



City Developments Limited

A fruitful year of successful landbanking

SINGAPORE | REAL ESTATE | FY17 RESULTS

- FY17 revenue and adjusted earnings in line with forecast.
- Continued healthy uptake for launched local residential properties.
- Successful land acquisitions to capitalise on the Singapore residential market upcycle.
- Recovery in hotel operations with 3.2% YoY global RevPAR growth, in constant currency for FY17.
- Strong cash reserves to capitalise on opportunities locally and abroad.
- Maintain ACCUMULATE with higher TP of S\$13.4 (based on 15% discount to RNAV).

Results at a glance

(SGD mn)/Dec Yr End	FY17	FY16	YoY (%)	Comments
Gross revenue	3,828.6	3,905.5	(2.0)	
-Property Development	1,652.7	1,744.7	(5.3)	Strong take up at Gramercy Park, Venue Residences, Coco Palms
-Hotel Operations	1,694.2	1,633.7	3.7	Enhanced primarily from new openings in US and Auckland
-Rental Properties	346.9	366.9	(5.4)	
-Others	134.8	160.2	(15.8)	
Gross profit	1,684.9	1,757.9	(4.2)	
Operating profit	799.8	923.6	(13.4)	Higher gains recorded in 2016 from divestures of Exchange Tower and Nouvel 18
Net profit after tax	674.90	762.55	(11.5)	

Source: Company, PSR

The Positives

+ **Continued healthy uptake for launched local residential properties.** On the back of a 36% increase in total transaction volumes across the island in 2017, CDL achieved a 55% YoY jump in residential home sales value sold for 2017. This is despite the absence of any new residential launch for CDL in FY17.

+ **Successful land acquisitions to capitalise on the Singapore residential market upcycle.** The buoyant sales have led to a healthy drawdown of residential inventory, with 178 units remaining for sale as at end FY17. The Group's 4 successful site acquisitions since 2017, Tampines Ave 10/Handy Road/West Coast Vale/Amber Park will boost total inventory in the pipeline to 2,750 residential units.

+ **Recovery in hotel operations with 3.2% YoY global RevPAR growth, in constant currency for FY17.** This compares with the 2.3% YoY drop for FY16. Strength in global RevPAR growth was led by better occupancies and ADRs for US and European hotels.

+ **Strong cash reserves to capitalise on opportunities locally and abroad.** CDL's net gearing ratio of 9% at end FY17 is the lowest for the Group on record. The strong cash reserves of S\$4bn will allow the Group to capitalise on attractive opportunities globally.

The Negatives

- **Slowdown in overseas residential sales especially in China.** Sales in the Group's largest development in China, Hong Leong City Centre (HLCC) slowed YoY in FY17 with 348 units sold, from 535 in the previous year. This is possibly as a result of a slowdown in momentum after the initial launch of the project phases and ongoing cooling measures in the country and. Nonetheless, the project is still a healthy 86% sold, with total sales in HLCC to date amounting to RMB 3.53bn.

5 March 2018

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 12.69
FORECAST DIV	SGD 0.18
TARGET PRICE	SGD 13.40
TOTAL RETURN	7.0%

COMPANY DATA

BLOOMBERG CODE	CIT SP
O/S SHARES (MN):	909
MARKET CAP (USD mn / SGD mn):	8742 / 11539
52 - WK HI/LO (SGD):	13.6 / 9.45
3M Average Daily T/O (mn):	2

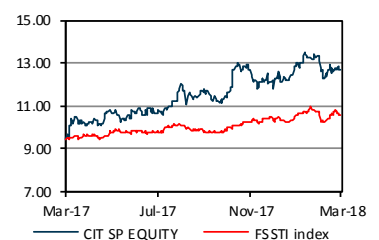
MAJOR SHAREHOLDERS (%)

HONG LEONG HOLDINGS LTD	16.4%
HONG LEONG INVESTMENT HLDG	15.4%
ABERDEEN	7.9%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(4.8)	4.6	32.2
STI RETURN	(1.3)	1.2	14.5

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD'MN	FY16	FY17	FY18e	FY19e
Revenue	3,905	3,905	3,994	4,064
Gross Profit	1,758	1,758	1,696	1,901
EBIT	924	924	843	1,033
EPS (SGD)	0.70	0.70	0.78	0.94
DPS (SGD)	0.12	0.18	0.18	0.18
PER, x (adj.)	12.5	12.5	11.2	9.3
P/BV, x	0.9	1.2	1.2	1.2
Div Yield, %	1.4%	2.1%	2.1%	2.1%
ROE, %	6.7%	5.7%	7.2%	6.7%

Source: Company Data, PSR est.

Valuation Method

RNAV

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Outlook

The outlook for CDL's residential segment is improved following the successful acquisitions of 4 sites since 2017, in view of the Group's dwindling inventory. Catalysts for share price could come from strong launches for The Tapestry, in Tampines (March 2018) and South Beach Residences (2Q/3Q18), which would test both the mass market and high-end segments. Global tourism is on the rebound as evident from the sustained RevPAR recovery for the Group into January 2018 at 3.6% YoY. The Group's new route map to a US\$5bn target AUM for the Fund Management segment by 2023 will create a new business division and revenue stream for the Group which will improve ROE in the medium term.

Maintain ACCUMULATE with higher TP of S\$13.40.

We roll our forecasts forward to FY18e and adjust our ASP assumptions for SG residential projects upwards by 5-10% in view of the upcycle in prices which is already taking place for primary and secondary transactions. Our RNAV-derived target price is corresponding increased to S\$13.4 (from S\$12.10), representing 1.29x FY18e P/NAV, still below the +1S.D. level of 1.48 since post-GFC.

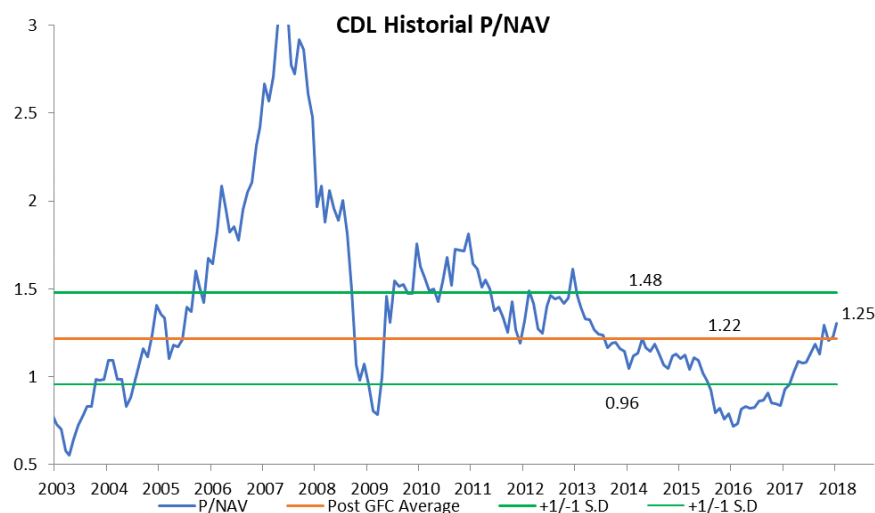
Valuations

Figure 1: RNAV Table

Segment	Location	Amount (S\$'m)	Per share (S\$)
Residential	SG	5,920	6.51
	Overseas	2,356	2.59
Hotels	SG	512	0.56
Office	SG	3,234	3.56
Retail	SG	923	1.01
Others	SG	83	0.09
Commercial	Overseas	550	0.60
Add: Market Value of stakes in Listed Entities			
Millenium and Copthorne (65% stake)		2,269	2.50
Total GAV		15,847	17.43
Add FY18e cash:		3,510	3.86
Less FY18e debt:		5,022	5.52
RNAV:		14,335	15.76
No. of shares ('m)		909	
Discount to RNAV (%)		15	
Target Price			13.40

Source: Company, PSR

Figure 2: CDL trades at slightly above post-GFC average P/NAV of 1.22



Financials

Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	3,304	3,905	3,829	4,067	4,097
Gross Profit	1,656	1,758	1,685	1,903	1,879
Depreciation & Amortisation	215	222	216	227	239
EBIT	951	924	800	1,034	1,003
Net Finance (Expense)/Inc	(72)	(80)	(65)	(83)	(84)
Associates & JVs	107	71	46	58	52
Profit Before Tax	985	914	780	1,008	971
Taxation	(119)	(151)	(105)	(167)	(161)
Profit After Tax	866	763	675	841	810
Non-Controlling Interest	93	109	114	105	109
Net Income, reported	773	872	675	946	920

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	5,175	5,136	5,014	5,264	5,528
Associates & JVs	1,307	1,462	1,558	1,608	1,653
Investment Properties	2,584	2,346	2,449	2,449	2,449
Others	365	774	1,023	721	839
Total non-current assets	9,430	9,717	10,043	10,042	10,468
Development property	5,515	5,209	4,561	4,614	4,460
Accounts Receivables	1,762	1,166	1,036	1,215	1,224
Cash balance	3,565	3,673	3,776	3,510	3,731
Others					
Total current assets	10,888	10,081	9,460	9,375	9,449
Total Assets	20,319	19,797	19,503	19,418	19,917

LIABILITIES

Short term loans	1,911	1,783	1,266	1,266	1,266
Accounts Payables	1,602	1,575	1,604	1,640	1,652
Others	319	301	391	339	345
Total current liabilities	3,832	3,659	3,262	3,245	3,263
Long term loans	4,572	3,955	3,756	3,756	3,756
Others	702	774	645	734	728
Total non-current liabilities	5,274	4,729	4,401	4,489	4,484
Total Liabilities	9,106	8,389	7,662	7,735	7,747

EQUITY

Shareholder Equity	8,996	9,294	9,584	9,426	9,913
Non-controlling interest	2,217	2,115	2,258	2,258	2,258
Total Equity	11,213	11,409	11,841	11,683	12,170

Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.84	0.70	0.58	0.93	0.89
DPS	0.16	0.12	0.18	0.18	0.18
BVPS	9.89	10.22	10.54	10.37	10.90

Cash Flows

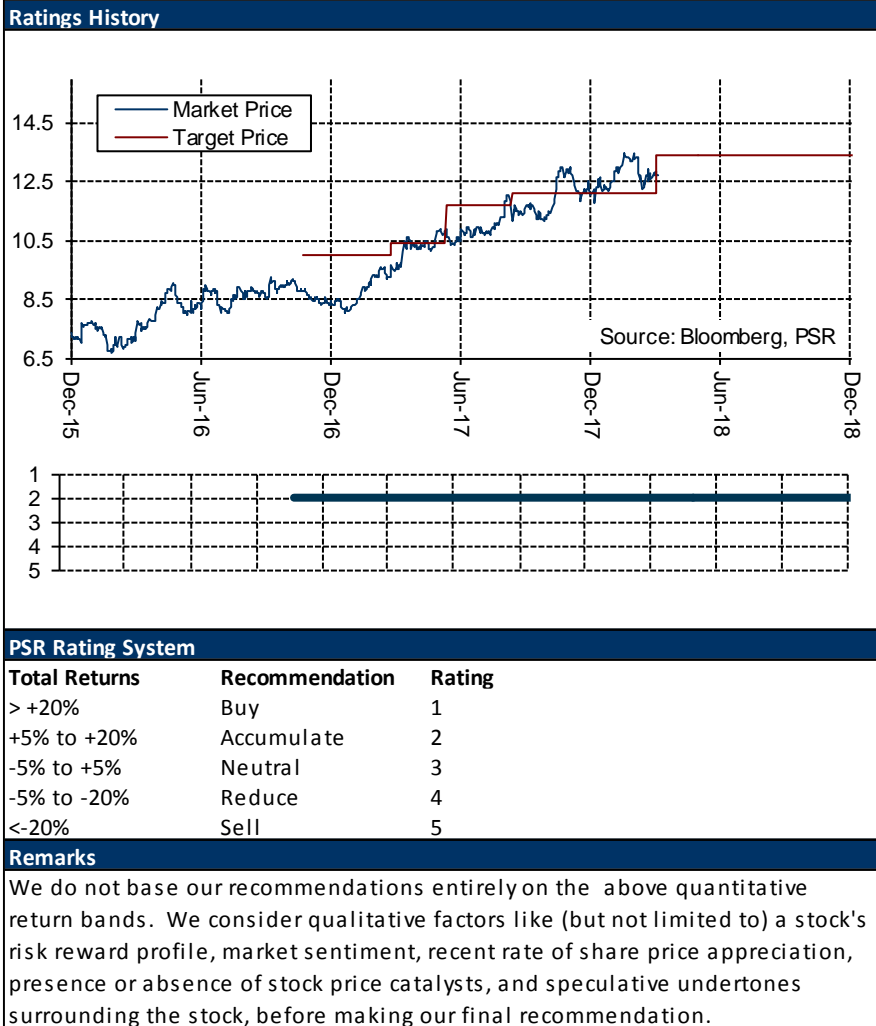
Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit for the year	866	763	675	841	810
Adjustments	52	245	277	337	324
WC changes	(712)	330	286	(195)	157
Cash generated from ops	206	1,338	1,238	983	1,291
Taxes paid, others	(128)	(157)	(162)	(167)	(161)
Cashflow from ops	78	1,181	1,076	816	1,130
CFI					
CAPEX, net	843	(204)	(45)	(186)	(199)
Cashflow from investments	520	318	(91)	(433)	(434)
CFF					
Dividends paid	(271)	(237)	(244)	(341)	(341)
Cashflow from financing	(914)	(1,341)	(922)	(479)	(474)
Net change in cash	(316)	158	63	(96)	222
Effects of exchange rates	7	-	(31)	-	-
CCE, end	3,416	3,573	3,606	3,510	3,731

Valuation Ratios

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	9.2	12.5	15.2	9.5	9.8
P/B (X)	0.8	0.9	1.2	1.2	1.2
Dividend Yield (%)	2.1%	1.4%	2.1%	2.1%	2.1%
Growth & Margins (%)					
Growth					
Revenue	-12.2%	18.2%	-2.0%	6.2%	0.7%
EBIT	-8.5%	-2.8%	-13.4%	29.2%	-2.9%
Net Income, adj.	-4.7%	-11.9%	-11.5%	24.6%	-3.7%
Margins					
EBIT margin	28.8%	23.6%	20.9%	25.4%	24.5%
Net Profit Margin	26.2%	19.5%	17.6%	20.7%	19.8%
Key Ratios					
ROE (%)	8.6%	6.7%	5.7%	7.2%	6.7%
ROA (%)	4.3%	3.9%	3.5%	4.3%	4.1%
Gearing (X)	0.32	0.29	0.26	0.26	0.25

Source: Company, PSR Estimates

*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.



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