

# CapitaLand Investment Limited

Shifting towards fee-related earnings

## SINGAPORE | REAL ESTATE | 1H24 RESULTS

- 1H24 revenue of S\$1.365bn (+1.5% YoY) and PATMI of S\$331mn (-5.7% YoY) were slightly below our estimates, achieving 44% and 41% of our FY24e forecast, respectively. The YoY improvement in revenue was driven by an 8% increase in its Fee-income Related Businesses (FRB), partially offset by a 2.3% decline in the Real Estate Investment Business (REIB), which was mainly due to the absence of contributions from divested assets.
- CLI's FRB contributed 63% of 1H24 operating PATMI, up from 49% in 1H23. This trend is expected to continue as the group shifts towards an asset-light, recurring fee income model. The group aims to double Funds Under Management (FUM) to S\$200bn (1H24: S\$100bn) by FY28. In 1H24, c.S\$1bn of FUM was deployed, increasing the total deployed FUM to S\$91bn from S\$90bn in FY23, leaving S\$9bn of committed equity yet to be deployed.
- Maintain BUY with an unchanged SOTP TP of S\$3.38. We cut our FY24e PATMI by 7% after factoring in weaker contributions from the REIB. Our SOTP-derived TP of S\$3.38 represents an upside of 36% and a forward P/E of 17.5x. We like CLI for its robust recurring fee income stream and asset-light model. We expect the FRB to continue improving, supported by the gradual increase in FUM, higher lodging management fees as more units open, and the return of event-driven fees.

### Results at a glance

(SGD mn)	1H24	1H23	YoY	Comments
<b>Revenue</b>	<b>1,365</b>	<b>1,345</b>	<b>1.5%</b>	
Comprising:				
1. RE investment (REIB)	911	932	-2.3%	Lower corporate leasing income in the USA and absence of contribution from divested assets.
2. Fee-related (FRB)	561	519	8.1%	
- REITs mgmt	146	151	-3.3%	Recurring fees and event driven fees fell by 1% and 21% YoY, respectively.
- PE fund mgmt	64	57	12.3%	Recurring fees and event driven fees grew by 4% and 45% YoY, respectively.
- Commercial mgmt	185	152	21.7%	Contributions from new management contracts.
- Lodging mgmt	166	159	4.4%	Improvement in RevPAU (+6% YoY) in 1H24, coupled with >5k lodging units turning operational in 1H24 (1H23: 2.9k units).
<b>Total PATMI</b>	<b>331</b>	<b>351</b>	<b>-5.7%</b>	
Comprising:				
- Operating PATMI	296	344	-14.0%	Stronger FRB was offset by the weaker REIB, which was impacted by higher interest expenses and foreign exchange losses.
- Portfolio gains	35	7	400.0%	Higher portfolio gains from asset recycling.

Source: Company, PSR

### The Positives

**+ 1H24 FRB revenue continues to improve, rising 8% YoY.** This was due to improvements in commercial management fees (+22%), lodging management fees (+4%), and private funds management fees (+12%). Funds Under Management, or FUM, now stands at S\$100bn, including S\$9bn of committed equity yet to be deployed. CLI remains committed to doubling its FUM to S\$200bn by FY28 and strives for double-digit FRB growth annually.

**+ On track to hit S\$3bn divestment target.** Year-to-date, CLI has achieved S\$1.7bn in gross divestments, including S\$710m divested to funds, S\$831m in multifamily assets in the USA, and S\$148m reconstitution by funds. Notably, CLI recapitalised Ascendas iHub Suzhou by divesting it as a seed asset into its new China Business Park RMB Fund III (CBPF III) at S\$249mn



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19 August 2024

### BUY (Maintained)

LAST DONE PRICE	SGD 2.57
FORECAST DIV	SGD 0.12
TARGET PRICE	SGD 3.38
TOTAL RETURN	36.0%

### COMPANY DATA

BLOOMBERG CODE:	CLI SP Equity
O/S SHARES (MN):	4,996
MARKET CAP (USD mn / SGD mn):	9552 / 12640
52 - WK HI/LO (SGD):	3.24 / 2.44
3M Average Daily T/O (mn):	8.45

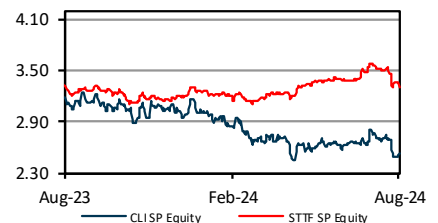
### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(10.3)	(2.7)	(16.5)
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	2,876	2,784	2,998	3,109
Gross Profit	1,290	1,260	1,379	1,430
EBIT	1,435	831	1,564	1,611
EPS (SGD)	16.79	3.54	14.66	16.17
P/E (x)	15.3	72.6	17.5	15.9
P/BV (x)	0.87	0.94	0.93	0.92
DPS (cents)	17.90	12.00	12.00	12.00
Div Yield, %	7.0%	4.7%	4.7%	4.7%
ROE, %	5.7%	1.3%	5.3%	5.8%

Source: Company Data, Bloomberg

### Valuation Method

SOTP

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or RMB1.4bn, securing an onshore major institutional investor as the fund's anchor investor. Since its listing, CLI has reduced its balance sheet exposure in China by divesting S\$1.5bn in assets, with over 70% transferred to CLI's RMB funds.

#### The Negative

- **Net debt-to-equity rose to 0.59x (1Q24: 0.53x) and the cost of debt rose 10bps QoQ to 4.1%.** 61% of debt is on a fixed rate, and the interest coverage ratio remained healthy at 3.5 times. We expect the cost of debt to remain at this level for FY24e.

#### Outlook

CLI is pursuing aggressive growth in Asia, focusing on expanding its presence in Australia, Japan, India, and Korea through broader fund offerings and asset classes. It is targeting sectors such as lodging, logistics, self-storage, and data centres. As CLI works toward its 2028 target of S\$200bn in FUM, it seeks to maintain a balanced geographical exposure, ensuring no market outside of Singapore exceeds 20%.

In China, operational conditions remain challenging, with negative rental reversions in the retail and office sectors, and mild negative reversions for the new economy sector. Notably, occupancy for the new economy sector in China fell from 90% to 81% YoY in 2Q24.

Divestments remain a key focus for 2024, with stabilising interest rates expected to support this. CLI will continue to buy back shares in the open market as management believes they are undervalued, which could also help improve ROE and bring it closer to its 10% target.

**Maintain BUY with an unchanged TP of S\$3.38.** Our SOTP-derived TP of S\$3.38 represents an upside of 36% and a forward P/E of 17.5x.

SOTP Valuation		
RNAV		
		S\$m
Direct stakes	Valuation	7,071
ION	Valuation (50%)	1,696
Listed stakes	Market value	11,680
Fee income	16x EV/EBITDA	6,953
Total EV		27,400
Less net debt	-	10,130
Equity value		17,270
No of shares (m)		5,116
RNAV per share (\$\$)		3.38

## Financials

### Income Statement

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>Revenue</b>	<b>2,293</b>	<b>2,876</b>	<b>2,784</b>	<b>2,998</b>	<b>3,109</b>
<b>Gross profit</b>	<b>1,058</b>	<b>1,290</b>	<b>1,260</b>	<b>1,379</b>	<b>1,430</b>
Operating inc./exp	10	145	(429)	185	181
<b>Gross operating profit</b>	<b>1,068</b>	<b>1,435</b>	<b>831</b>	<b>1,564</b>	<b>1,611</b>
Finance cost	(353)	(432)	(488)	(516)	(516)
Share of results from:					
- Associates	1,008	425	206	267	289
- Joint ventures	210	106	67	94	164
<b>(Loss)/Profit before tax</b>	<b>1,956</b>	<b>1,388</b>	<b>474</b>	<b>1,268</b>	<b>1,398</b>
Tax expense	(396)	(318)	(141)	(377)	(416)
<b>(Loss)/Profit for the year</b>	<b>1,560</b>	<b>1,070</b>	<b>333</b>	<b>891</b>	<b>982</b>
<b>Attributed to:</b>					
Owners of the company	<b>1,349</b>	<b>861</b>	<b>181</b>	<b>750</b>	<b>827</b>
<b>Non-controlling interests</b>	<b>211</b>	<b>209</b>	<b>152</b>	<b>140</b>	<b>155</b>

### Per share data (SGD)

Y/E Dec, SGD cents	FY21	FY22	FY23	FY24e	FY25e
EPS	38.35	16.79	3.54	14.66	16.17
DPS	15.00	17.90	12.00	12.00	12.00
BVPS	4.56	2.95	2.73	2.76	2.80

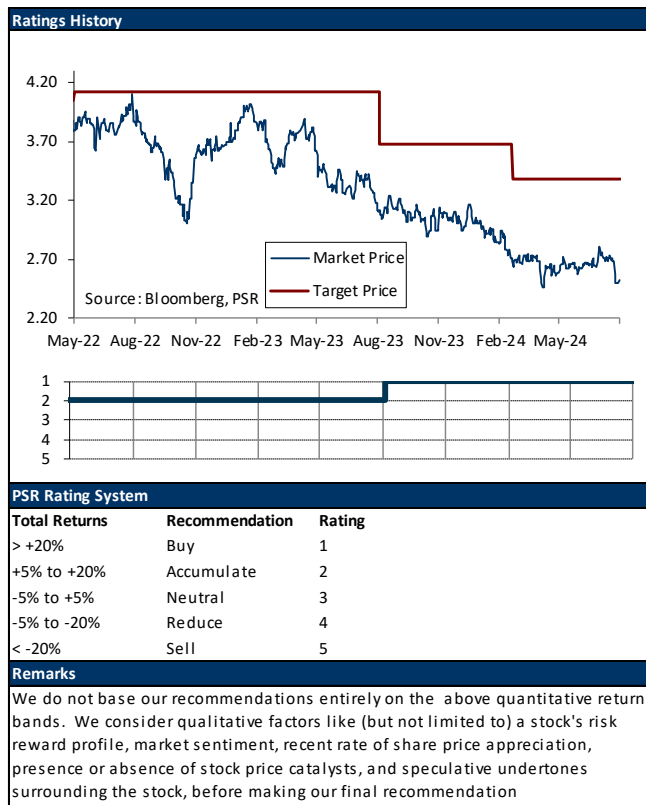
### Cash Flows

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>CFO</b>					
<b>(Loss)/Profit for the year</b>	<b>1,560</b>	<b>1,070</b>	<b>333</b>	<b>891</b>	<b>891</b>
Adjustments	(941)	(119)	693	673	673
WC changes	255	(21)	(190)	623	(562)
Cash generated from ops	874	930	836	2,187	1,049
Taxes paid, others	(207)	(195)	(154)	(583)	(377)
<b>Cashflow from ops</b>	<b>667</b>	<b>735</b>	<b>682</b>	<b>1,604</b>	<b>672</b>
<b>CFI</b>					
CAPEX	(1,242)	(1,009)	(724)	(90)	(429)
Dividends from associates & JV	1,980	348	413	413	413
Proceeds from disposal of IP	1,354	15	-	-	-
<b>Cashflow from investments</b>	<b>1,268</b>	<b>(382)</b>	<b>(311)</b>	<b>323</b>	<b>(16)</b>
<b>CFF</b>					
Dividends paid	(117)	(958)	(800)	(614)	(614)
Interest expense paid	(342)	(418)	(481)	(420)	-
Net cash from borrowings/debt securities	750	105	374	-	-
<b>Cashflow from financing</b>	<b>223</b>	<b>(1,370)</b>	<b>(1,281)</b>	<b>(1,034)</b>	<b>(614)</b>
<b>Net change in cash</b>	<b>2,158</b>	<b>(1,017)</b>	<b>(910)</b>	<b>893</b>	<b>42</b>
Effects of exchange rates	(21)	(145)	(38)	-	-
<b>Cash &amp; equivalents at end of year</b>	<b>3,815</b>	<b>2,624</b>	<b>2,439</b>	<b>3,236</b>	<b>2,761</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>ASSETS</b>					
PPE	1,067	1,225	1,312	1,283	1,223
Associates & JVs	13,248	13,152	13,043	12,990	13,030
Investment Properties	16,249	14,706	13,572	13,572	13,911
Others	1,260	1,606	1,759	1,759	1,759
<b>Total non-current assets</b>	<b>31,824</b>	<b>30,689</b>	<b>29,686</b>	<b>29,604</b>	<b>29,924</b>
Accounts Receivables	1,661	1,025	939	1,176	1,017
Cash balance	3,877	2,668	2,460	3,236	2,761
Others	284	728	1,048	1,048	1,048
<b>Total current assets</b>	<b>5,822</b>	<b>4,421</b>	<b>4,447</b>	<b>5,460</b>	<b>4,826</b>
<b>Total Assets</b>	<b>37,646</b>	<b>35,110</b>	<b>34,133</b>	<b>35,064</b>	<b>34,750</b>
<b>LIABILITIES</b>					
Short term borrowings	1,941	1,208	1,014	1,014	1,014
Accounts Payables	2,128	2,093	1,455	2,315	1,594
Others	1,547	861	1,075	869	908
<b>Total current liabilities</b>	<b>5,616</b>	<b>4,162</b>	<b>3,544</b>	<b>4,198</b>	<b>3,516</b>
Long term borrowings	10,428	9,880	9,514	9,514	9,514
Others	1,501	2,139	2,838	2,838	2,838
<b>Total non-current liabilities</b>	<b>11,929</b>	<b>12,019</b>	<b>12,352</b>	<b>12,352</b>	<b>12,352</b>
<b>Total Liabilities</b>	<b>17,545</b>	<b>16,181</b>	<b>15,896</b>	<b>16,550</b>	<b>15,868</b>
<b>EQUITY</b>					
Shareholder Equity	<b>16,044</b>	<b>15,133</b>	<b>13,961</b>	<b>14,097</b>	<b>14,311</b>
Perpetual Securities	396	396	396	396	396
Non-controlling interest	3,661	3,400	3,880	4,020	4,175
<b>Total Equity</b>	<b>20,101</b>	<b>18,929</b>	<b>18,237</b>	<b>18,514</b>	<b>18,882</b>
<b>Valuation Ratios</b>					
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E	6.7	15.3	72.6	17.5	15.9
P/B	0.56	0.87	0.94	0.93	0.92
Dividend Yield		7.0%	4.7%	4.7%	4.7%
<b>Growth &amp; Margins</b>					
<b>Growth</b>					
Revenue	15.6%	25.4%	-3.2%	7.7%	3.7%
EBIT	n.m.	34.4%	-42.1%	88.2%	3.0%
Net Income, adj.	n.m.	-31.4%	-68.9%	167.5%	10.3%
<b>Margins</b>					
EBIT margin	46.6%	49.9%	29.8%	52.2%	52.2%
Net Profit Margin	68.0%	37.2%	12.0%	29.7%	29.7%
<b>Key Ratios</b>					
ROE	8.4%	5.7%	1.3%	5.3%	5.8%
ROA	4.1%	3.0%	1.0%	2.5%	2.8%
Debt/Equity	0.48	0.52	0.56	0.51	0.52



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