

City Developments Limited

Recovery and assets monetisation underway



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SINGAPORE | REAL ESTATE | RE-INITIATE

20 September 2021

- Catching Singapore property upcycle with a strong development pipeline of 1,746 units, translating to FY22e/23e GDV of S\$2.1b/S\$1.0bn.
- Impending recovery of hospitality sector and monetisation of assets through potential SREIT listing to improve financial position.
- Re-initiate with BUY and RNAV-derived TP S\$9.19 (35% discount). CDL is trading at an attractive 49% discount to our RNAV/share of S\$14.14.

BUY (Re-initiate)

LAST DONE PRICE	SGD 7.25
FORECAST DIV	SGD 0.20
TARGET PRICE	SGD 9.19
TOTAL RETURN	29.6%

COMPANY DATA

BLOOMBERG CODE:	CIT SP Equity
O/S SHARES (MN) :	907
MARKET CAP (USD mn / SGD mn) :	4875 / 6575
52 - WK HI/LO (SGD) :	8.3 / 6.14
3M Average Daily T/O (mn) :	2.86

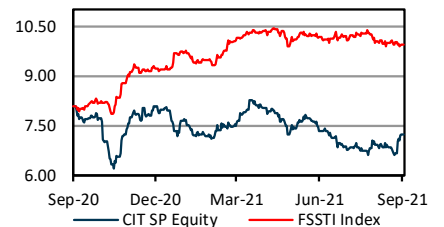
MAJOR SHAREHOLDERS (%)

HONG LEONG INVESTMENT HOLDINGS	17.2%
DAVOS INVESTMENT HOLDINGS	16.4%
ABRDN PLC	5.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	4.6	(2.4)	(7.2)
STI RETURN	(1.3)	(1.0)	11.0

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD mn	FY19	FY20e	FY21e	FY22e
Revenue	3,429	2,108	2478	3216
Gross Profit	1,638	829	918	1438
EBIT	654	(852)	355	692
EPS (SGD)	0.61	(2.13)	0.21	0.60
DPS (SGD)	0.20	0.12	0.12	0.15
P/E (x)	14.3	-4.1	41	14
P/BV (x)	0.6	0.8	0.7	0.7
Div Yield	2.3%	1.4%	1.4%	1.7%
ROE	5.4%	-20.3%	2.0%	5.2%

Source: Company Data, Bloomberg

Valuation Method

RNAV

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Investment Thesis

- Catching Singapore property upcycle with a strong development pipeline.** CDL picked up two plots of land YTD – the Northumberland Road GLS and the Tengah Gardens EC site. Residential units from its redevelopment projects, Canninghill Piers (Liang Court) and Fuji Xerox, brings CDL's unlaunched pipeline to 1,121 units, which will be launch over the next two years. Based on our forecasts, these two redevelopment projects should yield CDL respectable margins above 30%. Including the unsold units from earlier launches, we estimate that CDL has 1,746 units to be monetised, translating to FY22e/23e GDV of S\$2.1b/S\$1.0bn.
- Impending recovery of hospitality sector.** CDL's hotel segment contributed S\$192/178mn or 16.2%/15.8% of EBITDA in 2018/19. COVID-19 severely impacted the hospitality portfolio in FY20. Portfolio occupancy fell from 74% to 39%, resulting in a 64.5% nosedive in RevPAR. Revenue for the segment is expected to recovery gradually, in tandem with the sector. CDL's cost containment initiatives to reduce duplication of roles and digitalisation efforts to lower manning cost should help improve margins, hastening its return to profitability. Keeping our forecast conservate, we projected 20% revenue CAGR for FY21e-FY25e. We expect the segment to turn NPI positive by 2024, before recovering to pre-pandemic levels in 2025.
- Listing of UK Commercial REIT improve balance sheet.** CDL applied for the initial public offering of UK commercial SREIT in June 2021. We understand that that CDL will co-sponsor the SREIT. Assuming a 20-25% stake for CDL, the injection of 125 Old Broad Street and Aldgate House into a 38%-geared S\$3.5bn SREIT portfolio could unlock S\$526-633mn for the group.

Outlook

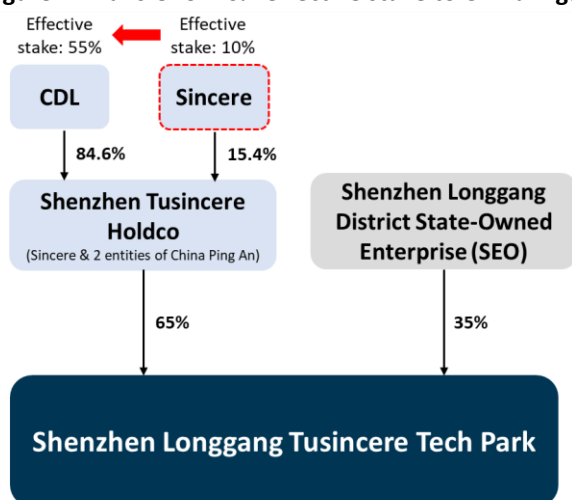
Closing the chapter on Sincere. CDL provided a S\$1.7bn write down on its exposure to Sincere in 2H20, fully impairing its equity stake in Sincere. The sale of the equity stake in Sincere for US\$1, which was announced on 10 September 2021, is CDL's final attempt to turn the page on this chapter. In the announcement, CDL also reported the transfer of Sincere's 10% effective stake in Shenzhen Longgang Tusincere Tech Park to the group, as partial repayment of loans extended to Sincere. This further reduces CDL's exposure to Sincere to approximately S\$52mn, while increasing CDL's stake in Tusincere to 65% (Figure 1 and 2). CDL acquired its initial 55% stake in Feb21. As of 20 February 2021, 2224,933 sqm or 54% of the saleable area of Phase1-3 have been pre-sold, translating to sales proceeds of RMB7.2bn (c.S\$1,477mn). Construction of Phase 4, the self-held office block, has not commenced.

Figure 1: CDL's exposure to Sincere

Financial Exposure (\$m)	Gross	Impairment/ provision in 2H20	Net Exposure as at FYE20	Impairment/ provision in 1H21	Net Exposure as at 1H21	Partial repayment: 10% stake in Tusincere)	Net Exposure as at Sep21
Investment in JV (Sincere) - Equity investment	806	(806)					
Financial assets - USD Bond debt investment	305	(288)	17	(4)	13		13
Other receivables (loans granted)	433	(324)	109		109	(70)	39
Provisions for corporate guarantee	283	(283)					
Total Exposure	1,827	(1,701)	126	(4)	122	(70)	52

Source: CDL, PSR

Figure 2: Transfer of 10% effective stake to CDL brings CDL's stake in Tusincere to 65%



Source: CDL, PSR

Figure 3: CDL's development pipeline

Land Bank			% Sold	CDL's stake of unsold units
New Futura	100%	124	100%	
The Tapestry (Tampines)	100%	861	100%	
Whistler Grand (West Coast Vale)	100%	716	99.7%	2
South Beach Residences	50%	190	96%	4
The Jovell	33%	428	72%	39
2019				
Boulevard 88 [Former Boulevard Hotel Site, lega	40%	154	77%	14.4
Amber Park	80%	592	75%	117
Haus on Handy	100%	188	21%	149
Piermont Grand [EC]	60%	820	98%	10.8
Sengkang Grand	50%	680	81%	64.5
2020				
Penrose (Sims Drive)	40%	566	86%	31.2
2021				
Irwell Hill Residences	100%	540	64%	193
Canninghill Piers (Cqredevelopment)	50%	696	4Q21	348
2022				
Northumberland Road (Mixed use)	50%	407	1H22	203.5
Tengah Garden Walk EC	50%	628	2H22	314
Fuji Xerox Residential	100%	256	2H22	256
Total				1,746

Source: CDL, PSR, information accurate as at 31 Dec 2021

Re-initiate with BUY and RNAV TP of S\$9.19

CDL is trading at an attractive 49% discount to our RNAV/share of S\$14.14. Asset monetisation and faster-than-expected recovery in hospitality portfolio are potential catalyst for CDL while recent AEs and redevelopments should strengthen income stream and portfolio.

Figure 4: RNAV table

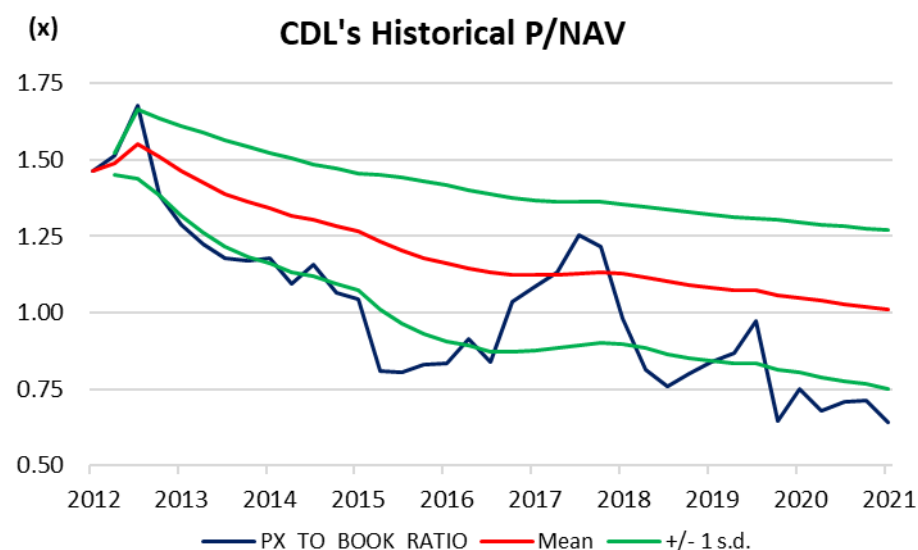
Segment	Location	RNAV (S\$m)
Residential	SG Surplus	1,917
	Overseas Surplus	460
	SG+Overseas NAV	5,441
Office	SG	2,820
Hotels/SRs	SG + Overseas	7,612
Retail	SG	734
Industrial	SG	327
Commercial	Overseas	2,616

Stakes in listed entities:	Stake	TP/Consenses (S\$)	Shares (mn)	
CDL Hospitality Trust	39%	1.20	1,229	575
IREIT Global REIT	21%	0.75	1,153	182
First Sponsor Group	36%	1.56	920	517

Total GAV	23,201
Net cash/(debt)	(10,374)
RNAV:	12,827
No. of shares (mn)	906.9
RNAV per share (S\$)	14.14
Discount to RNAV	35%
Target Price (S\$)	9.19

Source: Company, PSR

Figure 5: CDL's historical P/NAV



Income Statement

Y/E Dec, SGD mn	FY18	FY19	FY20e	FY21e	FY22e
Revenue	4,223	3,429	2,108	2,478	3,216
Gross Profit	1,914	1,638	829	918	1,438
Depreciation & Amortisation	219	276	287	239	238
EBIT	905	654	(852)	355	692
Net Finance (Expense)/Inc	(94)	(96)	(93)	(103)	(133)
Associates & JVs	65	196	(846)	(22)	99
Profit Before Tax	876	754	(1,791)	230	659
Taxation	(215)	(141)	(88)	(39)	(112)
Profit After Tax	661	613	(1,879)	191	547
Non-Controlling Interest	103	49	39	64	50
Net Income, reported	661	613	(1,879)	191	547

Per share data (SGD)

Y/E Dec, SGD	FY18	FY19	FY20e	FY21e	FY22e
EPS, reported	0.60	0.61	-2.13	0.21	0.60
DPS	0.20	0.20	0.12	0.12	0.15
BVPS	11.05	11.60	9.38	9.69	10.61

Cash Flows

Y/E Dec, SGD mn	FY18	FY19	FY20e	FY21e	FY22e
CFO					
Profit for the year	661	613	(1,879)	191	547
Adjustments	267	50	2,091	358	266
WC changes	(1,531)	276	(581)	538	36
Cash generated from ops	(389)	1,080	(280)	1,127	961
Taxes paid, others	(211)	(244)	(76)	(39)	(112)
Cashflow from ops	(600)	836	(356)	1,088	849
CFI					
CAPEX, net	(106)	(204)	154	(174)	(220)
Cashflow from investments	(1,729)	(1,350)	(1,076)	(430)	(561)
CFF					
Dividends paid	(285)	(269)	(190)	(109)	(136)
Cashflow from financing	898	1,149	1,564	(1,314)	(295)
Net change in cash	(1,431)	636	131	(657)	(7)
Effects of exchange rates	(6)	(8)	34	-	-
CCE, end	2,162	2,790	2,955	2,298	2,291

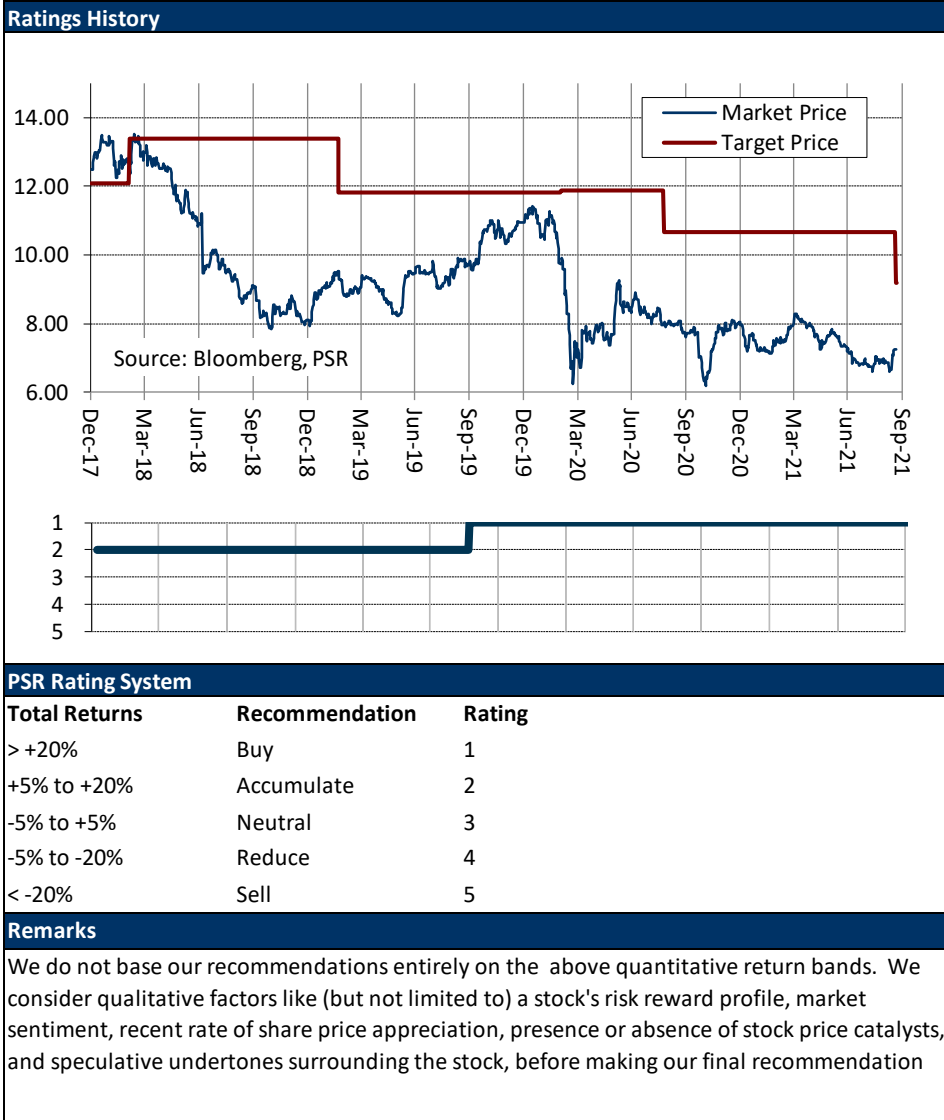
Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, SGD mn	FY18	FY19	FY20e	FY21e	FY22e
ASSETS					
PPE	5,013	5,462	5,526	5,507	5,489
Associates & JVs	1,735	1,755	1,793	2,192	2,849
Investment Properties	3,741	4,410	4,569	4,676	4,793
Others	1,296	1,738	977	983	988
Total non-current assets	11,786	13,366	12,865	13,358	14,119
Development property	5,704	5,156	5,391	5,441	5,491
Accounts Receivables	955	822	1,681	594	771
Cash balance	2,289	2,798	3,127	2,298	2,291
Others	147	1,059	613	567	567
Total current assets	9,099	9,834	10,812	8,901	9,120
Total Assets	20,886	23,200	23,677	22,259	23,240
LIABILITIES					
Short term loans	1,258	2,038	2,799	1,751	1,751
Accounts Payables	1,293	1,199	1,349	866	1,125
Others	552	540	867	851	855
Total current liabilities	3,104	3,777	5,014	3,468	3,731
Long term loans	5,069	7,673	8,756	8,605	8,454
Others	439	483	634	599	590
Total non-current liabilities	5,508	8,156	9,390	9,204	9,044
Total Liabilities	8,612	11,934	14,404	12,672	12,775
EQUITY					
Shareholder Equity	10,041	10,520	8,502	8,790	9,625
Non-controlling interest	2,233	746	740	797	839
Total Equity	12,274	11,267	9,272	9,587	10,465

Valuation Ratios

Y/E Dec, SGD mn	FY18	FY19	FY20e	FY21e	FY22e
P/E (X), adj.	14.51	14.30	-4.08	41.40	14.45
P/B (X)	0.66	0.62	0.77	0.75	0.68
Dividend Yield	2.3%	2.3%	1.4%	1.4%	1.7%
Growth & Margins (%)					
Growth					
Revenue	10.3%	-18.8%	-38.5%	17.5%	29.8%
EBIT	13.5%	-27.7%	-230.2%	-141.7%	94.9%
Net Income	0.5%	-7.2%	-406.3%	-110.2%	186.4%
Margins					
EBIT margin	21.4%	19.1%	-40.4%	14.3%	21.5%
Net Profit Margin	15.6%	17.9%	-89.1%	7.7%	17.0%
Key Ratios					
ROE (%)	5.4%	5.4%	-20.3%	2.0%	5.2%
ROA (%)	3.2%	2.6%	-7.9%	0.9%	2.4%
Gearing (x)	0.33	0.61	0.91	0.84	0.76



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