

COMPANY RESULTS

City Developments (CIT SP)

2024: "Succession" Singapore Style; Downgrade To HOLD

CDL's 2024 results missed our and consensus estimates. However, this was overshadowed by news of a very public leadership tussle that has caused us to downgrade the stock to a HOLD. While the company has extremely valuable assets in Singapore and globally, we believe the stock will likely find it difficult to perform given this overhang. We lower the target price to S\$4.60.

2024 RESULTS

12M to 31 Dec, S\$m	2023	2024	Chg %	Remarks
Revenue	4,941	3,271	-33.8%	- Dragged down by timing of revenue recognition in its Singapore property development segment
Gross profit	1,649	1,462	-11.3%	
EBITDA*	1,073	963	-10.3%	
Divestment gains	158	272	72.2%	- Positive impact from S\$0.6b in divestment
Associates/JVs	48	61	27.1%	
PATMI	317	201	-36.6%	- Negatively impacted by S\$0.5b in interest cost
Gross profit margin	33.4%	44.7%	+11.3ppt	
PATMI margin	6.4%	6.1%	-0.3ppt	

Note: * Excluding divestment gains and impairment losses

Source: City Developments Limited, UOB Kay Hian

RESULTS

- Results missed our and consensus estimates...** City Developments (CDL) reported 2024 revenue of S\$3.3b for 2024 (-34% yoy) and PATMI of S\$201m (-37% yoy), dragged by timing of revenue recognition in its Singapore property development segment, delays in certain construction projects, as well as higher-than-expected interest cost. A final dividend of S\$0.08/share was declared, bringing full-year DPS to S\$0.10/share (2023: S\$0.12/share).
- ... but were unarguably overshadowed by news of a boardroom tussle.** Executive Chairman Kwek Leng Beng disclosed that he had filed court papers against his son and CEO Sherman Kwek, as well as other members of the Board of Directors. According to the chairman, the suit is meant to address "an attempted 'coup' and to restore corporate integrity", and we understand that he had sought to remove his son as CEO in early-Feb 25.
- We downgrade the stock to a HOLD** in light of the very public leadership fracture as we believe that the company's share price is unlikely to perform with this overhang. We have elected to peg our fair value for the stock at 2SD below its five-year average P/B of 0.72x, thus resulting in a target price of S\$4.60.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	4,941	3,271	3,414	3,951	4,067
EBITDA	1,073	963	1,128	571	847
Operating profit	819	686	823	236	478
Net profit (rep./act.)	305	191	382	436	385
Net profit (adj.)	317	201	392	447	395
EPS (S\$ cent)	35.0	22.2	43.2	49.4	43.7
PE (x)	14.6	23.1	11.8	10.4	11.7
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	12.7	14.2	12.1	23.9	16.1
Dividend yield (%)	2.3	2.0	2.5	2.9	2.5
Net margin (%)	6.2	5.8	11.2	11.0	9.5
Net debt/(cash) to equity (%)	100.5	113.5	93.7	85.3	78.7
Interest cover (x)	2.7	2.6	2.5	1.5	2.4
ROE (%)	3.3	2.1	4.1	4.6	3.9
Consensus net profit	-	-	323	417	n.a.
UOBKH/Consensus (x)	-	-	1.22	1.07	n.a.

Source: City Developments Limited, Bloomberg, UOB Kay Hian

HOLD

(Downgraded)

Share Price	S\$5.12
Target Price	S\$4.60
Upside	-10.1%
(Previous TP)	S\$7.00

COMPANY DESCRIPTION

CDL is a global real estate operating company with a geographically diverse portfolio comprising residences, offices, hotels, serviced apartments, integrated developments and shopping malls.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CIT SP
Shares issued (m):	893.4
Market cap (S\$m):	4,574.2
Market cap (US\$m):	3,419.2
3-mth avg daily t'over (US\$m):	4.1

Price Performance (%)

52-week high/low	S\$6.19/S\$5.00			
1mth	3mth	6mth	1yr	YTD
1.2	(1.5)	(3.6)	(14.4)	0.2
Major Shareholders				
Kwek Hldgs	48.6			
-	-			
FY25 NAV/Share (S\$)	10.05			
FY25 Net Debt/Share (S\$)	9.70			

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Balance sheet remains weak with interest cost a major burden.** In 2024, CDL's net gearing rose to 117% vs 103% in 2023, primarily due to higher borrowings for acquisitions and developments. As a result of the higher loan burden, the company's interest cover ratio fell to 2.1x (2023: 2.8x) and with its average borrowing cost having risen to 4.4% (2023: 4.3%), interest cost ballooned to S\$0.57b. This year will likely see a similar level of interest costs given that consensus expectations for US Fed rate cuts have sharply ameliorated compared to 12 months ago. CDL's cash and available committed credit facilities stood at S\$4.5b at end-24 vs S\$3.6b at end-23.
- Pain in property development.** Revenue from this segment declined by a significant 66% yoy to S\$939m, resulting in pre-tax profit dropping 94% yoy to S\$19m which the company attributed to: a) higher base effect in 2023 which saw revenue and profit recognition from the Piermont Grand EC project and the sale of the Shirokane land site in Tokyo, b) construction delays, and c) higher financing costs. On a brighter note, the company launched The Orié in Jan 25, which saw 88% sell-through and has a further 950 units in its launch pipeline this year.
- The hotel segment saw an 8% yoy revenue increase** to S\$1.6b with pre-tax profit of S\$193m (+2.5% yoy), helped by a S\$55m reversal of impairment losses. Operationally, the result was driven by contributions from newly acquired properties like Sofitel Brisbane Central (Dec 23) and Hilton Paris Opéra (May 24), as well as the reopening of M Social Phuket (Jan 24). Although RevPAR expanded across most regions in 2024, Singapore and the US (excluding New York) notably saw weaker performance with RevPAR declining by 3.4% and 2.6% respectively.
- CDL's investment properties continue to do well** with pre-tax profit of S\$146m (2023: loss of S\$41m), driven by contributions from St Katharine Docks (acquired in Mar 23), Jungceylon Shopping Center (reopened in phases), and the Living Sector portfolio in Japan and the UK. The company also benefited from various divestment gains, eg Cideco Industrial Complex and Fortune Centre. Both its Singapore commercial and retail portfolios continue to enjoy nearly 98% committed occupancy.

EARNINGS REVISION/RISK

- Earnings downgraded.** We lowered our 2025-26E earnings by 4-5% to account for higher-than-expected financing costs as well as slightly lower margins in the company's hotel segment.

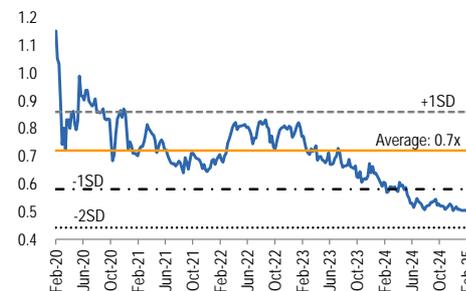
VALUATION/RECOMMENDATION

- We downgrade our rating on CDL to a HOLD with a lower target price of S\$4.60.** This fair value is based on a P/B of 0.72x, which is 2SD below its five-year average. We note that our fair value is a 60% discount to our assessed RNAV of S\$11.70/share. CDL disclosed in its results presentation that its RNAV (including revaluation of its hotel portfolio) was S\$19.86/share as at end-24. Without a swift resolution to the leadership tussle and more active capital recycling, CDL's share price will not likely approach these levels any time soon. Professionalising the management and clearing out the factions within the board, reconciliation of the family members, and/or putting up the company for sale are clearly measures that could lead to near-term pain relief for CDL's long-suffering minority shareholders.

SHARE PRICE CATALYSTS

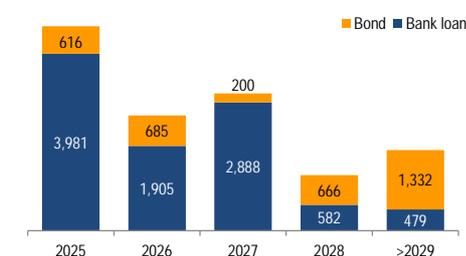
- Resolution of the company's leadership issues;** addressing the overleveraged balance sheet via further capital recycling and asset divestments.

5-YEAR P/B



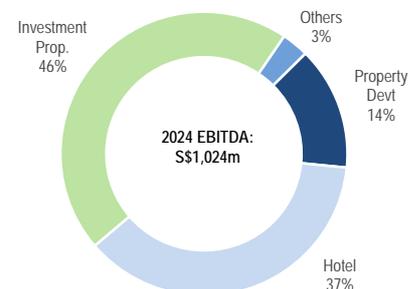
Source: Bloomberg, UOB Kay Hian

DEBT MATURITY PROFILE (\$m)



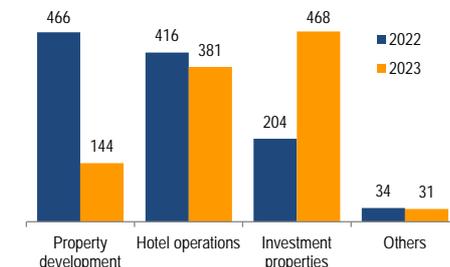
Source: Bloomberg, UOB Kay Hian

SHARE OF EBITDA (INCL. DIVESTMENT GAINS)



Source: CDL

EBITDA (INCL. DIVESTMENT GAINS)



Source: CDL

CHANGES TO EARNINGS FORECASTS

\$m	2025E	2026E
NPAT - was	412	465
NPAT - is	392	445
Change	-4.8%	-4.4%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	3,271.2	3,413.5	3,950.7	4,066.8
EBITDA	963.0	1,128.0	571.1	847.4
Deprec. & amort.	277.3	305.1	335.6	369.1
EBIT	685.7	823.0	235.5	478.3
Total other non-operating income	(10.5)	(10.5)	(8.5)	(8.5)
Associate contributions	60.8	208.5	794.4	462.6
Net interest income/(expense)	(372.4)	(443.2)	(371.7)	(351.1)
Pre-tax profit	363.6	577.8	649.8	581.3
Tax	(162.1)	(147.1)	(164.6)	(147.4)
Minorities	(10.6)	(49.0)	(49.0)	(49.0)
Net profit	190.8	381.7	436.2	384.9
Net profit (adj.)	201.3	392.2	446.7	395.3

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	4,680	4,397	4,397	4,397
Other LT assets	10,955	11,176	11,015	10,870
Cash/ST investment	3,001	4,141	4,220	4,265
Other current assets	6,970	5,853	5,853	5,853
Total assets	25,607	25,568	25,485	25,385
ST debt	4,596	4,616	4,168	3,770
Other current liabilities	1,708	1,708	1,708	1,708
LT debt	8,717	8,317	8,317	8,317
Other LT liabilities	1,277	1,277	1,277	1,277
Shareholders' equity	9,088	9,379	9,696	9,945
Minority interest	221	270	319	368
Total liabilities & equity	25,607	25,568	25,485	25,385

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	930	2,098	407	700
Pre-tax profit	212	441	494	442
Tax	0	0	0	0
Deprec. & amort.	277	305	336	369
Associates	(61)	(208)	(794)	(463)
Working capital changes	269	1,117	0	0
Non-cash items	0	0	0	0
Other operating cashflows	233	443	372	351
Investing	(983)	(98)	518	188
Capex (growth)	(346)	(400)	(400)	(400)
Investments	(813)	(23)	(23)	(23)
Proceeds from sale of assets	0	0	0	0
Others	176	324	940	611
Financing	692	(860)	(845)	(843)
Dividend payments	(126)	(101)	(128)	(144)
Proceeds from borrowings	1,718	0	0	0
Loan repayment	0	(400)	(400)	(400)
Others/interest paid	(899)	(359)	(317)	(299)
Net cash inflow (outflow)	639	1,140	79	45
Beginning cash & cash equivalent	2,162	2,801	3,940	4,019
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	2,801	3,940	4,019	4,064

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	29.4	33.0	14.5	20.8
Pre-tax margin	11.1	16.9	16.4	14.3
Net margin	5.8	11.2	11.0	9.5
ROA	0.8	1.5	1.7	1.5
ROE	2.1	4.1	4.6	3.9
Growth				
Turnover	(33.8)	4.4	15.7	2.9
EBITDA	(10.2)	17.1	(49.4)	48.4
Pre-tax profit	(21.0)	58.9	12.5	(10.5)
Net profit	(37.4)	100.0	14.3	(11.8)
Net profit (adj.)	(36.6)	94.8	13.9	(11.5)
EPS	(36.6)	94.8	14.2	(11.5)
Leverage				
Debt to total capital	58.9	57.3	55.5	54.0
Debt to equity	146.5	137.9	128.8	121.5
Net debt/(cash) to equity	113.5	93.7	85.3	78.7
Interest cover (x)	2.6	2.5	1.5	2.4

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