

COMPANY UPDATE

City Developments (CIT SP)

Reasonably Solid 2023 Outlook Given Strength In Some Business Segments

CDL appears to be reasonably well placed to build upon its share price momentum in 2022, with the hospitality and office segments leading the way in 2023, in our view. After the sale of Millennium Hilton Seoul in 1H22, CDL has launched a strategic review of its global hospitality portfolio which could result in further monetisation initiatives. Recent sales strength of its Copen Grand EC bodes well for its next EC launch at Bukit Batok over the next 12 months. Maintain BUY. Target price: S\$9.87.

WHAT'S NEW

- **A reasonably solid outlook in 2023.** Heading into 2023, we continue to be reasonably positive on CDL's growth prospects which we believe will be underpinned by continued recovery in its hospitality segment, and assisted by office rental reversions. In its latest 3Q22 business update, CDL highlighted that its average occupancy rate for 9M22 rose over 16ppt to 62.4% while average room rates jumped by nearly 54% yoy to average S\$204 in 9M22. Occupancy rates were particularly strong in London and New York while Singapore and London saw the strongest room-rate increases. Data from hospitality industry analytics company STR showed that up to mid-Nov 22, global occupancy rates rose 3.6ppt, the largest in over nine months, with 70% of all countries recording an increase.
- **Strength in office segment...** According to CBRE, rents for Grade A offices in Singapore's CBD rose by 2.7% to S\$11.60psf in 3Q22 and is higher than pre-COVID-19 peak of S\$11.55 in 4Q19. Notably, CDL saw positive rental reversion of nearly 6% in 9M22 for Republic Plaza, its flagship Grade A office building, thus underpinning our belief that the company will continue to benefit from positive reversion in 2023 as some of its tenants' leases expire.
- **...will eclipse residential.** The outlook for Singapore's private residential market is decidedly muted in our view, with rising interest rates likely to lead to a slowdown in transaction volumes as mortgage payments stress household monthly incomes. We note that for 9M22, CDL reported total sales value of S\$1.9b (-24% yoy) generated from sales of 802 units (-42% yoy). For 3Q22, CDL's low levels of inventory and lack of new launches resulted in 95 units sold (-77% yoy) and a sales value of \$281m (-64% yoy). That said, the stock of private unsold units remains at multi-year lows, which could prop up prices in the near to medium term.

KEY FINANCIALS

Year to 31 Dec (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	2,108	2,626	2,832	3,085	2,868
EBITDA	(565)	599	2,003	779	793
Operating profit	(852)	322	1,725	474	457
Net profit (rep./act.)	(1,898)	85	1,424	525	479
Net profit (adj.)	(1,985)	98	1,437	538	492
EPS (S\$ cent)	(218.8)	10.8	158.4	59.3	54.2
PE (x)	n.m.	76.6	5.2	13.9	15.2
P/B (x)	0.9	0.9	0.8	0.8	0.7
EV/EBITDA (x)	n.m.	30.2	9.0	23.2	22.8
Dividend yield (%)	1.5	1.1	2.4	1.0	1.1
Net margin (%)	(90.0)	3.2	50.3	17.0	16.7
Net debt/(cash) to equity (%)	99.1	107.6	98.8	74.6	52.7
Interest cover (x)	(3.3)	1.4	8.2	1.6	1.6
ROE (%)	n.a.	1.0	15.7	5.3	4.6
Consensus net profit	-	-	920	521	539
UOBKH/Consensus (x)	-	-	1.56	1.03	0.91

Source: City Developments, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$8.25
Target Price	S\$9.87
Upside	+19.6%

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):	906.9
Market cap (S\$m):	7,481.9
Market cap (US\$m):	5,552.9
3-mth avg daily t'over (US\$m):	9.4

Price Performance (%)

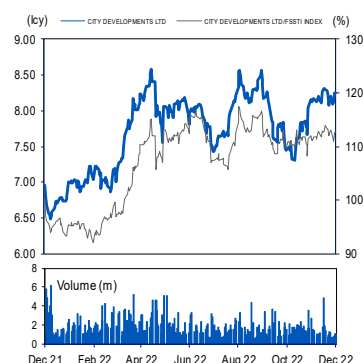
52-week high/low S\$8.57/S\$6.32

1mth	3mth	6mth	1yr	YTD
1.1	(2.3)	5.6	21.0	26.2

Major Shareholders

	%
Kwek Hldgs	48.6
-	-
-	-
FY22 NAV/Share (S\$)	10.39
FY22 Net Debt/Share (S\$)	10.63

PRICE CHART



Source: Bloomberg

ANALYST(S)

Adrian Loh
+65 6590 6633
adrianloh@uobkayhian.com

STOCK IMPACT

- **Strong response to launch of CDL's latest executive condominium (EC).** In late-Oct 22, CDL's Copen Grand (50:50 JV with MCL Land) saw 465 out of 639 units (or 73%) sold on its launch date at an average price of S\$1,300psf. In late-Nov 22, the company announced that this EC launch had sold out. With limited supply in the market, this EC's walking-distance connectivity to three upcoming MRT stations, and varying unit types to cater to needs of young couples to families with kids, it was not surprising that demand was high. ECs, being a hybrid public-private housing asset class, clearly remains popular with the market with most project launches already fully sold. For Copen Grand, we estimate CDL's breakeven price at around S\$1,100psf. After the company's successful Government Land Sale bid at Bukit Batok Avenue 5, CDL's next EC will likely launch in late-23/1H24.

EARNINGS REVISION/RISK

- None.

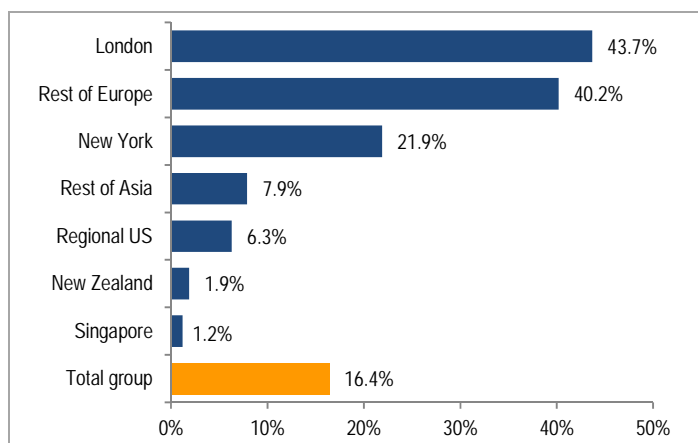
VALUATION/RECOMMENDATION

- **We retain our BUY rating on the stock with a target price of \$9.87.** Our RNAV of S\$14.10 accounts for the company's outsized divestment gains that were recorded in 1H22. Our target price is pegged to a 30% discount to RNAV which is largely in line with the company's historical discount to RNAV. We note that CDL disclosed during its 1H22 results briefing that its RNAV (including revaluation of its hotel portfolio) was S\$18.86/share as at end-1H22. In our view, market concerns over the company's balance sheet have dissipated given that the divestment of the Millenium Hilton Seoul and the distribution in specie of CDL Hospitality Trust units in 1H22 have led to a material 18% decline in CDL's borrowings to S\$9.2b as at end-3Q22 (net gearing of 52%). In addition, the completion of the collective sale exercises for Tanglin Shopping Centre and Golden Mile Complex in 2023 will further deleverage CDL's balance sheet.

SHARE PRICE CATALYST

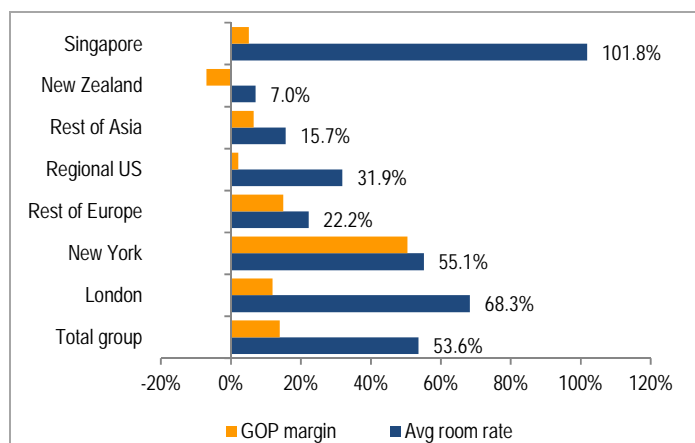
- Continued economic recovery from COVID-19, especially with the resumption of leisure and business travel.
- Implementation of a share buyback scheme in 2023.
- Results from a strategic review of its global hospitality portfolio.

HOTEL OPERATIONS: YOY CHANGE IN AVERAGE OCCUPANCY RATE – 9M22 VS 9M21



Source: CDL

HOTEL OPERATIONS: YOY CHANGE IN AVERAGE ROOM RATE AND GROSS OPERATING PROFIT MARGIN – 9M22 VS 9M21



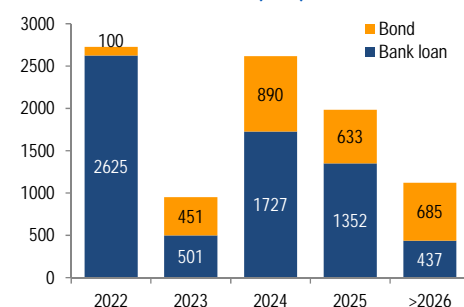
Source: CDL

FIVE-YEAR P/B



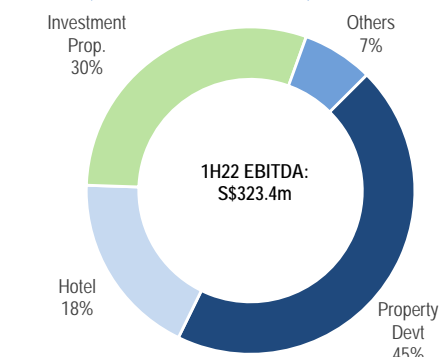
Source: Bloomberg, UOB Kay Hian

DEBT MATURITY PROFILE (\$'M)



Source: Bloomberg, UOB Kay Hian

EBITDA (EX DIVESTMENT GAINS) IN 1H22



Source: CDL

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	2,626	2,832	3,085	2,868
EBITDA	599	2,003	779	793
Deprec. & amort.	278	278	305	336
EBIT	322	1,725	474	457
Total other non-operating income	0	0	0	0
Associate contributions	107	186	427	301
Net interest income/(expense)	(202)	(98)	(183)	(90)
Pre-tax profit	228	1,813	717	668
Tax	(88)	(326)	(129)	(127)
Minorities	(42)	(50)	(50)	(49)
Preferred dividends	(13)	(13)	(13)	(13)
Net profit	85	1,424	525	479
Net profit (adj.)	98	1,437	538	492

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	5,362	5,162	4,935	4,677
Other LT assets	6,774	6,974	6,997	7,204
Cash/ST investment	2,083	2,102	3,724	5,333
Other current assets	9,674	11,646	10,145	8,650
Total assets	23,893	25,885	25,802	25,863
ST debt	5,188	6,188	6,111	6,117
Other current liabilities	2,714	2,714	2,714	2,714
LT debt	5,952	5,552	5,152	4,752
Other LT liabilities	707	707	707	707
Shareholders' equity	8,414	9,756	10,099	10,506
Minority interest	918	968	1,018	1,067
Total liabilities & equity	23,893	25,885	25,802	25,863

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	1,134	204	2,151	2,161
Pre-tax profit	140	1,487	588	541
Tax	0	0	0	0
Deprec. & amort.	278	278	305	336
Associates	(107)	(186)	(427)	(301)
Working capital changes	814	(1,473)	1,501	1,496
Non-cash items	0	0	0	0
Other operating cashflows	11	98	183	90
Investing	(863)	21	159	15
Capex (growth)	(271)	(200)	(300)	(400)
Capex (maintenance)	0	0	0	0
Investments	(635)	(78)	(78)	(78)
Proceeds from sale of assets	0	0	0	0
Others	42	299	537	492
Financing	(1,277)	(206)	(688)	(567)
Dividend payments	(186)	(95)	(194)	(85)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(378)	(400)	(400)	(400)
Others/interest paid	(713)	288	(93)	(82)
Net cash inflow (outflow)	(1,006)	19	1,622	1,609
Beginning cash & cash equivalent	3,127	2,083	2,102	3,724
Changes due to forex impact	(37)	n.a.	n.a.	n.a.
Ending cash & cash equivalent	2,083	2,102	3,724	5,333

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	22.8	70.7	25.3	27.6
Pre-tax margin	8.7	64.0	23.2	23.3
Net margin	3.2	50.3	17.0	16.7
ROA	0.4	5.7	2.0	1.9
ROE	1.0	15.7	5.3	4.6
Growth				
Turnover	24.5	7.9	8.9	(7.0)
EBITDA	n.a.	234.1	(61.1)	1.7
Pre-tax profit	n.a.	696.0	(60.4)	(6.9)
Net profit	n.a.	1,579.8	(63.1)	(8.8)
Net profit (adj.)	n.a.	1,371.0	(62.6)	(8.6)
EPS	n.a.	1,371.0	(62.6)	(8.6)
Leverage				
Debt to total capital	54.4	52.3	50.3	48.4
Debt to equity	132.4	120.3	111.5	103.5
Net debt/(cash) to equity	107.6	98.8	74.6	52.7
Interest cover (x)	1.4	8.2	1.6	1.6

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 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 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W