

# City Developments Limited

Accelerating capital recycling efforts

SINGAPORE | REAL ESTATE | 1H24 Results

- 1H24 PATMI of S\$87.8mn (+32% YoY) was below expectations, forming 31% of our FY24e forecast. The shortfall was due to construction delays, which pushed back the timing of profit recognition of property development projects. The increase in PATMI YoY was driven by higher divestment gains as part of CDL's capital recycling efforts.
- Year-to-date, CDL has achieved c.S\$271mn in divestments, short of management's S\$1bn target for FY24e. Divestments for FY24e are likely to range between S\$400mn and S\$500mn, unless the larger assets in the UK are sold, which could bring the total closer to the S\$1bn target.
- Maintain BUY with an unchanged TP of S\$6.87, representing a 45% discount to our RNAV of S\$12.50.** There is no change to our estimates. CDL's share price has underperformed since its deletion from the MSCI Singapore Index on 31 May. We believe 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 drive the share price recovery.

## Results at a glance

(SGD mn)	1H24	1H23	YoY	Comments
Gross revenue	1,563	2,704	-42.2%	Due to lower contributions from property devt segment (-73% YoY). 1H23 revenue was boosted by the full revenue recognition of the EC project, Piermont Grand.
Gross profit	693	787	-11.8%	
Operating profit	303	287	5.8%	
<b>PBT comprising:</b>	<b>155</b>	<b>180</b>	<b>-13.4%</b>	<b>Due to higher finance costs.</b>
- Property Devt	9	195	-95.4%	Construction delays led to lower profit contribution in 1H24, as well as higher financing costs for projects that have yet to be launched.
- Hotel Ops	23	(7)	n.m.	Portfolio RevPAR grew 3% YoY, coupled with contributions from newly acquired properties including Sofitel Brisbane Central.
- Investment Ppty	107	(27)	n.m.	Higher divestment gains of S\$120mn (1H23: S\$16mn), and the contribution of investment properties acquired in 2023 such as St Katharine Docks and the living sector assets.
- Others	16	19	-15.8%	
PATMI	88	67	32.0%	Supported by divestment gains.

Source: Company, PSR

## The Positives

- Resilient sales under the property development segment.** In 1H24, the Group and its JV associates sold 588 units with a total sales value of S\$1.2bn (1H23: 508 units with a total sales value of S\$1.1bn). Sales were driven by the launch of Lumina Grand, with 399 units (78%) sold to date. The group plans to launch two projects in 2H24 - Union Square Residences (366 units) and Norwood Grand (348 units). To replenish its development landbank, CDL and its JV partner acquired a GLS site at Zion Road for S\$1.1bn or S\$1,202 psf ppr in April 2024. Additionally, CDL has submitted two joint bids for the Jurong Lake District (JLD) master developer site with four other partners.
- Hospitality segment continues to improve, albeit with slower growth.** 1H24 portfolio RevPAR increased by 3% YoY to S\$156, driven by strong growth in Australasia, where RevPAR surged 30% following the acquisition of the Sofitel Brisbane Central hotel. Occupancy continued its upward trajectory, improving by 1.9%pts, while the average room rate increased slightly by 0.1% YoY to \$217.1. All markets experienced RevPAR growth YoY, except for London (-2.4%) and Regional US (-0.5%). Portfolio RevPAR growth



StocksBnB.com

19 August 2024

## BUY (Maintained)

LAST DONE PRICE	SGD 5.08
FORECAST DIV	SGD 0.12
TARGET PRICE	SGD 6.87
TOTAL RETURN	37.7%

## COMPANY DATA

BLOOMBERG CODE:	CIT SP Equity
O/S SHARES (MN):	893
MARKET CAP (USD mn / SGD mn):	3537 / 4681
52 - WK HI/LO (SGD):	6.98 / 5.04
3M Average Daily T/O (mn):	3.86

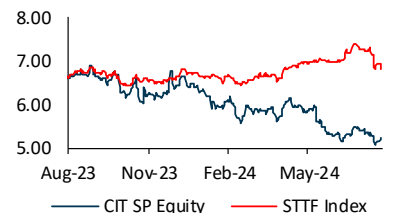
## MAJOR SHAREHOLDERS (%)

HONG LEONG INVESTMENT HOLDINGS	18.9%
BLACKROCK INC	5.1%
VANGUARD GROUP	2.3%

## PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(5.3)	(13.0)	(20.8)
STTF RETURN	(6.0)	0.1	3.8

## 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	0.31	0.49
DPS (SGD)	0.28	0.12	0.12	0.12
P/E (x)	3.6	15.1	16.1	10.4
P/BV (x)	0.5	0.5	0.5	0.5
Div Yield	5.5%	2.4%	2.4%	2.4%
ROE	13.7%	3.7%	3.3%	4.8%

Source: Company Data, Bloomberg

## Valuation Method

RNAV

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is expected to remain at similar levels in 2H24, with its Europe portfolio benefitting from the Paris 2024 Olympics.

### The Negatives

- **Higher gearing.** Following the recent acquisitions (1H24: S\$1.1bn in acquisitions and investments) and the share buyback of CDL's ordinary shares and preference shares, net gearing on fair value on investment properties rose to 69% (1Q24: 63%). The interest coverage ratio fell to 2x in 1H24 from 2.8x in FY23. 40% of debt is at a fixed rate and the average cost of debt is expected to increase to c.4.8% for FY24e (1H24: 4.5%) as some loans get refinanced. Nevertheless, CDL maintains a strong liquidity position with S\$1.7bn in cash. CDL aims to bring gearing down to below 60% by 2025.
- **Behind on its S\$1bn divestment target for 2024.** Year-to-date, CDL has divested c.S\$271mn of assets, primarily strata units in Singapore. Management is currently engaged in discussions to divest certain large assets but will not proceed with divestments at undervalued prices merely to complete the transaction. Cautious buying sentiment persists in the market, making divestments challenging.

### Outlook

CDL is accelerating its capital recycling efforts, and successful divestments could translate into significant divestment gains as it carries assets at cost in its books - some of which have been held at book value for several decades. 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 globally. Establishing a fund management platform and expanding the living sector portfolio are crucial growth drivers for CDL, as they aim to enhance recurring income streams.

### Maintain BUY with an unchanged RNAV TP of S\$6.87

CDL is a proxy for the Singapore residential market and hospitality recovery. It is currently trading at an attractive 59% 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
IREIT Global REIT	21%	0.35	1,345
First Sponsor Group	35%	1.17	1,110
<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)	(420)
Associates & JVs	107	170	48	190	250
<b>Profit Before Tax</b>	<b>228</b>	<b>1,857</b>	<b>473</b>	<b>438</b>	<b>631</b>
Taxation	(88)	(543)	(124)	(123)	(157)
<b>Profit After Tax</b>	<b>140</b>	<b>1,314</b>	<b>349</b>	<b>316</b>	<b>475</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>316</b>	<b>475</b>

### Per share data (SGD)

Y/E Dec, SGD	FY21	FY22	FY23	FY24e	FY25e
EPS, reported	0.09	1.40	0.34	0.31	0.49
DPS	0.12	0.28	0.12	0.12	0.12
BVPS	9.28	10.16	10.12	10.02	10.38

### Cash Flows

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>CFO</b>					
Profit for the year	140	1,314	349	316	475
Adjustments	193	(1,468)	462	498	408
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)	(123)	(157)
<b>Cashflow from ops</b>	<b>1,134</b>	<b>(126)</b>	<b>950</b>	<b>1,362</b>	<b>844</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)	(109)	(109)
<b>Cashflow from financing</b>	<b>(1,277)</b>	<b>(290)</b>	<b>726</b>	<b>(664)</b>	<b>(639)</b>
<b>Net change in cash</b>	<b>(1,006)</b>	<b>364</b>	<b>(184)</b>	<b>328</b>	<b>(169)</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>2,372</b>	<b>2,203</b>

Source: Company, PSR Estimates

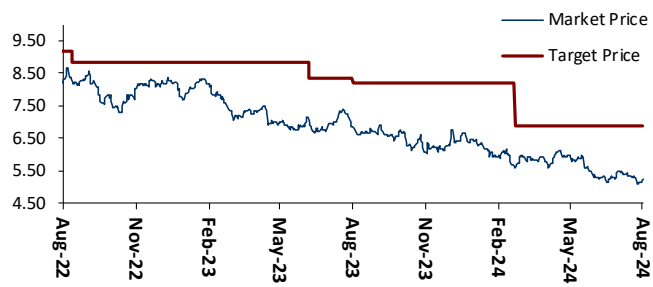
### Balance Sheet

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	2,671	2,948
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>14,525</b>	<b>14,998</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	2,488	2,318
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>10,098</b>	<b>10,118</b>
<b>Total Assets</b>	<b>23,895</b>	<b>22,981</b>	<b>24,234</b>	<b>24,623</b>	<b>25,116</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	9,092	9,413
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>9,473</b>	<b>9,819</b>

### Valuation Ratios

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
P/E (X), adj.	54.62	3.62	15.12	16.13	10.36
P/B (X)	0.55	0.50	0.50	0.51	0.49
Dividend Yield	2.4%	5.5%	2.4%	2.4%	2.4%
<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%	-9.5%	50.4%
<b>Margins</b>					
EBIT margin	12.3%	57.1%	16.6%	21.4%	22.8%
Net Profit Margin	5.3%	39.9%	7.1%	9.7%	13.5%
<b>Key Ratios</b>					
ROE (%)	1.5%	13.7%	3.7%	3.3%	4.8%
ROA (%)	0.6%	5.7%	1.4%	1.3%	1.9%
Gearing (x)	0.97	0.85	0.97	0.96	0.95

## Ratings History



## PSR Rating System

Returns	Recommendation	Rating
10% to +20%	Buy	1
+5% to +20%	Accumulate	2
0% to +5%	Neutral	3
0% to -20%	Reduce	4
-20% or more	Sell	5

## Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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