

# Singapore Company Guide

## City Developments

Version 14 | Bloomberg: CIT SP | Reuters: CTDM.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Dec 2018

### HOLD

Last Traded Price ( 10 Dec 2018): S\$8.42 (STI : 3,072.44)  
 Price Target 12-mth: S\$9.50 (13% upside) (Prev S\$10.00)

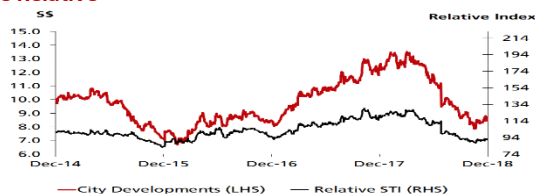
#### Analyst

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### What's New

- Invested in two office buildings in London; potential to inject into a REIT or private fund platform
- Expected to launch remaining land bank (c.2,300 units) in FY19
- Attractive valuations but limited near-term positive catalysts from Singapore property
- Maintain HOLD; TP at S\$10

#### Price Relative



#### Forecasts and Valuation

FY Dec (\$m)	2017A	2018F	2019F	2020F
Revenue	3,829	3,459	3,708	4,076
EBITDA	984	1,133	1,038	1,094
Pre-tax Profit	780	882	762	816
Net Profit	525	649	555	595
Net Pft (Pre Ex.)	448	649	555	595
Net Pft Gth (Pre-ex) (%)	(5.5)	44.9	(14.5)	7.3
EPS (S cts)	57.8	71.3	61.0	65.5
EPS Pre Ex. (S cts)	49.2	71.3	61.0	65.5
EPS Gth Pre Ex (%)	(6)	45	(14)	7
Diluted EPS (S cts)	55.0	68.0	58.1	62.4
Net DPS (S cts)	14.0	16.0	16.0	16.0
BV Per Share (S cts)	1,054	1,111	1,156	1,206
PE (X)	14.6	11.8	13.8	12.9
PE Pre Ex. (X)	17.1	11.8	13.8	12.9
P/Cash Flow (X)	7.1	nm	7.7	5.6
EV/EBITDA (X)	11.3	11.1	11.8	10.5
Net Div Yield (%)	1.7	1.9	1.9	1.9
P/Book Value (X)	0.8	0.8	0.7	0.7
Net Debt/Equity (X)	0.1	0.3	0.2	0.1
ROAE (%)	5.6	6.6	5.4	5.5
Earnings Rev (%)		(17)	(25)	(13)
Consensus EPS (S cts):		63.8	65.4	69.6
Other Broker Recs:		B: 14	S: 0	H: 8

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

### A white Christmas for City Dev

**Maintain HOLD; lower TP at S\$9.50.** We maintain our HOLD rating on City Developments (City Dev) and lower our TP to S\$9.50 (from S\$10.00 previously). Although the shares are trading at attractive valuations (at close to 2SD below historical P/NAV average), we see limited catalysts for the stock and sector given expectations of a property market slowdown which historically implies that City Dev shares will likely be trading in a range.

**Where we differ: Negative sentiment to hit Singapore's developer with the largest unsold inventory.** Given the weakened sentiment in Singapore property, coupled with the group having the largest inventory of units for launch, we believe there could be limited positive catalysts. In addition, the margins of units from the land bank acquired in late 2017-2018 could be impacted given that the ability to raise property prices may be limited following a turn in sentiment.

**Potential catalyst:** Property sales remain strong despite the change in sentiment; successful launch of its fund management platform.

**Investing in London office properties; potential to inject into a REIT or private fund platform.** In line with its 10-year target to achieve S\$900m recurring EBITDA, City Dev invested in two landmark Grade A office buildings in London in 4Q18 (total GBP568m (S\$1bn), taking advantage of opportunities from Brexit. Its passing yield is 4.7-5.0% with medium-term growth potential by yielding up the properties and potential for positive rental reversions from its current under-rented leases.

#### Valuation:

We maintain our HOLD rating but lower our TP to S\$9.50, based on a higher 40% discount to RNAV, which implies 0.9x 2018F P/NAV at 1.5SD below the historical average.

#### Key Risks to Our View:

**Non-completion of privatisation.** The inability to complete the privatisation exercise on M&C could limit potential upside to RNAV.

#### At A Glance

Issued Capital (m shrs)	907
Mkt. Cap (S\$m/US\$m)	7,636 / 5,558
Major Shareholders (%)	
Davos Investments Holdings Pte Ltd	16.4
Hong Leong Investment Holdings Pte Ltd	15.5
Standard Life Aberdeen PLC	5.0
Free Float (%)	63.1
3m Avg. Daily Val (US\$m)	11.2
ICB Industry : Financials / Real Estate	



Live more, Bank less

## City Developments

### WHAT'S NEW

#### A white Christmas for City Dev

##### Invested in two office buildings in London; potential to inject into a REIT or private fund platform.

- In 4Q18, City Developments (City Dev) invested in two landmark Grade A office buildings in London, namely Aldgate House and 125 Old Broad Street (formerly known as Stock Exchange Tower) with a total investment of GBP568m (S\$1bn). Management sees tremendous potential, taking advantage of opportunities from Brexit.
- Both properties are currently under-rented, approximately 20-25% below market rents. Aldgate House has occupancy of 88% while 125 Old Broad Street is 100% occupied with weighted average unexpired lease term (to lease break) (WAULT) of above 5 years (AH – 5.8 years; 125 OBS – 5 years).
- We believe these acquisitions will enhance City Dev's recurring income portfolio as it works towards its 10-year target to achieve S\$900m recurring EBITDA. The medium-term growth potential will be led by yielding up the properties and potential for positive rental reversions from its current under-rented leases. We will not be surprised to see more of such deals when the opportunity arises in the future.
- In addition, these properties could be recycled into a REIT or private fund platform, as highlighted by management in its 3Q18 results note.

#### Aldgate House

- Aldgate House is a landmark freehold Grade A commercial building in London purchased for GBP183m (S\$328m), City Dev's first acquisition in London in a while.
- The price is approximately 5% above the asking price of the vendors of GBP175m. The vendors (Hermes Real Estate Investment Management and CPPIB) acquired the building in 2013 for GBP100m which underwent an AEI under their ownership.
- Total NLA is approximately 211,000 sqft with retail and ancillary spaces over two basements. It has a passing yield of 5%, with >45% of the office rentals below market rents. The overall Weighted Average Unexpired Lease Term (WAULT) is 6.2 years to lease breaks and 7.9 years to lease expiries. Total occupancy stands at 88%.

- The building is strategically located in the heart of Aldgate, with excellent transportation connectivity, located next to Aldgate Underground Station. Six other underground stations – Aldgate East, Fenchurch Street, Liverpool Street, Tower Gateway, Tower Hill and Whitechapel are within a 5-minute walk away.
- Management sees tremendous potential in this prime commercial building and believes that there could be potential AEI to add value on this property to increase the rental and convert unused areas to provide additional facilities.

#### 125 Old Broad Street (formerly known as the Stock Exchange Tower)

- 125 Old Broad Street (formerly known as the Stock Exchange Tower), purchased for GBP385m (S\$687m), is City Dev's second landmark prime freehold Grade A office tower in London bought within a month from the first acquisition.
- The price is 12% below the asking price from vendor, Blackstone which acquired the property in 2014 for GBP320m.
- Total NLA is approximately 329,000 sqft with some retail space over three basement levels. It has a passing yield of 4.7%, with average passing rents currently about 25% below prime average rents in the City of London.
- It is currently fully leased to internationally renowned tenants, including Cushman & Wakefield's European HQ, King & Spalding and China International Capital Corporation. The top 5 tenants account for more than 60% of total NLA and income.
- The property is strategically located in the heart of London and within the main financial district. For those who know London well, it overlooks St. Paul's Cathedral and is just 100m from the iconic Bank of England HQ. The 26-storey building enjoys magnificent panoramic views of the city skyline.

## City Developments

### Key details of the properties:

<b>Location</b>	33 Aldgate High Street London EC3N 1DL	125 Old Broad Street London EC2N 1AR
<b>Acquisition price</b>	GBP183m (S\$328m)	GBP385m (S\$687m)
<b>Description</b>	Grade A office, retail and ancillary spaces over 2 basement, ground, mezzanine and 8 upper floors	Grade 1 office and retail over 3 basements and 26 upper floors
<b>Tenure</b>	Freehold	Freehold
<b>NLA</b>	211,000 sqft	329,200 sqft
<b>Occupancy</b>	88%	100%
<b>WAULT</b>	5.8 yrs (to lease breaks) / 7.5 yrs (to lease expiries)	5 yrs (to lease breaks) / 5.4 yrs (to lease expiries)
<b>Passing yield</b>	~5%	~4.7%

Source: Company, DBS Bank

### 9M18 net profit jumped 25% y-o-y largely from property development (Singapore, Japan and China) and higher divestment gains.

- City Dev's 9M18 net profit jumped 25% y-o-y to S\$447m largely due to higher contributions from property development (PBT contributions close to doubled y-o-y) and higher divestment gains of a total of S\$41m in 9M18 (S\$12m on disposal of a vacant shophouse plot at Jalan Besar and S\$29m by CDL HT in 1Q18) vs S\$30m in 9M17, partially offset by lower contributions from the hotel operations (PBT contributions fell 37% y-o-y).
- 3Q18 net profit grew 10% y-o-y to S\$162m largely from higher contributions from property development with lump sum recognition from projects completed and sold (e.g. New Futura), partially offset by lower divestment gains in the quarter (S\$12m in 3Q18 vs S\$30m in 3Q17).
- **Property division.** 9M18 revenue doubled mainly due to i) the lump sum recognition from sale of New Futura (84% sold as at 4 November 2018) which had completed, ii) The Criterion EC upon completion in February 2018, and iii) its overseas properties from recognition upon completion of Hong Leong City Centre (HLCC) Suzhou phase 2 (66% sold; 264 units handed over) and the group's 20% stake in the development of Park Court Aoyama The Tower, Tokyo (140 units out of 160 units have been handed over to date).

Similarly, PBT close to doubled y-o-y, mainly from the lump sum recognition of the development projects above. PBT margin fell marginally to 27% vs 28% in 9M17 (mainly from The Criterion EC with lower margins).

- **Hotel operations.** 9M18 revenue fell 1% y-o-y mainly impacted by: i) hotels closed for refurbishment/rebranding exercise; Millennium Hotel London Mayfair (close from July 2018; expected completion by 1Q19), Millennium Hilton Bangkok (impacted by refurbishment) and Dehevanafushi Maldives Luxury Resort (closed from June 2018 for rebranding), and ii) some forex impact from the weakened USD, mitigated by contributions from new hotels Millennium New Plymouth NZ (acquired in March 2018) and M Social Auckland (re-opened in October 2017).

However, PBT fell 37% y-o-y, mainly due to i) higher costs (+20%) mainly from payroll related costs and the continuation of fixed costs of Millennium Hotel London Mayfair despite its full closure, and ii) one-off items recorded in 2Q17 including writeback of impairment loss of S\$22m on loans granted to Fena, offset by S\$7m impairment of goodwill from CDL HT's acquisition of The Lowry Hotel.

- **Rental properties.** 9M18 revenue declined marginally by 2% y-o-y but PBT grew 2% y-o-y supported by higher divestment gains.

### Outlook

#### Residential – Singapore sales volume fell 25% y-o-y to 787 units while sales value fell 12% y-o-y; targets to launch another 2,300 units in FY19.

- 9M18 property sales volume in Singapore fell 25% y-o-y to 787 units while sales value fell less by 12% y-o-y to S\$1.6bn due to higher-priced products.
- Sales volume was largely led by New Futura (84% sold as at 4 November 2018 at ASP of S\$3,500psf), The Tapestry (63% sold as at 4 November 2018 at ASP of S\$1,350psf) and the Jovell (11% sold at ASP of S\$1,250-1,300psf).
- Recent launches: i) South Beach Residences was launched in September 2018, capitalising on the F1 Singapore Grand Prix season and sold 12 out of 50 units released (24% of launched units; 6% of total 190 units) including a super penthouse which was sold for S\$26m; ii) Whistler Grand was launched on 3 November 2018

## City Developments

and sold 160 units (22% of total units) at ASP of S\$1,380psf. Buyers were largely Singapore residents and 71% were first-time homebuyers.

- Upcoming launches with a total of 2,300 units expected to be launched in FY19: i) Amber Park (592 units) and Handy Road (188 units) in 1H19, ii) Sumang Walk (EC; 820 units) in 2Q19 and iii) Sengkang Central (700 units) in 4Q19. Boulevard 88 (154 units) has been put on hold.
- With the latest revised guidelines on the minimum average unit size, City Dev believes that it will not be impacted as most of its land banks have obtained Planning Permission (PP) except Sengkang Central GLS site. However, management is confident that it will be able to obtain its PP before the deadline.
- In China, the group sold 163 units and 16 villas in 9M18.
- Upcoming launches from overseas projects: i) Emerald in Chongqing (30% stake) is targeted to be launched in 1Q19, and ii) Chelsea (9 units) show units is on track to complete by 4Q18.

### Commercial properties

- In line with its focus to expand and achieve its 10-year target of S\$900m recurring EBITDA, City Dev has been active in acquiring commercial properties.
- In September 2018/October 2018, the group acquired two office buildings in London; Aldgate House and 125 Old Broad Street, both are currently under-rented with potential for positive rental reversions.
- More importantly, in its effort to build a fund management platform to achieve its 10-year target, we note that it disclosed in notes of the quarterly financial statement that assets such as Aldgate House and 125 Old Broad Street "could possibly be transferred to a private fund or a REIT vehicle". In addition, the "group is also working closely with its partners and investors in its three PPS to ensure a mutually favourable outcome for all three structures".
- In addition, the group has planned AEI on its newly acquired office block within Yaojiang International Complex in Shanghai's North Bund Business District, expected to complete by end-2018. The group should benefit from the immediate recurring income with the master lease signed with Distrii.
- In Singapore, its office and retail properties currently has 91.5% and 95.8% occupancy. Approximately 25% of its office portfolio is expiring in FY19 and 17% each year in

FY20 and FY21 which allows it to ride on the office rent uptrend as supply falls off. Similarly, the AEI on Republic Plaza is expected to complete by 2H19 and could ride on the rising office rents when the AEI completes.

- In China, the Hong Leong Plaza Hongqiao comprises five office towers with approval for strata-titled units which will be operational by 1Q19 while the HLCC's premium Grade A office tower has completed.

### Hotel – RevPAR (on constant currency) fell marginally partially impacted by closures/refurbishments

- The group's RevPAR fell 3.8%. On constant currency basis, the group's RevPAR fell 0.4% y-o-y. Excluding the impact of acquisitions, closures and refurbishments, RevPAR increased 1.5% y-o-y.
- On a constant currency basis, RevPAR was up for most locations led by Australasia (+5.9%), Asia (+1.5%) and US (+1.3%) except Europe (-6.8%) mainly due to London (-11.5%).
- UK performance was partially impacted by the closure of Millennium Hotel London Mayfair for refurbishment (expected completion by 1Q19), offset by contributions from newly acquired hotels.
- Mr Tan Kian Seng was reappointed as M&C's interim CEO in September 2018 following the departure of former CEO Ms Jennifer Fox.

### Maintain HOLD; lower TP of S\$9.50

We maintain our HOLD rating with a lower TP of S\$9.50. The target price is based on a higher discount to RNAV of 40% vs 35% previously to factor in a weakened sentiment from more measures from the authorities but raised our RNAV per share marginally to S\$15.90 from S\$15.40, taking into account of the two new London properties acquired. We lowered our FY18F-20F estimates by 13-25% to factor in lower property prices and longer rate of sales.

It is currently trading at 0.7x FY19F P/NAV, at close to 2SD below the historical average traded during the last property cycle (FY13-17). While share price is at attractive valuations which implies that the potential downside risks from the recent implementation of new cooling measures is limited, we see limited catalysts for the stock and sector given expectations of a property market slowdown which historically implies that City Dev's share price will likely be trading in a range.

## City Developments

### Quarterly / Interim Income Statement (S\$m)

FY Dec	3Q2017	2Q2018	3Q2018	% chg yoy	% chg qoq
Revenue	863	1,360	1,017	17.8	(25.2)
Cost of Goods Sold	(437)	(778)	(531)	21.7	(31.8)
<b>Gross Profit</b>	<b>427</b>	<b>581</b>	<b>486</b>	<b>13.9</b>	<b>(16.4)</b>
Other Oper. (Exp)/Inc	(60.5)	(107)	(94.7)	56.4	(11.7)
<b>Operating Profit</b>	<b>238</b>	<b>345</b>	<b>254</b>	<b>6.4</b>	<b>(26.4)</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	-	-
Associates & JV Inc	18.2	2.85	11.2	(38.3)	294.8
Net Interest (Exp)/Inc	(15.5)	(22.0)	(22.3)	(43.7)	(1.3)
Exceptional Gain/(Loss)	0.0	0.0	0.0	-	-
<b>Pre-tax Profit</b>	<b>241</b>	<b>325</b>	<b>242</b>	<b>0.6</b>	<b>(25.5)</b>
Tax	(39.0)	(90.4)	(53.8)	38.0	(40.5)
Minority Interest	(45.9)	(30.2)	(26.9)	41.5	(11.0)
<b>Net Profit</b>	<b>156</b>	<b>205</b>	<b>162</b>	<b>3.6</b>	<b>(21.0)</b>
Net profit bef Except.	156	205	162	3.6	(21.0)
EBITDA	312	402	265	(15.1)	(34.1)
<b>Margins (%)</b>					
Gross Margins	49.4	42.7	47.8		
Opg Profit Margins	27.6	25.3	24.9		
Net Profit Margins	18.1	15.1	15.9		

Source of all data: Company, DBS Bank

## City Developments

### CRITICAL DATA POINTS TO WATCH

#### Critical Factors

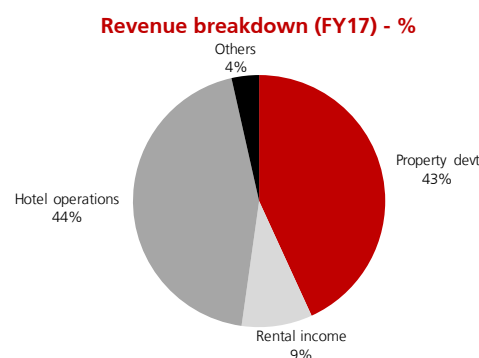
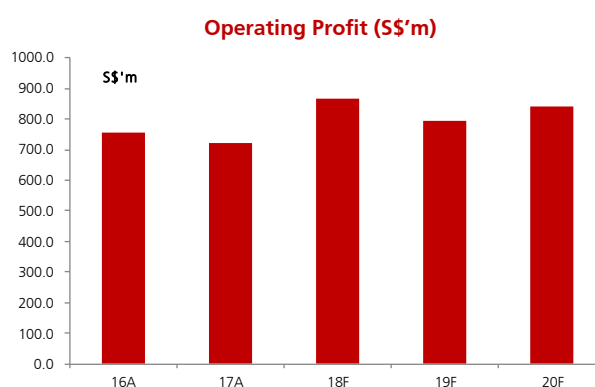
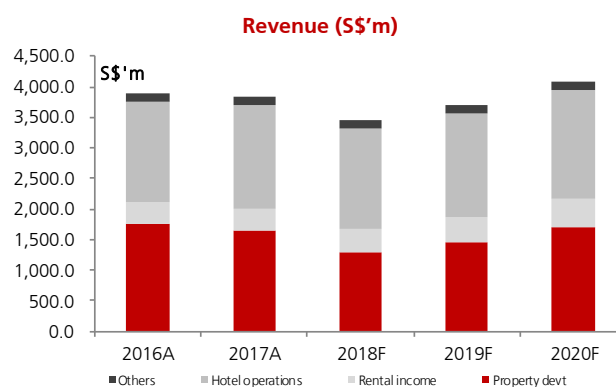
**Upcoming launches could be impacted.** City Dev has been aggressive in land banking with over 3,000 residential units in the pipeline to be launched in 2H18 to 2019. Upcoming launches such as South Beach Residences, West Coast Vale and the former Boulevard Hotel site will be impacted. City Dev could delay the launches, and adopt a wait-and-see stance given that it has the firepower to ride out the headwinds. However, margins for projects like Handy Road, Sumang Walk, and Amber Park could be affected.

**Strong sales momentum seen in existing projects.** Residential sales momentum has been strong for the group, achieving 1,171 units with sales value of S\$1.93bn. Based on the group's portfolio of projects launched in Singapore, it has a further 232 units in unsold inventory on its books (effective stake of 178 units). Based on estimates, the total unsold inventory (launched and unlaunched projects) could be worth up to S\$6bn. Therefore, City Dev has the largest share of unsold inventory in the market.

**Overseas investments to bear fruit in 2018.** In London – City Dev will progressively complete projects at Belgravia and Knightsbridge in 2018 while the Teddington Riverside development is planned for completion by end-2019. Other projects like the Stag Brewery Mortlake site and the recently acquired site at Ransomes Wharf (acquired for GBP58m, GDV of GBP222m) is expected to be launched in the medium term.

In China, City Dev will continue to focus on the execution and delivery of Hong Leong City Center. Phase 1 is 86% sold (sales value RMB2.6bn) and phase 2 is 89% sold with sales value of RMB928m, adding to the group's earnings visibility and de-risking its exposure in these properties.

**Fund management platform.** The group intends to accelerate its efforts to develop a fund management business to drive recurring income and to achieve a more efficient capital structure and offer recycling opportunities for the group to deploy capital more actively. With three Profit Participation Securities (PPS) already under the fund management platform, the group intends to launch more co-mingled funds or JVs, acquire platforms, and manage third-party capital. The group aims to build an AUM of US\$5bn by 2023 and US\$12bn by 2030.



**RNAV**

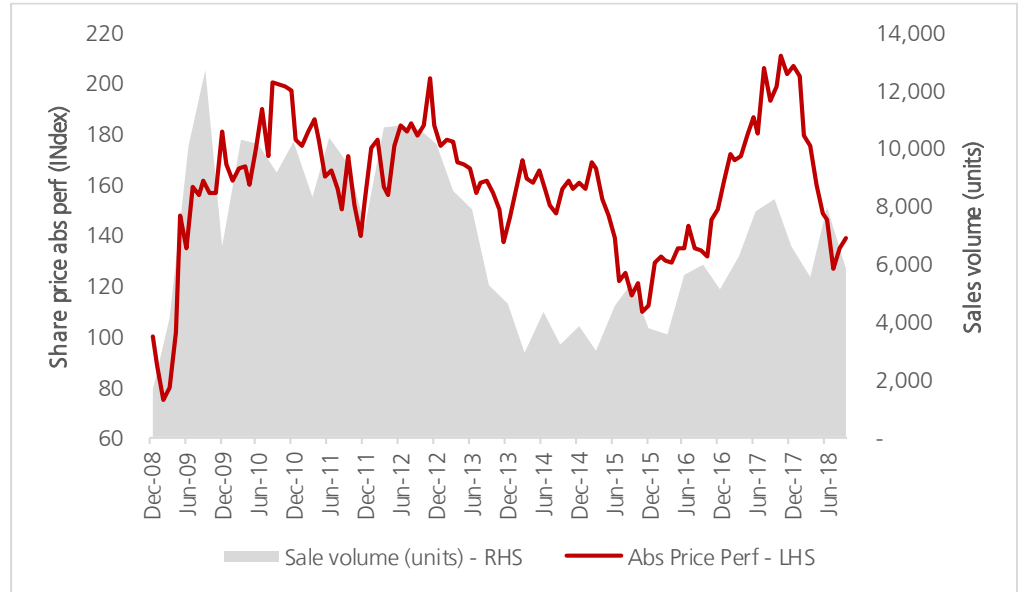
	S\$'m
Investment Portfolio (office)	4,539.2
Investment Portfolio (mixed Development)	1,505.1
Investment Portfolio (hotels)	1,071.5
Investment Portfolio (retail)	934.4
Investment Portfolio (industrial and others)	137.4
GDV of residential portfolio	5,687.1
Listed Stakes in	
M&C	2,326.2
CDL HT	489.2
Others	386.9
Gross Asset Value	17,077.0
Less: pref conversion	(211.8)
Less: Net debt	(1,727.5)
RNAV of CDL	15,137.8
No of shares	954.3
<b>RNAV/share (S\$)</b>	<b>15.9</b>
Discount	40%
<b>TP (S\$)</b>	<b>9.52</b>

Source: Company, DBS Bank

City Developments

Appendix 1:

City Dev's absolute performance vs Property sales volume

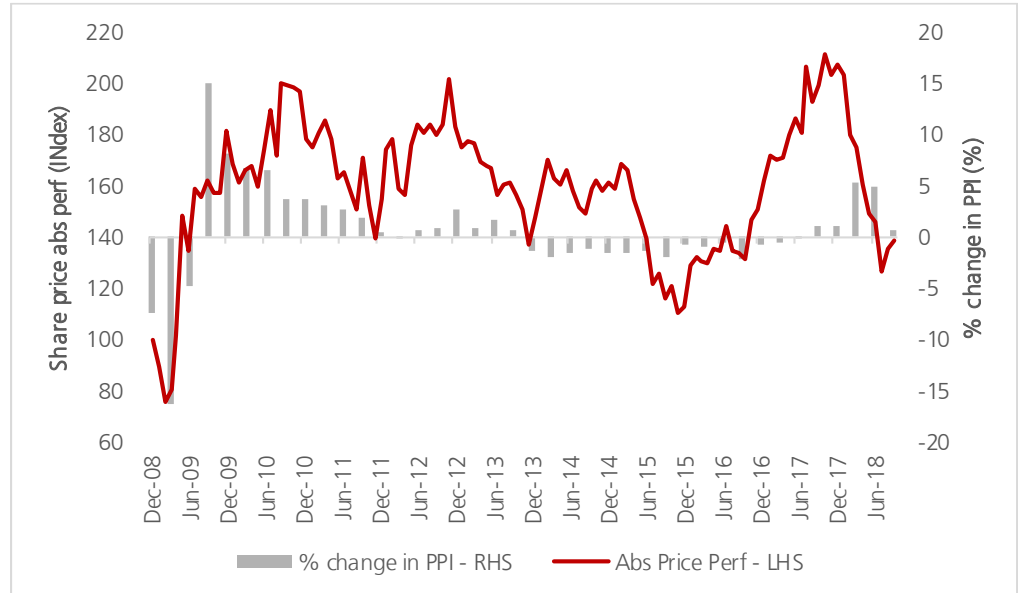


Remarks

Share price performance is positively correlated to property sales volume.

Source: DBS Bank, Thomson Analytics, Company, Bloomberg Finance L.P.

City Dev's absolute performance vs % change in PPI



Remarks

While increase in property prices led share price performance in 2009-2010, we did not see any major correlation thereafter.

Source: DBS Bank, Thomson Analytics, Company, Bloomberg Finance L.P.

## City Developments

### Balance Sheet:

**Undervalued Net Asset Value (NAV).** As the group has chosen to account for investment properties on a historical cost basis, its NAV is conservative as we estimate that current fair values of its properties are much higher than their carrying values.

**Low gearing of 9%.** City Dev's gearing stood at 9% as at FY17. This provides greater financial flexibility and debt headroom for the group to acquire opportunistically.

### Share Price Drivers:

**If sales volume remains sustainable despite property measures.**

Following the recent property tightening measures, we believe sentiment would impact sales take-up rates on new property launches. However, if sales volume can be sustained (similar to the previous upcycle in 2010-2012), this would bode well for City Dev's new property launches.

**Successful launch of its fund management.** The group intends to accelerate its efforts to develop a fund management business to drive recurring income and to achieve a more efficient capital structure and offer recycling opportunities for the group to deploy capital more actively. The successful launch of the fund management business will ensure stability of recurring income.

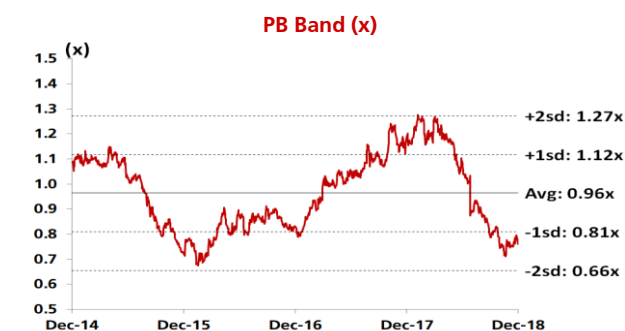
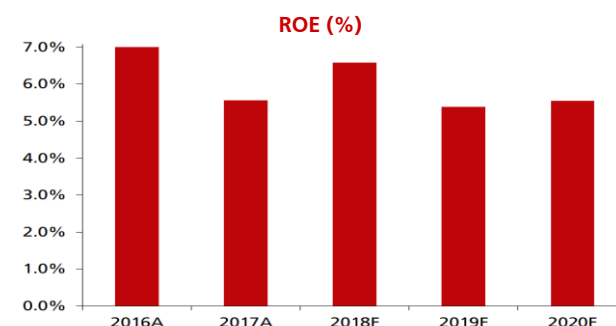
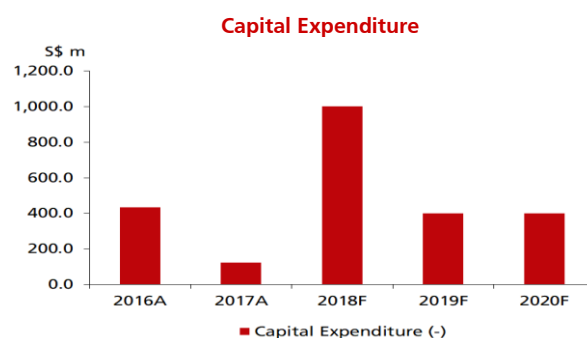
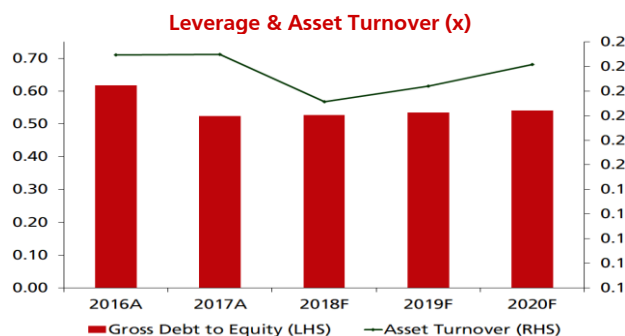
### Key Risks:

**Decline in residential prices in Singapore.** Seen as a proxy to Singapore's residential market, a worsening of the operating environment is expected to cap any upside potential for the stock. Unsold inventories are mainly in the high-end and executive segments whose unsold stocks typically take time to clear.

**Interest rate risk.** A rise in interest rates will have a negative impact on property transactions, given lower affordability and thus could adversely affect the group's outlook.

### Company Background

City Developments Limited (City Dev) is one of the pioneers in Singapore's property sector. It is a property and hotel conglomerate involved in real estate development and investment, hotel ownership and management, and facility management.



Source: Company, DBS Bank



## City Developments

### Segmental Breakdown

FY Dec	2016A	2017A	2018F	2019F	2020F
<b>Revenues (\$m)</b>					
Property devt	1,745	1,653	1,297	1,442	1,711
Rental income	367	347	366	419	467
Hotel operations	1,634	1,694	1,661	1,711	1,763
Others	160	135	135	135	135
<b>Total</b>	<b>3,905</b>	<b>3,829</b>	<b>3,459</b>	<b>3,708</b>	<b>4,076</b>
<b>Pre-tax Profit (\$m)</b>					
Property devt	520	445	443	361	375
Rental income	207	168	122	140	157
Hotel operations	116	149	245	253	260
Others	71.3	(0.5)	57.0	37.8	46.6
<b>Total</b>	<b>914</b>	<b>761</b>	<b>868</b>	<b>792</b>	<b>839</b>
<b>Pre-tax Profit Margins</b>					
Property devt	29.8	26.9	34.2	25.0	21.9
Rental income	56.5	48.5	33.3	33.5	33.5
Hotel operations	7.1	8.8	14.8	14.8	14.8
Others	44.5	(0.4)	42.3	28.0	34.6
<b>Total</b>	<b>23.4</b>	<b>19.9</b>	<b>25.1</b>	<b>21.4</b>	<b>20.6</b>

### Income Statement (\$m)

FY Dec	2016A	2017A	2018F	2019F	2020F
Revenue	3,905	3,829	3,459	3,708	4,076
Cost of Goods Sold	(2,148)	(2,144)	(1,682)	(1,941)	(2,166)
<b>Gross Profit</b>	<b>1,758</b>	<b>1,685</b>	<b>1,777</b>	<b>1,767</b>	<b>1,910</b>
Other Opng (Exp)/Inc	(1,001)	(963)	(909)	(974)	(1,071)
<b>Operating Profit</b>	<b>757</b>	<b>722</b>	<b>868</b>	<b>792</b>	<b>839</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	70.5	45.5	49.4	30.2	39.0
Net Interest (Exp)/Inc	(80.1)	(64.9)	(35.3)	(60.0)	(62.3)
Exceptional Gain/(Loss)	166	77.6	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>914</b>	<b>780</b>	<b>882</b>	<b>762</b>	<b>816</b>
Tax	(151)	(105)	(125)	(110)	(117)
Minority Interest	(109)	(137)	(95.3)	(84.8)	(90.9)
Preference Dividend	(12.9)	(12.9)	(12.9)	(12.9)	(12.9)
<b>Net Profit</b>	<b>640</b>	<b>525</b>	<b>649</b>	<b>555</b>	<b>595</b>
Net Profit before Except.	474	448	649	555	595
EBITDA	1,050	984	1,133	1,038	1,094
<b>Growth</b>					
Revenue Gth (%)	18.2	(2.0)	(9.6)	7.2	9.9
EBITDA Gth (%)	10.1	(6.3)	15.2	(8.4)	5.4
Opg Profit Gth (%)	19.8	(4.6)	20.1	(8.7)	5.9
Net Profit Gth (Pre-ex) (%)	7.2	(5.5)	44.9	(14.5)	7.3
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	45.0	44.0	51.4	47.6	46.9
Opg Profit Margin (%)	19.4	18.9	25.1	21.4	20.6
Net Profit Margin (%)	16.4	13.7	18.7	15.0	14.6
ROAE (%)	7.0	5.6	6.6	5.4	5.5
ROA (%)	3.2	2.7	3.3	2.7	2.8
ROCE (%)	3.5	3.5	4.1	3.6	3.7
Div Payout Ratio (%)	24.7	24.2	22.4	26.2	24.4
Net Interest Cover (x)	9.5	11.1	24.6	13.2	13.5

Source: Company, DBS Bank

## City Developments

## Quarterly / Interim Income Statement (\$\$m)

FY Dec	3Q2017	4Q2017	1Q2018	2Q2018	3Q2018
Revenue	863	1,328	1,058	1,360	1,017
Cost of Goods Sold	(437)	(852)	(695)	(778)	(531)
<b>Gross Profit</b>	<b>427</b>	<b>476</b>	<b>363</b>	<b>581</b>	<b>486</b>
Other Oper. (Exp)/Inc	(60.5)	(108)	(55.7)	(107)	(94.7)
<b>Operating Profit</b>	<b>238</b>	<b>226</b>	<b>183</b>	<b>345</b>	<b>254</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	18.2	29.0	8.90	2.85	11.2
Net Interest (Exp)/Inc	(15.5)	(15.7)	(24.0)	(22.0)	(22.3)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>241</b>	<b>239</b>	<b>167</b>	<b>325</b>	<b>242</b>
Tax	(39.0)	(20.1)	(33.5)	(90.4)	(53.8)
Minority Interest	(45.9)	(32.3)	(53.9)	(30.2)	(26.9)
<b>Net Profit</b>	<b>156</b>	<b>187</b>	<b>80.0</b>	<b>205</b>	<b>162</b>
Net profit bef Except.	156	187	80.0	205	162
EBITDA	312	308	242	402	265

## Growth

Revenue Gth (%)	1.1	53.8	(20.3)	28.5	(25.2)
EBITDA Gth (%)	22.2	(1.2)	(21.6)	66.4	(34.1)
Opg Profit Gth (%)	17.6	(5.3)	(19.2)	88.7	(26.4)
Net Profit Gth (Pre-ex) (%)	42.2	19.6	(57.1)	155.9	(21.0)

## Margins

Gross Margins (%)	49.4	35.9	34.3	42.7	47.8
Opg Profit Margins (%)	27.6	17.0	17.3	25.3	24.9
Net Profit Margins (%)	18.1	14.1	7.6	15.1	15.9

## Balance Sheet (\$\$m)

FY Dec	2016A	2017A	2018F	2019F	2020F
Net Fixed Assets	5,136	5,014	5,798	5,982	6,166
Invts in Associates & JVs	1,462	1,558	1,608	1,638	1,677
Other LT Assets	3,120	3,472	3,502	3,502	3,502
Cash & ST Invts	3,690	3,849	2,740	3,471	4,574
Inventory	11.8	11.0	8.65	9.98	11.1
Debtors	1,166	1,036	936	1,003	1,103
Other Current Assets	5,213	4,565	5,290	5,249	4,838
<b>Total Assets</b>	<b>19,797</b>	<b>19,503</b>	<b>19,882</b>	<b>20,854</b>	<b>21,870</b>
ST Debt	1,783	1,266	1,266	1,266	1,266
Creditor	1,575	1,604	1,259	1,453	1,621
Other Current Liab	301	391	198	183	190
LT Debt	3,955	3,756	4,056	4,356	4,656
Other LT Liabilities	774	645	645	645	645
Shareholder's Equity	9,294	9,584	10,105	10,514	10,964
Minority Interests	2,115	2,258	2,353	2,438	2,529
<b>Total Cap. &amp; Liab.</b>	<b>19,797</b>	<b>19,503</b>	<b>19,882</b>	<b>20,854</b>	<b>21,870</b>
Non-Cash Wkg. Capital	4,515	3,616	4,778	4,627	4,141
Net Cash/(Debt)	(2,047)	(1,172)	(2,581)	(2,151)	(1,348)
Debtors Turn (avg days)	136.8	105.0	104.0	95.5	94.3
Creditors Turn (avg days)	301.1	301.0	356.4	286.9	287.7
Inventory Turn (avg days)	2.2	2.2	2.4	2.0	2.0
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2
Current Ratio (x)	2.8	2.9	3.3	3.4	3.4
Quick Ratio (x)	1.3	1.5	1.4	1.5	1.8
Net Debt/Equity (X)	0.2	0.1	0.3	0.2	0.1
Net Debt/Equity ex MI (X)	0.2	0.1	0.3	0.2	0.1
Capex to Debt (%)	7.5	2.4	18.8	7.1	6.8
Z-Score (X)	0.0	0.0	0.0	0.0	0.0

Source: Company, DBS Bank

## City Developments

### Cash Flow Statement (\$m)

FY Dec	2016A	2017A	2018F	2019F	2020F
Pre-Tax Profit	914	780	882	762	816
Dep. & Amort.	222	216	216	216	216
Tax Paid	(157)	(162)	(318)	(125)	(110)
Assoc. & JV Inc/(loss)	(70.5)	(45.5)	(49.4)	(30.2)	(39.0)
Chg in Wkg.Cap.	330	286	(969)	166	479
Other Operating CF	(57.4)	0.93	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>1,181</b>	<b>1,076</b>	<b>(238)</b>	<b>989</b>	<b>1,361</b>
Capital Exp.(net)	(433)	(123)	(1,000)	(400)	(400)
Other Invt.(net)	0.0	(48.3)	(30.0)	0.0	0.0
Invt in Assoc. & JV	(113)	(58.6)	(100.0)	(100.0)	(100.0)
Div from Assoc & JV	53.9	99.6	99.6	99.6	99.6
Other Investing CF	810	38.9	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>318</b>	<b>(91.0)</b>	<b>(1,030)</b>	<b>(400)</b>	<b>(400)</b>
Div Paid	(237)	(244)	(140)	(158)	(158)
Chg in Gross Debt	(664)	(458)	300	300	300
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(440)	(220)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(1,341)</b>	<b>(922)</b>	<b>160</b>	<b>142</b>	<b>142</b>
Currency Adjustments	(49.7)	39.6	0.0	0.0	0.0
Chg in Cash	108	103	(1,109)	731	1,103
Opg CFPS (S cts)	93.6	86.9	80.3	90.5	97.1
Free CFPS (S cts)	82.3	105	(136)	64.8	106

Source: Company, DBS Bank

### Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	15 Dec 17	12.15	14.03	BUY
2:	19 Feb 18	12.90	14.03	BUY
3:	08 Mar 18	12.94	15.40	BUY
4:	19 Mar 18	13.25	15.40	BUY
5:	26 Mar 18	12.97	15.40	BUY
6:	14 May 18	12.40	15.40	BUY
7:	16 May 18	11.97	15.40	BUY
8:	06 Jul 18	9.46	10.00	FULLY VALUED
9:	10 Aug 18	9.72	10.00	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Rachel TAN

Derek TAN

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**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

Completed Date: 11 Dec 2018 09:10:12 (SGT)

Dissemination Date: 11 Dec 2018 09:40:41 (SGT)

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