

CapitaLand Ltd

A defensive move

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CAPL.SP | CATL.SI | CPL.SG
Industry: Property



Phillip Securities Research Pte Ltd

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Report type: Updates

Company Overview

CapitaLand is one of Asia's largest real estate companies. Headquartered and listed in Singapore, the company's core businesses in real estate, hospitality and real estate financial services are focused in growth cities in Asia Pacific and Europe.

- Emerged as the top bidder for a residential site at Bishan Street 14 with \$505.1mn
- Tender price of \$853psf is 3.06% higher than the second highest bidder, but 1.9% lower than the price that it tendered for Sky Habitat
- Maintain Accumulate with higher target price of \$3.97

What is the news?

CapitaLand emerged as the top bidder for a residential site at Bishan Street 14 in a GLS tender. The site is adjacent to its current project Sky Habitat and has an allowable GFA of 592,211sf and could yield about 645 units. It is in close proximity to Bishan MRT Interchange, bus interchange and Junction 8. The tender price of \$505.1mn translates to ~\$853psf. That is 3.06% higher than the second highest bidder, but 1.9% lower than the price (\$869psf) that it tendered for Sky Habitat site in Feb 2011.

How do we view this?

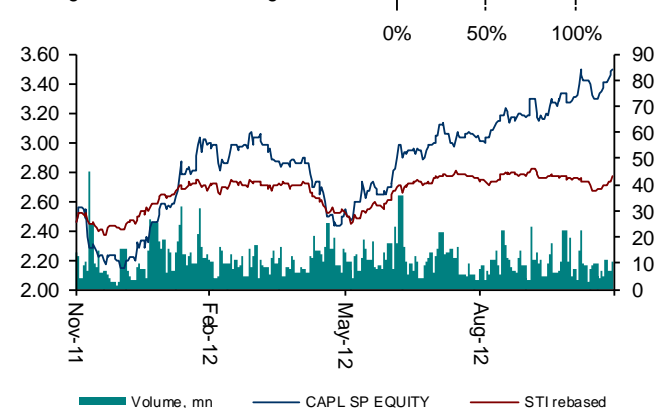
We view that as a defensive move by CapitaLand to maintain the selling price of Sky Habitat. As of October, the Sky Habitat is about 141 units sold out of the total 509 units, selling price ranging from \$1,435psf to \$1,893psf based on data from URA. We estimate the breakeven price of the latest site could be around \$1,200psf and eventual ASP could be around \$1,500psf, providing margin of ~25%, and potentially add ~3.3cents to its RNAV.

Investment Actions?

We keep our RNAV of \$4.18 pending further development detail of the site, but lower the discount to RNAV to 5% (previously 15%) as recent economic data points from China show signs of economy bottoming out. We believe CapitaLand's well-diversified portfolio in China could benefit from the current tailwind. Fair value is thus increase from \$3.55 to \$3.97. Maintain Accumulate.

CapitaLand Ltd

Rating	2	Accumulate
- Previous Rating	2	Accumulate
Target Price (SGD)	3.97	
- Previous Target Price (SGD)	3.55	
Closing Price (SGD)	3.50	
Expected Capital Gains (%)	13.5%	
Expected Dividend Yield (%)	1.0%	
Expected Total Return (%)	14.5%	
Raw Beta (Past 2yrs weekly data)	1.51	
Market Cap. (USD mn / SGD mn)	12190 / 14878	
Enterprise Value (USD mn / SGD mn)	22888 / 27992	
3M Average Daily T/O (mn)	9.5	
52 week range (SGD)	2.175 - 3.51	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Temasek Holdings Private Ltd	39.5
2. Janus Capital Management LLC	5.0
3. European Investor Inc	1.1

Key Financial Summary

FYE	12/11	12/12F	12/13F	12/14F
Revenue (SGD mn)	3020	3010	3782	5508
Net Profit, adj. (SGD mn)	574	572	730	1025
EPS, adj. (SGD)	0.14	0.13	0.17	0.24
P/E (X), adj.	25.9	26.0	20.4	14.5
BVPS (SGD)	3.51	3.62	3.75	3.94
P/B (X)	1.0	1.0	0.9	0.9
DPS (SGD)	0.08	0.04	0.05	0.07
Div. Yield (%)	2.3%	1.2%	1.5%	2.1%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

RNAV

Analyst

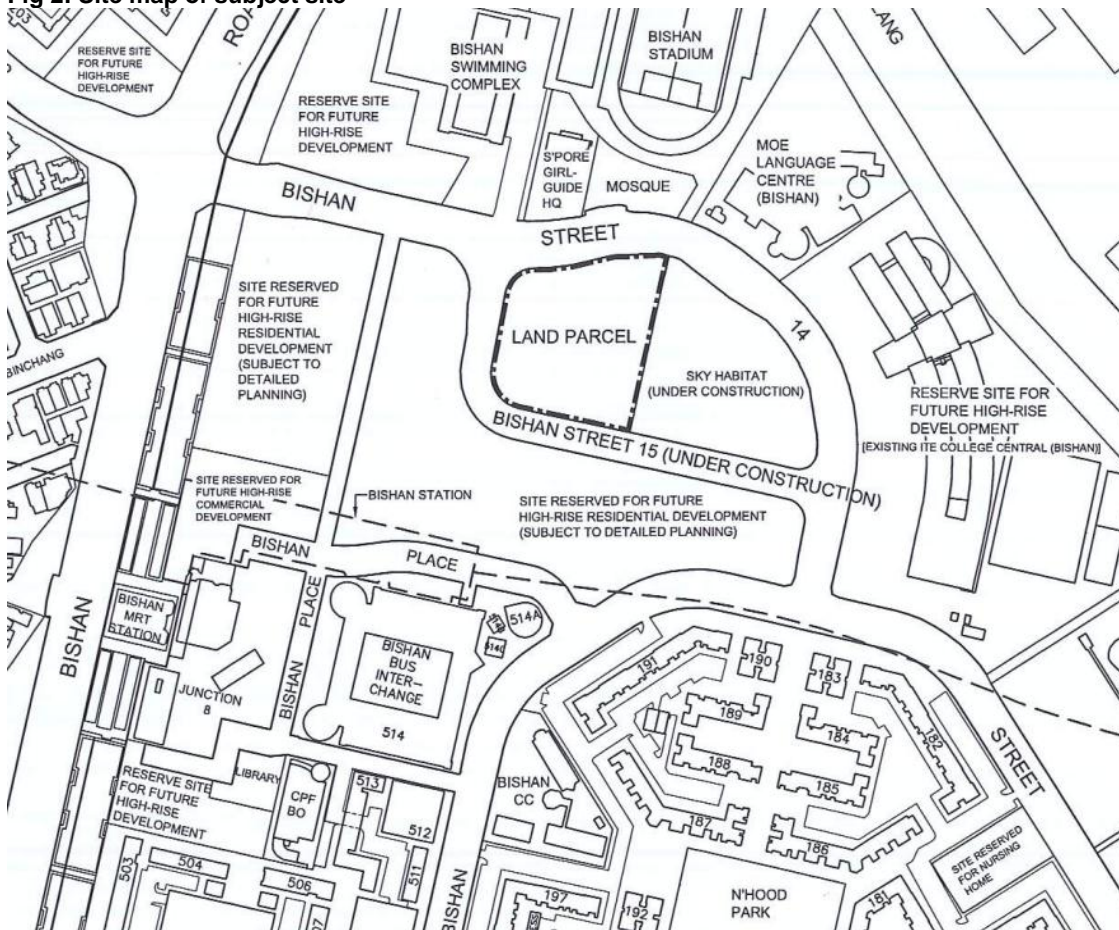
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Fig 1: Tender results

S/N	Name of Tenderer	Parent Company	Tender Price (\$)	\$psm/GFA (\$)
1	Allamanda Residential Development Pte. Ltd.	CapitaLand	\$505,100,000	\$9,180.93
2	Singland Homes Pte. Ltd, UOL Venture Investments Pte. Ltd, ORIX Investment and Management Pte Ltd	UOL JV	\$490,100,000	\$8,908.28
3A	FCL Topaz Pte. Ltd., Far East Orchard Limited and China Construction (South Pacific) Development Co. Pte. Ltd.		\$462,000,000	\$8,397.52
3B	Pinehill Investments Pte. Ltd.	Wheelock Properties	\$462,000,000	\$8,397.52
5	Acresvale Investment Pte Ltd	Keppel Land	\$456,390,000	\$8,295.55
6	MCL Land Limited		\$450,000,000	\$8,179.41
7	Intrepid Investments Pte Ltd, Verwood Holdings Pte. Ltd. and TID Residential Pte. Ltd.	CDL JV	\$444,148,000	\$8,073.04
8	Best Desire Investments Limited		\$401,100,000	\$7,290.58
9	Mezzo Development Pte Ltd		\$368,000,000	\$6,688.94

Source: HDB, PSR

Fig 2: Site map of subject site



Source: HDB

Fig 3: Details of site

Location	Bishan Street 14
Proposed Development	Condominium; Or Flats; Or With Prior Written Approval, A Combination Of Flats And Strata Landed Houses (Serviced Apartments Are Not Allow ed)
Site Area	11,227.8 sq m
Maximum GFA [GPR]	55,016.22 sq m [4.9]
Maximum Building Height	136m-140m AMSL
Estimated Dw elling Units	645
Lease Term	99 years

Source: HDB, PSR

Fig 4: Estimated RNAV of CAPL

RNAV				Per
			RNAV	share
			(S\$' mil)	(S\$)
Development properties				
Singapore residential			2,561	0.60
China residential			3,574	0.84
Other overseas residential			82	0.02
Commercial development			2,117	0.50
Investment properties				
Sg				
Office			62	0.01
Industrial			384	0.09
Overseas			971	0.23
Listed / unlisted entities				
		Stakes		
CMA	RNAV 2.27	65.5%	5,777	1.36
CCT	NAV	32.1%	1,439	0.34
Australand	NAV	59.3%	1,749	0.41
Ascott Group	GAV		3,753	0.88
CapitaFinancial	P/EBIT 13x		1,041	0.25
Others				
United Malayan Land	Monetised (MYR) 2.50	20.7%	63	0.01
Lai Fung Holdings	Mkt px (HK\$) 0.16	20.0%	39	0.01
Central China Real Estate	Mkt px (HK\$) 1.88	27.1%	162	0.04
Surbana	Cost	40.0%	360	0.08
GAV				
			24,132	5.69
Less: FY12E net debt (cash) and committed Capex				
			9,934	
Add: Non-attributable net debt from CMA & Australand				
			3,552	
RNAV				
			17,750	
RNAV/share (S\$)				
			4.18	
Premium/(discount) to RNAV				
			-5%	
Fair value (S\$)				
			3.97	

Source: PSR

FYE Dec	FY10	FY11	FY12F	FY13F	FY14F
Valuation Ratios					
P/E (X), adj.	15.0	25.9	26.0	20.4	14.5
P/B (X)	1.1	1.0	1.0	0.9	0.9
EV/EBITDA (X), adj.	16.6	22.4	23.8	21.4	16.5
Dividend Yield (%)	1.7%	2.3%	1.2%	1.5%	2.1%
Per share data (SGD)					
EPS, reported	0.33	0.25	0.19	0.17	0.24
EPS, adj.	0.23	0.14	0.13	0.17	0.24
DPS	0.06	0.08	0.04	0.05	0.07
BVPS	3.29	3.51	3.62	3.75	3.94
Growth & Margins (%)					
Growth					
Revenue	14.4%	-10.8%	-0.3%	25.6%	45.6%
EBITDA	20.5%	-25.8%	-5.8%	11.0%	29.4%
EBIT	26.9%	-25.5%	-6.1%	11.0%	30.1%
Net Income, adj.	-38.9%	-42.4%	-0.4%	27.6%	40.4%
Margins					
EBITDA margin	49.8%	41.4%	39.1%	34.6%	30.7%
EBIT margin	48.0%	40.1%	37.8%	33.4%	29.8%
Net Profit Margin	54.7%	47.1%	37.7%	27.5%	26.8%
Key Ratios					
ROE (%)	10.4%	7.3%	5.3%	4.7%	6.3%
ROA (%)	4.6%	3.1%	2.2%	1.9%	2.5%
Net Debt/(Cash)	3,168	5,926	9,934	11,825	12,596
Net Gearing (X)	0.18	0.31	0.50	0.57	0.57
Income Statement (SGD mn)					
Revenue	3,383	3,020	3,010	3,782	5,508
EBITDA	1,684	1,251	1,178	1,307	1,691
Depreciation & Amortisation	60	41	41	45	50
EBIT	1,625	1,210	1,137	1,262	1,642
Net Finance (Expense)/Income	(448)	(473)	(588)	(617)	(657)
Other items	n/a	n/a	n/a	n/a	n/a
Associates & JVs	960	877	742	537	692
Profit Before Tax	2,136	1,614	1,291	1,182	1,677
Taxation	(284)	(191)	(155)	(142)	(201)
Profit After Tax	1,852	1,423	1,136	1,040	1,476
Non-controlling Interest	427	366	331	310	452
Net Income, reported	1,426	1,057	805	730	1,025
Net Income, adj.	997	574	572	730	1,025

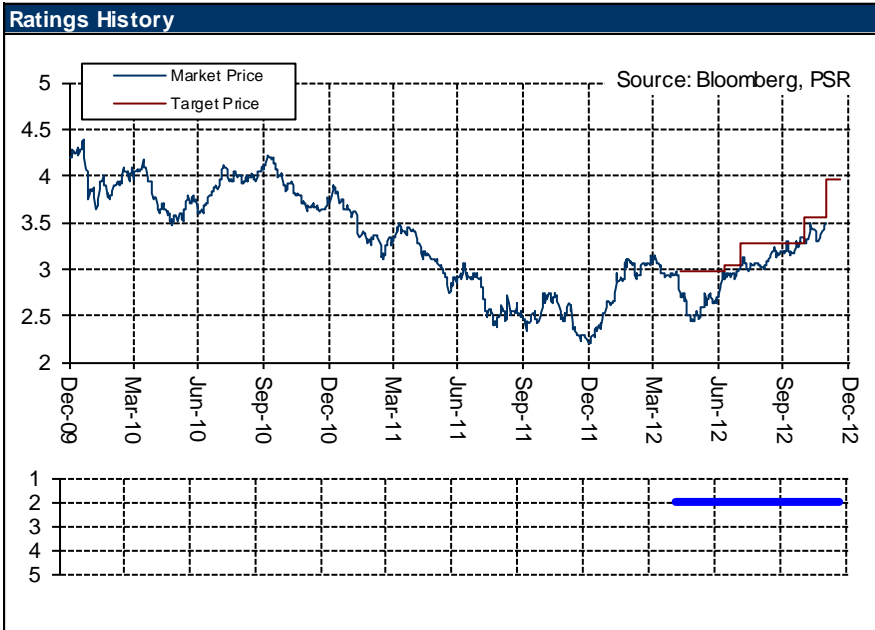
Source: PSR

FYE Dec	FY10	FY11	FY12F	FY13F	FY14F
Balance Sheet (SGD mn)					
PPE	1,049	1,076	1,221	1,311	1,458
Intangibles	460	459	436	414	393
Associates & JVs	10,049	10,685	13,111	14,091	15,272
Investments	4,733	7,075	8,446	9,471	10,132
Others	403	892	892	892	892
Total non-current assets	16,693	20,185	24,105	26,178	28,147
Inventories	0	0	0	0	0
Accounts Receivables	2,134	1,769	1,641	2,194	3,103
Investments	5,667	6,905	7,818	8,152	7,751
Cash	7,190	6,264	4,776	3,602	3,039
Others	203	195	195	195	195
Total current assets	15,194	15,134	14,430	14,143	14,087
Total Assets	31,887	35,319	38,535	40,321	42,234
Short term loans	1,762	860	1,621	1,876	1,621
Accounts Payables	2,050	2,270	2,172	2,372	2,820
Others	496	441	441	441	441
Total current liabilities	4,308	3,572	4,234	4,689	4,882
Long term loans	8,596	11,330	13,089	13,551	14,014
Others	1,117	1,178	1,178	1,178	1,178
Total non-current liabilities	9,714	12,508	14,266	14,729	15,192
Non-controlling interest	3,833	4,338	4,669	4,979	5,431
Shareholder Equity	14,032	14,902	15,366	15,924	16,730

Cashflow Statements (SGD mn)

CFO					
PBT	1,852	1,423	1,136	1,040	1,476
Adjustments	(853)	(709)	42	267	215
Cash from ops before WC changes	999	714	1,178	1,307	1,691
WC changes	79	(1,328)	(884)	(687)	(60)
Cash generated from ops	1,079	(614)	294	621	1,632
Taxes paid, net	(176)	(195)	(155)	(142)	(201)
Interest paid	0	0	0	0	0
Cashflow from ops	902	(809)	139	479	1,430
CFI					
CAPEX, net	22	(132)	(187)	(135)	(197)
Dividends from associates & JVs	293	586	0	0	0
Dividends/Interest from Investments					
Purchase/sale of investments	446	(2,153)	(1,371)	(1,025)	(661)
Investments in subs & associates	(2,577)	589	(1,661)	(422)	(468)
Others	0	0	0	0	0
Cashflow from investments	(1,817)	(1,110)	(3,218)	(1,582)	(1,326)
CFF					
Share issuance	22	3	0	0	0
Purchase of treasury shares	0	(63)	0	0	0
Loans, net of repayments	(211)	1,474	1,931	100	(449)
Dividends to minority interests	(104)	(146)	0	0	0
Dividends to shareholders & capital reduction	(447)	(256)	(340)	(172)	(219)
Others	150	(29)	0	0	0
Cashflow from financing	(590)	982	1,591	(71)	(668)
Net change in cash	(1,505)	(937)	(1,488)	(1,174)	(563)
Effects of exchange rates	(37)	5	0	0	0
CCE, include restricted cash, end	7,190	6,264	4,776	3,602	3,039

Source: PSR



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

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