

Company Flash Note

Singapore

January 5, 2018 - 6:53 PM

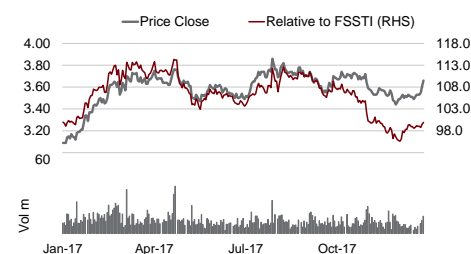
ADD (no change)

Consensus ratings*:	Buy 17	Hold 5	Sell 0
Current price:	S\$3.66		
Target price:	S\$4.25		
Previous target:	S\$4.25		
Up/downside:	16.2%		
CIMB / Consensus:	-0.1%		
Reuters:	CATL.SI		
Bloomberg:	CAPL.SP		
Market cap:	US\$11,694m		
	S\$15,545m		
Average daily turnover:	US\$22.79m		
	S\$30.85m		
Current shares o/s	4,247m		
Free float:	53.1%		

*Source: Bloomberg

Key financial forecasts

	Dec-17F	Dec-18F	Dec-19F
Net Profit (S\$m)	921	862	1,014
Core EPS (S\$)	0.22	0.20	0.24
Core EPS Growth	4.5%	(6.4%)	17.6%
FD Core P/E (x)	19.87	21.23	18.05
Recurring ROE	5.17%	4.72%	5.41%
P/BV (x)	0.86	0.84	0.82
DPS (S\$)	0.097	0.092	0.092
Dividend Yield	2.64%	2.50%	2.52%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.4	1.7	19.6
Relative (%)	1.6	-6.5	-0.2

Major shareholders	% held
Temasek Holdings	40.9
Blackrock	6.0

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CapitaLand

Unlocking value from mature China malls

- CAPL is selling its stakes in 20 China malls, realising a net gain of S\$75m.
- Unlocking value of mature assets while reconstituting portfolio to tap future growth opportunities.
- Maintain Add and TP of S\$4.25.

Selling stakes in 20 China malls

- CAPL today announced it is selling its share of interest in 20 malls in China as part of its move to reconstitute its retail asset portfolio in China. The total agreed property value of Rmb8,365m (S\$1,705.9m) is 6.7% higher than the Jun 17 valuation of Rmb7,842.2m (S\$1,599.3m).

Reconstituting portfolio for better resource allocation

- These 20 malls make up 4% CAPL's total portfolio and 7% of its China mall portfolio values as at Jun 17. Post transaction, CAPL will have 49 malls, now spread over 22 cities in China vs. 36 previously. 92% of the remaining malls are located in the Tier 1 and 2 cities.
- Not only would the reconstituted portfolio offer stronger clustering effect, the sharper geographic focus would enable better resource allocation and economies of scale as well as enhance its capacity to capture growth opportunities in China.

Expect to realise S\$75m net gain

- CAPL targets to complete the deal in 2Q18. It expects to generate net proceeds of S\$660m and realise a net gain of S\$75m from this transaction. Income vacuum from the sale of the properties would be more than offset by the growing income contribution from the 1m sqm of new retail GFA completed in 2017, in our view.
- More importantly, it has unlocked value from mature assets for reinvestment into new growth opportunities. In 2017, the group divested S\$2.5bn worth of assets and redeployed capital into S\$5.6bn of new investments. This should continue to drive RNAV growth going forward.

Maintain Add

- We leave our earnings and RNAV estimates unchanged for now. We see this deal as positive as it will enable the group to boost portfolio total returns and ROE in the medium term. We maintain our Add call with TP of S\$4.25, pegged to a 20% discount to RNAV.

Figure 1: CapitaLand's RNAV breakdown

	RNAV (S\$m)			
RESIDENTIAL				
China	2,825			
Singapore	1,680			
Vietnam	668			
	5,174			
COMMERCIAL/MIXED DEVELOPMENTS				
China				
Raffles City China Fund (RCCF)	2,940			
Other commercial assets directly held	2,758			
CMA	17,779			
Singapore	2,599			
Malaysia	709			
Other regions				
Ascott (Ex ART)	FY15 PE (x) 15	1,246		
Others		759		
FUND MANAGEMENT AND OTHERS				
Fund and REIT mgmt business	FY15 P/E (x) 15	1,710		
VALUE FROM STAKES IN LISTED VEHICLES	Stake (%)	Price/Target S\$	Shares m	
CCT	32%	1.68	3,607	1,946
ART	44%	1.16	2,148	1,100
GAV (S\$m)				38,920
Add: CCT net debt not attributable to CapLand				806
Add: ART net debt not attributable to CapLand				755
Less: Adj net debt, OBS debt and devt capex				(17,841)
Group RNAV (S\$m)				22,639
CapLand RNAV (S\$ per share)				5.31
Target price		(Disc)/Prem to RNAV	-20%	4.25

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Singapore developers peer comparison table

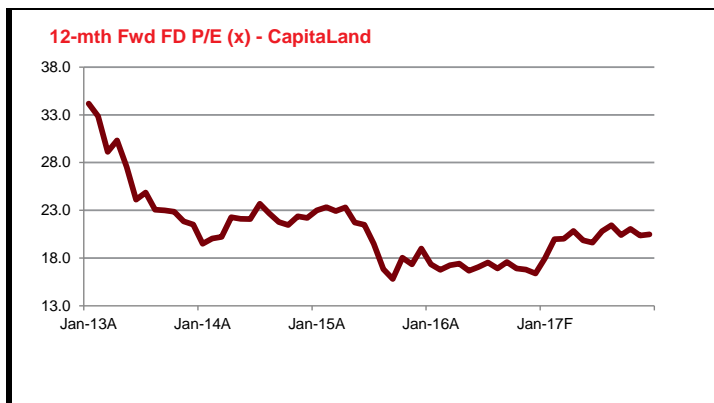
Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY17F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY17F	FY18F	FY19F			FY17F	FY18F	FY17F	FY18F
Aspen (Group) Holdings Ltd	ASPEN SP	Add	0.20	0.29	130	5.5	4.2	7.7	0.53	-62%	2.55	1.82	3.3%	4.8%
CapitaLand	CAPL SP	Add	3.65	4.25	11,662	16.8	18.0	15.3	5.31	-31%	0.86	0.84	2.7%	2.5%
City Developments	CIT SP	Add	12.98	13.15	8,879	21.1	18.3	16.2	16.44	-21%	1.27	1.21	1.3%	1.5%
Frasers Centrepoint Ltd	FCL SP	Add	2.15	2.37	4,711	18.7	15.4	13.0	3.39	-37%	0.70	0.69	4.0%	4.0%
Guocoland	GUOL SP	Add	2.28	2.82	2,030	19.9	7.7	14.4	3.76	-39%	0.72	0.67	3.1%	3.1%
Hatten Land Ltd	HATT SP	Add	0.18	0.38	186	7.4	7.2	5.9	0.69	-74%	3.26	2.26	0.0%	1.4%
Ho Bee Land	HOBEE SP	Add	2.56	3.39	1,282	13.0	11.4	11.3	5.21	-51%	0.56	0.54	2.8%	3.1%
Hongkong Land Holdings Ltd	HKL SP	Add	7.14	9.10	16,799	16.4	15.7	15.8	14.00	-49%	0.54	0.55	2.8%	2.9%
Perennial Real Estate Holdings	PREH SP	Add	0.90	1.08	1,120	na	84.7	15.1	1.79	-50%	0.54	0.54	0.4%	0.3%
UOL Group	UOL SP	Add	9.25	9.62	5,857	19.1	19.3	18.6	12.02	-23%	0.84	0.82	1.5%	1.5%
Wing Tai Holdings	WINGT SP	Add	2.32	2.32	1,352	38.2	91.2	42.8	3.57	-35%	0.54	0.54	1.3%	2.6%
Singapore average						18.3	16.5	15.6		-42%	0.72	0.71	2.4%	2.5%

SOURCE: CIMB RESEARCH, COMPANY

BY THE NUMBERS

Profit & Loss				
(\$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	5,252	5,730	5,165	4,718
Gross Profit	1,982	2,162	1,949	1,780
Operating EBITDA	1,271	1,987	1,906	2,263
Depreciation And Amortisation	(68)	(66)	(69)	(67)
Operating EBIT	1,203	1,922	1,837	2,196
Financial Income/(Expense)	(395)	(359)	(398)	(409)
Pretax Income/(Loss) from Assoc.	708	489	481	471
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	1,516	2,051	1,920	2,258
Exceptional Items	391	0	0	0
Pre-tax Profit	1,907	2,051	1,920	2,258
Taxation	(403)	(448)	(420)	(494)
Exceptional Income - post-tax				
Profit After Tax	1,504	1,603	1,500	1,765
Minority Interests	(314)	(682)	(638)	(750)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	1,190	921	862	1,014
Recurring Net Profit	882	921	862	1,014
Fully Diluted Recurring Net Profit	882	921	862	1,014

Cash Flow				
(\$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	1,271	1,987	1,906	2,263
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	2,250	(2,473)	227	(416)
Straight Line Adjustment (Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	66	(64)	(14)	5
Other Operating Cashflow	(568)	(575)	(625)	(589)
Net Interest (Paid)/Received	0	0	0	0
Tax Paid	(350)	(376)	(352)	(414)
Cashflow From Operations	2,670	(1,502)	1,140	848
Capex	(791)	(1,309)	(1,309)	(1,309)
Disposals Of FAs/subsidiaries	124	1,035	1,035	1,035
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	(667)	(274)	(274)	(274)
Debt Raised/(repaid)	(635)	1,828	1,828	1,828
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(383)	(468)	(438)	(515)
Preferred Dividends				
Other Financing Cashflow	(540)	(520)	(520)	(520)
Cash Flow From Financing	(1,559)	841	870	793



Balance Sheet				
(\$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	4,793	2,510	2,486	1,007
Properties Under Development				
Total Debtors	1,859	2,028	1,828	1,670
Inventories	4,837	7,603	7,030	7,172
Total Other Current Assets	277	302	272	249
Total Current Assets	11,765	12,443	11,616	10,098
Fixed Assets	781	796	806	819
Total Investments	32,752	33,628	34,728	36,822
Intangible Assets	442	482	434	397
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	33,976	34,906	35,968	38,037
Short-term Debt	2,373	2,435	2,492	2,559
Current Portion of Long-Term Debt				
Total Creditors	4,685	5,111	4,607	4,209
Other Current Liabilities	670	731	659	602
Total Current Liabilities	7,728	8,276	7,757	7,370
Total Long-term Debt	12,479	12,800	13,101	13,456
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,233	1,345	1,212	1,108
Total Non-current Liabilities	13,712	14,146	14,314	14,563
Total Provisions	0	0	0	0
Total Liabilities	21,440	22,422	22,071	21,933
Shareholders' Equity	17,605	18,058	18,483	18,983
Minority Interests	6,696	6,868	7,030	7,220
Total Equity	24,300	24,927	25,513	26,202

Key Ratios				
	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	10.3%	9.1%	(9.9%)	(8.6%)
Operating EBITDA Growth	6.0%	56.3%	(4.1%)	18.7%
Operating EBITDA Margin	24.2%	34.7%	36.9%	48.0%
Net Cash Per Share (\$)	(2.37)	(2.99)	(3.08)	(3.53)
BVPS (\$)	4.14	4.25	4.35	4.47
Gross Interest Cover	2.66	4.59	4.28	5.00
Effective Tax Rate	21.1%	21.9%	21.9%	21.9%
Net Dividend Payout Ratio	53.0%	50.8%	50.8%	50.8%
Accounts Receivables Days	114.4	123.8	136.2	135.3
Inventory Days	659	636	830	882
Accounts Payables Days	489.5	501.1	551.5	547.6
ROIC (%)	18%	106%	54%	67%
ROCE (%)	3.15%	5.00%	4.60%	5.35%
Return On Average Assets	3.05%	4.65%	4.47%	5.02%

Key Drivers				
	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (\$)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	N/A	N/A	N/A	N/A
Contracted Sales ASP (per Sm) (\$)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	50.2%	114.8%	54.1%	N/A
Invnt. properties rental margin (%)	21.7%	21.7%	21.7%	21.7%
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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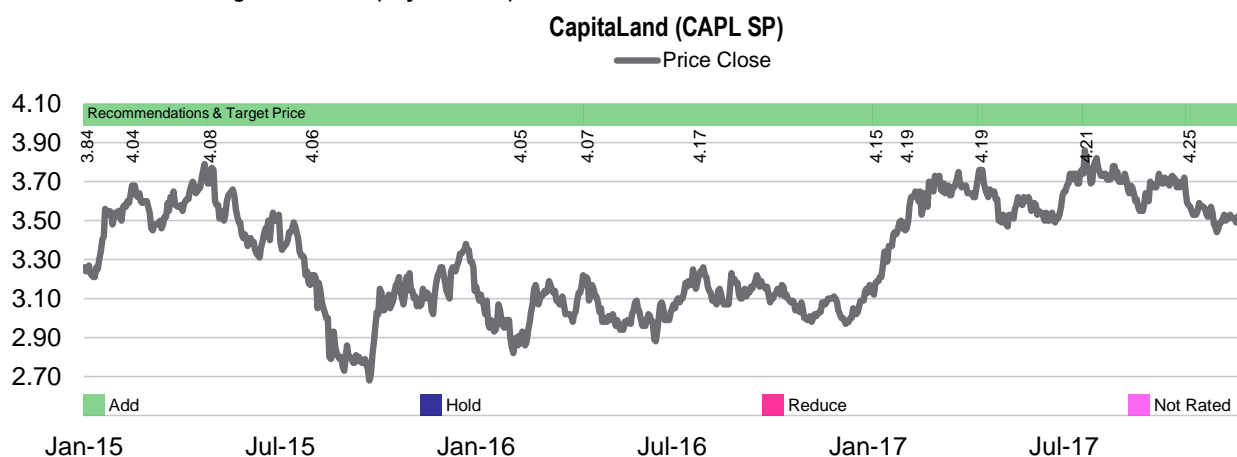
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2017 1285 companies under coverage for quarter ended on 30 September 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	53.5%	4.3%
Hold	35.9%	2.6%
Reduce	9.7%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, ADVANC – Excellent, Certified, AEONTS – Good, n/a, AMATA – Very Good, n/a, ANAN – Excellent, n/a, AOT – Excellent, Declared, AP – Excellent, Declared, ASK – Very Good, Declared, ASP – Very Good, Certified, BANPU – Excellent, Certified, BAY – Excellent, Certified, BBL – Very Good, Certified, BCH – Good, Declared, BCP - Excellent, Certified, BCPG – Very Good, n/a, BEM – Very Good, n/a, BDMS – Very Good, n/a, BEAUTY – Good, n/a, BEC – Very Good, n/a, BGRIM – not available, n/a, BH - Good, n/a, BJC – Very Good, Declared, BJCHI – Very Good, Declared, BLA – Very Good, Certified, BPP – Good, n/a, BR - Good, Declared, BTS - Excellent, Certified, CBG – Good, n/a, CCET – Good, n/a, CENTEL – Very Good, Certified, CHG – Very Good, Declared, CK – Excellent, n/a, COL – Very Good, Declared, CPALL – not available, Declared, CPF – Excellent, Declared, CPN - Excellent, Certified, DELTA - Excellent, n/a, DEMCO – Excellent, Certified, DIF – not available, n/a, DTAC – Excellent, Certified, EA – Very Good, n/a, ECL – Very Good, Certified, EGCO - Excellent, Certified, EPG – Very Good, n/a, GFPT - Excellent, Declared, GGC – not available, Declared, GLOBAL – Very Good, Declared, GLOW – Very Good, Certified, GPSC – Excellent, Declared, GRAMMY - Excellent, n/a, GUNKUL – Excellent, Declared, HANA - Excellent, Certified, HMPRO - Excellent, Certified, ICHI – Excellent, n/a, III – not available, n/a, INTUCH - Excellent, Certified, IRPC – Excellent, Certified, ITD – Very Good, n/a, IVL - Excellent, Certified, JAS – not available, Declared, JASIF – not available, n/a, JUBILE – Good, Declared, KAMART – not available, n/a, KBANK - Excellent, Certified, KCE - Excellent, Certified, KGI – Very Good, Certified, KKP – Excellent, Certified, KSL – Very Good, Certified, KTB - Excellent, Certified, KTC – Excellent, Certified, LH - Very Good, n/a, LPN – Excellent, Certified, M – Very Good, n/a, MACO – Very Good, n/a, MAJOR – Very Good, n/a, MAKRO – Very Good, Declared, MALEE – Very Good, n/a, MBKET – Very Good, Certified, MC – Very Good, Declared, MCOT – Excellent, Certified, MEGA – Very Good, n/a, MINT - Excellent, Certified, MTLS – Very Good, Declared, NYT – Excellent, n/a, OISHI – Very Good, n/a, PLANB – Excellent, Declared, PLAT – Very Good, Certified, PSH – Excellent, Certified, PSL - Excellent, Certified, PTT - Excellent, Certified, PTTEP - Excellent, Certified, PTTGC - Excellent, Certified, QH – Excellent, Certified, RATCH – Excellent, Certified, ROBINS – Excellent, Certified, RS – Very Good, n/a, SAMART - Excellent, n/a, SAPPE - Good, n/a, SAT – Excellent, Certified, SAWAD – Very Good, n/a, SC – Excellent, Declared, SCB - Excellent, Certified, SCBLIF – not available, n/a, SCC – Excellent, Certified, SCN – Very Good, Declared, SCCC - Excellent, Declared, SIM - Excellent, n/a, SIRI – Very Good, Declared, SPA - Good, n/a, SPALI - Excellent, n/a, SPRC – Excellent, Declared, STA – Very Good, Declared, STEC – Excellent, n/a, SVI – Excellent, Certified, TASCO – Very Good, n/a, TCAP – Excellent, Certified, THAI – Very Good, n/a, THANI – Very Good, Certified, THCOM – Excellent, Certified, THRE – Very Good, Certified, THREL – Excellent, Certified, TICON – Very Good, Declared, TIPCO – Very Good, Certified, TISCO - Excellent, Certified, TK – Very Good, n/a, TKN – Very Good, Declared, TMB - Excellent, Certified, TNR – Good, n/a, TOP - Excellent, Certified, TPCH – Good, n/a, TPIPP – not available, n/a, TRUE – Excellent, Declared, TTW – Very Good, n/a, TU – Excellent, Declared, TVO – Excellent, Declared, UNIQ – not available, Declared, VGI – Excellent, Declared, WHA – not available, Declared, WHART – not available, n/a, WORK – not available, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.