

COMPANY RESULTS

CapitaLand Investment (CLI SP)

2024: Weaker-than-expected Results; Outlook Remains Robust

CLI reported weaker-than-expected core PATMI for 2024, largely due to the absence of contribution from divested assets. However, its outlook appears reasonably bright given its strong growth in FUM and considerable headroom to invest in its growth segments. CLI's guidance for higher dividend payout ratio of 50% signals strong belief in its cash generation. Maintain BUY. Target price slightly lowered to S\$3.95.

2024 RESULTS

Year to 31 Dec (S\$m)	2023	2024	Yoy %	Remarks
Revenue	2,784	2,815	1.1%	- Strong contribution from all four fee-related businesses
EBITDA	1,104	1,421	28.7%	
Portfolio gains	213	230	8.0%	- Due to stronger divestment activity
Reported PATMI	181	479	164.6%	
Core PATMI	568	510	-10.2%	- Due to absence of contribution from divested assets
EBITDA margin	39.7%	50.5%	+10.8ppt	
PATMI margin	20.4%	18.1%	-2.3ppt	

Source: CapitaLand Investment, UOB Kay Hian

RESULTS

- PATMI fell short of our and consensus estimates despite good execution.** Although CapitaLand Investment's (CLI) 2024 PATMI rose 165% yoy to S\$479m, it missed our and consensus estimates. The operating PATMI of S\$510m was 10% lower yoy due to the absence of contribution from divested properties.
- Executing on divestments and capital recycling.** CLI's S\$5.5b worth of divestments in 2024 was admirable, enhancing its capital efficiency and bolstering its liquidity, which in turn should allow for near to medium-term reinvestment into its high-conviction sectors (ie logistics, private credit, data centres and lodging). We note that 66% of divested assets were retained within CLI-managed funds, maintaining asset control. These proceeds strengthened CLI's balance sheet with net debt/equity falling to 0.39x as at end-24 (end-23: 0.56x) which translates to S\$7.4b of debt headroom for growth should it choose to increase its net debt/equity to 0.9x.
- Higher dividend payout here to stay.** Together with its S\$0.12/share core cash dividend, CLI also proposed a special dividend-in-specie of 0.031 CICT units per CLI share, valued at S\$0.06/share at present. Management underlined that this new payout ratio of 50% (vs 30% previously) of cash PATMI is sustainable given that its cash flows will be able to underwrite a S\$0.12/share annual cash dividend.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	2,784	2,815	3,050	3,136	3,223
EBITDA	831	801	1,404	1,484	1,552
Operating profit	689	661	1,260	1,337	1,401
Net profit (rep./act.)	160	480	776	855	950
Net profit (adj.)	160	480	776	855	950
EPS (S\$ cent)	3.1	9.4	15.2	16.8	18.7
PE (x)	82.9	27.2	16.8	15.3	13.7
P/B (x)	1.0	1.0	1.0	1.0	0.9
EV/EBITDA (x)	20.9	21.7	12.4	11.7	11.2
Dividend yield (%)	4.7	4.7	3.6	3.9	4.4
Net margin (%)	5.7	17.1	25.4	27.2	29.5
Net debt/(cash) to equity (%)	56.4	29.3	27.5	21.3	15.1
Interest cover (x)	1.6	1.6	4.4	7.6	8.8
ROE (%)	1.1	3.4	5.7	6.2	6.7
Consensus net profit	-	-	745	822	1,008
UOBKH/Consensus (x)	-	-	1.04	1.04	0.94

Source: CapitaLand Investment Limited, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.56
Target Price	S\$3.95
Upside	+54.3%
(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):	4,983.4
Market cap (S\$m):	12,757.5
Market cap (US\$m):	9,463.3
3-mth avg daily t'over (US\$m):	19.0

Price Performance (%)

52-week high/low	S\$3.20/S\$2.40			
1mth	3mth	6mth	1yr	YTD
4.5	(6.6)	(3.4)	(7.9)	(2.3)

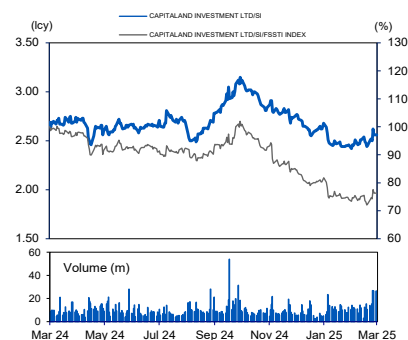
Major Shareholders

Temasek Hldgs	52.8
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FY25 NAV/Share (S\$) 2.96

FY25 Net Debt/Share (S\$) 1.57

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Significant growth in its FUM in 2024...** CLI grew its funds under management (FUM) to S\$117b (+20%) in 2024, driven by both organic growth and strategic acquisitions. In our view, the company remains on track to reach its target of S\$200b in FUM by 2028. CLI noted that the overall macro environment lends it an advantage given that it has the ability to seed ventures, companies and assets whereas the ability to obtain financing for others has been difficult in their view. In addition, it noted that some banks and private lenders are starting to lose patience with markets and thus it may start to see good assets enter the market.
- ... with growth via M&As.** During the results briefing, management was keen to note its deepening Asia-Pacific foothold given its acquisition of SC Capital Partners (40% stake for A\$280m) and Wingate (100% for A\$200m), both of which were the products of more than a year's work to ensure a strategic fit within the partnership. Overall, CLI expanded FUM contributions by S\$8b in Japan, S\$2b in Australia and another S\$3b in other parts of Asia, and it has set aside an additional S\$1.2b in funds for Australia.
- Expansion in lodging business continues.** CLI's lodging platform signed up 15,000 units across 85 properties, a substantial increase from the 14,400 units in 2023. RevPAU rose 6% yoy to S\$94, with three of its geographic markets seeing double-digit RevPAU growth: Japan & Korea (+13% yoy), Middle East, Africa, Turkey & India (+12% yoy) and Southeast Asia excluding Singapore (+11% yoy). The only slight disappointment was Europe's occupancy which dropped by 1ppt due to ongoing property renovations (should be back into business in the near term). Going forward, the company guided for mid-single-digit revenue growth.
- REIB stable in 2024.** The Real Estate Investment Business (REIB) remained stable in 2024, with operating EBITDA holding steady at S\$1.038b with the assistance of S\$230m in portfolio gains from its strong divestment activity. On an SGD basis, India and Singapore saw their net property income increase by 7% and 5% yoy (both on local currency basis) while China and other markets declined by 5% yoy. China continues to experience negative rental reversion across sectors with consumer and investor sentiment remaining cautious in general. CLI's India business, on the other hand, continues to benefit from its robust economy with strong demand seen from technology companies and financial institutions.

EARNINGS REVISION/RISK

- Raising estimates.** We have raised our 2025-26E earnings estimates by 5-6% to take into account the company's strong FUM growth, better earnings profile ahead for its lodging business and a slight upgrade in EBITDA margins for its REIB segment.

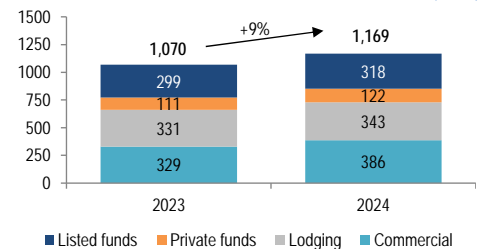
VALUATION/RECOMMENDATION

- Maintain BUY with a slightly lower SOTP-based target price of S\$3.95 (\$4.04 previously).** The lower target price is the result of: a) updating CLI's comparable companies' EBITDA multiples which saw a slight contraction in the past few months, b) lower target prices and market prices for CLI's listed REITs, and c) updating the valuation of CLI's portfolio of investment properties. While the company's current P/B valuation is inexpensive at 1.0x for 2025E vs its 2023 peak of 1.4x, its share price performance will likely be determined by US interest rates as well as the progress of its FUM growth and quality of its reinvestments.

SHARE PRICE CATALYST

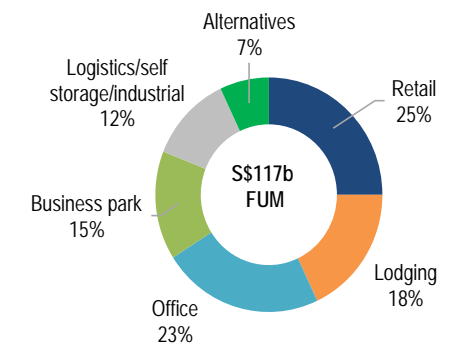
- a) Cap rate compression and stronger-than-expected growth in its FUM, and b) faster-than-expected recovery of the Chinese economy leading to overall better business in the lodging business and FUM given CLI's leverage in China.

REVENUE FROM FEE RELATED BUSINESSES (\$M)



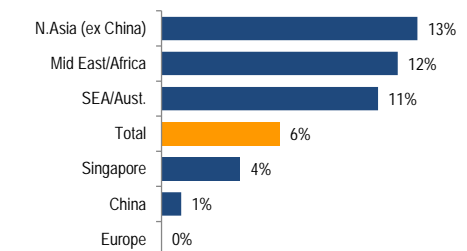
Source: CLI

FUM COMPOSITION BY ASSET CLASS: 2024



Source: CLI

REVPAU IN 2024 (% YOY)



Source: CLI

SOTP VALUATION

Business units	S\$m	S\$/share
Investment management	4,118	0.79
Lodging management	1,208	0.23
Property investment	2,975	0.57
Unlisted funds	7,900	1.52
Listed funds	8,957	1.72
Less: overheads	(800)	(0.15)
Gross asset value	24,356	4.68
Less: other adjustments	(3,688)	(0.69)
Enterprise value	20,668	3.95

Note: Valuation methodology for CLI's businesses: Investment management - 16.9x EV/EBITDA; Lodging management - 13.9x EV/EBITDA; Property investment - Adjusted RNAV; Unlisted funds - carrying value; Listed funds - market value

Source: UOB Kay Hian

FORECAST EARNINGS CHANGES

S\$m	2025E	2026E
NPAT - old	738	803
NPAT - new	775	854
% change	4.9%	6.3%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	2,815	3,050	3,136	3,223
EBITDA	801	1,404	1,484	1,552
Deprec. & amort.	140	144	147	151
EBIT	661	1,260	1,337	1,401
Total other non-operating income	1	1	1	1
Associate contributions	620	620	500	600
Net interest income/(expense)	(507)	(319)	(195)	(176)
Pre-tax profit	775	1,562	1,642	1,826
Tax	(80)	(312)	(328)	(365)
Minorities	(215)	(475)	(460)	(511)
Net profit	480	776	855	950
Net profit (adj.)	480	776	855	950

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	561	1,091	1,155	1,187
Pre-tax profit	775	1,562	1,642	1,826
Tax	(80)	(312)	(328)	(365)
Deprec. & amort.	140	144	147	151
Associates	0	0	0	0
Working capital changes	(174)	0	0	0
Non-cash items	0	0	0	0
Other operating cashflows	(100)	(302)	(306)	(425)
Investing	2,567	44	(40)	9
Capex (growth)	(173)	(200)	(200)	(200)
Investments	1,158	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	1,582	244	160	209
Financing	(3,249)	(3,052)	(358)	(406)
Dividend payments	(801)	(802)	(653)	(701)
Proceeds from borrowings	0	0	0	0
Loan repayment	(1,501)	(2,173)	0	0
Others/interest paid	(947)	(76)	295	295
Net cash inflow (outflow)	(121)	(1,917)	757	789
Beginning cash & cash equivalent	2,439	2,294	377	1,135
Changes due to forex impact	(10)	14	14	14
Ending cash & cash equivalent	2,308	391	1,149	1,938

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	620	677	729	779
Other LT assets	20,469	20,403	20,253	20,173
Cash/ST investment	2,308	391	1,149	1,938
Other current assets	1,313	1,317	1,321	1,325
Total assets	24,710	22,788	23,452	24,215
ST debt	1,098	1,098	1,098	1,098
Other current liabilities	1,764	1,764	1,764	1,764
LT debt	5,173	3,000	3,000	3,000
Other LT liabilities	2,264	2,543	2,807	3,121
Shareholders' equity	13,546	13,496	13,875	14,300
Minority interest	865	887	909	932
Total liabilities & equity	24,710	22,788	23,452	24,215

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	28.5	46.0	47.3	48.2
Pre-tax margin	27.5	51.2	52.4	56.7
Net margin	17.1	25.4	27.2	29.5
ROA	1.6	3.3	3.7	4.0
ROE	3.4	5.7	6.2	6.7
Growth				
Turnover	1.1	8.4	2.8	2.8
EBITDA	(3.6)	75.2	5.7	4.6
Pre-tax profit	71.1	101.6	5.1	11.2
Net profit	200.0	61.6	10.2	11.2
Net profit (adj.)	200.0	61.6	10.2	11.2
EPS	205.2	61.6	10.2	11.2
Leverage				
Debt to total capital	30.3	22.2	21.7	21.2
Debt to equity	46.3	30.4	29.5	28.7
Net debt/(cash) to equity	29.3	27.5	21.3	15.1
Interest cover (x)	1.6	4.4	7.6	8.8

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