

## Singapore

June 10, 2019 - 2:34 PM

### ADD (no change)

Consensus ratings\*: Buy 15 Hold 5 Sell 0

Current price:	S\$8.47
Target price:	S\$10.66
Previous target:	S\$10.66
Up/downside:	25.9%
CGS-CIMB / Consensus:	-1.8%
Reuters:	CTDM.SI
Bloomberg:	CIT SP
Market cap:	US\$5,640m S\$7,681m
Average daily turnover:	US\$10.48m S\$14.28m
Current shares o/s	906.9m
Free float:	59.7%

\*Source: Bloomberg

### Key financial forecasts

	Dec-19F	Dec-20F	Dec-21F
Net Profit (S\$m)	633.2	456.0	455.2
Core EPS (S\$)	0.53	0.48	0.48
Core EPS Growth	(8.9%)	(10.0%)	(0.2%)
FD Core P/E (x)	15.91	17.68	17.71
Recurring ROE	4.94%	4.29%	4.17%
P/BV (x)	0.77	0.75	0.73
DPS (S\$)	0.20	0.20	0.20
Dividend Yield	2.36%	2.36%	2.36%



Price performance	1M	3M	12M
Absolute (%)			
Relative (%)			

Major shareholders	% held
Hong Leong	35.3
Standard Life Aberdeen	5.0

### Analyst(s)

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# City Developments

## Second takeover offer for M&C

- CIT launched a second takeover offer for the 34.8% stake in M&C it does not own at £6.85/share.
- We expect the deal to be RNAV-accretive to CIT and allow greater flexibility to maneuver in a competitive landscape.
- Maintain Add. Our TP of \$10.66 is based on 35% discount to RNAV.

### Second takeover offer for M&C...

- CIT has launched a second takeover offer for the remaining 34.8% stake in M&C that it does not already own. The offer price of £6.85/share is above the previous offer price of £6.20/share (which included 20 pence of special dividend) and at a 37% premium to M&C's traded price on 6 Jun. The offer price is final and will not be increased. The offer price will also be adjusted by the amount of any dividend paid by M&C after 7 Jun 2019.
- The offer is conditional on obtaining i) acceptances of >50% of shares in M&C not already owned, and ii) as M&C owns land in New Zealand, the deal is also subject to approval from New Zealand Overseas Investment Office. If successful, CIT intends to privatise M&C.

### ...with irrevocable undertakings from key minority shareholders

- CIT has obtained irrevocable undertakings from key minority shareholders including JNE Partners LLP, MSD Capital, International Value Advisers, Classic Fund Management AG and BWM AG. Together, these stakeholders account for 43.6% of M&C shares not already owned. Effectively, this implies that CIT would need acceptances of at least another c.2.4% of M&C's total share capital to reach an unconditional offer.

### Accretive deal, allows greater flexibility in a competitive landscape

- We see this deal as positive for CIT for the following reasons i) valuation – the offer price is below M&C's latest book NAV of £8.33/share, ii) allows the group to navigate the competitive global hospitality landscape with greater agility, and iii) greater flexibility to enhance underperforming assets and boost recurring income in the longer run.
- The deal would cost CIT c.£776.3m, based on full acceptance, to be funded via internal resources and debt. This could boost CIT's estimated post-Sincere acquisition net debt to equity ratio of 0.41x to a still healthy c.0.55x. Assuming 100% acceptance and taking into account additional funding cost, the acquisition is estimated to result in a near term 2% dilution in earnings. However, we believe the deal should bear fruit in the medium term through hotel operational improvements and potential value unlocking, in our view.

### Maintain Add

- Based on our estimates, assuming full acceptance and pegging M&C's value at book NAV (vs. share of market cap currently), CIT's RNAV could be raised by 8.3% to S\$17.76. Consequently, our TP could be increased to S\$11.54, based on an unchanged 35% discount to RNAV. We maintain our Add call. A re-rating catalyst could come from certainty of completion of the privatisation exercise while downside risk could come from slow acceptances of the offer.

Figure 1: Impact on CIT's RNAV from change in M&C ownership

	Current	Assuming 100% acceptance
Effective stake in M&C	65.20%	100%
CIT RNAV (S\$/share)	16.40	17.76
TP (S\$/share)	10.66	11.54
Est net debt to equity (post Sincere transaction)	0.41x	0.55x

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: CIT RNAV breakdown**

			<u>Cap rate</u>	RNAV (S\$m)
<b>OFFICE</b>				
Singapore investment properties			3.6%/4.5%	4,716
Others				337
<b>HOTELS/HOSPITALITY</b>				
Singapore investment properties			4.8%/5.5%	769
Others				127
	<b>Stake</b>	<b>MTM/TP (£/\$)</b>	<b>Shares (m)</b>	
M&C	65%	4.62	324.8	1,759
CDL Hospitality Trust	39%	1.80	1,205.4	846
<b>RETAIL</b>				
Singapore investment properties			4.8%/5.5%	1,867
Others				188
<b>INDUSTRIAL</b>				
Singapore developments			6.50%	348
Others				67
<b>MIXED DEVELOPMENTS</b>				
South Beach	50%			1,474
SIP Mixed D (excl Resi)	100%			311
Others				186
				12,994
<b>PV OF RESIDENTIAL GDV</b>				
Singapore				5,297
China				73
Others				344
<b>OTHERS</b>				
				8
<b>GAV (S\$m)</b>				<b>18,716</b>
Add: Adjustment for M&C net debt (not attributable)				423
Add: Adjustment for CDLHT net debt (not attributable)				508
Less net debt (incl est off b/s commitments)				(4,038)
<b>RNAV (S\$m)</b>				<b>15,609</b>
Fully-diluted share base				951.9
<b>RNAV per share (S\$)</b>				<b>16.40</b>
	<u>Disc/Prem to RNAV</u>			
<b>Target price (S\$)</b>	<b>-35%</b>			<b>10.66</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Singapore developers peer comparison table**

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY20F	Prem/(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY19F	FY20F	FY21F			FY19F	FY20F	FY19F	FY20F
APAC Realty Ltd	APAC SP	Add	0.52	0.67	136	9.3	9.0	8.5	n.a.	1.26	1.20	7.1%	7.3%	
Aspen (Group) Holdings Ltd	ASPEN SP	Add	0.14	0.29	101	5.6	na	na	0.53	-73%	1.04	na	3.6%	na
CapitalLand	CAPL SP	Add	3.27	3.56	10,024	14.0	14.1	13.9	5.48	-40%	0.69	0.68	3.8%	3.8%
City Developments	CIT SP	Add	8.47	10.66	5,640	15.9	17.7	17.7	16.40	-48%	0.77	0.75	2.4%	2.4%
Frasers Property Limited	FPL SP	Add	1.79	2.08	3,838	11.4	14.5	17.9	3.21	-44%	0.53	0.51	4.8%	4.8%
Guocoland	GUOL SP	Add	1.97	2.25	1,712	18.9	18.3	15.5	3.76	-48%	0.52	0.53	3.6%	3.6%
Ho Bee Land	HOBEE SP	Add	2.37	3.00	1,158	16.7	12.2	na	4.99	-53%	0.48	0.46	4.2%	4.2%
Hongkong Land Holdings Ltd	HKL SP	Add	6.71	9.40	15,787	15.1	12.6	12.5	13.50	-50%	0.41	0.40	3.4%	3.7%
Perennial Real Estate Holdings	PREH SP	Add	0.62	0.99	756	171.5	95.1	na	1.99	-69%	0.38	0.38	1.6%	1.6%
Propnex Ltd	PROP SP	Add	0.51	0.64	139	12.0	11.6	11.1	n.a.	n.a.	2.71	2.59	6.9%	6.9%
United Engineers	UEM SP	Add	2.54	2.94	1,189	45.9	46.0	na	3.46	-27%	0.82	0.81	1.6%	2.0%
UOL Group	UOL SP	Add	6.94	8.45	4,297	16.2	15.5	17.5	12.08	-43%	0.59	0.58	2.5%	2.5%
Wing Tai Holdings	WINGT SP	Hold	2.05	1.97	1,155	22.8	12.3	10.4	3.58	-43%	0.47	0.46	3.9%	3.9%
<b>Singapore average</b>						<b>15.3</b>	<b>14.5</b>	<b>14.2</b>		<b>-46%</b>	<b>0.53</b>	<b>0.52</b>	<b>3.4%</b>	<b>3.5%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

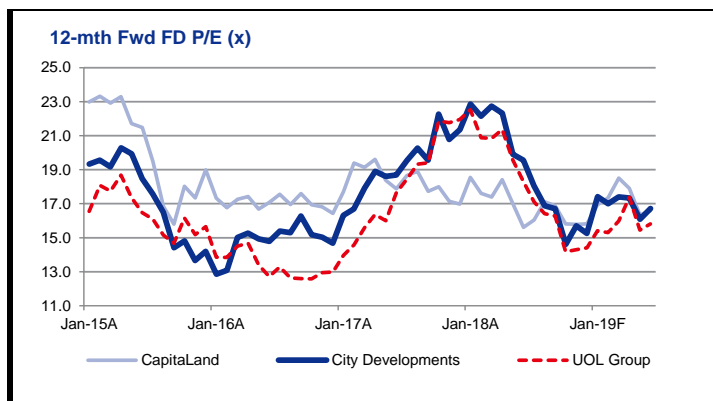
## BY THE NUMBERS

Profit & Loss				
(\$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>4,223</b>	<b>3,217</b>	<b>3,526</b>	<b>3,610</b>
<b>Gross Profit</b>	<b>2,234</b>	<b>1,702</b>	<b>1,866</b>	<b>1,910</b>
<b>Operating EBITDA</b>	<b>1,109</b>	<b>957</b>	<b>873</b>	<b>854</b>
Depreciation And Amortisation	(219)	(212)	(206)	(199)
<b>Operating EBIT</b>	<b>890</b>	<b>745</b>	<b>668</b>	<b>655</b>
Financial Income/(Expense)	(79)	(108)	(80)	(70)
Pretax Income/(Loss) from Assoc.	65	40	40	40
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>876</b>	<b>677</b>	<b>628</b>	<b>625</b>
Exceptional Items	0	144	0	0
<b>Pre-tax Profit</b>	<b>876</b>	<b>821</b>	<b>628</b>	<b>625</b>
<b>Taxation</b>	<b>(215)</b>	<b>(102)</b>	<b>(94)</b>	<b>(94)</b>
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>661</b>	<b>720</b>	<b>534</b>	<b>531</b>
Minority Interests	(103)	(87)	(78)	(76)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>557</b>	<b>633</b>	<b>456</b>	<b>455</b>
Recurring Net Profit	557	507	456	455
<b>Fully Diluted Recurring Net Profit</b>	<b>557</b>	<b>507</b>	<b>456</b>	<b>455</b>

Balance Sheet				
(\$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Cash And Equivalents</b>	<b>2,289</b>	<b>4,126</b>	<b>4,804</b>	<b>5,424</b>
Properties Under Development				
Total Debtors	955	814	838	863
Inventories	13	10	11	11
Total Other Current Assets	5,841	4,598	4,598	4,598
<b>Total Current Assets</b>	<b>9,099</b>	<b>9,548</b>	<b>10,251</b>	<b>10,896</b>
Fixed Assets	5,013	4,851	4,695	4,546
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	6,773	7,031	7,073	7,115
<b>Total Non-current Assets</b>	<b>11,786</b>	<b>11,882</b>	<b>11,768</b>	<b>11,661</b>
Short-term Debt	1,258	1,315	1,349	1,384
Current Portion of Long-Term Debt				
Total Creditors	1,293	1,132	1,173	1,192
Other Current Liabilities	552	421	461	472
<b>Total Current Liabilities</b>	<b>3,104</b>	<b>2,868</b>	<b>2,983</b>	<b>3,048</b>
Total Long-term Debt	5,069	5,297	5,436	5,574
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	439	439	439	439
<b>Total Non-current Liabilities</b>	<b>5,508</b>	<b>5,736</b>	<b>5,875</b>	<b>6,013</b>
Total Provisions	0	0	0	0
<b>Total Liabilities</b>	<b>8,612</b>	<b>8,604</b>	<b>8,858</b>	<b>9,061</b>
<b>Shareholders' Equity</b>	<b>10,041</b>	<b>10,493</b>	<b>10,767</b>	<b>11,041</b>
Minority Interests	2,233	2,334	2,395	2,456
<b>Total Equity</b>	<b>12,274</b>	<b>12,826</b>	<b>13,162</b>	<b>13,497</b>

Cash Flow				
(\$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>1,109</b>	<b>957</b>	<b>873</b>	<b>854</b>
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	(1,404)	1,095	55	6
Straight Line Adjustment				
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	234	136	245	229
Other Operating Cashflow	(97)	6	(103)	(87)
Net Interest (Paid)/Received	(136)	(142)	(142)	(142)
Tax Paid	(215)	(202)	(155)	(154)
<b>Cashflow From Operations</b>	<b>(510)</b>	<b>1,850</b>	<b>774</b>	<b>706</b>
Capex	(60)	(50)	(50)	(50)
Disposals Of FAs/subsidiaries				
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	778	34	62	72
<b>Cash Flow From Investing</b>	<b>718</b>	<b>(16)</b>	<b>12</b>	<b>22</b>
Debt Raised/(repaid)	1,197	285	173	173
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(285)	(194)	(194)	(194)
Preferred Dividends				
Other Financing Cashflow	(14)	(142)	(142)	(142)
<b>Cash Flow From Financing</b>	<b>898</b>	<b>(52)</b>	<b>(163)</b>	<b>(164)</b>

Key Ratios				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	10.3%	(23.8%)	9.6%	2.4%
Operating EBITDA Growth	7.7%	(13.7%)	(8.7%)	(2.2%)
Operating EBITDA Margin	26.3%	29.7%	24.8%	23.7%
Net Cash Per Share (\$)	(4.24)	(2.61)	(2.08)	(1.61)
BVPS (\$)	10.55	11.02	11.31	11.60
Gross Interest Cover	6.53	5.24	4.70	4.61
Effective Tax Rate	24.5%	12.4%	15.0%	15.0%
Net Dividend Payout Ratio	32.6%	37.1%	39.8%	39.8%
Accounts Receivables Days	80.0	100.4	85.7	86.0
Inventory Days	2.23	2.81	2.33	2.40
Accounts Payables Days	238.0	292.2	254.0	253.9
ROIC (%)	4.96%	3.90%	3.60%	3.57%
ROCE (%)	5.37%	4.10%	3.71%	3.60%
Return On Average Assets	3.58%	3.17%	2.77%	2.65%



Key Drivers				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
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 (%)	48.4%	35.8%	40.5%	40.9%
Invnt. properties rental margin (%)	48.3%	61.1%	56.7%	56.4%
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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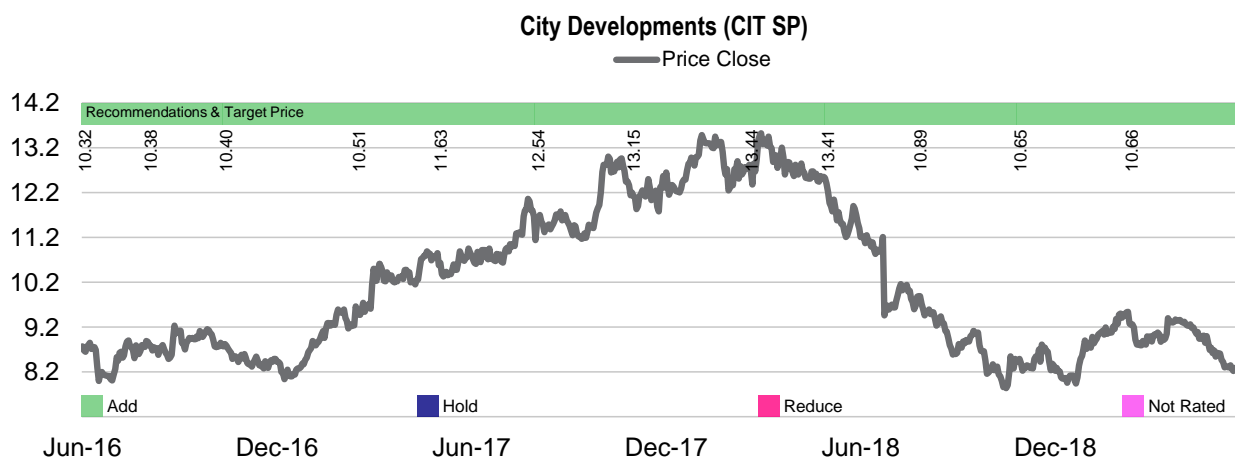
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771 companies under coverage for quarter ended on 08 April 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.8%	4.0%
Hold	27.0%	2.1%
Reduce	15.2%	0.4%



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 2018, Anti-Corruption 2018**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

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### Stock Ratings

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.

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