43	4.01	16.73	11.33	8.41
P/B (X)	0.61	0.55	0.56	0.56	0.53
Dividend Yield	2.1%	5.0%	2.1%	3.6%	3.6%
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	24.5%	25.4%	50.0%	-34.2%	8.3%
EBIT	-137.8%	484.0%	-56.5%	-15.2%	15.4%
Net Income	-107.4%	839.8%	-73.5%	37.6%	32.5%
<b>Margins</b>					
EBIT margin	12.3%	57.1%	16.6%	21.4%	22.8%
Net Profit Margin	5.3%	39.9%	7.1%	14.8%	18.1%
<b>Key Ratios</b>					
ROE (%)	1.5%	13.7%	3.7%	5.0%	6.4%
ROA (%)	0.6%	5.7%	1.4%	1.9%	2.5%
Gearing (x)	0.97	0.85	0.97	0.97	0.95



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