

COMPANY UPDATE

CapitaLand Investment (CLI SP)

Executing Well Operationally But Cautious On 2025

CLI announced a 3Q24 business update that was operationally in line with estimates; however, revenue was slightly lower than expected at S\$2.26b (+1% yoy). In our view, the highlight was the company exceeding its capital recycling target of S\$3b having divested of S\$4.1b of assets ytd. Although management stated that it expects to perform well operationally, it guided for a more challenging 2025 on the earnings front. Maintain BUY. Target price lowered to S\$3.85.

WHAT'S NEW

9M24 REVENUE

Year to 31 Dec, S\$m	9M23	9M24	% yoy	Comment
- Lodging management	249	251	0.8%	- Higher RevPAU and new units opened
- Commercial management	246	281	14.2%	- Improved asset performance and management fee restructuring
- Listed fund mgmt.	221	218	-1.4%	
- Private fund mgmt	83	95	14.5%	
Fee related revenue	799	845	5.8%	
Real estate investment business	1,442	1,419	-1.6%	- Impact of asset divestments
<b>Total revenue</b>	<b>2,241</b>	<b>2,264</b>	<b>1.0%</b>	

Source: CapitaLand Investment Limited, UOB Kay Hian

- A weaker-than-expected quarter.** Although CapitaLand Investment (CLI) is performing well on the operational front, the company reported a weaker-than-expected quarter with 9M24 revenue of S\$2.26b which was stable on a yoy basis and made up 72% of our full-year estimate.
- Easily exceeding its capital recycling target.** As guided during its 1H24 analyst call, the company easily exceeded its 2024 capital recycling target of S\$3b by divesting an effective S\$4.1b of assets for 9M24. This includes the S\$1.9b divestment of ION Orchard and S\$1.2b sale of its US multifamily assets. During yesterday's 3Q24 briefing, CLI stated that will remain very active until the end of December with a couple of projects that could potentially complete by then. The company reiterated its plan to lower its leverage thus providing it with fuel for new funds and M&As.
- Operationally, the two key highlights were commercial and lodging management,** with 9M24 revenue up 12% yoy (excluding one-off items) and 14% yoy respectively. The former was driven by improved asset performance as well as restructuring in its management fees, while the latter saw a 4% yoy growth in its RevPAU with a notable 13% yoy increase in Japan/South Korea and 7% yoy increase in Southeast Asia/Australia. CLI has signed up >10,200 units in 9M24 (1Q23: 9,500 units) and opened more than 7,200 units in the same period (1Q23: 6,200 units).

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	2,876	2,784	3,077	3,121	3,207
EBITDA	1,435	831	1,394	1,453	1,617
Operating profit	1,289	689	1,248	1,304	1,464
Net profit (rep./act.)	862	182	709	739	804
Net profit (adj.)	862	182	709	739	804
EPS (S\$ cent)	16.6	3.5	13.7	14.3	15.5
PE (x)	17.6	82.7	21.3	20.4	18.7
P/B (x)	1.0	1.1	1.1	1.1	1.0
EV/EBITDA (x)	18.2	31.5	18.8	18.0	16.2
Dividend yield (%)	4.1	4.1	2.8	2.9	3.2
Net margin (%)	30.0	6.5	23.0	23.7	25.1
Net debt/(cash) to equity (%)	54.2	56.4	53.4	47.9	41.7
Interest cover (x)	3.3	1.7	3.7	4.1	4.4
ROE (%)	5.4	1.2	4.9	5.1	5.4
Consensus net profit	-	-	704	794	904
UOBKH/Consensus (x)	-	-	1.01	0.93	0.89

Source: CapitaLand Investment, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.91
Target Price	S\$3.85
Upside	+32.3%
(Previous TP)	S\$4.04

COMPANY DESCRIPTION

CLI is a global real estate manager with an Asian foothold and a diversified exposure across retail, office, lodging and new economy asset classes.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CLI SP
Shares issued (m):	4,988.4
Market cap (S\$m):	14,516.1
Market cap (US\$m):	10,913.6
3-mth avg daily t'over (US\$m):	24.3

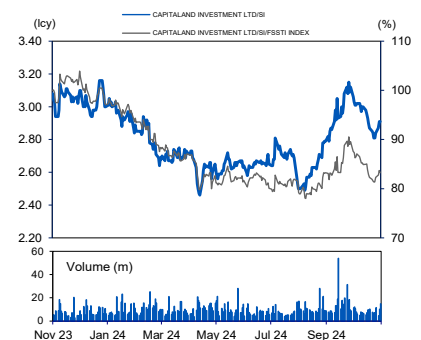
Price Performance (%)

52-week high/low	S\$3.20/S\$2.42				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
(6.7)	15.0	9.8	(7.0)	(7.9)	

Major Shareholders

	%
Temasek Hldgs	53.3
-	-
FY24 NAV/Share (S\$)	2.69
FY24 Net Debt/Share (S\$)	1.48

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Adrian Loh**  
 +65 6590 6633  
 adrianloh@uobkayhian.com

### STOCK IMPACT

- China – positive news on the asset recycling front but continues to be tough operationally.** On the asset recycling front, CLI has been able to accelerate balance sheet divestments by tapping RMB capital and seed assets into funds and believes it can achieve S\$1b per year in divestments for the next three years. However, its assets in China were the only ones that saw negative rental reversion across all its sectors along with a 3.2% yoy decline in tenant sales.
- Fund management business retains strong investor interest.** CLI has raised S\$1.6b in private capital ytd with S\$900m across two funds (CapitaLand SEA Logistics Fund and CapitaLand India Growth Fund 2) in 3Q24 alone. The company stated that it will look to raise more capital for thematic funds targeting Japan, Australia and Korea while sectors such as self-storage, wellness and data centres are the key sectors that investors are focused on. CLI is notably witnessing progress for its RMB funds as well as funds targeting Southeast Asia, Singapore or Malaysia as it has investors looking for specific exposure to those markets.
- Potential asset revaluations for 2024.** While revaluations from its S\$8b worth of REITs have been positive this year with India and Singapore continuing to be strong, management noted that it faces weakness in the US, Europe and Australia with the biggest negative factor being China. Thus, despite the positive ramifications of the US Fed rate cut and the China stimulus packages, China's weaker economic conditions compared with the year-ago period will invariably lead to negative asset revaluations in our view.
- Capital management – More share buybacks to look forward to.** CLI stated that it will continue its share buyback programme for the rest of 2024 and pointed out that ytd, it has bought back nearly S\$343m (or 126m shares) in its own stock which is more than last year.

### EARNINGS REVISION/RISK

- Downgrading earnings.** We have adjusted our estimates down by 2-9% for 2024-26 (see table on RHS) as we lowered our funds fee rate estimates as well as cut revenue growth and EBITDA margin assumptions for its real estate investment business. We highlight that on the analyst call yesterday, the company stated that 2025 will be "challenging" for its profitability.

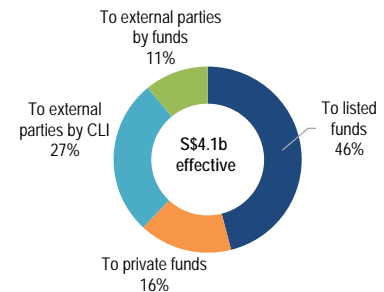
### VALUATION/RECOMMENDATION

- Maintain BUY with a lower SOTP-based target price of S\$3.85 (previously S\$4.04)** as we have: a) rolled over our valuation year to 2025, b) updated its comparable company valuations for the investment and lodging management segments, c) updated the target prices for the listed REITs covered by UOB Kay Hian, and d) updated the asset valuations within its property investment arm.
- CLI's share price has recovered** from its lows in August due to news of the China stimulus package as well as the interest rate cut by the US Fed in September. Looking ahead, positive newsflow on the asset recycling front as well as further concrete policy support by the Chinese government could provide further upside to the share price. However, the wild card is the pace of the US Fed rate cuts which could be aborted due to the potential inflationary effects of various economic policies under a Trump presidency.

### SHARE PRICE CATALYST

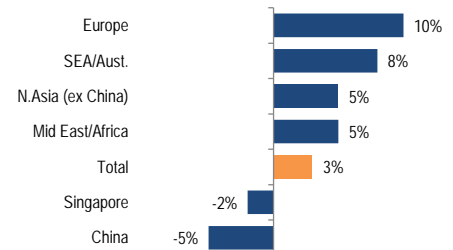
- Sustained economic recovery in China leading to more active capital recycling efforts.
- An improved M&A market with signs of the US Fed showing a willingness to cut interest rates.
- Positive newsflow from its Investor Day on 22 Nov 24.

### DIVESTMENTS YTD (2024)



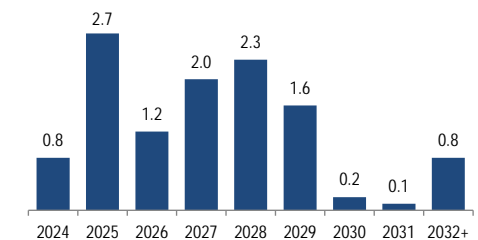
Source: CLI

### YOY CHANGE IN REVPAU (3Q24)



Source: CLI

### LOAN MATURITY PROFILE (\$B)



Source: CLI

### CHANGES TO EARNINGS FORECASTS

S\$m	2024E	2025E	2026E
NPAT - was	724	811	875
NPAT - is	708	738	803
Change	-2.3%	-8.9%	-8.2%

Source: UOB Kay Hian

### SOTP VALUATION

Business units	S\$m	S\$/share
Investment management	4,231	0.81
Lodging management	1,113	0.21
Property investment	6,656	1.28
Unlisted funds	7,900	1.52
Listed funds	8,623	1.66
Less: overheads	(800)	(0.15)
Gross asset value	27,722	5.33
Less: other adjustments	(7,679)	(1.48)
Enterprise value	20,044	3.85

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	2,784	3,077	3,121	3,207
EBITDA	831	1,394	1,453	1,617
Deprec. & amort.	142	146	149	153
EBIT	689	1,248	1,304	1,464
Total other non-operating income	1	1	1	1
Associate contributions	273	750	750	750
Net interest income/(expense)	(488)	(372)	(358)	(368)
<b>Pre-tax profit</b>	<b>475</b>	<b>1,627</b>	<b>1,698</b>	<b>1,847</b>
Tax	(141)	(325)	(339)	(369)
Minorities	(152)	(593)	(619)	(673)
Preferred dividends	182	709	739	804
<b>Net profit</b>	<b>182</b>	<b>709</b>	<b>739</b>	<b>804</b>

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	682	1,068	1,114	1,248
Pre-tax profit	475	1,627	1,698	1,847
Tax	(141)	(325)	(339)	(369)
Deprec. & amort.	142	146	149	153
Associates	0	0	0	0
Working capital changes	(190)	0	0	0
Non-cash items	0	0	0	0
Other operating cashflows	396	(379)	(393)	(383)
<b>Investing</b>	<b>(187)</b>	<b>24</b>	<b>25</b>	<b>(25)</b>
Capex (growth)	(725)	(250)	(250)	(250)
Investments	379	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	159	274	275	225
<b>Financing</b>	<b>(637)</b>	<b>(1,031)</b>	<b>(1,492)</b>	<b>(1,471)</b>
Dividend payments	(786)	(782)	(584)	(603)
Proceeds from borrowings	420	0	0	0
Loan repayment	0	(328)	(1,000)	(1,000)
Others/interest paid	(271)	79	92	132
<b>Net cash inflow (outflow)</b>	<b>(142)</b>	<b>61</b>	<b>(353)</b>	<b>(248)</b>
Beginning cash & cash equivalent	2,624	2,439	2,500	2,147
Changes due to forex impact	(22)	21	21	21
<b>Ending cash &amp; cash equivalent</b>	<b>2,460</b>	<b>2,521</b>	<b>2,168</b>	<b>1,920</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	1,312	1,416	1,517	1,614
Other LT assets	28,310	28,335	28,360	28,385
Cash/ST investment	2,460	2,521	2,168	1,920
Other current assets	1,987	1,992	1,997	2,002
<b>Total assets</b>	<b>34,069</b>	<b>34,265</b>	<b>34,042</b>	<b>33,921</b>
ST debt	1,014	1,200	1,200	1,200
Other current liabilities	2,530	2,530	2,530	2,530
LT debt	9,514	9,000	8,000	7,000
Other LT liabilities	2,838	3,181	3,548	3,966
Shareholders' equity	14,293	14,376	14,688	15,046
Minority interest	3,880	3,977	4,076	4,178
<b>Total liabilities &amp; equity</b>	<b>34,069</b>	<b>34,265</b>	<b>34,042</b>	<b>33,921</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	29.8	45.3	46.6	50.4
Pre-tax margin	17.1	52.9	54.4	57.6
Net margin	6.5	23.0	23.7	25.1
ROA	0.5	2.1	2.2	2.4
ROE	1.2	4.9	5.1	5.4
<b>Growth</b>				
Turnover	(3.2)	10.5	1.4	2.8
EBITDA	(42.1)	67.7	4.3	11.3
Pre-tax profit	(65.8)	242.4	4.3	8.8
Net profit	(78.9)	288.7	4.3	8.8
Net profit (adj.)	(78.9)	288.7	4.3	8.8
EPS	(78.7)	288.7	4.3	8.8
<b>Leverage</b>				
Debt to total capital	36.7	35.7	32.9	29.9
Debt to equity	73.7	71.0	62.6	54.5
Net debt/(cash) to equity	56.4	53.4	47.9	41.7
Interest cover (x)	1.7	3.7	4.1	4.4

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W