

CapitaLand Investment Limited

Lodging business to drive growth



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SINGAPORE | REAL ESTATE | 1Q23 RESULTS

15 May 2023

- 1Q23 revenue of S\$702mn (+5.6% YoY) was slightly below our estimates, forming 21% of our FY23e forecast. This was due to lower event-driven fees from fund management (-S\$33m or -68.8% YoY) with the lull in property transaction activities. Recurring fee income from fund management grew 3.5% to S\$87mn.
- Revenue from the real estate investment business, which rose by 10.9% YoY, benefitted from strong recovery in the hospitality and retail sectors. CapitaLand Ascott Trust and CLI's lodging management fees gained from higher rental and occupancy rates. 1Q23 portfolio RevPAU grew 42% YoY to reach 103% of 1Q19 pre-COVID RevPAU at S\$81.
- Maintain ACCUMULATE with an unchanged SOTP TP of S\$4.12. No change in estimates. Our SOTP derived TP of S\$4.12 represents an upside of 17.1% and a forward P/E of 17x. The pick-up in travel and China's continued re-opening will be immediate catalysts for CLI.

Results at a glance

In S\$mn	1Q22	1Q23	YoY	Comments
Trading revenue	665	702	5.6%	Lower than our estimate of 14% for FY23e, due mainly to a lull in property transactions
<i>comprising</i>				
Fee income-related	262	255	-2.7%	Lower fees from fund management (-22.7% yoy), mitigated by strong 38.2% yoy growth in lodging management
Real estate investment	403	447	10.9%	Strong recovery in hospitality and retail rental and occupancy anchored by Capitaland Ascott Trust
Cash flow from operations	134	101	-24.6%	Lower cash flow reflects lower fee income received
Fund under management (S\$bn)	86	89	3.5%	Higher interest costs across all funds impacted fund raising and cross border capital flows
Net debt/equity (%)	48%	53%		Gearing at 0.5x is still manageable, with interest coverage at 4.5x
Cost of debt (%)	2.6%	3.6%		Cost of debt had risen from 3.1% at end 2022

Source: Company, PSR

The Positives

+ Strong recovery in the lodging segment. Lodging management fee-related income grew 38.2% to S\$76mn due to higher room rates as well as improved occupancy across the portfolio. Portfolio RevPAU grew 42% YoY to S\$81 and is 103% of 1Q19 pre-COVID levels. The real estate investment business also benefitted from the recovery in the lodging segment, with revenue growing 10.9% YoY to S\$447mn. With the FY23 target of 160k lodging units in the portfolio hit in 1Q23 after signing >4k units in 1Q23, the new target is to double its fee revenue from lodging management to >S\$500mn in 5 years.

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 3.62
FORECAST DIV	SGD 0.12
TARGET PRICE	SGD 4.12
TOTAL RETURN	17.1%

COMPANY DATA

BLOOMBERG CODE:	CLISP Equity
O/S SHARES (MN):	5,122
MARKET CAP (USD mn / SGD mn):	13856 / 18540
52 - WK HI/LO (SGD):	4.03 / 2.94
3M Average Daily T/O (mn):	6.25

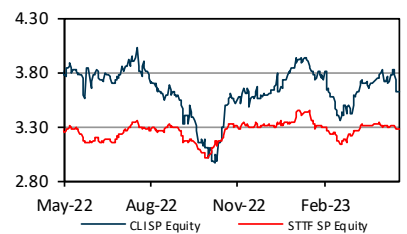
MAJOR SHAREHOLDERS (%)

TEMASEK HOLDINGS PTE LTD	57.2%
VANGUARD GROUP	2.1%
BLACKROCK INC	2.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	2.4	(1.8)	2.7
STTF RETURN	(0.9)	(2.6)	0.8

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD mn	FY21	FY22	FY23e	FY24e
Revenue	2,293	2,876	3,289	3,598
Gross Profit	1,058	1,290	1,513	1,655
EBIT	1,068	1,435	1,893	1,969
EPS (SGD)	38.35	16.79	24.32	25.40
P/E (x)	9.4	21.6	14.9	14.3
P/BV (x)	0.79	1.23	1.18	1.13
DPS (cents)	15.0	17.90	12.00	12.00
Div Yield, %	-	4.9%	3.3%	3.3%
ROE, %	8.4%	5.7%	7.9%	7.9%

Source: Company Data, Bloomberg

Valuation Method

SOTP

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The Negatives

- **1Q23 revenue growth of 5.6% was below our estimate of 14% for FY23e**, due to lower event-driven fees from fund management (-S\$33m or -68.8% YoY) with the lull in property transaction activities. However, recurring fees held stable for private funds at S\$23mn, while fees from listed funds grew 4.9% to S\$64mn. As a result, fee related earnings from fund management fell 22.7% to S\$102mn.

- **Cash flow from operations fell 24.6% to S\$101m**, or FFO/share of 2cts. As a result, net debt/equity has risen to 0.53x, and interest coverage is lower at 4.5x. The cost of debt saw an increase of 50bp to 3.6% from end 2022, as only 62% of its debt is on fixed rate.

Outlook

CLI's real estate investment and lodging management business should continue to recover on the back of further easing of travel and mobility restrictions. On the capital recycling front, CLI is targeting at least \$3bn of divestments in FY23, but only S\$35mn has been announced YTD. Funds under management grew 3.5% YoY and 1.1% QoQ to S\$89bn, impacted by the rise in interest costs that affected fund raising and cross-border fund flows. However, fee income-related revenue is expected to pick up in 2H. CLI has embedded S\$7bn funds that could be deployed and is sticking to its target of S\$100bn funds under management by 2024.

Maintain ACCUMULATE with unchanged SOTP TP of S\$4.12. Our SOTP derived TP of S\$4.12 represents an upside of 17.1% and a forward P/E of 17x. The pick-up in travel and China's continued re-opening will be immediate catalysts for CLI.

SOTP Valuation		
RNAV		
		S\$m
Direct stakes	Valuation	8,602
ION	Valuation (50%)	1,647
Listed stakes	Market value	11,833
Fee income	16x EV/EBITDA	8,961
Total EV		31,043
Less net debt	-	9,922
Equity value		21,121
No of shares (m)		5,129
RNAV per share (S\$)		4.12

Financials

Income Statement

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
Revenue	1,983	2,293	2,876	3,289	3,598
Gross profit	872	1,058	1,290	1,513	1,655
Operating inc./exp	(1,094)	10	145	380	314
Gross operating profit	(222)	1,068	1,435	1,893	1,969
Finance cost	(377)	(353)	(432)	(441)	(453)
Share of results from:					
- Associates	81	1,008	425	472	494
- Joint ventures	(106)	210	106	133	143
(Loss)/Profit before tax	(559)	1,956	1,388	1,921	2,006
Tax expense	(114)	(396)	(318)	(440)	(459)
(Loss)/Profit for the year	(673)	1,560	1,070	1,481	1,547
Attributed to:					
Owners of the company	(559)	1,349	861	1,247	1,303
Non-controlling interests	(114)	211	209	234	244

Per share data (SGD)

Y/E Dec, SGD cents	FY20	FY21	FY22	FY23e	FY24e
EPS	(19.91)	38.35	16.79	24.32	25.40
DPS		15.00	17.90	12	12
BVPS	4.23	4.56	2.95	3.07	3.21

Cash Flows

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
CFO					
(Loss)/Profit for the year	(673)	1,560	1,070	1,481	1,547
Adjustments	1,428	(941)	(119)	412	422
WC changes	(429)	255	(21)	81	127
Cash generated from ops	326	874	930	1,973	2,097
Taxes paid, others	(143)	(207)	(195)	(583)	(440)
Cashflow from ops	183	667	735	1,390	1,657
CFI					
CAPEX	(236)	(1,242)	(1,009)	(458)	(467)
Dividends from associates & JV	502	1,980	348	348	348
Proceeds from disposal of IP	385	1,354	15	-	-
Cashflow from investments	1,068	1,268	(382)	(110)	(119)
CFE					
Dividends paid	(849)	(117)	(958)	(616)	(616)
Interest expense paid	(365)	(342)	(418)	(419)	(420)
Net cash from borrowings/debt securities	172	750	105	-	-
Cashflow from financing	(972)	223	(1,370)	(1,035)	(1,036)
Net change in cash	279	2,158	(1,017)	246	502
Effects of exchange rates	42	(21)	(145)	-	-
Cash & equivalents at end of year	1,678	3,815	2,624	2,874	3,326

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
PPE	1,096	1,067	1,225	1,178	1,122
Associates & JVs	13,198	13,248	13,152	13,428	13,734
Investment Properties	15,852	16,249	14,706	15,074	15,450
Others	1,834	1,260	1,606	1,606	1,606
Total non-current assets	31,980	31,824	30,689	31,286	31,913
Accounts Receivables	4,258	1,661	1,025	1,138	1,228
Cash balance	1,736	3,877	2,668	2,874	3,326
Others	249	284	728	728	728
Total current assets	6,243	5,822	4,421	4,740	5,282
Total Assets	38,223	37,646	35,110	36,026	37,194
LIABILITIES					
Short term borrowings	1,132	1,941	1,208	1,208	1,208
Accounts Payables	5,513	2,128	2,093	2,286	2,504
Others	492	1,547	861	718	737
Total current liabilities	7,137	5,616	4,162	4,212	4,450
Long term borrowings	6,049	10,428	9,880	9,880	9,880
Others	9,303	1,501	2,139	2,139	2,139
Total non-current liabilities	15,352	11,929	12,019	12,019	12,019
Total Liabilities	22,489	17,545	16,181	16,231	16,469
EQUITY					
Shareholder Equity	11,875	16,044	15,133	15,765	16,452
Perpetual Securities	396	396	396	396	396
Non-controlling interest	3,463	3,661	3,400	3,634	3,877
Total Equity	15,734	20,101	18,929	19,794	20,726
Valuation Ratios					
Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
P/E	-18.2	9.4	21.6	14.9	14.3
P/B	0.86	0.79	1.23	1.18	1.13
Dividend Yield			4.9%	3.3%	3.3%
Growth & Margins					
Growth					
Revenue		15.6%	25.4%	14.4%	9.4%
EBIT		n.m.	34.4%	31.9%	4.0%
Net Income, adj.		n.m.	-31.4%	38.4%	4.4%
Margins					
EBIT margin	-11.2%	46.6%	49.9%	57.5%	54.7%
Net Profit Margin	-33.9%	68.0%	37.2%	45.0%	43.0%
Key Ratios					
ROE	-4.7%	8.4%	5.7%	7.9%	7.9%
ROA	-1.8%	4.1%	3.0%	4.1%	4.2%
Debt/Equity	0.43	0.48	0.52	0.49	0.45



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