

CapitaLand Investment Limited

Capital recycling picks up pace

SINGAPORE | REAL ESTATE | 1Q24 UPDATE

- Limited financial details were provided in this business update. 1Q24 revenue was flat YoY at S\$650mn. Fee-related revenue (FRB) grew 7% YoY to S\$274mn, while Real Estate Investment Business revenue (REIB) fell 4% to S\$430mn.
- In 1Q24, CLI made S\$600mn worth of divestments, up from S\$35mn in 1Q23. More than 75% were divested into CLI's fund vehicles. It is on track to hit its S\$3bn annual divestment target, with the bulk of assets in the divestment pipeline coming from China and the USA.
- Maintain BUY with an unchanged SOTP TP of S\$3.38. Our SOTP-derived TP of S\$3.38 represents an upside of 32.6% and a forward P/E of 16.7x. We like CLI for its robust recurring fee income stream and asset-light model. We expect the FRB to continue to improve, supported by the lodging business as more units are opened and the return of event-driven fees.

Results at a glance

(SGD mn)	1Q24	1Q23	YoY	Comments
Revenue	650	651	0%	
Comprising:				
1. RE investment (REIB)	430	447	-4%	Lower due to absence of contribution from divested properties, lower contribution from properties in China, the stronger S\$, and lower corporate leasing income from Synergy in the USA.
2. Fee-related (FRB)	274	255	7%	
- REITs mgmt	74	71	4%	6% growth YoY in recurring fees to S\$68mn; 14% decline YoY in event-driven fees to S\$6mn.
- PE fund mgmt	27	31	-13%	Event-driven fees fell 50% YoY to S\$4mn; recurring fees were stable YoY at S\$23mn.
- Commercial mgmt	91	77	18%	Driven by improved asset performance and a new third party management contract secured in Singapore in 1Q24.
- Lodging mgmt	82	76	8%	Improvement in RevPAU (+6% YoY), 3.2k units opened across 16 properties in 1Q24 (1Q23: 920 units opened).

Source: Company, PSR

The Positives

+ 1Q24 FRB revenue continues its growth trajectory, rising 7% YoY. This was due to improvements in commercial management fees (+18%), lodging management fees (+8%), and recurring fund management fees (+5%). Event-driven fees under the fund management platform remain a drag (-33% YoY), but we expect these to pick up this year as global transaction volumes gradually recover. Additionally, private funds recorded S\$1bn in total investments in 1Q24, taking deployed funds under management to S\$91bn from S\$90bn in FY23. There is still S\$9bn of dry powder pending deployment. CLI remains committed to double FUM to S\$200bn in five years.

+ Faster pace of capital recycling. In 1Q24, CLI made S\$600mn worth of divestments, up from S\$35mn in 1Q23. More than 75% were divested into CLI's fund vehicles. Divestment proceeds will be used to lower gearing and to pare down higher-cost debt. CLI is on track to hit its S\$3bn annual divestment target, with the majority coming from China and the USA.



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29 April 2024

BUY (Maintained)

LAST DONE PRICE	SGD 2.64
FORECAST DIV	SGD 0.12
TARGET PRICE	SGD 3.38
TOTAL RETURN	32.6%

COMPANY DATA

BLOOMBERG CODE:	CLI SP Equity
O/S SHARES (MN):	5,069
MARKET CAP (USD mn / SGD mn):	10338 / 13890
52 - WK HI/LO (SGD):	3.84 / 2.71
3M Average Daily T/O (mn):	9.11

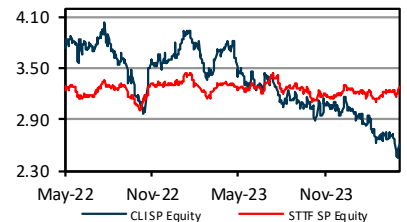
MAJOR SHAREHOLDERS (%)

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

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(1.5)	(9.5)	(15.3)
STTF RETURN	0.9	4.5	1.6

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD mn	FY22	FY23	FY24e	FY25e
Revenue	2,876	2,784	3,123	3,332
Gross Profit	1,290	1,260	1,437	1,533
EBIT	1,435	689	1,580	1,641
EPS (SGD)	16.79	3.54	15.80	16.52
P/E (x)	15.7	74.6	16.7	16.0
P/BV (x)	0.89	0.97	0.95	0.94
DPS (cents)	17.90	12.00	12.00	12.00
Div Yield, %	6.8%	4.5%	4.5%	4.5%
ROE, %	5.7%	1.3%	5.7%	5.9%

Source: Company Data, Bloomberg

Valuation Method

SOTP

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The Negative

- **REIB revenue remains weak, falling 4% YoY.** This was due to asset divestments, weaker operating performance in China, and lower revenue from the lodging platform Synergy in the USA.

Outlook

CLI aims to reach its new S\$200bn FUM target within five years by both accelerating organic growth across its businesses and pursuing inorganic opportunities via strategic mergers and acquisitions. It will expand its operations and fund management in India and Southeast Asia, as well as optimise its China portfolio and grow RMB-denominated funds. CLI will also increase its product offerings in Japan, South Korea, and Australia. Lodging management fees should continue to improve as more units are signed and opened. In 1Q24, more than 4.6k units were signed across 22 properties (1Q23: 4k units), and 3.2k units were opened across 16 properties (1Q23: 3.2k units).

Divestments remain a key focus for 2024, and stabilising interest rates should support this focus. CLI's current gearing is 0.53x, improving from 0.56x as of December 23. The cost of debt increased 0.1% QoQ to 4%, and we expect it to stay around this level for FY24e.

Maintain BUY with an unchanged TP of S\$3.38. Our SOTP-derived TP of S\$3.38 represents an upside of 32.6% and a forward P/E of 16.7x.

SOTP Valuation		
RNAV		
		S\$m
Direct stakes	Valuation	7,071
ION	Valuation (50%)	1,696
Listed stakes	Market value	11,471
Fee income	16x EV/EBITDA	7,186
Total EV		27,424
Less net debt	-	10,130
Equity value		17,294
No of shares (m)		5,116
RNAV per share (\$\$)		3.38

Financials

Income Statement

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
Revenue	2,293	2,876	2,784	3,123	3,332
Gross profit	1,058	1,290	1,260	1,437	1,533
Operating inc./exp	10	145	(571)	143	108
Gross operating profit	1,068	1,435	689	1,580	1,641
Finance cost	(353)	(432)	(488)	(504)	(516)
Share of results from:					
- Associates	1,008	425	206	267	289
- Joint ventures	210	106	67	163	164
(Loss)/Profit before tax	1,956	1,388	474	1,366	1,428
Tax expense	(396)	(318)	(141)	(406)	(425)
(Loss)/Profit for the year	1,560	1,070	333	960	1,003
Attributed to:					
Owners of the company	1,349	861	181	808	845
Non-controlling interests	211	209	152	151	158

Per share data (SGD)

Y/E Dec, SGD cents	FY21	FY22	FY23	FY24e	FY25e
EPS	38.35	16.79	3.54	15.80	16.52
DPS	15.00	17.90	12	12	12
BVPS	4.56	2.95	2.73	2.77	2.81

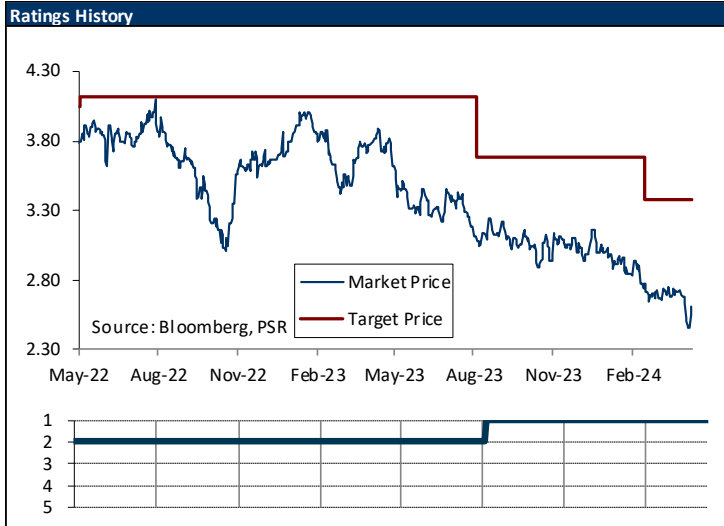
Cash Flows

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
CFO					
(Loss)/Profit for the year	1,560	1,070	333	960	960
Adjustments	(941)	(119)	693	620	620
WC changes	255	(21)	(190)	692	(577)
Cash generated from ops	874	930	836	2,272	1,064
Taxes paid, others	(207)	(195)	(154)	(583)	(406)
Cashflow from ops	667	735	682	1,689	658
CFI					
CAPEX	(1,242)	(1,009)	(724)	(429)	(438)
Dividends from associates & JV	1,980	348	413	413	413
Proceeds from disposal of IP	1,354	15	-	-	-
Cashflow from investments	1,268	(382)	(311)	(16)	(25)
CFE					
Dividends paid	(117)	(958)	(800)	(614)	(614)
Interest expense paid	(342)	(418)	(481)	(420)	-
Net cash from borrowings/debt securities	750	105	374	-	-
Cashflow from financing	223	(1,370)	(1,281)	(1,034)	(614)
Net change in cash	2,158	(1,017)	(910)	639	19
Effects of exchange rates	(21)	(145)	(38)	-	-
Cash & equivalents at end of year	3,815	2,624	2,439	2,994	2,497

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
PPE	1,067	1,225	1,312	1,283	1,223
Associates & JVs	13,248	13,152	13,043	13,060	13,100
Investment Properties	16,249	14,706	13,572	13,911	14,259
Others	1,260	1,606	1,759	1,759	1,759
Total non-current assets	31,824	30,689	29,686	30,013	30,341
Accounts Receivables	1,661	1,025	939	1,264	1,087
Cash balance	3,877	2,668	2,460	2,994	2,497
Others	284	728	1,048	1,048	1,048
Total current assets	5,822	4,421	4,447	5,307	4,632
Total Assets	37,646	35,110	34,133	35,320	34,973
LIABILITIES					
Short term borrowings	1,941	1,208	1,014	1,014	1,014
Accounts Payables	2,128	2,093	1,455	2,473	1,718
Others	1,547	861	1,075	898	917
Total current liabilities	5,616	4,162	3,544	4,385	3,649
Long term borrowings	10,428	9,880	9,514	9,514	9,514
Others	1,501	2,139	2,838	2,838	2,838
Total non-current liabilities	11,929	12,019	12,352	12,352	12,352
Total Liabilities	17,545	16,181	15,896	16,737	16,001
EQUITY					
Shareholder Equity	16,044	15,133	13,961	14,155	14,387
Perpetual Securities	396	396	396	396	396
Non-controlling interest	3,661	3,400	3,880	4,031	4,190
Total Equity	20,101	18,929	18,237	18,583	18,972
Valuation Ratios					
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E	6.9	15.7	74.6	16.7	16.0
P/B	0.58	0.89	0.97	0.95	0.94
Dividend Yield		6.8%	4.5%	4.5%	4.5%
Growth & Margins					
Growth					
Revenue	15.6%	25.4%	-3.2%	12.2%	6.7%
EBIT	n.m.	34.4%	-52.0%	129.3%	3.9%
Net Income, adj.	n.m.	-31.4%	-68.9%	188.2%	4.6%
Margins					
EBIT margin	46.6%	49.9%	24.7%	50.6%	50.6%
Net Profit Margin	68.0%	37.2%	12.0%	30.7%	30.7%
Key Ratios					
ROE	8.4%	5.7%	1.3%	5.7%	5.9%
ROA	4.1%	3.0%	1.0%	2.7%	2.9%
Debt/Equity	0.48	0.52	0.56	0.52	0.53



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	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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