

CapitaLand Investment Limited

Transaction activity picking up

SINGAPORE | REAL ESTATE | 3Q24 UPDATE

- 9M24 revenue of S\$2.1bn (+1% YoY) was slightly below our estimates, forming 70% of our FY24e forecast. Fee Income-related Business (FRB) revenue grew 6% YoY from stronger private funds management (+14% YoY) and commercial management (+14% YoY). In contrast, Real Estate Investment Business (REIB) revenue fell 2% from divestments in India, Australia and France.
- With S\$4.6bn of divestments YTD, CLI has exceeded its annual S\$3bn divestment target. Total Funds Under Management (FUM) rose by c.S\$2bn to S\$102bn following the divestment of ION Orchard to CICT and capital raised from new partner Mitsui O.S.K. Lines. YTD deployment of private funds rose 43% YoY to S\$2.1bn, with three new fund launches in 3Q24.
- Maintain BUY with an unchanged SOTP TP of S\$3.38. Our estimates remain unchanged. Our SOTP-derived TP of S\$3.38 represents an upside of 20% and a forward P/E of 23x. We like CLI for its robust recurring fee income stream and asset-light model. Growth drivers include more REIT transactions, further interest rate declines, and the launch of new funds.

Results at a glance

(SGD mn)	9M24	9M23	YoY	Comments
Revenue	2,104	2,085	1%	
Comprising:				
1. RE investment (REIB)	1,419	1,442	-2%	Due to divestments in India, Australia, and France, partially offset by stronger lodging performance in Japan.
2. Fee-related (FRB)	845	799	6%	
- REITs mgmt	218	221	-1%	22% decline YoY in event-driven fees to S\$14mn; recurring fees grew 1% YoY to S\$204mn.
- PE fund mgmt	95	83	14%	Event-driven fees grew S\$8mn YoY to S\$22mn; recurring fees grew 6% YoY to S\$73mn.
- Commercial mgmt	281	246	14%	Driven by new signings from third party management contracts and better operating performance.
- Lodging mgmt	251	249	1%	Excluding one-offs from government contracts for COVID facilities and termination fees, lodging management fees grew 12% YoY to S\$244mn.

Source: Company, PSR

The Positives

+ Hit annual S\$3bn divestment target. CLI has achieved S\$4.6bn in gross divestments YTD, including the divestment of CLI's stake in ION Orchard to CapitaLand Integrated Commercial Trust (CICT) for S\$1.9bn. It also sold eight additional US multifamily assets, bringing the YTD total to 16 assets valued at S\$1.2bn. 62% of the S\$4.6bn divestment value has been retained as or converted into FUM, which is expected to translate into higher FRB revenue. CLI still holds c.S\$3.5bn of China assets on the balance sheet that are slated for divestment, with no clear timeline for completion.

+ Increased transaction activity from listed funds. YTD transactions from the listed platform rose 90% YoY to S\$2.6mn, largely due to CICT's acquisition of ION Orchard. As a result, event-driven fees will pick up in 4Q24 as that transaction was completed on 30 Oct 2024.

+ Growth in private funds space and faster deployment of capital. S\$1.6bn of private capital has been raised YTD, with S\$261mn raised from a new capital partner, Mitsui O.S.K. Lines, for its SEA and India funds in Nov 25. Three new funds were launched in 3Q24, namely the



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8 November 2024

BUY (Maintained)

LAST DONE PRICE	SGD 2.91
FORECAST DIV	SGD 0.12
TARGET PRICE	SGD 3.38
TOTAL RETURN	20.1%

COMPANY DATA

BLOOMBERG CODE:	CLI SP Equity
O/S SHARES (MN):	4,988
MARKET CAP (USD mn / SGD mn):	11021 / 14516
52 - WK HI/LO (SGD):	3.2 / 2.42
3M Average Daily T/O (mn):	11.20

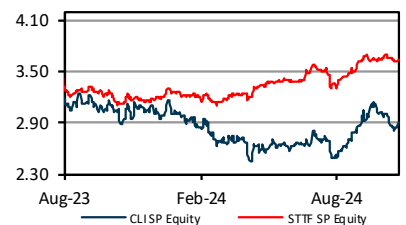
MAJOR SHAREHOLDERS (%)

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

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(8.0)	6.7	(4.9)
STTF RETURN	(0.3)	7.3	15.1

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)	17.3	82.3	19.8	18.0
P/BV (x)	0.99	1.07	1.06	1.04
DPS (cents)	17.90	12.00	12.00	12.00
Div Yield, %	6.2%	4.1%	4.1%	4.1%
ROE, %	5.7%	1.3%	5.3%	5.8%

Source: Company Data, Bloomberg

Valuation Method

SOTP

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Australia Credit Program (\$240mn), China Business Park RMB Fund III (\$260mn), and Korea Office Value-add Fund (\$430mn). As a result, YTD deployment increased 43% YoY to \$2.14bn.

The Negative

- **Revaluation losses are still expected at year-end but less significant than last year's \$600mn.** Valuation losses are anticipated in Australia, Europe, and the USA, with China expected to be the hardest hit with negative rent reversion across all sectors. Slight valuation increases in Singapore and India will partially offset the impact.

Outlook

Operating conditions in China remain challenging, with negative rental reversions in the retail and office sectors, and mild negative reversions in the new economy sector. Occupancy in the office and new economy sectors slipped to 79% and 78%, respectively.

We expect transaction activity to increase further with a more conducive interest rate environment. As a result, event-driven fees from both the listed and private funds platforms are expected to pick up in FY25e. Lodging management fees are also likely to grow, with over 10,200 units signed and over 7,200 units opened YTD, compared to 9,500 and 6,200 units in YTD 2023.

The interest cost remains elevated at 4.1%, with 64% of debt on a fixed rate. We expect it to improve only slightly in FY25e, as some interest rate swaps are still locked in at lower rates. CLI bought back 126mn shares YTD for a total consideration of \$343mn.

Maintain BUY with an unchanged TP of S\$3.38. Our SOTP-derived TP of S\$3.38 represents an upside of 20% and a forward P/E of 23x.

Financials

Income Statement

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
Revenue	2,293	2,876	2,784	2,998	3,109
Gross profit	1,058	1,290	1,260	1,379	1,430
Operating inc./exp	10	145	(429)	185	181
Gross operating profit	1,068	1,435	831	1,564	1,611
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
(Loss)/Profit before tax	1,956	1,388	474	1,268	1,398
Tax expense	(396)	(318)	(141)	(377)	(416)
(Loss)/Profit for the year	1,560	1,070	333	891	982
Attributed to:					
Owners of the company	1,349	861	181	750	827
Non-controlling interests	211	209	152	140	155

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	2.79	2.83

Cash Flows

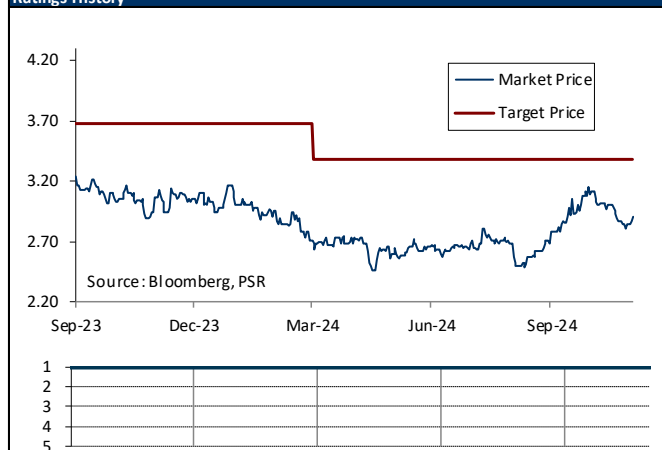
Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
CFO					
(Loss)/Profit for the year	1,560	1,070	333	891	891
Adjustments	(941)	(119)	693	673	673
WC changes	255	(21)	(190)	623	(562)
Cash generated from ops	874	930	836	2,187	1,049
Taxes paid, others	(207)	(195)	(154)	(583)	(377)
Cashflow from ops	667	735	682	1,501	569
CFI					
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	-	-	-
Cashflow from investments	1,268	(382)	(187)	450	(429)
CFF					
Dividends paid	(117)	(958)	(800)	(614)	(614)
Interest expense paid	(342)	(418)	(481)	(420)	(420)
Net cash from borrowings/debt securities	750	105	374	-	-
Cashflow from financing	223	(1,370)	(637)	(614)	(614)
Net change in cash	2,158	(1,017)	(142)	1,337	(475)
Effects of exchange rates	(21)	(145)	(38)	-	-
Cash & equivalents at end of year	3,815	2,624	2,439	3,776	3,301

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	12,615	12,655
Investment Properties	16,249	14,706	13,572	13,572	13,911
Others	1,260	1,606	1,759	1,759	1,759
Total non-current assets	31,824	30,689	29,686	29,229	29,549
Accounts Receivables	1,661	1,025	939	1,176	1,017
Cash balance	3,877	2,668	2,460	3,776	3,301
Others	284	728	1,048	1,048	1,048
Total current assets	5,822	4,421	4,447	6,000	5,366
Total Assets	37,646	35,110	34,133	35,229	34,915
LIABILITIES					
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
Total current liabilities	5,616	4,162	3,544	4,198	3,516
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	16,550	15,868
EQUITY					
Shareholder Equity	16,044	15,133	13,961	14,262	14,476
Perpetual Securities	396	396	396	396	396
Non-controlling interest	3,661	3,400	3,880	4,020	4,175
Total Equity	20,101	18,929	18,237	18,679	19,047
Valuation Ratios					
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E	7.6	17.3	82.3	19.8	18.0
P/B	0.64	0.99	1.07	1.04	1.03
Dividend Yield		6.2%	4.1%	4.1%	4.1%
Growth & Margins					
Growth					
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%
Margins					
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%
Key Ratios					
ROE	8.4%	5.7%	1.3%	5.3%	5.7%
ROA	4.1%	3.0%	1.0%	2.5%	2.8%
Debt/Equity	0.48	0.52	0.56	0.47	0.49

Ratings History



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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