Singapore Industry Focus

Singapore Developers

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Jan 2020

Asset rejuvenation at work

- Developers to deliver higher returns and NAV uplift on recent M&A activities
- Singapore residential market volumes may be boosted by the upgrader households.
- Developers' to actively pursue asset recycling
- Prefer diversified plays like CAPL and CDL

Developers to deliver higher returns on the back of robust M&A activities. Property developers offer good value at 0.8x P/NAV (-1 standard deviation) in an environment of high valuations. With the property market expected to remain resilient and developers under our coverage have been actively clearing inventories in 2019, we see dissipating risks to their exposure to Singapore (SG) residential market which we estimate to drop to <15% of RNAV based on unsold inventories. In addition, most developers went on a M&A spree in 2019, with more than c.S$17bn of deals inked in 2019.

These acquisitions would shore up earnings and further enhance geographical diversity, and in some cases add incremental recurring income. With these M&A deals contributing from 2020 onwards, we anticipate an improvement in ROEs while asset recycling activities will drive NAV upside. We have raised our TPs to reflect a more positive outlook through a reduction in RNAV discounts, implying a P/NAV target of 1.07x (+0.5 SD). Our picks are CapitaLand (CAPL) and City Developments (CDL).

Singapore residential market on a steady footing but government intervention a risk if prices rises too fast. Transaction volumes have done well in 2019, hitting close to 10k units, ahead of expectations and we expect volumes to remain stable at best in 2020. While supply of c.39k unsold homes is high, there is a larger proportion of homes within the Rest of Central Region (RCR) and Core Central Region (CCR) regions where overall investment quantum is higher. With buyer affordability remaining restrained, we expect sell-through rates to remain slow. That said, we watch the actions of upgrader households, as they would benefit from the recent policy measures to improve household affordability. If HDB resale prices strengthen, we could see more activity than anticipated in 2020, presenting upside to our estimates. The Property Price Index (PPI) should remain on an uptrend in 2020 but by a more modest 1%-2% (vs c.2.5%-3.0% in 2019).

Asset reconstitution strategy at work; where will developers look to next? We remain excited about asset recycling plans that could be in store for developers looking to unlock capital from recent M&A activities and will likely tap their REITs to recapitalize their balance sheets. We believe that a portion of the capital could be redeployed into value-add opportunities (CAPL – Science Park redevelopment, Vietnam, India), CDL (M&C) and UOL (Marina Centre Holdings redevelopment) to anchor longer term NAV upside and be re-rating catalysts.

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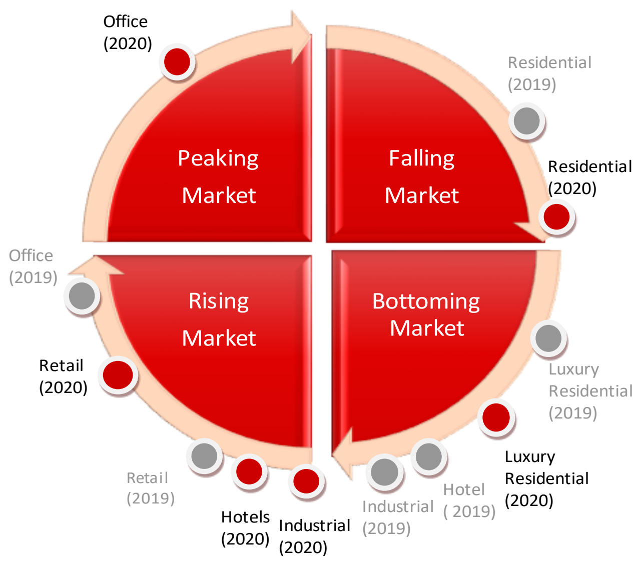
STOCKS

	Price	Mkt Cap	12-mth Target Price	Performance (%)		
	S$	US$m	S$	3 mth	12 mth	Rating
CapitaLand	3.73	13,932	4.50	5.7	21.5	BUY
City Developments	10.95	7,363	13.00	11.5	34.9	BUY
UOL Group	8.23	5,146	9.50	9.7	34.3	BUY

Source: DBS Bank, Bloomberg Finance L.P.
Closing price as of 30 Dec 2019

DBS Singapore Property Clock



Source: DBS Bank

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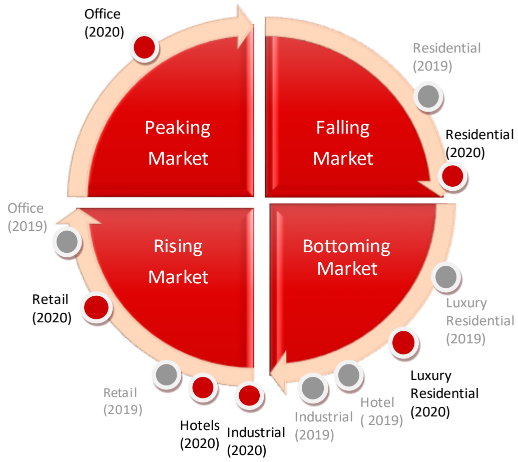
Key Trends in 2020

1. SG property remains firm as recovery takes hold

SG Property Sector enters second year of recovery. The real estate market is projected to be in the second year of recovery on the back of a supply tail-off that began in 2018, backed by low supply completions.

DBS property Clock

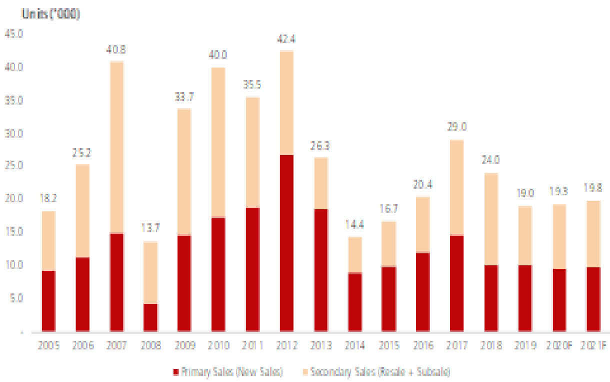


Source: DBS Bank

2. SG residential market to remain stable

Residential seeing an uptick in prices over next 2 years. We believe that the uptick in volumes in 2019 and policy moves introduced to infuse more affordability in the public (HDB) market will result in higher stability and an uptick in prices in 2020. We project primary sales to remain steady at 10k in 2020 with a 1-2% rise in the Property Price Index (PPI).

Transaction volumes to remain stable and trend up over time



Source: URA, DBS Bank

3. Absorption rates low in general

Lower sell-through rates. Sell-through rates have generally been lower in 2019 despite better than expected transaction volumes of close to 10k in primary sales. This is due to a high number of property launches but developers have been cautious by launching only a small proportion of the entire project at a time.

Sell-through rates (%)

Source: URA, DBS Bank

4. Sell-through rates for some of the larger developers have been decent

Focused on selling inventories. Developers have been actively clearing inventories on the books with the top 10 developers (by units) having moved between 13%-50% of total units as of 11M19. With the 5-year ABSD deadline to come from 2021 onwards, we anticipate a faster momentum for selective projects.

Sell-through rates of top 10 developers (units)

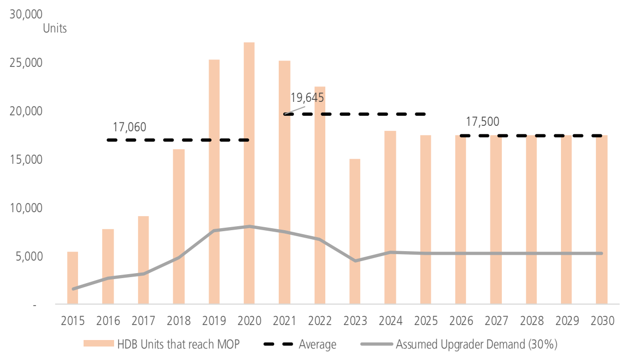
No	Developer	# of projects	Est Units	% Sold (2018)	% sold (YTD)
1	Oxley and Partners	11	5,000	35%	50 %
2	City Developments	7	4,300	23%	53%
3	MCL Land	3	2,470	20%	52%
4	UOL / UIC	5	3,000	27%	40%
5	Sim Lian	1	2,225	-	36%
6	Singhaiyi and Partners	3	2,167	-	25%
7	Kingsford	1	2,026	-	0%
8	Guocoland	2	1,069	-	12%
9	CapitaLand Limited	2	1,228	-	20%
10	Allgreen	3	954	-	13%
	Subtotal (Top 10)		24,439		

Source: URA, HDB, DBS Bank

5. Upgrader market could push volumes higher

Upgrader demand. Close to 20k units will come off their minimum occupation period (MOP) for HDB from 2020 onwards. The ability of these upgrader households to purchase a private property (or executive condominiums (EC)) may boost volumes going forward.

HDB units by MOP period

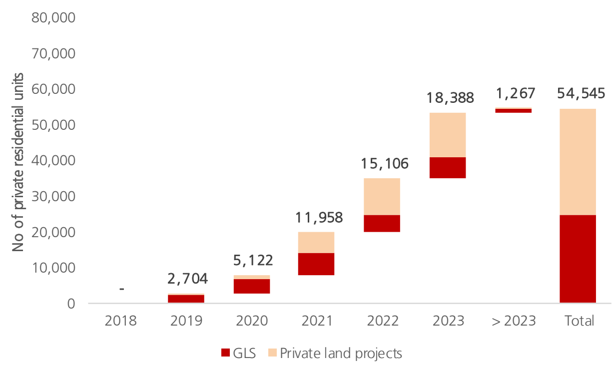


Source: URA, HDB, DBS Bank

6. Unsold inventory remains high

Unsold supply remains high at 39k units. Unsold inventory at 39k implies a market absorption rate of close to 4.0 years, assuming 10k per annum from primary sales transactions. This could cap any significant PPI increases in the medium term.

Completion schedule (by units)

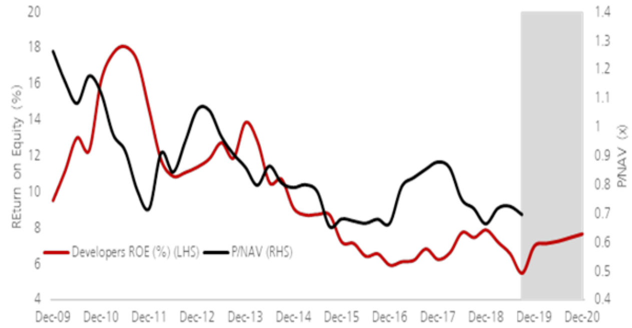


Source: URA, DBS Bank

7. Developers ROE have close correlation with Share price

Developer ROE to rise in 2020-2021. We project developers to deliver stronger ROE in FY20-21 on the back on recent M&A and continued asset recycling activities.

Developer ROE vs P/NAV

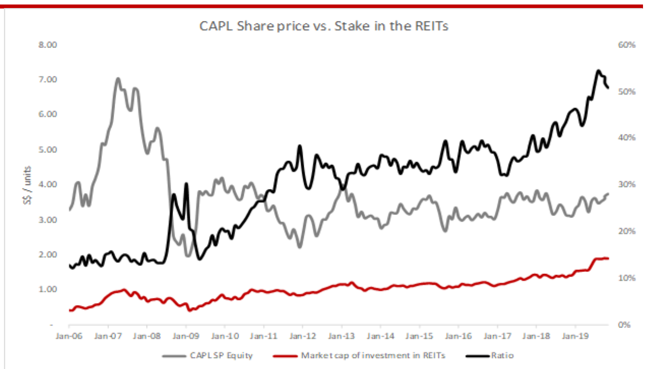


Source: Bloomberg Finance L.P., DBS Bank

8. Market not ascribing CapitaLand the right valuation.

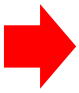
% share in REITs have hit historical high. The M&A with Ascendas have brought the group's listed stakes in its managed REITs to a high of 50% on a per share basis, while historically, the historical trading range have been about 40%.

% of CapitaLand share price in the REITs



Source: URA, DBS Bank

Singapore property market enters into its second year of recovery

Sector	2019 Outlook	2020 Outlook	DBS Research View	Risks Factors that we are watching:	Regulatory Environment/ Opportunities
Residential			• Prices: 0% to +2% in 2020, a moderation from the 2.5-3% uptick in 2019; luxury residential on an uptrend (+2% to +3%). • Primary sales volumes to remain at 9k units; below average of 11k	• Take-up rates remain low and not evenly spread out across projects. • Potential "over-supply" in selected districts like Holland Rd.	• Higher income limits (S$14k for HDB, S$16k for EC) to boost supply in the public market. • Lift in upgrader demand in the medium term.
Office			• Low supply completions over 2020-2021 will support sector. • Market rents may peak or see moderate growth in 2020 as demand may be weaker than expected.	• Co-working operators (including WeWork) have supported growth in demand for space. • "Shadow space" to emerge amongt grade B office.	• Potential conversion of older office buildings in CBD could present upside to selected owners and rents may be supported.
Retail Malls			• Rentals to grow by +2% to +3% on low supply risk. • Malls with dominant presence to remain more resilient and produce rental upside.	• Landlord's exposure in F&B maxed out at c.35% of total NLA. • Watch for health of tenants especially in fashion space.	• New supply is generally low in 2020-2021, which will support rental growth.
Industrial			• Warehouse / Hi-Specs and business parks to outperform. • Factories continue to face supply headwinds while tenant demand remains firm.	• Economically sensitive sector, especially factories (from SMEs). • Supply risk remains high for factories.	• Potential new digital districts in Woodlands and Punggol. • Conversion of science parks (Ascendas).
Hospitality			• RevPAR growth of 3%-5% in 2020. • Regional boost from tourist diversion away from HK in the medium term.	• Economically sensitive sector and easily could turn down if outlook deteriorates.	• Potential reduction in number of days for serviced residences (from 7 days to 3 days) could introduce new competition.

Source: DBS Bank

Peer comparison and valuation ranges

Singapore Developers' Peer Comparisons (Prices as of 23rd Dec 2019)

Company	FYE	Mkt Cap (S$bn)	Price (S$)	P/NAV (x)	RNAV (S$)	Assumed Discount (%)	Previous TP (S$)	Revised Discount (%)	Revised TP (S$)	Rec	Forward NAV (S$/share)	Implied P/NAV (Fwd)
Developers												
CapitaLand	Dec	15.6	3.74	0.83	5.45	-25%	4.00	-18%	4.50	BUY	4.9	0.92
City Dev	Dec	9.9	10.96	0.98	15.90	-30%	11.00	-18%	13.00	BUY	12.0	1.08
Frasers Property Ltd	Sep	4.8	1.68	-	-	-	-	-	-	-	-	-
UOL	Dec	7.0	8.29	0.73	11.92	-30%	8.53	-25%	9.50	BUY	12.0	0.79
Non-Covered												
Bukit Sembawang	Dec	1.2	4.75	0.94	-	-	-	-	-	-	-	-
Guocoland	Dec	2.2	1.97	0.57	-	-	-	-	-	-	-	-
Wing Tai	Jun	1.5	2.00	0.47	-	-	-	-	-	-	-	-
Ho Bee Land	Dec	1.6	2.40	0.49	-	-	-	-	-	-	-	-

Source: Bloomberg Finance L.P., DBS Bank

Historical developer price to NAV

Developers	Price taken	P/NAV	P/BV Valuations over FY13-17					Implied Prices				
	(16 Dec)	(16 Dec)	Mean	-1SD	+1SD	+0.5 SD	-0.5 SD	Mean	-1SD	+1SD	+0.5 SD	-0.5 SD
Capitaland	3.68	0.82	0.86	0.68	0.95	0.91	**0.81**	3.86	3.45	4.27	4.06	3.66
UOL	8.05	0.68	0.70	0.53	0.79	0.74	**0.66**	8.21	7.23	9.19	8.70	7.72
CityDev	10.7	0.93	1.08	0.71	1.27	1.18	**0.99**	12.30	10.17	14.42	13.36	11.23
CES	0.62	0.48	0.77	0.35	0.98	0.87	**0.66**	0.99	0.72	1.26	1.12	0.86
Roxy	0.4	1.06	1.70	0.69	2.20	1.95	**1.45**	0.64	0.45	0.82	0.73	0.54
Average		**0.77**	**0.98**	**0.60**	**0.79**	**1.17**	**1.07**					
Bukit Sembawang	4.76	0.56	1.16	0.74	0.95	1.37	1.26	5.88	4.82	6.94	6.41	5.35
Guocoland	1.99	0.46	0.78	0.45	0.61	0.94	0.86	2.69	2.13	3.26	2.97	2.41
Wing Tai	1.95	0.49	0.49	0.33	0.41	0.57	0.53	2.08	1.74	2.41	2.24	1.91
Ho Bee Land	2.4	0.50	0.67	0.54	0.61	0.74	0.70	2.82	2.42	3.39	3.15	2.66

Source: Bloomberg Finance L.P., DBS Bank

2019 volume surprises but unlikely to see a repeat in 2020

Singaporean households remain key buyers of new homes in 2019. Based on data compiled by Realis as at 9 Dec 2019, out of the 18,400 units transacted in 11M19 (9,500 primary sales, 8,900 in secondary market), most of the buyers in 2019 were Singaporean households, accounting for close to 79% of total sales with Singapore permanent residents (PRs) accounting for another 14% and the remaining 6% from foreigners.

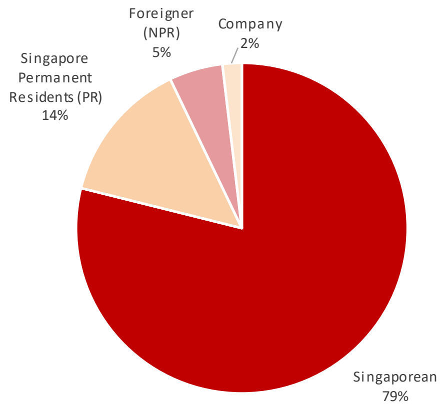
Foreigners and PRs who are active in the property market were mainly from China (5.0% of total PR and foreigner transactions), followed by Malaysia (3.0%), India (1.8%) and Indonesia (1.2%). Within the core central region (CCR), buyers from China (8.4% of transactions), Malaysia (3.3%) and India (2.3%) were the more dominant buyers from other countries.

Primary sales velocity ahead of expectations in 2019. While we saw an initial slowdown in sales in 1H19, momentum picked up in 3Q19 on the back of a robust list of new property launches which captured buyers' attention. Sales in YTD11M19 was close to 9,500 units (+5.0% y-o-y) and should hit 10,000 by the year end. The marginal drop y-o-y in a year post the recently introduced measures (July-18 and Oct-18) is laudable in our view.

Secondary market transactions, however, have remained weak in 2019 (down c.20% y-o-y to c.8,900 units in 11M19) as buyers appear to focus on new homes where overall investment quantum is smaller

Expect a more modest 2020 primary sales performance. Looking ahead, we believe that given a rather limited list of new launches that will hit the market in 2020 coupled with more projects with a requirement to build larger units, we expect primary sales to remain flattish at c.10,000 or may even dip slightly as buyers are likely to remain sensitive to price increases going forward.

Breakdown of buyer profile



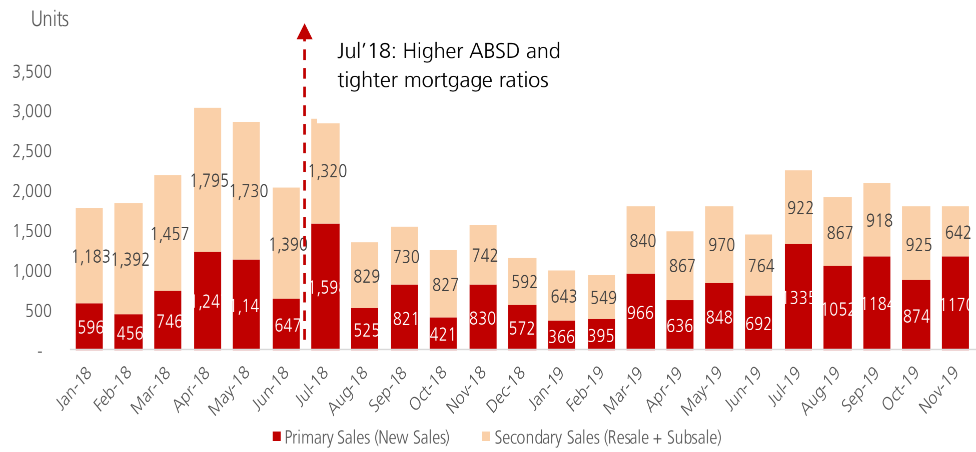
Source: URA, DBS Bank

Breakdown of sales by country

Country	All regions	% of All regions	CCR	% of CCR
China	965	5.2%	224	8.4%
Malaysia	561	3.0%	88	3.3%
India	323	1.8%	62	2.3%
Indonesia	216	1.2%	55	2.1%
USA	114	0.6%	23	0.9%
Company	66	0.4%	23	0.9%
Taiwan	61	0.3%	21	0.8%
United Kingdom	59	0.3%	21	0.8%
Australia	51	0.3%	19	0.7%
Korea	44	0.2%	18	0.7%
Others	1,216	6.6%	273	10.3%
Foreigners	3,676	19.9%	827	31.1%
Singapore	14,773		1,833	12.4%
Total Transactions	18,449		2,660	14.4%

Source: URA, DBS Bank

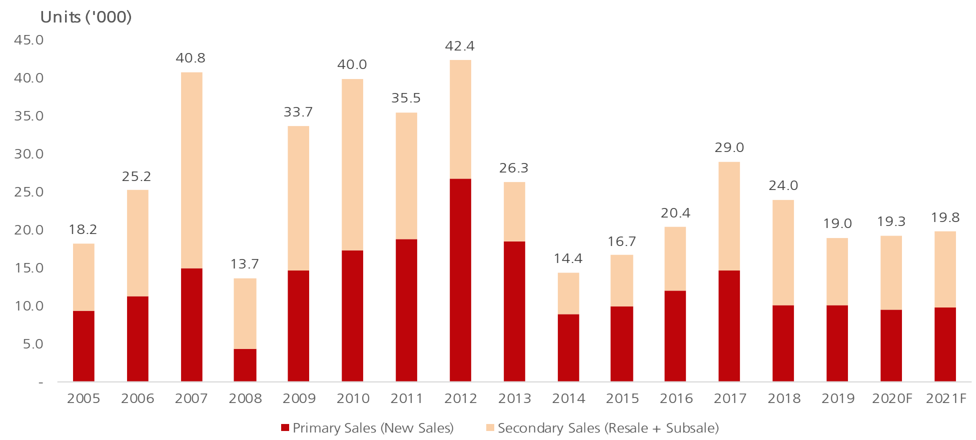
Transaction volume tapered off post measures in 2018



Remarks

Transaction velocity in both the primary (new sales) and secondary market (resale and subsale) declined post measures but picked up in 3Q19 as new major project launches hit the market.

Transaction volume forecast in 2020-2021



Source: URA, DBS Bank

Remarks

We project market volumes to remain stable at 9,500-9,800 units in the primary market and another 9,750-10,000 units in the secondary market. 2021 volumes should remain on an uptrend, assuming that the economic environment remains in "growth" phase.

Restrained affordability given tight measures

Hefty down-payment requirement for investors keeps them in the "quantum game". Limited by financing and a high cash down-payment, especially for investment properties, property buyers and investors have continued to focus on total quantum affordability in their purchasing decisions. We found that in the past 2 years, average unit size has declined towards the 70 psm level (750 sqft) for new sales, while per sqft pricing (S$ psf) has been inching higher towards the S$1,650 psf level (vs S$1,530 psf in 2018.

Based on our analysis, given current additional buyer stamp duties (ABSD) and applicable mortgage limits, a prospective buyer (Singaporean) will need to fork up at least 28% in cash and/or from their central provident fund (CPF) for their first property purchase in the private market. Assuming a 1,000 sqft EC worth S$1.2m, a buyer would have to fork out close to c.S$330k in cash. This amount rises to close to S$483k for a private property worth S$1.75m (first home). For an investor (2nd property or 3rd property purchase), the upfront cash portion increases to 70% to 83% of the value of the home, implying that the current property measures are restrictive for investors.

As such, we believe that most prospective buyers will likely look to sell their homes in order to contain their upfront costs when purchasing a home.

Foreigners have to fork out a hefty 48% of the value of their homes upfront in cash, which in our view implies that these buyers are likely to be well-to-do in order to purchase a residential property here.

Scenario of different cash outlays for various property buyer types

	HDB	EC	Private Property (Singapore Citizen)	Private Property 2 (Singapore Citizen)	Private Property 3 (Singapore Citizen)	Private Property (Foreign Citizen)
House Value	400,000	1,200,000	1,750,000	1,750,000	1,750,000	1,750,000
Maximum LTV	360,000	900,000	1,312,500	787,500	612,500	1,312,500
Down Payment	40,000	300,000	437,500	962,500	1,137,500	437,500
Stamp Duties (including ABSD)	6,600	30,600	46,200	256,200	308,700	396,200
Total Cash Outlay	46,600	330,600	483,700	1,218,700	1,446,200	833,700
Monthly Mortgage Payment	1,441	3,327	4,851	2,911	2,264	4,851
Minimum Monthly Salary	5,389	13,471	9,823	13,979	17,521	9,823
Cash outlay / Value of house	12%	28%	28%	70%	83%	48%
Loan-to-value (LTV)	90%	75%	75%	45%	35%	75%
Assumed interest rate	2%	2%	2%	2%	2%	2%
TDSR/MSR	30%	30%	60%	60%	60%	60%

Source: DBS Bank

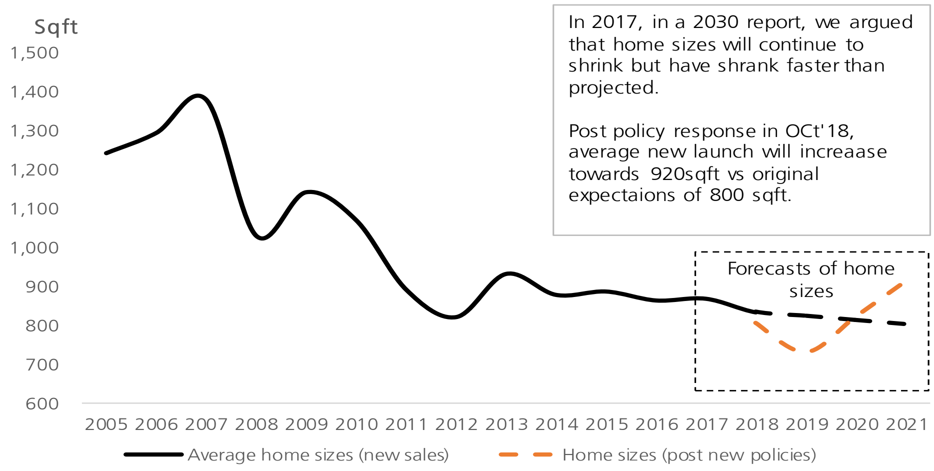
Impact of "bigger homes" has yet to be felt in the residential market. The latest policy introduced in Oct-18 stipulates an increase in the average size of each residential project to 85sqm (100 sqm in selected areas) for homes outside the CCR. This will set a new trend for the residential market, given that the average home size is expected to be at least 20% larger. If buyers remain constrained by the "quantum" of each home, with more projects subject to the new ruling hitting the market from 2020 onwards, buyers (especially genuine upgraders) are likely to adopt a "wait-and-see" attitude before committing to a purchase of a new home.

Upgrader demand the key to the transactions in 2020. With recently introduced enhanced housing grants, higher household limits for prospective new households to purchase their first Housing Development Board (HDB) home may have infused more stability into the HDB resale market. This has led to an 18% m-o-m (or 10% y-o-y) and a rise in volumes in Oct-19, close to 2 months after these measures were introduced in early Sept-19.

We believe that higher volumes and stable prices within the HDB resale market may just provide the spark to "upgraders" (home owners who have already bought their first HDB homes) to buy a bigger home due to a growing family or aspirational reasons. This group represents a big source of demand for new private homes. In our analysis, the number of HDB flats that would have achieved the minimum occupation period (MOP) is estimated to increase to 17,000-19,000 per annum over the next 10 years. While there is a significant number of households that can choose to upgrade to the private market, the timing of these households opting to enter the market remains uncertain for now. Developers will likely cater their projects to attract this market.

Market absorption rate to hit close to 4.0x but could head down further. At the assumed primary market transaction volume of 10,000 annually, the market absorption rate is estimated to be c.4.0x when compared against the supply of close to 39,000 units (34,089 (including executive condominiums) with another 4,900 units awaiting approvals. With the government keeping a close tab on the units in the property market, a market absorption rate heading towards the 2.0x level may imply that the government may look to expand supply in 2H20-1H21.

Sizes of homes will generally be bigger on government's latest policy to increase the average size of each property development starting 2019.



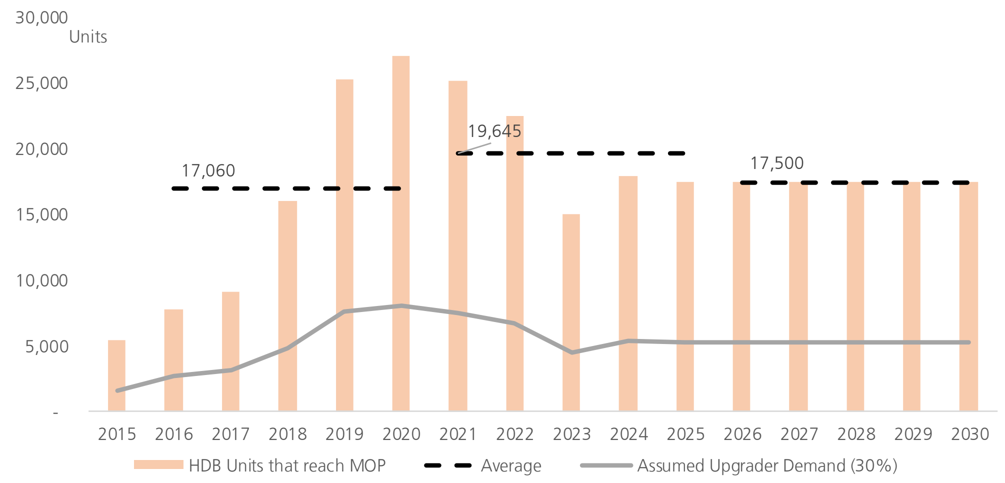
Source: Bloomberg Finance L.P.,DBS Bank

Remarks

We originally projected home sizes to decline to 800 sqft but the drop has been deeper in 2018-2019 towards 700 sqft.

With new measures requiring developers to build bigger homes from 2019 onwards, this will result in average home sizes increasing back to around 900 sqft.

Number of HDB units that will achieve 5-year minimum occupation period (MOP)



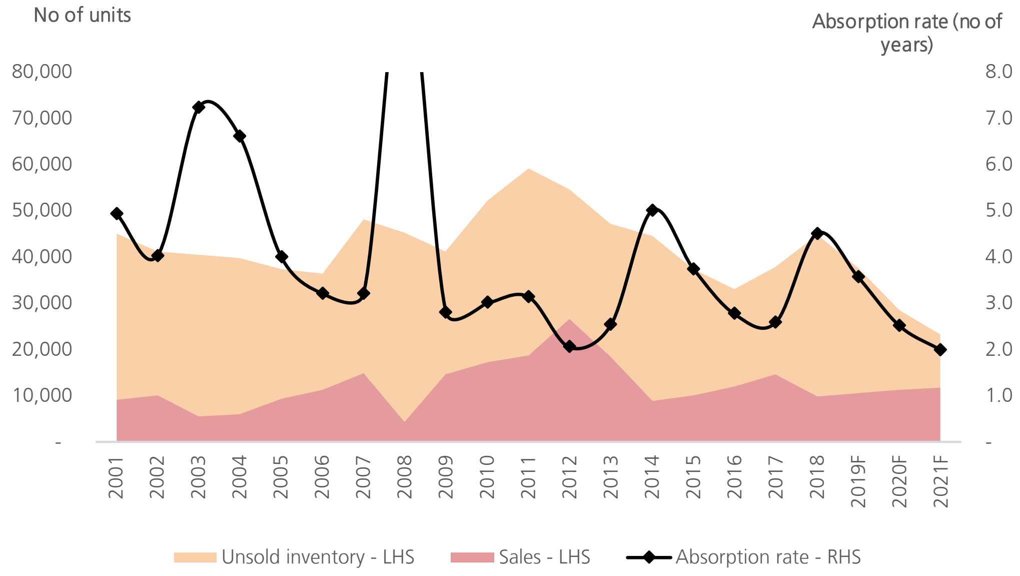
Source: DOS, MND, URA, DBS Bank

Remarks

Households eligible to upgrade will spike to 17,000-19,000 per year from 2018 onwards.

In the medium term from 2024-2030, we assume 17,500 units per annum based on the annual run rate of HDB units launched for sale from 2018 onwards.

Market absorption rates to head down in 2020 towards 5.0 years.



Source: DOS, MND, URA, DBS Bank

Remarks

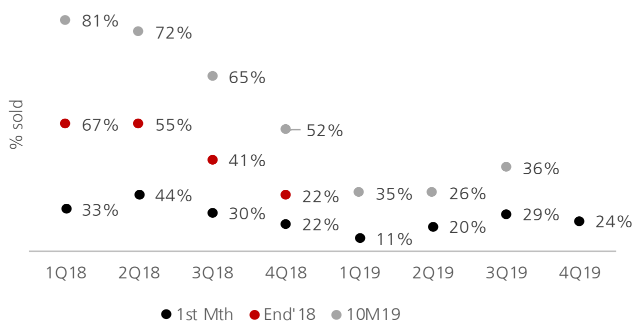
Market absorption will max out in 2019E and head down towards 4.0 ears and even lower in 2021 onwards if the supply remains constricted at current levels.

How developers fared in 2019

Top performing new launches. With a large number of launches to date, developers have been actively marketing their units to prospective buyers. Based on Realis data as of 9 Dec 2019, we note that the 15 best-selling projects sold close to 6,043 units, capturing almost 64% of total sales in the primary market over the same period. Some of these projects were subsequent phases of past launches but in general first month sales had fallen to c.11%-24% of total units in the project compared to close to 30%-40% before the ABSD hike in 1H18. The drop is understandable given the property curbs but it probably means that it will take time for developers to clear inventory prior to the 5-year ABSD deadline.

The top 15 selling projects in terms of units sold (as shown in the table below) include the likes of projects with over 1,000 units in the development and include Treasure @ Tampines, Parc Esta, The Florence Residences, Parc Clematis. Piermont Grand (EC), the latest EC that was launched, has also done well with over 55% of units sold. New launches close to the South Waterfront district like The Avenue South Residences (UOL) and One Pearl Bank (JV between CapitaLand and City Developments) also cleared 34% of the total units, a good showing in our view. Seng Kang Residences (JV between CapitaLand and City Developments) also cleared 35% of units within two months of its launch.

Project sell-through rates



Source: URA, DBS Bank

Selected details of top 15 selling projects in 2019 (as of 12 Dec 2019)

No:	Project	Region	Developer	Total in project (units)	Quarter Launched	Months since launch (months)	Sold in 2019 (units)	% Sold in 2018 (%)	% sold In 2019 (%)	% Sold (total) (%)
1	Treasure at Tampines	OCR	Sim Lian Holdings	2,203	1Q19	7	854	0%	39%	39%
2	Parc Esta	OCR	MCL Land	1,399	4Q18	12	588	28%	42%	70%
3	The Florence Residences	OCR	Logan	1,410	1Q19	9	548	0%	39%	39%
4	Parc Clematis	OCR	Singhaiyi	1,468	3Q19	4	495	0%	34%	34%
5	Piermont Grand	O.CR	CDL	820	3Q!9	5	451	0%	55%	55%
6	Avenue South Residences	CCR	UOL-UIC-Kheng Leong	1,074	3Q19	4	431	0%	40%	40%
7	The Tre Ver	RCR	UOL-UIC	729	3Q18	16	394	33%	21%	54%
8	Riverfront Residences	OCR	Oxley led JV	1,472	3Q18	17	393	55%	27%	82%
9	Stirling Residences	RCR	Logan / Nanshan	1,259	3Q18	17	392	39%	31%	71%
10	Affinity at Serangoon	OCR	Oxley led JV	1,052	2Q18	18	355	28%	6%	34%
11	One Pearl Bank	CCR	CAPL	744	3Q19	5	251	0%	34%	34%
12	Parc Botannia	OCR	Sing Holdings/ Wee Hur	735	4Q17	24	236	35%	27%	62%
13	Sengkang Grand Residences	OCR	CDL-CAPL	680	4Q19	2	235	0%	35%	35%
14	Whistler Grand	OCR	CDL	716	4Q18	13	230	29%	32%	61%
15	Amber Park	RCR	CDL-Hong Leong	2,203	1Q19	7	854	0%	39%	39%
	Total / Average			16,353			6,043	35%	33%	49%

Source: URA, DBS Bank

Project sell-through rates have slowed. Project launches during 10M19 had generally slowed y-o-y, achieving a take-up rate of around 22% within one month of launch, which is down by close to 16ppts compared to a year ago (c.38% in 10M18 and 50% for 10M17). The sell-through rate however had improved slightly to c.30% after 1 year of launch. If selling rates continue to inch up at the current momentum, developers will need to step up their efforts to market those units for sale.

Additional Buyer Stamp Duty (ABSD) deadline to monitor in 2021. We are still roughly two odd years away before the timelines for a number of residential projects (especially en-bloc projects), which could be somewhat of a concern for the industry and is a factor to monitor in the medium term. With close to 65% of the total pipeline supply of c.55k units under construction still unsold (31% have yet to receive sales permits), the time is ticking for developers

Based on previous property cycles, if a project still has a number of units unsold close to the ABSD deadline, developers tend to be a little more flexible in terms of pricing in order to clear the remaining units in order to not be subjected to the ABSD which is a hefty amount, which will have an impact on margins.

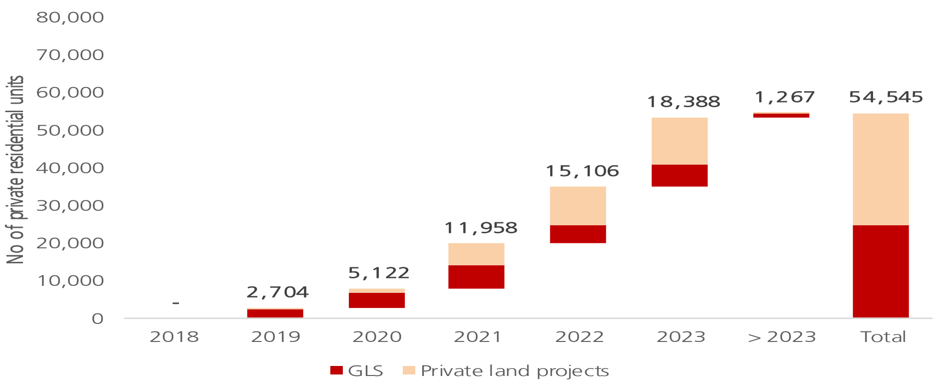
Take-up rates have been declining in 2019 compared to a year ago *

**Based on transactions extracted on 10th Dec'19*
Source: URA, DBS Bank

Remarks *

Sell-through rates for new launches (within the month of launch and by end of the year) as shown in the charts have been declining 2017. For launches in 10M18 and 10M19, take up rates have generally stayed below 50%.

Supply of new residential units by expected year of completion



Source: URA, DBS Bank

Remarks

Unsold inventory comprises approximately 65% of total pipeline supply.

Almost half of the unsold units (31% of total pipeline supply) have yet to obtain sales permits.

Approximately 28% of the units expected to be completed in 2021-2023 have been sold,

New supply to hit the market in 1H20

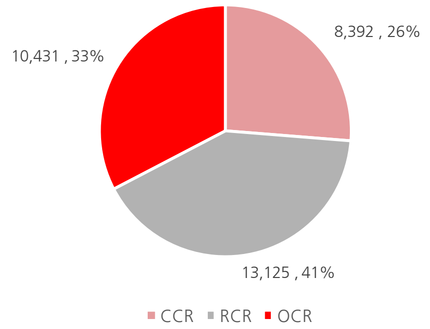
More launches in the pipeline in 2020 and beyond. Developers were quick to hit the market in 2019 and launched c.15,000 units YTD and there are a further c.27,600 units in the pipeline (14,200 from unlaunched phases in existing projects and 13,400 from yet-to-be launched projects with planning approvals). While 2019 launches are skewed towards projects located in the suburbs and fringe areas of the central region, we note that this is expected to change in 20120. As of 3Q19, 41% of the upcoming supply will be from the rest of central region (RCR) followed by 33% from the outside central region (OCR), followed by 26% in the core central region (CCR).

Given a strong pipeline of new projects, buyers are spoilt for choice and with the new property measures in place, we believe buyers may take their time to commit to a new purchase. Key sizeable projects that we believe will catch buyers' attention include Jiak Kim Site (close to 455 units), Cuscaden Walk (170 units), and a number of projects located along Holland Road on sites which went en bloc in 1H18, and those sold in the GLS.

Three executive condominiums (EC) sites were awarded in 2018-2019, of which two projects will hit the market in 2020. Most of these projects are expected to maintain an ASP at around S$1,100 psf, similar to Piermont Grand, given increased household limits to purchase an EC.

Launch galore in district 10, will there be an oversupply? We see a potential oversupply in district 10 along the Holland Road vicinity, where close to 10 sites were sold en bloc during February-May 2018. While One Holland Village Residences, Forth Avenue Residences, Juniper Sky have since hit the market in 2019, we estimate that close to 2,000 units could be launched (currently 470 units) in 2020. Developers had bid aggressively for the sites, averaging S$1,500-1,800 psf, implying breakeven levels of close to S$2,500 psf which is above current market transaction levels. It remains to be seen if buyers would still be interested at levels above that.

Unsold units (launched and unlaunched by market segment)



Source: URA, DBS Bank

Selected list of projects to be launched in 2020

Project	Developer	District	Region	Est. Units	Est. Breakeven (S$psf)	Est Launch Price (S$psf)	Timing
Government Land Sales (GLS)							
Tampines Avenue 10	Hoi Hup Sunway	18	OCR	695	975	1,200	1H20
Tan Quee Lan Street	Guocoland / Hong Realty	7	RCR	580	2,300	2,750	2H20
Middle Road	Wingtai	7	RCR	375	2,250	2,750	1H20
Clementi Ave 1	UOL/UIC	5	RCR	640	1,250	1,450	1H20
Kampong Java	Chip Eng Seng	9	CCR	380	1,900	2,400	1H20
Collective Sales (En-bloc)							
Former Tulip Gardens	Yanlord / MCL Land	10	CCR	796	2,377	2,800	1H20
Former Makeway View	Bukit Sembawang	9	CCR	154	2,268	2,800	1H20
Former Pacific Mansions	Guocoland and Hong Leong	9	CCR	775	2,581	1,500	1H20
Former Katong Park Towers	Bukit Sembawang	21	RCR	460	1,824	2,500	1H20
Forett (Former Goodluck Garden)	Qingjian Realty / Perennial Real Estate	21	OCR	700	1,724	2,800	1H20
Former Brookvale Park	Hoi Hup Sunway	21	OCR	938	1,240	2,800	1H20
Former Tulip Gardens	Yanlord / MCL Land	10	CCR	796	2,377	2,800	1H20
Former The Estoril*	Far East Consortium / Koh Brothers	10	CCR	213	2,100	2,500	1H20
Former Hollandia*	Far East Consortium	10	CCR	154	2,200	2,500	1H20
Former Toho Mansions	Koh Brothers	10	CCR	97	2,200	2,500	1H20
Executive Condominium (ECs)							
Anchorvale Crescent	Evia Real Estate and Gamuda	28	OCR	450	950	1,100	1H20
Canberra Link	Hoi Hup Sunway	27	OCR	550	925	1,100	1H20

** Sites planned to be amalgamated , Source: URA, DBS Bank*

Developers' strategies – land-banking for the future

Developers to remain cautious in land-banking; demand for en bloc grinds to a halt. After the aggressive land-banking cycle over late 2016-1H18, 2019 painted a different picture as developers turned more cautious in terms of land-banking with a select group (UOL, CDL) have continued to replenish their landbanks through acquiring 1 site each in 2019 from the GLS.

While the en-bloc went quiet, bidding in the government land sales (GLS) program has in general met with less bidders for each tender. With the government continuing to maintain a fairly low supply in the 1st half 2020 GLS, the infusion of new supply is likely to be more moderate and over time in the hope of meeting the annual demand for private homes.

Further land-banking activity to turn more subdued. The increase in ABSD to 25% (vs 15% previously) and the additional 5% non-remittable ABSD have increased the capital commitment and significantly increased the risks for developers looking to add to their land banks. While developers might apply for remission of the 25% ABSD, expectations of a slowdown in sales velocity in 2019 might make developers re-think their land-banking strategy or even make them stop looking (especially for the larger sites) altogether.

Developers continue to clear inventories on the books. Based on our estimates, as of 3Q19 among the listed developers (covered by DBS and other selected names) where most have focused on clearing their inventory on the books and most have achieved close to 40%-50% sell-through rates. Of noteworthy are Kingsford (sales license delayed for the former Normanton Park site) and Guocoland and Allgreen who have low sell-through rates as of 3Q19.

Top 10 developers (by units to be launched) in 2019

No	Developer	# of projects	Est Units	% Sold (2018)	% sold (YTD)	Key Projects to watch in 2019
1	Oxley and Partners	11	5,000	35%	50%	All of its projects have been launched in 2019
2	City Developments	7	4,300	23%	53%	Launched most of its projects in landbank; awaiting Sims Drive GLS site
3	MCL Land	3	2,470	20%	52%	Parc Esta one of the best-selling projects in 2019; awaiting Tulip Garden
4	UOL / UIC	5	3,000	27%	40%	Group launched The Tre Ver and Amber 45 in 2018 and could launch 2 more in 2019 (Meyer Road site) and the site at Silat Avenue
5	Sim Lian	1	2,225	-	36%	Launch of former Tampines Court (renamed as Treasure at Tampines) in 1H19; one of the best-selling projects in 2019
6	Singhaiyi and Partners	3	2,167	-	25%	Launch of former Park West Condo, former How Sun Park and Sun Rosier condo
7	Kingsford	1	2,026	-	0%	Launch of former Normanton Park condo, expected to be delayed.
8	Guocoland	2	1,069	-	12%	Launch of Meyer Mansion in 2019; watching former Pacific Mansion site
9	CapitaLand Limited	2	1,228	-	20%	Launch of all its projects on the books: One Pearl Bank and Sengkang Residences (JV with CDL)
10	Allgreen	3	954	-	13%	Launched 2 out of 3 sites acquired in District 10 in 2019
	Subtotal (Top 10)		24,439			

Source: URA, media reports, DBS Bank

Developers M&A hikes up. While developers have generally focused on selling their residential inventory, most were looking to "land-bank" in other ways with the sector transacting over S$17bn in deals in 2019. Most of these deals are value accretive to the respective developer's portfolios with an improvement in balance sheets and earnings profile as the targets are generally income producing in nature.

Of note, the acquisition of Ascendas Group (by CapitaLand Limited) will propel the Group's returns, asset recycling pipeline and AUM to become among the top 10 asset managers globally.

The acquisition of the remaining stakes in Marina Centre Holdings by UOL/UIC will allow the consortium to potentially extract value through selective redevelopment, tapping on the various government schemes to boost asset values through increased gross floor area (GFA) or residential developments.

CDL completed the acquisition of Millennium & Copthorne PLC (M&C), which will infuse the group with much operational and financial flexibility to extract "hidden value". Of interest is CDL Hospitality Trusts which may over time bulk up in size as the pipeline of assets from M&C may be injected into the REIT over time.

Cost of capital remains conducive for REITs to potentially acquire assets from Sponsors. Looking into 2020, with expectations that S-REITs will continue to look to acquire to grow, we believe that some of these opportunities could come from Sponsors who after a year of active M&A, may look to lighten up their balance sheets or realize value from assets that have stabilised.

Sponsors remain active sources of assets. Amongst the S-REITs, we see the CapitaLand group of REITs to be most active in terms of potential recycling activities. The likes of Ascendas REIT (A-REIT), CapitaLand Mall Trust (CMT), CapitaLand Commercial Trust (CCT), and CapitaLand Retail China Trust (CRCT) may look to tap the Sponsor for opportunities apart from pursuing third party opportunities. We also see potential action from FCT, which may look to acquire the Sponsor's stake in North Point City South Wing or PGIM fund. The Mapletree REITs are also expected to remain on an acquisition spree with Mapletree Logistics Trust (MLT) and Mapletree Industrial Trust (MINT) being the most active in terms of bulking up their portfolio.

Selected M&A deals in 2019

	Companies	Acquired	Acquired from:	Deal Size (S$'m)	DBS Remarks
1	CapitaLand	Ascendas	Merger	11,000.0	100% stake in target group
2	UOL / UIC	Stake in Marina Centre Holdings	OUE	675.3	25% Stake in target companies; UOL and UIC will hold 100% stake in the company.
3	City Development	Sincere Group	Vendor	1,360.0	24% Stake in target group (S$1,100) / 70% stake in Shanghai Asset (S$247m)
		M&C	Take-over	1,340.0	Remaining stake at 685 pence for GBP776.3m
		IREIT Global	Vendor	77.8	Stake in REIT (S$77.8m) + 50% Stake in Manager (S$18.4m)
4	Frasers Centrepoint Trust and Sponsor	Stake in PGIM Asia retail Fund	Vendors	1,300.0	66.6% stake in the PGIM Fund
5	ESR Cayman	Sabana REIT	Vendor	61.0	Stake in REIT + Manager
		AIMS Apac REIT		70.0	6% stake in AIMS APAC REIT
6	OUE Commercial Trust	OUE Hospitality Trust	Merger	1,300.0	Via a swap for 1 OUE HT = 1.43 OUE share
	Estimated value of M&A deals			**17,180**	

Source: company, DBS Bank

Implied cost of capital is still conducive for S-REITs to continue pursuing acquisitions

Subsector	Dividend Yields	Likely geographical Focus	Target asset yields (%)	Implied cost of capital (%)*	Accretive?
Retail	5.00%	CN, SG, JP, AUS	4.5%-5.5%	4.00%	Yes
Industrial	5.60%	MY, JP, AUS, ASEAN	5.0%-7.0%	4.35%	Yes
Office	5.00%	SG, JP	4.0%-5.0%	4.00%	Likely
Hotels	5.60%	Europe, SG	3.5%-6.0%	4.35%	Likely

Note: JP: Japan, AUS: Australia, CN: China, MY: Malaysia
**calculated based on 60% equity and 40% debt funding. Debt funding cost assumed at 2.5%.*
Source: DBS Bank

Selected Assets on the Sponsor's books

Sponsors:	Assets	Sector	Estimated Value (S$'m)	Est. Yield (%)	Potential platforms
CapitaLand Limited	Stakes in Raffles City Beijing	Retail	1,200	4.0%-5.0%	CRCT
	Stakes in Raffles City Shanghai	Retail	2,400	4.0%-5.0%	CRCT
	Business Park (Ascent)	Industrial	318	5.5%-6.0%	A-REIT
	Business Park (Galaxis)	Industrial	550	5.5%-6.0%	A-REIT
	Business Park (5 Science Park Drive)	Industrial	173	5.5%-6.0%	A-REIT
	5 Retail Malls (Japan)	Retail	650	5.5%	CMT
	Office properties (Japan)	Office	1,600	4.0%	CCT
	Multi-family portfolio (USA)	Hotels	1,150	6.0%	ART
Frasers Property Limited *	Northpoint City South Wing	Retail	1,050	4.5%-5.0%	FCT
	Stake in PGIM fund	Retail	1,000	4.0%-5%	FCT
	50% stake in Frasers Tower	Commercial	2,000	3.5%-4.0%	-
Mapletree Investments	Warehouses in China, Japan, Malaysia	Industrial	500-1,000	5.0%-7.0%	MLT
	Office properties in Japan	Office	400-800	4.5%-5.0%	MAGIC
	Stakes in USA data-centers	Industrial	1,500	6.0%-6.5%	MINT
	St James Power Station	Office	175-200	4,0%-4.5%	MCT
City Developments Limited	M Social Hotel	Hospitality	300	4.0%-5.0%	CDL HT
	Other hospitality assets	Hospitality	n.a.	n.a.	CDL HT
	UK Office Portfolio	Office	1,050	4.5%-5.0%	IPO

**As reported in 2019 annual report*
Source: company, DBS Bank

Stock picks and risks

Valuations and catalysts. Given the surprise introduction of tightening policy measures in 2018, property developers' share prices took a hit and have been weak since July 2018. The sector now trades at 0.70x P/NAV or 0.60x P/RNAV.

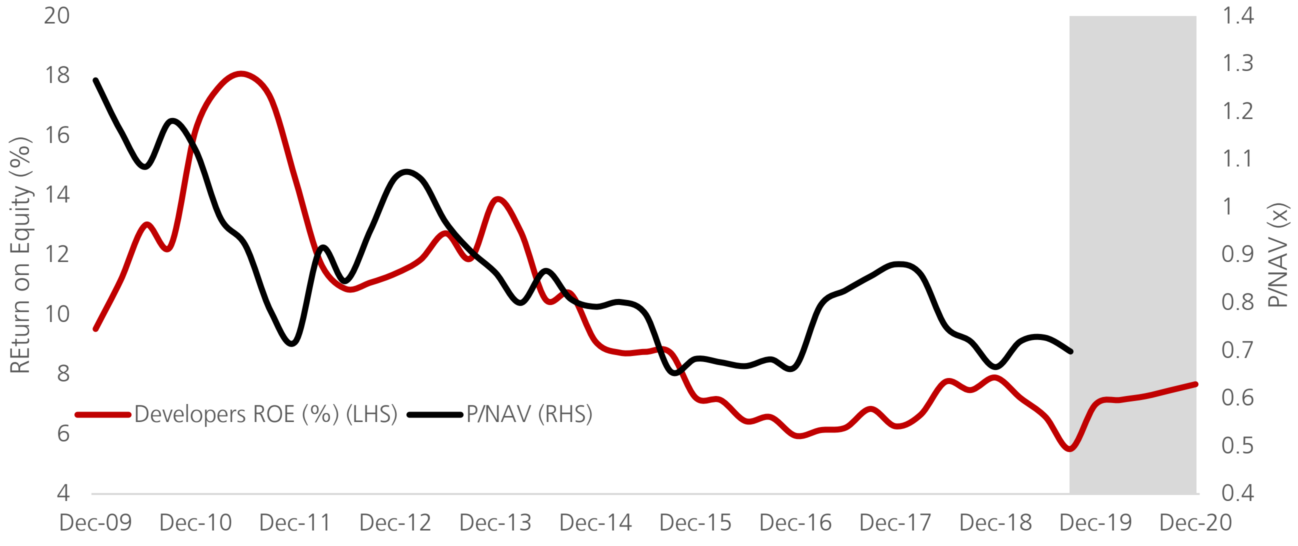
Looking into 2020, expectations of stable transaction volumes and a rise in the PPI (two macro factors supportive to valuations) are in developers' favour and should help to keep valuations above their historical mean levels. On top of that, active recycling activities would help to hike NAV up for developers, a driver for share price re-rating in our view.

As such, we believe that developers are likely to trade at the higher end of the 5-year historical band. During the period developers were trading at a wide band at an average of 1.0x P/NAV with -1 standard deviation (SD) of 0.80x. Developers on average are currently trading at close to -1 SD at 0.8x P/NAV. We see value at current levels but prefer developers with a bigger exposure to commercial sub-segments such as CapitaLand Limited (CAPL) and City Developments (CDL) which have been actively focusing on growing their recurring income base. We expect CAPL share price to head higher in 2020 on the back of industry leading return on equity (ROE) of c.10% vs 5% for developer peers. While exposure in residential segment is fairly large at c.25% of RNAV for CDL, the strong pre-sales has further reduced its exposure (unsold inventory) to c.12%-13% of its RNAV.

Key Risks

Further government tightening measures if prices run up at an unabated pace. The government has continuously maintained that they will keep a close watch on the Singapore property market and keep it in a steady phase so that it does not exhibit "bubbly characteristics". While unlikely at this point, we believe that the government may be tempted to tighten in the event that purchases by foreigners, which have been active in recent times, start to increase within the suburban space to limit the overall population's upgrading aspirations. If any, we believe that adjustments in the additional buyer stamp duty (ABSD) for foreigner purchases will be an appropriate measure to consider.

Developers ROE vs P/NAV has a correlation of 0.52x



Source: Bloomberg Finance L.P, DBS Bank

Historical developer price to NAV

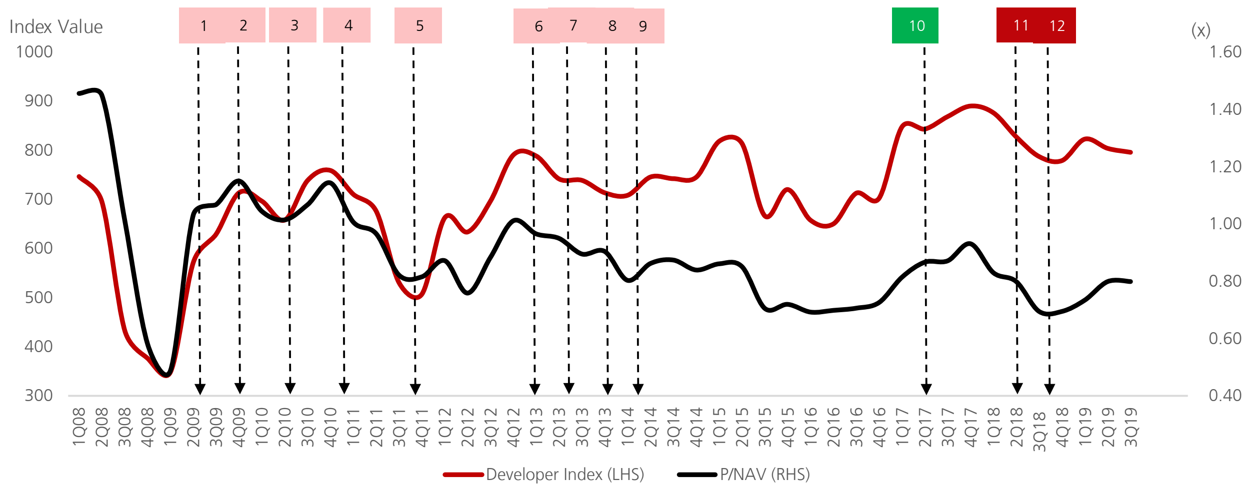
Developers	Price taken	P/NAV	P/BV Valuations over FY13-17					Implied Prices				
	(16 Dec)	(16 Dec)	Mean	-1SD	+1SD	+0.5 SD	-0.5 SD	Mean	-1SD	+1SD	+0.5 SD	-0.5 SD
Capitaland	3.68	0.82	0.86	0.68	0.77	0.95	0.91	3.86	3.45	4.27	4.06	3.66
UOL	8.05	0.68	0.70	0.53	0.62	0.79	0.74	8.21	7.23	9.19	8.70	7.72
CityDev	10.7	0.93	1.08	0.71	0.90	1.27	1.18	12.30	10.17	14.42	13.36	11.23
CES	0.62	0.48	0.77	0.35	0.56	0.98	0.87	0.99	0.72	1.26	1.12	0.86
Roxy	0.4	1.06	1.70	0.69	1.19	2.20	1.95	0.64	0.45	0.82	0.73	0.54
Average (DBS Coverage):		0.77	0.98	0.60	0.79	1.17	1.07					
Bukit Sembawang	4.76	0.56	1.16	0.74	0.95	1.37	1.26	5.88	4.82	6.94	6.41	5.35
Guocoland	1.99	0.46	0.78	0.45	0.61	0.94	0.86	2.69	2.13	3.26	2.97	2.41
Wing Tai	1.95	0.49	0.49	0.33	0.41	0.57	0.53	2.08	1.74	2.41	2.24	1.91
Ho Bee Land	2.4	0.50	0.67	0.54	0.61	0.74	0.70	2.82	2.42	3.39	3.15	2.66

Source: Bloomberg Finance L.P., DBS Bank

Developers' historical P/NAV and discount to RNAV

Source: URA, Bloomberg Finance L.P., DBS Bank

Developer share price index vs property curbs

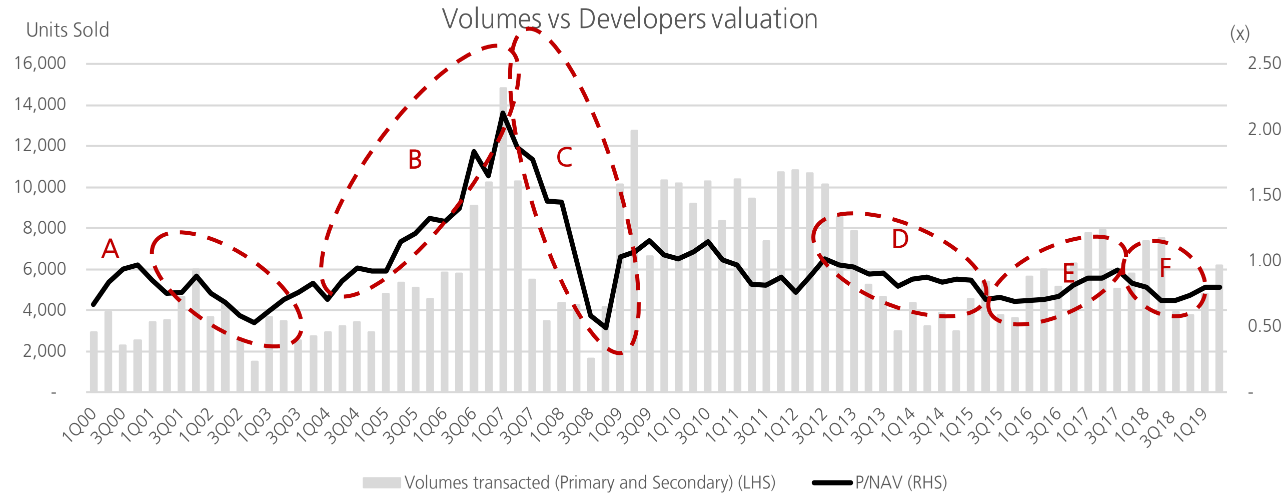


Source: URA, DBS Bank

Period	Tightening / Easing	Observations
1 (14th Sep'09)	Tightening	• Interest absorption scheme (deferment of instalments until TOP) and interest-only housing loans not allowed for private properties.
2 (20th Feb'10)	Tightening	• Introduction of seller stamp duty (SSD) for property and land sold within 1 year. • Loan to Value (LTV) lowered to 80% from 90% for all mortgage (except HDB loans).
3 (30th Aug'10)	Tightening	• Holding period of SSD increased to 3 years from 1 year. • Minimum cash payments raised to 10% from 5% for buyers with one or more housing loans. • LTV lowered to 70% from 80% for second property.
4 (14th Jan'11)	Tightening	• SSD increased to 4 years at a tiered rate of 16%, 12%, 8% and 4%. • LTV lowered to 60% from 70% for second property. • LTV for non-individual residential buyers capped at 50%.
5 (8th Dec'11)	Tightening	• ABSD introduced: Singapore Citizens buying 3rd and subsequent property pay 3%, Permanent Residents (PRs) buying 2nd or more property 3%, Foreigners/companies pay 10%
6 (6th Oct'12)	Tightening	• Mortgage tenures capped at 35 years. • Loans longer than 30 years or beyond retirement age of 65 years: LTV lowered to 60% for first mortgage and 40% for subsequent mortgages. • LTV for non-individual residential buyers lowered to 40% from 50%.
7 (12th Jan'13)	Tightening	• ABSD increased: Singapore Citizens pay 7%/10% for 2nd/3rd residential property, PRs pay 5%/10% for 1st/2nd property purchase, Foreigners/companies pay 15% (from 10%).
8 (29th Jan'13)	Tightening	• Introduction of total debt servicing ratio (TDSR) where borrowers' total monthly debt obligations should not exceed 60% of gross monthly income.
9 (27th Aug'13)	Tightening	• PR households need to wait 3 years from date of obtaining PR status before buying a resale HDB. • Maximum tenure for HDB housing loans reduced from 30 years to 25 years. Mortgage Servicing Limit (MSR) is reduced to 30% from 35% of borrower's gross monthly salary.
10 (11th Mar'17)	Easing	• SSD reduced by 4% for each tier and reduced by 1 year. SSD now stands at 12%/8%/4% for sale within 1/2/3 years respectively. • TDSR does not apply to mortgage equity withdrawal loans with LTV ratio equal or below 50%.
11 (6th Jul'18)	Tightening	• Raising ABSD by 5% across all individual purchases of residential property, with the exception of Singapore citizens and PRs purchasing their first home, which remains unchanged at 0% and 5% respectively. • Introducing a non-remittable 5% ABSD on developers purchasing land.
12 (19th Oct'18)	Tightening	• Increasing the average minimum size of residential developments to 85 sqm (from 70 sqm) while certain districts will see a higher average minimum size of 100 sqm.

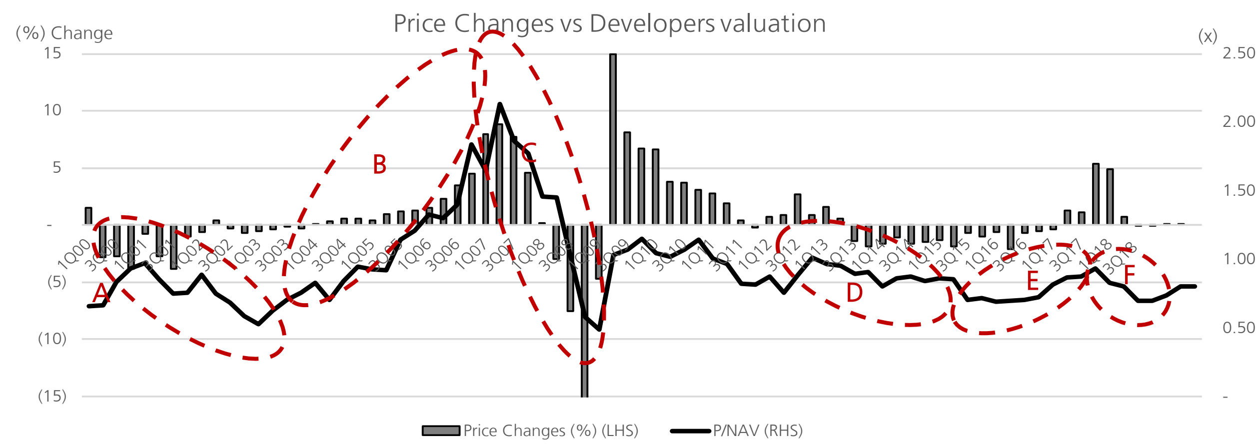
Source: Bloomberg Finance L.P., URA, MOF, SRX, DBS Bank

Developers' P/NAV to volumes



Source: URA, Bloomberg Finance L.P., DBS Bank

Developers' P/NAV to volumes



Period		Observations
A	1Q01-1Q03	Developers' prices / P/NAV declined by >40% as volumes tapered off due to SARS
B	3Q03 – 1Q07	Multi-year bull run in prices and volumes, which correspondingly saw developer's P/NAV rise from a low of 0.7x to a peak of more than 2.0x
C	2Q07-1Q09	Global Financial Crisis which saw volumes dry up and prices correct significantly. Developers' shares corrected to multi-year lows
D	3Q12 – 2Q15	A minimal correction in prices and volumes due to eight rounds of cooling measures. Developers' shares corrected from >1.0x P/NAV to as low as 0.65x P/NAV
E	1Q17 to 2Q18	Volumes started to move up in 2016 and 1H17, while prices rose by close to 10%. Developers' P/NAV re-rated close to their mean of 0.9x P/NAV
F	3Q18 onwards	Surprise Government measures put in place in 2Q-4Q18 is expected to reverse the volume and price trends in 2019. Developers' share prices reacted negatively

Source: URA, Bloomberg Finance L.P., DBS Bank

Estimated developers' exposure by market segment

Company	SG Resi	SG Commercial	Overseas	Total
	%	%	%	%
Covered by DBS				
CapitaLand	3%	45%	42%	100%
City Dev	25%	30%	45%	100%
UOL	38%	48%	14%	100%
Roxy Pacific	21%	25%	54%	100%
Chip Eng Seng	20%	35%	45%	100%
Non-Covered				
GuocoLand	23%	45%	32%	100%
Wing Tai	17%	30%	53%	100%
UIC	40%	45%	5%	100%
Ho Bee	10%	45%	45%	100%
Bukit Sembawang	99%	1%	0%	100%
Oxley Holdings	45%	20%	35%	100%

Source: URA, Bloomberg Finance L.P., companies, DBS Bank

Residential sector outlook: Improved stability

Key Points

- **Residential property price index (PPI) to turn flat or drop by 3% in 2019.**
- **Primary transaction volumes to drop by 20% y-o-y in 2019 given uncertainty from recently re-introduced cooling measures.**
- **Supply remains low as government cuts land supply in 1H19 GLS programme**

Prices to grind higher; but not a sector wide recovery. The property market has been more resilient in 2019 than earlier projected as primary sales volumes are expected to hit >10,000 units (-15% y-o-y) on the back of a robust launch pipeline, boosted by an increase in foreigner purchases. Looking in 2020, we expect performance to remain stable although the property price index (PPI) is expected to increase by a smaller 1%-2% for 2020, after an expected c.3.0% rise in 2019. Primary sales volumes should remain stable at c.10,000 units in 2020 as the project launch pipeline is high at c.32,000 units as of 3Q19. Recent measures to improve the affordability for Singaporean households to own their own home (public housing) in our view will stabilise the HDB resale market and kick-start the upgrading cycle in the upgrader market.

Trends, Demand and Supply Outlook

Price Trends

3Q19 PPI continued to rise, reaching close to the last peak in the past cycle in 2013. The Singapore Property Price Index (PPI) in 3Q19 continued on a rising trend, inching up by 1.3% q-o-q, after it spiked in 2Q19 by 1.5% q-o-q. As such, PPI is now close to the highest last peak seen in the property cycle in 2013. This was largely driven by an increase in prices of both landed and non-landed properties, which rose 1.0% q-o-q and 1.3% q-o-q respectively. Analysis by region showed that prices in all three regions continued to rise, mainly led by the central region. Core Central Region (CCR) rose 2.0% q-o-q, followed by the Rest of Central Region (RCR) with 1.3% q-o-q, partially supported by new launches, including One Pearl Bank, Avenue South Residences, and Cuscaden Reserve. Prices for properties Outside Central Region (OCR) saw a smaller increase of 0.8% q-o-q.

PPI continued to rise despite additional cooling measures. Despite the additional cooling measures and initial decline in prices, PPI increased 2.1% cumulatively since its first decline in 4Q18. Effectively, the index improved by 11.4% (cumulative) since 3Q17, with PPI now reaching close to the last peak in 2013. The rise was largely contributed by non-landed properties, where prices have increased by 2.7% since 4Q18, possibly led by new property launches. However, prices for landed properties have been flat since 4Q18. Analysis by region showed that prices for properties in all regions were higher than the 3Q18 peak, led by RCR (+5.9% y-o-y) followed by OCR (+2.1%). CCR rose the least by 0.2%. Given that PPI did not moderate but in fact had increased, we are cautious that the government could be taking further steps should the PPI continue on an upward trend.

Transactions

9M19 sales volume fell 24% y-o-y; primary transactions in 2019 may exceed 2018 levels. In 3Q19, sales volume jumped 30% q-o-q, which was the highest quarterly sales volume since 4Q18, mainly from primary transactions following the higher number of project launches (+78% q-o-q, including ECs). On a y-o-y basis, sales volume Y3Q19 recorded positive growth, mainly from primary transactions (+9% y-o-y) and EC transactions due to timing of launches.

Despite the uptrend seen in the quarterly sales numbers, 9M19 sales volume was 24% y-o-y lower, mainly due to lower secondary market transactions (-40%). 9M19 primary transactions (including ECs) were relatively flat (-2% y-o-y) at 7.9k units, but are holding up better than expected and the full year figure could reach close to the 2018's level of 9.9k units, contrary to what we had initially expected.

Supply

Pipeline supply of private residential units starts to moderate gradually as units are launched and sold. Pipeline supply of private residential units fell marginally to 55k units as at 3Q19 (56k in 2Q19), given the slew of new property launches since 2017. Approximately 68% of the pipeline supply is under construction while the remaining 32% is still under planning. The unsold inventory has fallen further to 36k units, as compared to 41k units in 1Q19. Following the numerous property launches this year, the number of units expected to be launched within the next 1-2 years has fallen to 32k units from 43k units in 4Q18, reducing the pipeline supply gradually as sales continues to move. Most of these units are expected to be completed in 2022 and 2023 (35% and 56% respectively).

Rentals

Rental rates increased 2.4% in 9M19 in tandem with improvements in vacancy rates. The 3Q19 Residential Rental Index (RRI) was relatively flat (+0.1% q-o-q), while vacancy rates continued to decline, falling to its lowest level since 2013 at 6.1% (vs the peak of 8.4% in 3Q17). Rental rates increased by 2.4% in 9M19 and 2.1% since 3Q17 when vacancy rates peaked. While non-landed residential homes saw rental rates increase by 0.4% in 3Q19, non-landed homes rental rates fell 2.3% q-o-q in 3Q19. On a 9M19 basis, performance remain mix for non-landed and landed homes which came in +2.9% and -1.8% respectively. Rentals from all regions increased by 0.8% q-o-q to 1.6% in 3Q19 except CCR which fell 0.7%.

Vacancy rates fell further to 6.1% from 6.4% in 4Q18. We believe that vacancy rates could start to stabilise in the near term, as projects are completed in the next 1-2 years. We may see rental yields start to taper off again as new supply hits the market from 2021 to 2023

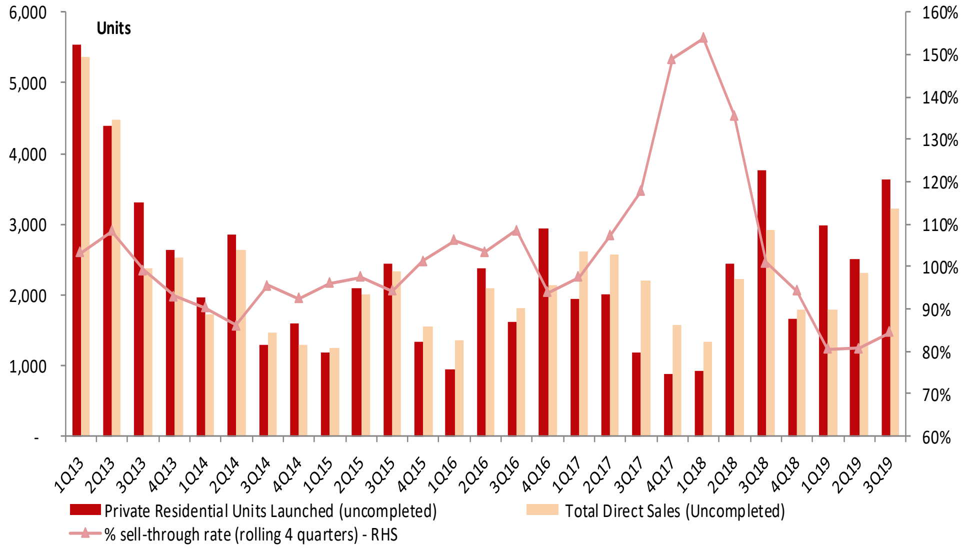
Residential price indices – Gradual decline in prices

Period	All-Residential Index	Landed Index	Non-Landed Index	Non-Landed Index			HDB
				Core Central Region	Rest of Central Region	Outside Central Region	
3Q13	0.4%	0.3%	0.6%	-0.3%	-0.9%	2.2%	-0.9%
4Q13	-0.9%	-1.0%	-0.9%	-2.1%	0.4%	-0.9%	-1.6%
1Q14	-1.2%	-0.7%	-1.3%	-1.0%	-3.3%	-0.1%	-1.6%
2Q14	-1.1%	-1.7%	-0.8%	-1.5%	-0.3%	-0.9%	-1.4%
3Q14	-0.7%	-1.8%	-0.4%	-0.8%	-0.4%	-0.4%	-1.7%
4Q14	-1.1%	-1.3%	-1.0%	-0.9%	-1.3%	-0.8%	-1.5%
1Q15	-1.0%	-0.9%	-1.1%	-0.4%	-1.7%	-1.1%	-1.0%
2Q15	-0.9%	-1.0%	-0.8%	-0.6%	-0.6%	-1.1%	-0.4%
3Q15	-1.3%	-0.4%	-1.5%	-1.2%	-2.2%	-1.6%	-0.3%
4Q15	-0.5%	-1.8%	-0.2%	-0.3%	0.2%	0.0%	0.1%
1Q16	-0.7%	-1.1%	-0.6%	0.3%	0.0%	-1.3%	-0.1%
2Q16	-0.4%	-1.9%	-0.1%	0.3%	0.2%	-0.5%	0.0%
3Q16	-1.5%	-2.3%	-1.2%	-1.9%	-1.0%	-1.0%	0.0%
4Q16	-0.5%	0.8%	-0.8%	0.1%	-2.0%	-0.6%	-0.1%
1Q17	-0.4%	-1.8%	0.0%	-0.4%	0.3%	0.1%	-0.5%
2Q17	-0.1%	-0.3%	-0.1%	-0.5%	0.6%	-0.3%	-0.1%
3Q17	0.7%	1.2%	0.6%	0.1%	0.5%	0.8%	-0.7%
4Q17	0.8%	0.5%	0.8%	1.4%	0.4%	0.8%	-0.2%
1Q18	3.9%	1.9%	4.4%	5.5%	1.2%	5.6%	-0.8%
2Q18	3.4%	4.1%	3.2%	0.9%	5.6%	3.0%	-1.0%
3Q18	0.5%	2.3%	0.0%	1.3%	-1.3%	-0.3%	-0.1%
4Q18	-0.1%	-2.0%	0.5%	-1.0%	1.8%	0.7%	-0.2%
1Q19	-0.7%	1.1%	-1.0%	-3.0%	-0.7%	0.2%	-0.3%
2Q19	1.5%	-0.1%	2.0%	2.3%	3.5%	0.4%	-0.2%
3Q19	1.3%	1.0%	1.3%	2.0%	1.3%	0.8%	0.1%
% YoY change (3Q19)	2.1%	-0.1%	2.7%	0.1%	6.0%	2.1%	-0.5%
% change (from peak during 4Q13 – 2Q17))	-12.3%	-17.3%	-10.7%	-11.4%	-12.2%	-10.6%	-11.0%
% Change (from trough during 3Q17 – 3Q18)	9.3%	10.0%	9.0%	9.2%	6.5%	10.0%	-1.6%
% Change (from peak during 4Q18 – current)	2.1%	0.0%	2.7%	0.2%	5.9%	2.1%	-0.5%
3Q19 (index)	152.8	165.8	150.0	138.0	155.4	173.1	130.9

Source: URA, HDB, DBS Bank

Property Transactions

Transaction volumes and launches

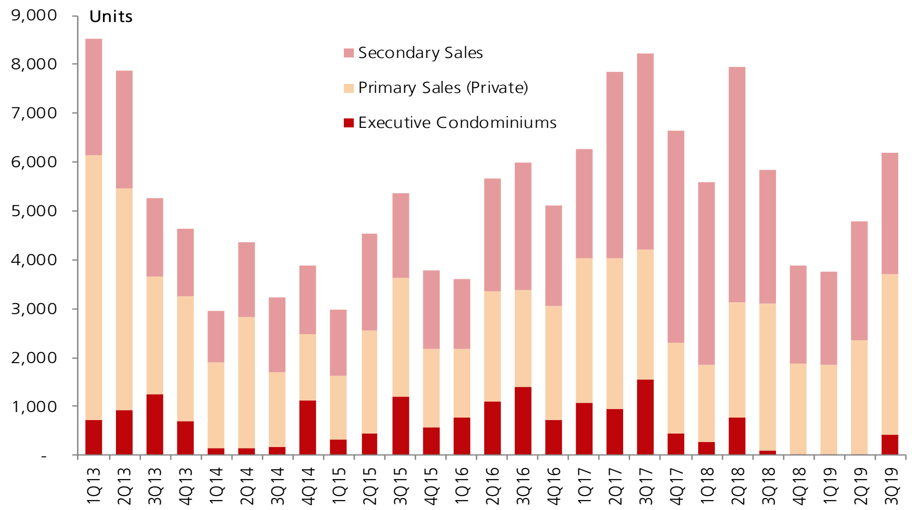


Source: Urban Redevelopment Authority (URA), DBS Bank

Remarks

1. 3Q19 launches spiked up to 3.6k units (+45% q-o-q), second highest level since 2013.
2. Similarly, 3Q19 sales volume jumped 40% q-o-q and 10% y-o-y, possibly led by the increase in launches.
3. However, take-up rates (rolling four quarters) saw a marginal uptick q-o-q at 85% in 3Q19 vs 81% in 2Q19 following the large number of launches.

Developers' sales by type

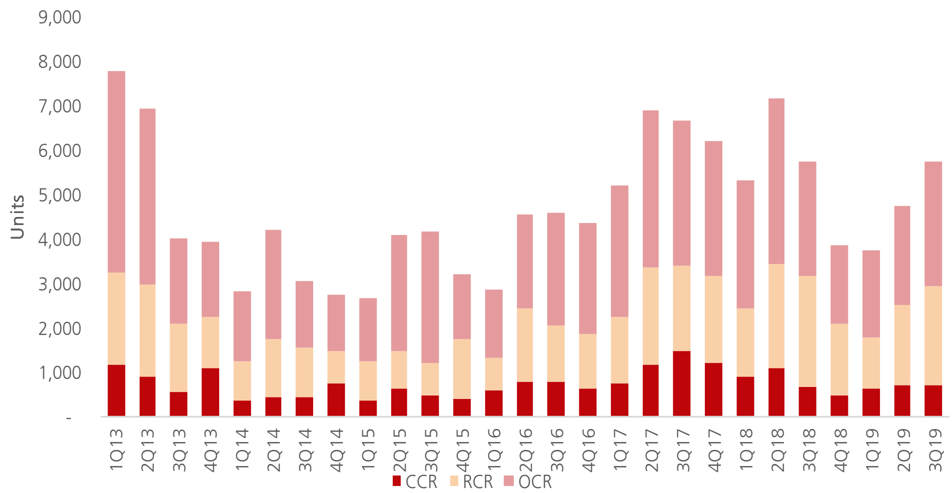


Source: URA, DBS Bank

Remarks

1. 3Q19 sales volume spiked up to surpass 3Q18 volumes; marginally above the higher end of levels in 2014-2016.
2. Sales volume largely driven by primary sales, (+40% q-o-q and +9% y-o-y). While secondary sales increased marginally (+3% q-o-q), it was 10% lower y-o-y vs 3Q18, implying secondary sales remain muted.

Developers' sales by region



Source: URA, DBS Bank

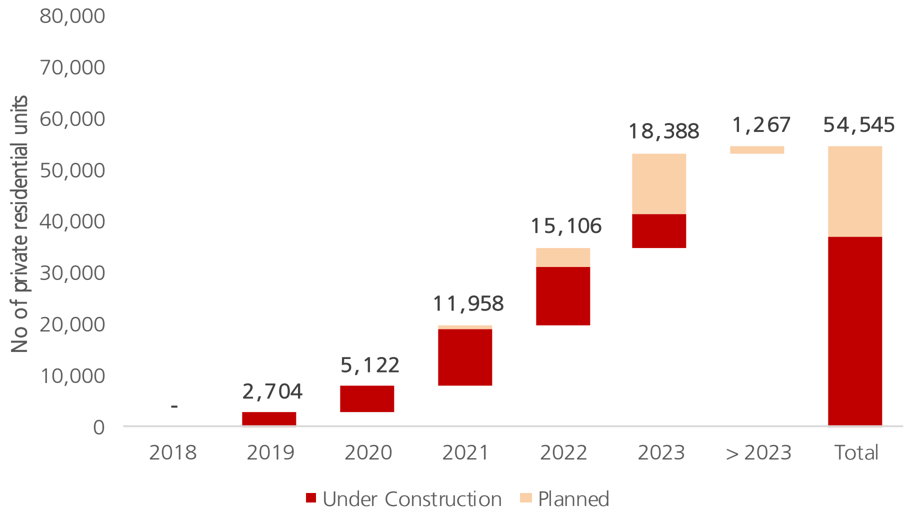
Remarks

1. Strong 3Q19 sales volume was mainly from RCR (+22% q-o-q) and OCR (+26%) regions, possibly led by new launches such as One Pearl Bank (30% sold), Park Clematis (30% sold) and Avenue South (34% sold).

2. On a y-o-y basis, sales in CCR and OCR increased by 5% and 9% respectively while sales in RCR fell 11%.

Residential Supply Outlook

Supply of new residential units by expected year of completion

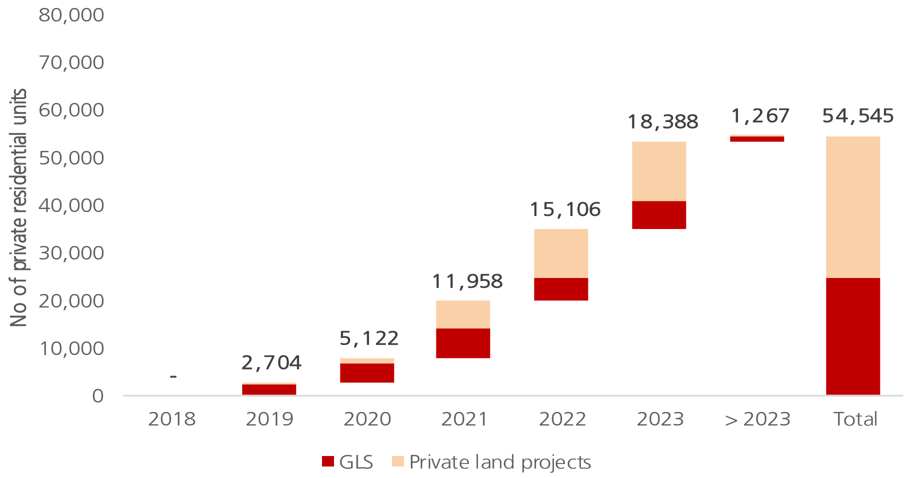


Source: Ministry of National Development (MND), DBS Bank

Remarks

1. Close to 55,000 units in the supply pipeline.
2. Majority of the units are expected to be completed in 2021-2023.
3. Expect some 40,000 units to be launched in the next 1-2 years.

Supply of new residential units by expected year of completion



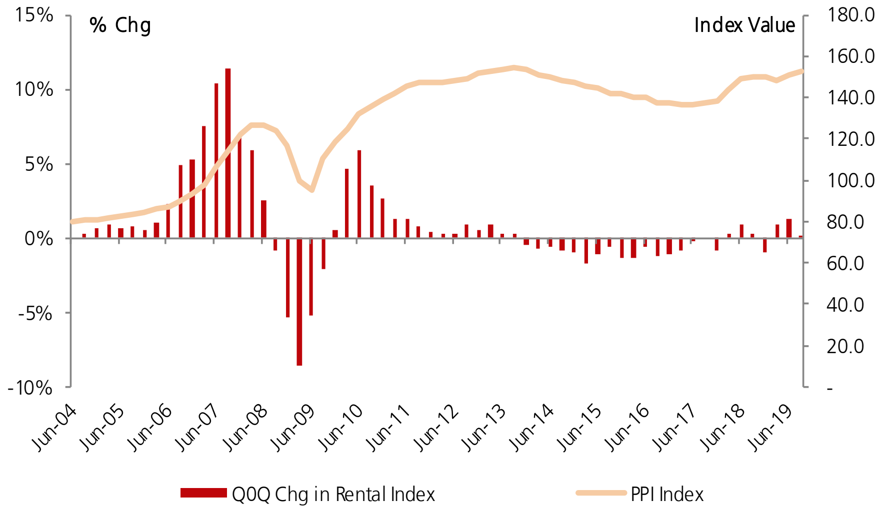
Source: MND, DBS Bank

Remarks

1. Unsold inventory comprises approximately 65% of the total pipeline supply.
2. Almost half of the unsold units (31% of total pipeline supply) have yet to obtain sales permit.
3. Approximately 28% of the units expected to be completed in 2021-2023 have been sold, while 33% have yet to obtain sales permits.

Residential Rental Outlook

Chart 7: Rental index weakening since 4Q13, in line with property prices

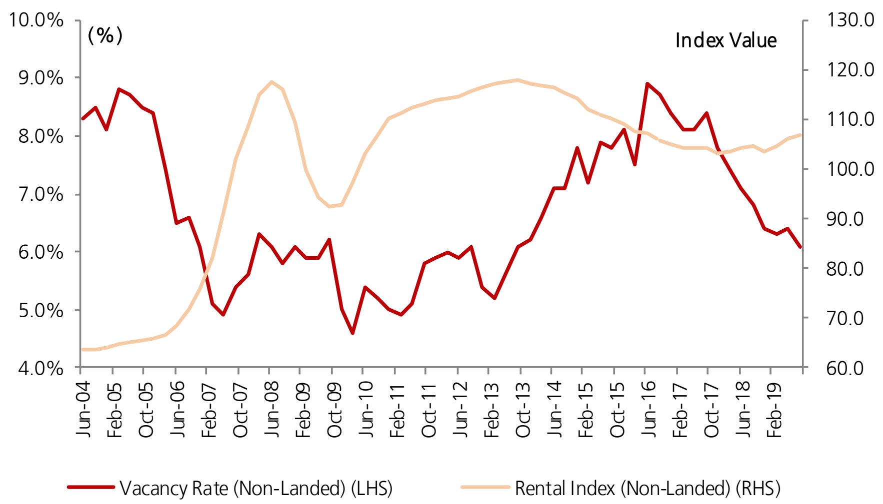


Source: URA, Housing Development Board (HDB), DBS Bank

Remarks

1. The RRI increased by 0.1% q-o-q; 2.4% in 9M19.
2. Vacancy rates fell marginally q-o-q to 6.1% in 3Q19 vs 6.4% in 2Q19. We expect rental rates to rise until new supply picks up again as new properties are completed.

Chart 8: Rental index remains weak on high vacancy rates



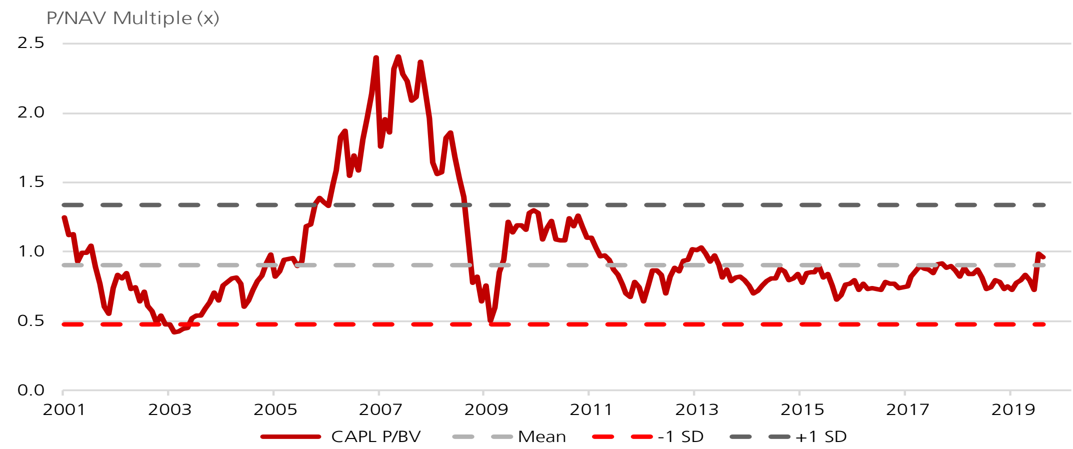
Source: URA, HDB, DBS Bank

Remarks

1. In 3Q19, vacancy rate dropped further to 6.1% after falling from the peak of 8.4% in 3Q17.
2. Rental rates improved 0.1% q-o-q in 3Q19, possibly from low vacancy rates.

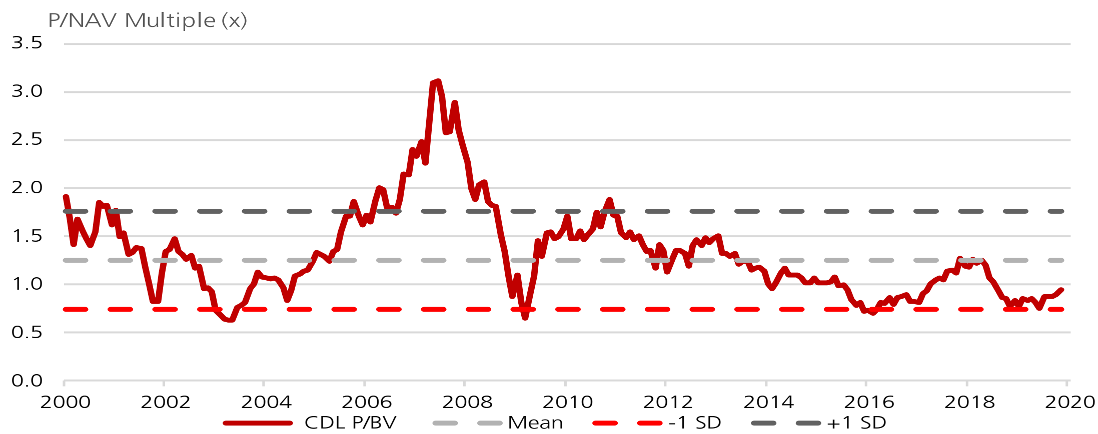
Developer Charts

CapitaLand Limited P/NAV



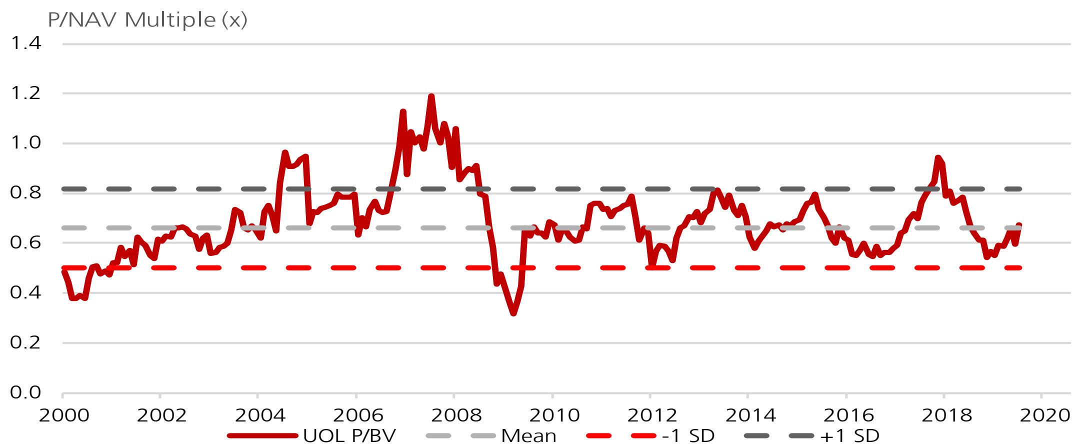
Source: Bloomberg Finance L.P., DBS Bank

City Developments Limited P/NAV



Source: Bloomberg Finance L.P., DBS Bank

UOL Group P/NAV



Source: Bloomberg Finance L.P., DBS Bank

Company Guides

CapitaLand

Version 19 | Bloomberg: CAPL SP | Reuters: CATL.SI

DBS Group Research . Equity

2 Jan 2020

BUY

Last Traded Price (30 Dec 2019): S$3.73 **(STI :** 3,222.44)
Price Target 12-mth: S$4.50 (21% upside) (Prev S$4.00)

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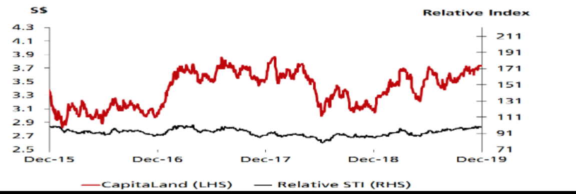
What's New

- Raising TP to reflect stronger operating environment for developers
- Swift execution of asset recycling capital to drive value for shareholders
- Deployment of capital to India, China and Vietnam to underpin long term NAV growth
- Watch out for redevelopment of key Singapore assets in the science park region

Price Relative



Forecasts and Valuation

FY Dec (S$m)	2018A	2019F	2020F	2021F
Revenue	5,602	5,760	6,561	7,510
EBITDA	4,132	3,333	3,960	4,283
Pre-tax Profit	3,509	2,967	3,403	3,812
Net Profit	1,762	1,879	2,233	2,430
Net Pft (Pre Ex.)	1,762	1,479	1,833	2,030
Net Pft Gth (Pre-ex) (%)	12.3	(16.1)	23.9	10.8
EPS (S cts)	41.5	40.2	43.8	47.7
EPS Pre Ex. (S cts)	41.5	31.7	36.0	39.8
EPS Gth Pre Ex (%)	12	(24)	14	11
Diluted EPS (S cts)	41.4	40.2	43.8	47.7
Net DPS (S cts)	12.0	12.0	12.0	12.0
BV Per Share (S cts)	446	458	490	525
PE (X)	9.0	9.3	8.5	7.8
PE Pre Ex. (X)	9.0	11.8	10.4	9.4
P/Cash Flow (X)	28.6	11.5	8.8	4.4
EV/EBITDA (X)	11.7	17.3	14.2	11.9
Net Div Yield (%)	3.2	3.2	3.2	3.2
P/Book Value (X)	0.8	0.8	0.8	0.7
Net Debt/Equity (X)	0.5	0.7	0.6	0.4
ROAE (%)	9.4	8.9	9.3	9.4
Earnings Rev (%):		0	0	0
Consensus EPS (S cts):		21.8	27.5	29.0
Other Broker Recs:		B: 14	S: 0	H: 2

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

Wind beneath its wings

Maintain BUY, TP raised to S$4.50. We raise our target price (TP) to S$4.50, pegged to 18% discount to revalued net asset value (RNAV) of S$5.44. With the CapitaLand (CAPL) and Ascendas-Singbridge (ASB) merger completed, 2020 will herald a new era of growth with a renewed focus in establishing dominance in key markets of Singapore and China while looking at opportunities to deploy capital in growth markets of India and Vietnam. Our TP implies a price (P)/forward NAV of 1.0x, pegged to historical 5-year +1 standard deviation (SD).

Where we differ: Ability to drive sustainable ROE. We forecast CAPL-ASB to be able to deliver a return on equity (ROE) of between >9% over FY19-FY21F, driven by an efficient mix of; (i) higher proportion of recurring income derived from ASB's higher-yielding properties, (ii) projected continued asset revaluations on the back of higher operating incomes and, (iii) projected gains on S$3bn of planned asset divestments annually. The group has been active in achieving those targets and see opportunities to continue delivering strong ROEs.

Asset reconstitution strategy at work. CAPL's management has shown fast execution on its asset recycling strategy and we believe that China, Japan and Singapore are on the cards in 2020. In terms of capital deployment, we remain excited on its prospects in India, Vietnam and China. In Singapore, CAPL is relooking potential redevelopment opportunities for its assets within the Science Park, which we believe will be NAV-enhancing in the medium term.

Valuation:

Our TP of S$4.50 is based on a 18% discount to our adjusted RNAV of S$5.44/share.

Key Risks to Our View:

Slowdown in Asian economies. The risk to our view is if there is a slowdown in Asian economies, especially China, which could dampen demand for housing and private consumption.

At A Glance

Issued Capital (m shrs)	5,037
Mkt. Cap (Sm/USm)	18,790 / 13,932
Major Shareholders (%)	
Temasek Holdings Pte Ltd	51.0
Blackrock Inc	5.0
Free Float (%)	44.0
3m Avg. Daily Val (US$m)	15.7
GIC Industry : Real Estate / Real Estate Management & Development	
Bloomberg ESG disclosure score (2018)^	51.7
- Environmental / Social / Governance	41.9 / 57.9 / 67.9

^ refer to back page for more information

CRITICAL DATA POINTS TO WATCH

Critical Factors

Gaining from earnings stream less susceptible to macro shocks: The Ascendas-Singbridge merger will herald a new era for the group. Together with Ascendas-Singbridge, the enlarged group (CAPL-ASB) will emerge with a S$123bn platform that will rival global asset managers. With Ascendas-Singbridge, the group will deepen its footprint in its core markets of China and Singapore with an expansion of assets under management (AUM) by 41% and 6% to S$42bn and S$51bn respectively. Most importantly, the enlarged group will gain access into real estate sectors with exposure mainly to business parks, industrial lots and warehouses. In our view, these real estate sectors cater to firms in the new economy sectors of e-commerce, urbanisation and knowledge economies where firms are expanding steadily.

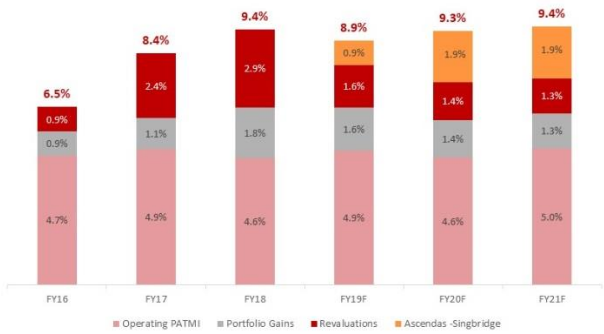
Ample capacity to acquire; implied yields of REITs are conducive for acquisitions with CAPL's target of selling S$3.0bn in assets annually. Looking at the balance sheets of CAPL-ASB's managed real estate investment trusts (REITs), with average gearing at c.35.2%, there is ample capacity for the REITs to take on more acquisitions. We estimate that there is a debt-funded capacity of between S$3.6bn and S$7.7bn, assuming a target gearing of 40-45%, still within Singapore Reit (S-REIT) regulatory limits. This headroom can be used opportunistically for any planned acquisition activities.

Riding on robust India growth strategy. The group will inherit a fairly successful India franchise in ASB and Ascendas India Trust (AIT) which has been the first mover in information technology (IT) Parks and most recently, in the Indian warehouse space. In the medium term, we see monetisation opportunities from ASB, which has been building up a pipeline of business parks. In addition, we remain excited about the potential from the recently launched Ascendas India Logistics Programme which aims to deliver modern logistics and industrial facilities across major warehousing and manufacturing hubs in India.

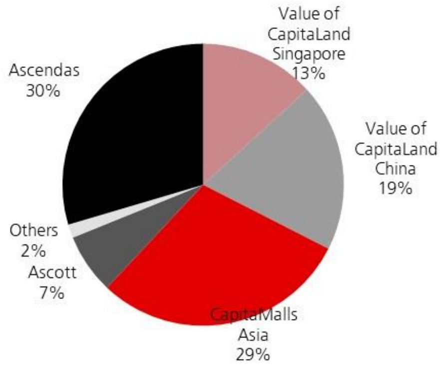
Hitting a high of 9.0% ROE on recurring basis. With the completion of the merger, we forecast the group to be able to deliver a ROE of between 8.9% and 9.4% over FY19-FY21F. Given the highly recurring nature of ASB's revenues, we believe that 75-76% of our ROE of c.9.0% is backed by rental income from its stable of commercial and industrial properties which is highly recurring and sustainable. This means that the group should be able to achieve an ROE of between 6.5% and c.7.0% annually.

Revenue S$'m

ROE



Breakdown of RNAV



RNAV

RNAV of CapitaLand	S$'bn
Value of CapitaLand Singapore	7,971.2
Value of CapitaLand China	11,632.7
CapitaMalls Asia	17,783.6
Ascott	4,166.3
Others	935.0
Ascendas	17,838.1
GDV of CAPL Group	60,326.9
Less: Net Debt	(24,467.3)
Less: devt capex	(8,118.8)
RNAV of CAPL	27,740.8
Total Shares	5,095.1
RNAV per share	5.44
Discount to RNAV	18%
Target price	**4.50**

Source: Company, DBS Bank

Balance Sheet:

Remains strong. We forecast debt/equity ratio to rise to a high of 0.7x in FY19 but fall towards 0.6x in the coming years. CAPL's debt maturity profile remains long at 3.0 years with an average cost of 3.4%. The group aims to maintain a higher level of interest cost hedged.

Share Price Drivers:

Strong residential sales to translate into higher prices. CAPL has taken advantage of the improved property sentiment in Singapore to sell most of its existing inventory. The key will be potential land-banking opportunities to replenish its balance sheet. In addition, we believe that strong sales in China will result in higher prices.

Asset recycling into listed S-REITs/funds. CAPL will continue to demonstrate its ability to crystallise value through strategic divestments of mature assets to its listed REITs, which are market leaders in their respective subsectors of retail, office and hospitality. The ability to recycle capital efficiently will enable the group to free up capital, improve its balance sheet position and deploy capital to projects with higher returns.

Key Risks:

Slowdown in Asian economies. The risk to our view is a further slowdown in Asian economies which could dampen demand for housing and private consumption expenditure and retail sales. This could, in turn, result in slower-than-expected projections.

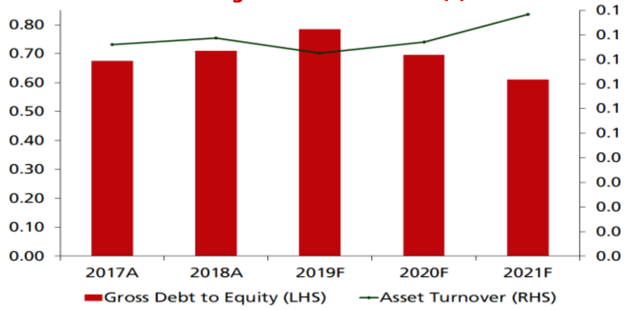
Environmental, Social, Governance (ESG):

CAPL's is committed to improving the economic, environmental and social well-being for their stakeholders through its projects and operations management. The group embraces innovation to ensure commercial viability without compromising the environment for future generations. CAPL has a Bloomberg ESG score of 51.7.

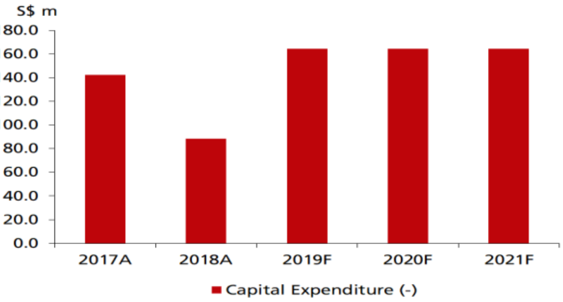
Company Background

CapitaLand (CAPL) is one of Asia's largest real estate companies headquartered and listed in Singapore. Its two core markets are Singapore and China; while Indonesia, Malaysia and Vietnam have been identified as its new growth markets.

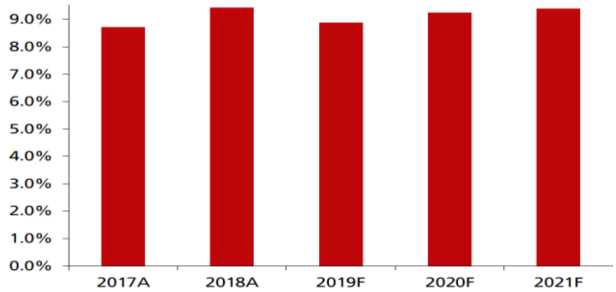
Leverage & Asset Turnover (x)



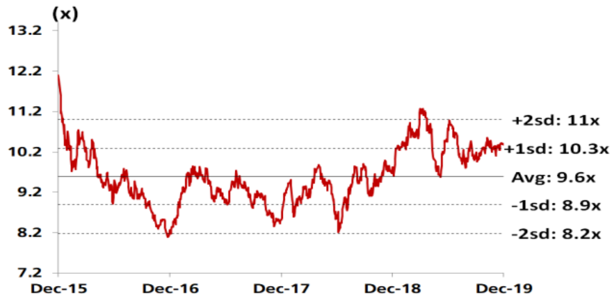
Capital Expenditure



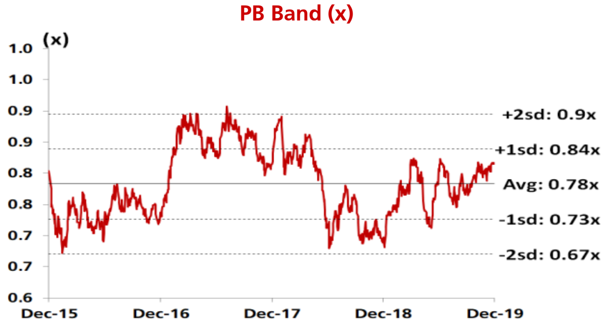
ROE (%)



Forward PE Band (x)



PB Band (x)



Source: Company, DBS Bank

Income Statement (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenue	4,618	5,602	5,760	6,561	7,510
Cost of Goods Sold	(2,594)	(2,913)	(2,698)	(2,911)	(3,515)
Gross Profit	**2,024**	**2,689**	**3,062**	**3,650**	**3,995**
Other Opng (Exp)/Inc	(455)	(494)	(519)	(545)	(572)
Operating Profit	**1,569**	**2,196**	**2,543**	**3,106**	**3,423**
Other Non Opg (Exp)/Inc	789	902	398	398	398
Associates & JV Inc	882	959	318	382	388
Net Interest (Exp)/Inc	(425)	(548)	(691)	(882)	(797)
Exceptional Gain/(Loss)	0.0	0.0	400	400	400
Pre-tax Profit	**2,816**	**3,509**	**2,967**	**3,403**	**3,812**
Tax	(469)	(659)	(462)	(541)	(614)
Minority Interest	(777)	(1,087)	(626)	(630)	(767)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	**1,570**	**1,762**	**1,879**	**2,233**	**2,430**
Net Profit before Except.	1,570	1,762	1,479	1,833	2,030
EBITDA	3,316	4,132	3,333	3,960	4,283
Growth					
Revenue Gth (%)	(12.1)	21.3	2.8	13.9	14.5
EBITDA Gth (%)	39.7	24.6	(19.3)	18.8	8.2
Opg Profit Gth (%)	35.0	39.9	15.8	22.1	10.2
Net Profit Gth (Pre-ex) (%)	31.9	12.3	(16.1)	23.9	10.8
Margins & Ratio					
Gross Margins (%)	43.8	48.0	53.2	55.6	53.2
Opg Profit Margin (%)	34.0	39.2	44.2	47.3	45.6
Net Profit Margin (%)	34.0	31.5	32.6	34.0	32.4
ROAE (%)	8.7	9.4	8.9	9.3	9.4
ROA (%)	2.9	2.8	2.7	3.0	3.2
ROCE (%)	2.7	3.1	3.4	3.8	4.2
Div Payout Ratio (%)	32.5	28.9	32.5	27.4	25.2
Net Interest Cover (x)	3.7	4.0	3.7	3.5	4.3

Source: Company, DBS Bank

Quarterly / Interim Income Statement (S$m)

FY Dec	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
Revenue	1,342	1,260	1,624	1,048	1,083
Cost of Goods Sold	(719)	(648)	(838)	(474)	(532)
Gross Profit	624	612	786	575	551
Other Oper. (Exp)/Inc	(93.0)	(111)	(203)	(108)	(122)
Operating Profit	531	501	583	467	429
Other Non Opg (Exp)/Inc	519	169	207	211	428
Associates & JV Inc	330	135	315	103	379
Net Interest (Exp)/Inc	(133)	(144)	(140)	(161)	(167)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1,248	661	964	620	1,069
Tax	(168)	(94.7)	(256)	(45.8)	(133)
Minority Interest	(474)	(204)	(233)	(279)	(356)
Net Profit	606	362	476	296	580
Net profit bef Except.	606	362	476	296	580
EBITDA	1,398	823	1,124	800	1,258
Growth					
Revenue Gth (%)	(2.4)	(6.1)	28.9	(35.5)	3.3
EBITDA Gth (%)	94.2	(41.1)	36.5	(28.8)	57.2
Opg Profit Gth (%)	5.7	(5.7)	16.5	(19.9)	(8.1)
Net Profit Gth (Pre-ex) (%)	89.8	(40.2)	31.3	(37.9)	96.2
Margins					
Gross Margins (%)	46.5	48.6	48.4	54.8	50.9
Opg Profit Margins (%)	39.5	39.7	35.9	44.5	39.6
Net Profit Margins (%)	45.1	28.7	29.3	28.2	53.5

Balance Sheet (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Net Fixed Assets	840	753	843	932	1,022
Invts in Associates & JVs	10,205	10,180	10,586	11,035	11,487
Other LT Assets	38,182	41,269	52,447	50,344	48,242
Cash & ST Invts	6,648	5,320	3,743	5,243	8,903
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	1,462	1,944	1,986	2,853	3,265
Other Current Assets	4,202	5,182	5,404	5,134	4,214
Total Assets	61,539	64,648	75,008	75,541	77,133
ST Debt	2,739	3,193	3,193	3,193	3,193
Creditor	4,748	4,750	4,497	4,851	5,858
Other Current Liab	1,375	1,451	1,614	1,854	2,168
LT Debt	18,956	20,440	26,440	24,440	22,440
Other LT Liabilities	1,604	1,505	1,505	1,505	1,505
Shareholder's Equity	18,413	18,953	23,322	24,943	26,762
Minority Interests	13,705	14,354	14,437	14,754	15,206
Total Cap. & Liab.	61,539	64,648	75,008	75,541	77,133
Non-Cash Wkg. Capital	(458)	924	1,279	1,281	(547)
Net Cash/(Debt)	(15,047)	(18,314)	(25,891)	(22,391)	(16,731)
Debtors Turn (avg days)	131.2	110.9	124.5	134.6	148.7
Creditors Turn (avg days)	683.7	610.7	643.2	601.5	568.1
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	1.4	1.3	1.2	1.3	1.5
Quick Ratio (x)	0.9	0.8	0.6	0.8	1.1
Net Debt/Equity (X)	0.5	0.5	0.7	0.6	0.4
Net Debt/Equity ex MI (X)	0.8	1.0	1.1	0.9	0.6
Capex to Debt (%)	0.7	0.4	0.6	0.6	0.6
Z-Score (X)	0.9	0.9	0.8	0.9	1.0

Gearing to head lower

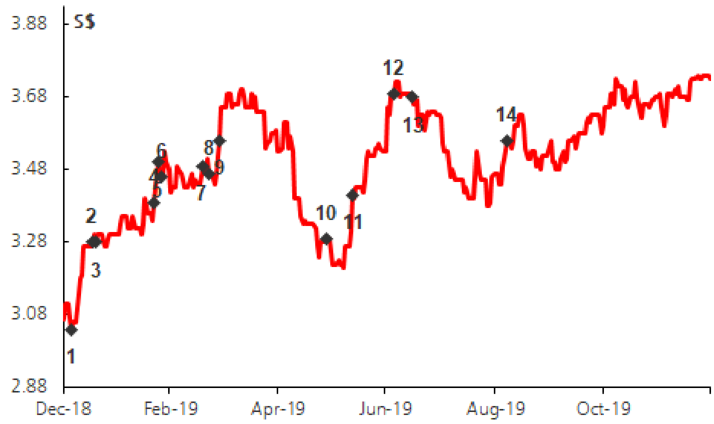
Source: Company, DBS Bank

Cash Flow Statement (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Pre-Tax Profit	2,347	2,850	2,967	3,403	3,812
Dep. & Amort.	76.3	74.5	74.5	74.5	74.5
Tax Paid	(379)	(390)	(300)	(300)	(300)
Assoc. & JV Inc/(loss)	(882)	(959)	(318)	(382)	(388)
Chg in Wkg.Cap.	809	(1,414)	(517)	(243)	1,514
Other Operating CF	195	392	(398)	(398)	(398)
Net Operating CF	**2,166**	**553**	**1,509**	**2,155**	**4,315**
Capital Exp.(net)	(142)	(88.3)	(164)	(164)	(164)
Other Invts.(net)	(386)	(701)	(10,780)	2,500	2,500
Invts in Assoc. & JV	(1,559)	(1,126)	(200)	(200)	(200)
Div from Assoc & JV	262	541	111	134	136
Other Investing CF	54.5	19.4	0.0	0.0	0.0
Net Investing CF	**(1,770)**	**(1,356)**	**(11,033)**	**2,269**	**2,271**
Div Paid	(1,022)	(1,248)	(1,054)	(925)	(926)
Chg in Gross Debt	1,708	1,657	6,000	(2,000)	(2,000)
Capital Issues	0.0	0.0	3,000	0.0	0.0
Other Financing CF	294	(626)	0.0	0.0	0.0
Net Financing CF	**979**	**(217)**	**7,946**	**(2,925)**	**(2,926)**
Currency Adjustments	(62.9)	(26.2)	0.0	0.0	0.0
Chg in Cash	1,313	(1,045)	(1,577)	1,500	3,660
Opg CFPS (S cts)	31.9	46.3	43.4	47.1	55.0
Free CFPS (S cts)	47.6	10.9	28.8	39.1	81.5

Source: Company, DBS Bank

Target Price & Ratings History



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

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	03 Jan 19	3.04	3.62	BUY
2:	15 Jan 19	3.28	3.62	BUY
3:	17 Jan 19	3.28	3.62	BUY
4:	19 Feb 19	3.39	3.62	BUY
5:	21 Feb 19	3.50	3.62	BUY
6:	23 Feb 19	3.46	3.62	BUY
7:	18 Mar 19	3.49	3.62	BUY
8:	22 Mar 19	3.47	3.62	BUY
9:	28 Mar 19	3.56	3.62	BUY
10:	27 May 19	3.29	4.00	BUY
11:	11 Jun 19	3.41	4.00	BUY
12:	04 Jul 19	3.69	4.00	BUY
13:	15 Jul 19	3.68	4.00	BUY
14:	06 Sep 19	3.56	4.00	BUY

Source: DBS Bank

Analyst: Derek TAN
Rachel TAN

City Developments

Version 17 | Bloomberg: CIT SP | Reuters: CTDM.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Jan 2020

BUY

Last Traded Price (30 Dec 2019): S$10.95 (**STI :** 3,222.44)
Price Target 12-mth: S$13.00 (19% upside) (Prev S$11.00)

Analyst
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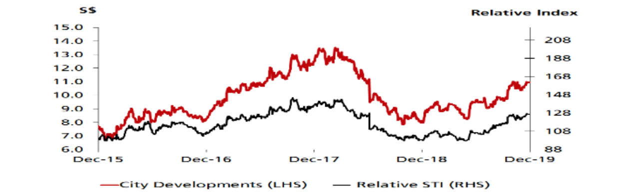
What's New

- Raising TP to S$13.0, pegged to +0.5 SD of 5-year historical average
- Strategic plans in place to grow portfolio's recurring income and NAV
- Asset recycling of W Hotel to CDL Hospitality Trusts enhances ROE with more in the pipeline
- Watch out for launch of new platforms in 2020

Price Relative



Forecasts and Valuation

FY Dec (S$m)	2018A	2019F	2020F	2021F
Revenue	4,223	3,724	4,013	4,872
EBITDA	1,260	1,042	1,062	1,168
Pre-tax Profit	876	759	768	851
Net Profit	544	535	586	655
Net Pft (Pre Ex.)	616	535	586	655
Net Pft Gth (Pre-ex) (%)	40.0	(13.2)	9.6	11.8
EPS (S cts)	60.0	59.0	64.6	72.3
EPS Pre Ex. (S cts)	67.9	59.0	64.6	72.3
EPS Gth Pre Ex (%)	40	(13)	10	12
Diluted EPS (S cts)	57.2	56.2	61.6	68.8
Net DPS (S cts)	14.0	16.0	16.0	16.0
BV Per Share (S cts)	1,107	1,152	1,201	1,257
PE (X)	18.2	18.6	16.9	15.2
PE Pre Ex. (X)	16.1	18.6	16.9	15.2
P/Cash Flow (X)	nm	5.4	8.2	7.1
EV/EBITDA (X)	12.8	15.7	14.9	12.9
Net Div Yield (%)	1.3	1.5	1.5	1.5
P/Book Value (X)	1.0	1.0	0.9	0.9
Net Debt/Equity (X)	0.4	0.4	0.3	0.2
ROAE (%)	5.6	5.2	5.5	5.9
Earnings Rev (%):		(4)	0	-
Consensus EPS (S cts):		58.6	63.5	70.9
Other Broker Recs:		B: 15	S: 0	H: 2

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

Well positioned for the long haul

BUY maintained; raise TP to S$13.00. We maintain our BUY rating on City Developments (CIT) and raise our target price (TP) to S$13.00, pegged to 18% discount to revalued net asset value (RNAV). Our TP implies a 1.08x price/net asset value (P/NAV), close to its 5-year +0.5 standard deviation (SD). Positives include the property market that is on firm footing and catalysts from NAV upside driven by; i) potential ongoing enhancement of its Millennium & Copthorne Hotels (M&C) assets, ii) building up its fund management business through the launch of new platforms (real estate investment trusts (REITs), funds) and, iii) better-than-expected sell-through rates especially in the luxury market.

Where we differ: Better-than-expected sell-through rates despite weak sentiment. Contrary to market expectations, CIT has successfully achieved better-than-expected sell-through rates of more than 50% across all its launched projects, which is stronger than the market average of <30%.

9M19 results remain strong supported by divestment gains, offset by impairment losses. 9M19 earnings fell marginally but we see positives from strategic plans to grow its recurring income and NAVs in the medium term. The group is looking into; (i) redeveloping Liang Court into a new mixed use development, (ii) planned recycling of capital from the proposed sale of W hotel to CDL Hospitality Trusts and, (iii) successful privatisation of M&C which would anchor medium term NAV growth.

Valuation:

Our TP is revised to S$13.00 from S$11.00 previously, based on a lower 18% (30% previously) discount to RNAV, which implies 1.08x 2020F P/NAV at 0.5SD above the historical average.

Key Risks to Our View:

Government tightening of property market. This may result in negative sentiment on the stock and its ability to sell unsold inventory.

At A Glance

Issued Capital (m shrs)	907
Mkt. Cap (Sm/USm)	9,931 / 7,363
Major Shareholders (%)	
Davos Investments Holdings Pvt Ltd	16.4
Hong Leong Investment Holdings Pte Ltd	15.5
Standard Life Aberdeen PLC	5.0
Free Float (%)	
3m Avg. Daily Val (US$m)	11.5
GIC Industry : Real Estate / Real Estate Management & Development	
Bloomberg ESG disclosure score (2018)^	43.4
- Environmental / Social / Governance	41.9 / 28.1 / 62.5

^ refer to back page for more information

WHAT'S NEW

Well positioned for the long haul

9M19 results impacted by impairment losses and privatisation costs; mitigated by divestments gains recorded earlier in the year.

- CIT's 9M19 net profit fell marginally by 0.5% y-o-y to S$477m largely impacted by impairment losses of S$36.9m for Millennium Hilton New York One UN Plaza and Millennium Hilton Seoul and M&C privatisation costs of S$24mn, mitigated by the divestment gains of assets from PPS2 (Manulife Centre – S$153.9m and 7&9 Tampines Grande – S$43.3m) recognised in 1H19.
- Excluding the impairment losses and privatisation costs, 9M19 net profit would have increased 8.9% y-o-y.
- 3Q19 net profit fell 34% y-o-y to S$115m mainly due to lower contributions from property development (profit before tax (PBT) -32% y-o-y) attributable to the timing of profit recognition for development properties and hotel segment due to impairment losses and privatisation costs (loss before tax (LBT) of S$28m vs PBT of S$37m in 3Q18).
- Excluding the impairment losses and privatisation costs, 3Q19 net profit would have declined by 11.4% y-o-y.

- Property division. 9M19 revenue and PBT fell 55% y-o-y and 43% y-o-y respectively mainly due the absence of lump sum recognition in 9M18 including; i) The Criterion EC upon completion in February 2018, ii) New Futura and Gramercy Park which has completed, iii) overseas projects such as HLCC and Park Court Aoyama. PBT margins have expanded to 36% vs 28% in 9M18 as a result of lower margins from The Criterion EC. 3Q19 PBT margins expanded marginally to 38% vs 35% in 3Q18.

- Hotel operations. 9M19 revenue was flat y-o-y but PBT fell 98% y-o-y impacted by S$36.9m impairment losses for Millennium Hilton New York One UN Plaza and Millennium Hilton Seoul, M&C privatisation costs of S$24mn and closure of Mayfair hotel for refurbishment in July 2018 which was re-opened on 9 September 2019 (YTD operating loss of S$13m).

- Rental properties. 9M19 revenue was +25% y-o-y mainly led by new acquisitions of three buildings in 1H18, namely Aldgate House (London), 125 Old Broad Street (London) and Central Mall Office Tower. PBT was S$298m in 9M19 vs S$131m in 9M18 supported by higher divestment gains.

Outlook

Residential: Singapore sales volume and value rose 44% and 64% y-o-y on the back of positive buyer sentiment.

- 9M19 property sales reached S$2.56bn (+64% increase in sales value), with the group and associates achieving a 44% y-o-y increase in units sold to 1,130 units.
- The group launched six projects in 2019 (five 9M19 and one in 4Q with strong pre-sales rates across its projects. Its key projects – (i) Boulevard 88 (83 units sold out of 154 units at S$3,800 psf), (ii) Amber Park (188 units out of 592 at S$2,480psf, (iii) Haus on Handy (30 units sold out of 188 total units at S$2,870psf), (iv) 444 units out of 820 units for Piermont Grand EC at S$1,080psf, (v) 24 out of 30 released of the 156-unit Novel 18 at s$3,450pf where a majority of the units are leased out. In November, the group launched and sold 232 units out of the 680-unit Sengkang Grand Residences, a joint venture (JV) project, at average selling price of S$1,700psf.
- Launch pipeline stood at 1,515 units (accounting for the group's effective share) with upcoming launches expected in 2020 including the Sims Drive (560 units) site in 1Q20.

Commercial properties: >10% higher rents post AEI at Republic Plaza.

- In Singapore, CIT's office and retail properties remain stable with occupancies at 91.3% and 94.2% respectively (vs 92.1% and 95.1% respectively in 2Q19 vs 91.4% and 95.8% respectively in 1Q19).
- Following the completion of the asset enhancement initiative (AEI) at Republic Plaza, rents were >10% higher than pre-AEI rents. CIT's management expects positive rental reversions to continue.
- As such, CIT continues to undertake AEI opportunities with the next planned upgrading works at City Industrial Building.

Hotel: RevPAR improved; led by its hotels in Asia (especially in Singapore).

- M&C's revenue per available room (RevPAR) was +4.3% y-o-y in 3Q19 to S$156.8/night mainly on the back of higher rates achieved (+4.1%) while occupancy rate remained stable at 77.3%.

- The better performance was mainly driven by its hotels in Asia, especially Singapore (+14.9%) and rest of Asia (+9.2%) while its hotels in Europe (+1.6%) and USA (+1.4%) remained stable.
- On a YTD basis , portfolio RevPAR was 1.6% higher y-o-y to S$142.3/night.

Fund management: Obtained CMS licence; paves the way for private fund / REIT.

- PPS3 – soft re-launch of 156-unit Nouvel 18 on 18 July 2019 at average selling price (ASP) of >S$3,450 psf. Sold 15% of total units.
- CIT has successfully obtained its Capital Markets Services (CMS) licence from the Monetary Authority of Singapore (MAS) which paves the way for the company to set up a private fund and/or REIT and accelerate its fund management plans.

Quarterly / Interim Income Statement (S$m)

FY Dec	3Q2018	2Q2019	3Q2019	% chg yoy	% chg qoq
Revenue	1,017	850	885	(12.9)	4.1
Cost of Goods Sold	(513)	(431)	(444)	(13.5)	3.0
Gross Profit	**504**	**419**	**441**	**(12.4)**	**5.3**
Other Oper. (Exp)/Inc	(96.8)	(106)	(171)	76.2	61.6
Operating Profit	**269**	**170**	**128**	**(52.5)**	**(25.0)**
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	-	-
Associates & JV Inc	11.8	66.4	48.3	309.1	(27.3)
Net Interest (Exp)/Inc	(30.6)	(12.1)	(20.6)	32.7	(69.4)
Exceptional Gain/(Loss)	0.0	0.0	0.0	-	-
Pre-tax Profit	**251**	**225**	**156**	**(37.9)**	**(30.8)**
Tax	(51.7)	(42.0)	(31.2)	(39.6)	(25.6)
Minority Interest	(25.6)	(20.3)	(9.3)	63.6	(54.0)
Net Profit	**173**	**162**	**115**	**(33.7)**	**(29.2)**
Net profit bef Except.	173	162	115	(33.7)	(29.2)
EBITDA	336	304	243	(27.6)	(20.1)
Margins (%)					
Gross Margins	49.5	49.3	49.9		
Opg Profit Margins	26.5	20.0	14.4		
Net Profit Margins	17.0	19.1	13.0		

Source of all data: Company, DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

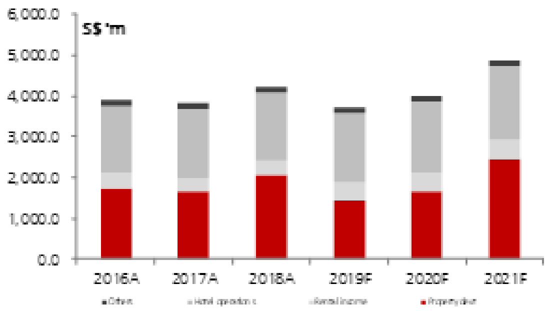
Launches have done well YTD. CIT has been actively selling its residential inventories in Singapore, achieving a sell-through rate of 53% across all its projects (estimated as of 11M19), one of the better performers amongst its peers that average c.30% sell-through in 2019. This could be attributed to active marketing and positioning of its projects. CIT's luxury developments (Nouvel 18, Boulevard 88, South Beach Residences) have seen strong sales amongst Chinese investors, enabling the group to crystallise value over time. Residential sales momentum has been strong for the group at 1,130 units with sales value of S$2.6bn as of 9M19. Based on the group's portfolio of projects launched in Singapore, it has a further 2,081 units of unsold inventory in its books (effective stake of 1,515 units). Based on estimates, the total unsold inventory (launched and unlaunched projects) could be worth up to S$4bn.

Overseas investments to bear fruit; watching for potential REIT platform. In London, in line with its 10-year target of S$900m recurring earnings before interest, tax, depreciation and amortization (EBITDA), CIT invested in two landmark Grade A office buildings in London in 4Q18 (totalling GBP568m or S$1bn), taking advantage of opportunities from the withdrawal of the United Kingdom from the European Union (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 currently under-rented leases. The group is continuing to explore more opportunities to bulk up in the hope of launching a REIT.

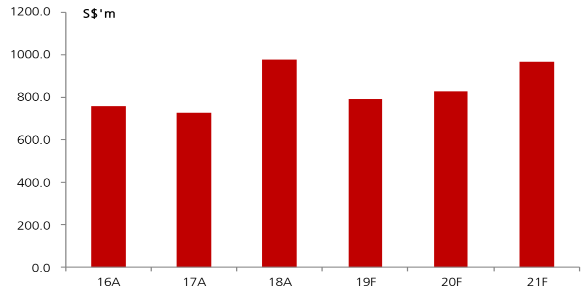
In **China**, CIT will continue to focus on the execution and delivery of Hong Leong City Center. Phase 1 is 86% sold (sales value RMB2.6bn) and phase 2 is 89% sold with sales value of RMB928m, adding to the group's earnings visibility and de-risking its exposure in these properties.

Fund management platform. The group intends to accelerate its efforts to develop a fund management business to drive recurring income, 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 (all of which are in various stages of unwinding), the group intends to launch more co-mingled funds or JVs, acquire platforms, and manage third-party capital. The group aims to build an assets under management (AUM) of US$5bn by 2023 and US$12bn by 2030.

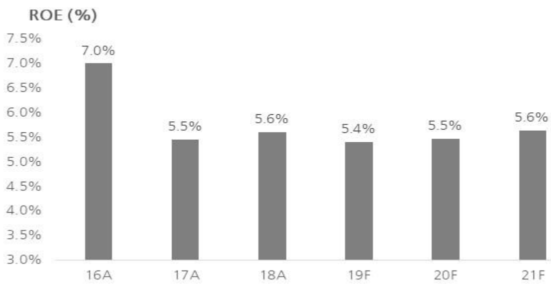
Revenue growth (S$'m)



EBIT (S$'m)



ROE (%)



RNAV	S$'m
Investment Portfolio (office)	5,337.3
Investment Portfolio (mixed Development)	1,559.4
Investment Portfolio (hotels)	1,421.9
Investment Portfolio (retail)	934.4
Investment Portfolio (industrial and others)	137.4
GDV of residential portfolio	5,957.7
Stakes in :	
M&C	4,858.1
CDL HT	752.6
Others	386.9
Gross Asset Value	21,345.7
Less: pref conversion	(211.8)
Less: Net debt	(5,921.8)
RNAV of CDL	15,212.1
No of shares	954.3
RNAV/share	15.9
Discount	18%
TP	13.00

Source: Company, DBS Bank

Balance Sheet:

Undervalued 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 31%. CIT's gearing stood at 31% as at FY18. This provides greater financial flexibility and debt headroom for acquisition opportunities.

Share Price Drivers:

If sales volume remains sustainable despite property measures. Following the recent property tightening measures, we believe that market sentiment would impact sales take-up rates of new property launches. However, if sales volume can be sustained (similar to the previous upcycle in 2010-2012), this would bode well for CIT'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, 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 where 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 could adversely affect the group's outlook.

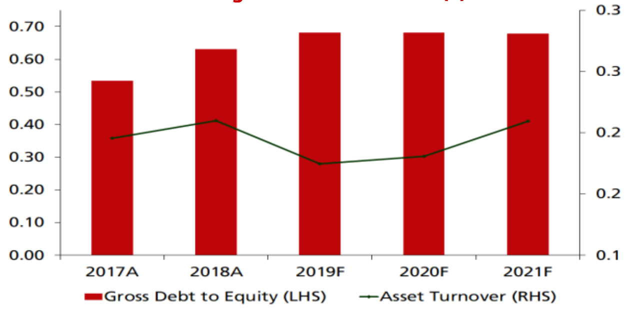
Environmental, Social, Governance (ESG):

CIT is strongly committed to be a catalyst of change to achieve the United Nations (UN) Global Goals for sustainability. It was among the earliest developers to publish sustainability reporting in 2008. It was also the first Singapore real estate company to embark on a Climate Change Scenario Planning Study.

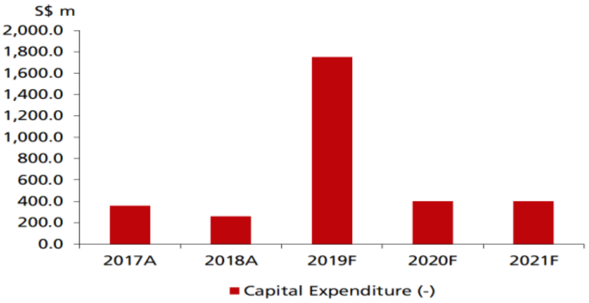
Company Background

City Developments Limited (CIT) 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.

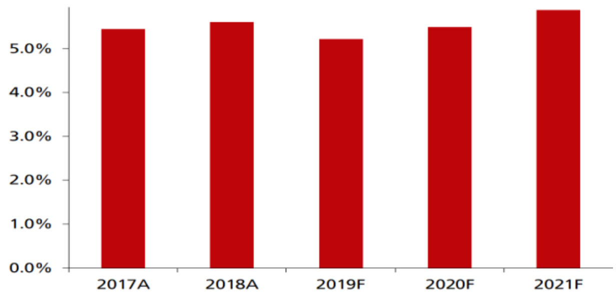
Leverage & Asset Turnover (x)



Capital Expenditure

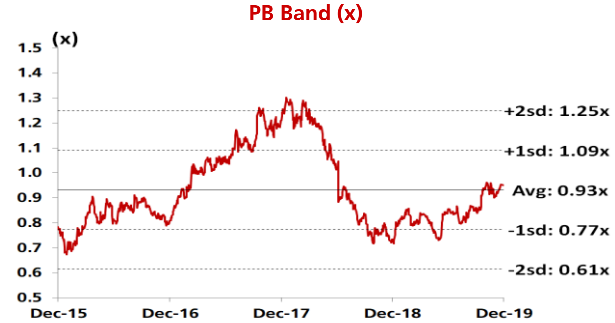


ROE (%)



Forward PE Band (x)

PB Band (x)



Source: Company, DBS Bank

Segmental Breakdown

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenues (S$m)					
Property devt	1,653	2,045	1,454	1,643	2,441
Rental income	347	358	419	467	477
Hotel operations	1,694	1,679	1,711	1,763	1,816
Others	135	140	140	140	140
Total	3,829	4,223	3,724	4,013	4,872
Pre-tax Profit (S$m)					
Property devt	398	586	361	363	428
Rental income	160	177	140	157	160
Hotel operations	149	40.0	253	260	268
Others	55.9	72.9	4.51	(11.6)	(4.7)
Total	763	876	759	768	851
Pre-tax Profit Margins					
Property devt	24.1	28.6	24.8	22.1	17.5
Rental income	46.0	49.3	33.5	33.5	33.5
Hotel operations	8.8	2.4	14.8	14.8	14.8
Others	41.3	52.2	3.2	(8.3)	(3.4)
Total	19.9	20.7	20.4	19.1	17.5

Income Statement (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenue	3,829	4,223	3,724	4,013	4,872
Cost of Goods Sold	(2,145)	(2,308)	(2,001)	(2,212)	(2,780)
Gross Profit	1,684	1,914	1,723	1,801	2,092
Other Opng (Exp)/Inc	(956)	(938)	(931)	(1,003)	(1,217)
Operating Profit	728	976	793	798	875
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	44.5	64.9	30.2	44.3	74.9
Net Interest (Exp)/Inc	(78.3)	(93.9)	(63.8)	(74.6)	(98.6)
Exceptional Gain/(Loss)	69.3	(71.7)	0.0	0.0	0.0
Pre-tax Profit	763	876	759	768	851
Tax	(106)	(215)	(122)	(138)	(147)
Minority Interest	(135)	(103)	(89.5)	(31.5)	(35.2)
Preference Dividend	(12.9)	(12.9)	(12.9)	(12.9)	(12.9)
Net Profit	509	544	535	586	655
Net Profit before Except.	440	616	535	586	655
EBITDA	988	1,260	1,042	1,062	1,168
Growth					
Revenue Gth (%)	(2.0)	10.3	(11.8)	7.8	21.4
EBITDA Gth (%)	(5.9)	27.5	(17.3)	1.9	10.1
Opg Profit Gth (%)	(3.9)	34.1	(18.8)	0.7	9.5
Net Profit Gth (Pre-ex) (%)	(7.2)	40.0	(13.2)	9.6	11.8
Margins & Ratio					
Gross Margins (%)	44.0	45.3	46.3	44.9	42.9
Opg Profit Margin (%)	19.0	23.1	21.3	19.9	17.9
Net Profit Margin (%)	13.3	12.9	14.4	14.6	13.5
ROAE (%)	5.5	5.6	5.2	5.5	5.9
ROA (%)	2.6	2.7	2.5	2.6	2.8
ROCE (%)	3.6	4.1	3.4	3.2	3.4
Div Payout Ratio (%)	25.0	23.3	27.1	24.8	22.1
Net Interest Cover (x)	9.3	10.4	12.4	10.7	8.9

Source: Company, DBS Bank

Quarterly / Interim Income Statement (S$m)

FY Dec	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019
Revenue	1,017	788	746	850	885
Cost of Goods Sold	(513)	(352)	(394)	(431)	(444)
Gross Profit	504	437	352	419	441
Other Oper. (Exp)/Inc	(96.8)	(206)	40.0	(106)	(171)
Operating Profit	269	90.4	253	170	128
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	11.8	42.2	40.2	66.4	48.3
Net Interest (Exp)/Inc	(30.6)	(22.0)	(27.7)	(12.1)	(20.6)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	251	111	266	225	156
Tax	(51.7)	(38.2)	(54.1)	(42.0)	(31.2)
Minority Interest	(25.6)	5.57	(12.0)	(20.3)	(9.3)
Net Profit	173	78.0	200	162	115
Net profit bef Except.	173	78.0	200	162	115
EBITDA	336	192	357	304	243
Growth					
Revenue Gth (%)	(25.2)	(22.5)	(5.3)	14.0	4.1
EBITDA Gth (%)	(20.8)	(42.7)	85.8	(14.9)	(20.1)
Opg Profit Gth (%)	(26.6)	(66.5)	180.2	(32.7)	(25.0)
Net Profit Gth (Pre-ex) (%)	(21.5)	(55.0)	156.0	(18.6)	(29.2)
Margins					
Gross Margins (%)	49.5	55.4	47.2	49.3	49.9
Opg Profit Margins (%)	26.5	11.5	33.9	20.0	14.4
Net Profit Margins (%)	17.0	9.9	26.7	19.1	13.0

Balance Sheet (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Net Fixed Assets	4,999	5,013	6,544	6,726	6,907
Invts in Associates & JVs	1,502	1,735	1,819	1,918	2,046
Other LT Assets	3,475	5,038	5,038	5,038	5,038
Cash & ST Invts	3,849	2,304	3,003	3,907	4,988
Inventory	11.0	13.3	11.5	12.7	16.0
Debtors	896	955	843	908	1,102
Other Current Assets	4,633	5,827	4,489	4,146	3,732
Total Assets	19,364	20,886	21,747	22,654	23,828
ST Debt	1,266	1,258	1,258	1,258	1,258
Creditor	1,299	1,293	1,121	1,239	1,558
Other Current Liab	752	552	288	304	314
LT Debt	3,756	5,069	5,869	6,169	6,469
Other LT Liabilities	645	439	439	439	439
Shareholder's Equity	9,391	10,041	10,449	10,890	11,400
Minority Interests	2,255	2,233	2,323	2,354	2,389
Total Cap. & Liab.	19,364	20,886	21,747	22,654	23,828
Non-Cash Wkg. Capital	3,488	4,950	3,934	3,523	2,978
Net Cash/(Debt)	(1,172)	(4,023)	(4,124)	(3,520)	(2,740)
Debtors Turn (avg days)	98.3	80.0	88.1	79.6	75.3
Creditors Turn (avg days)	271.9	226.4	247.3	216.1	199.3
Inventory Turn (avg days)	2.2	2.1	2.5	2.2	2.0
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2
Current Ratio (x)	2.8	2.9	3.1	3.2	3.1
Quick Ratio (x)	1.4	1.1	1.4	1.7	1.9
Net Debt/Equity (X)	0.1	0.4	0.4	0.3	0.2
Net Debt/Equity ex MI (X)	0.1	0.4	0.4	0.3	0.2
Capex to Debt (%)	7.1	4.1	24.6	5.4	5.2
Z-Score (X)	1.9	1.9	1.9	1.9	1.9

Gearing to inch higher post M&C acquisition

Source: Company, DBS Bank

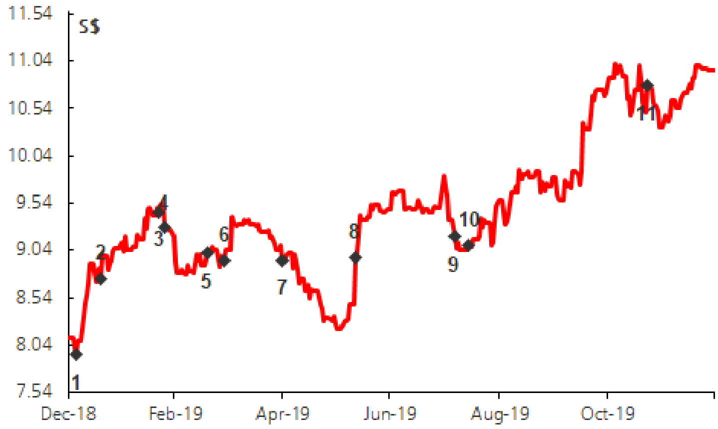
Cash Flow Statement (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Pre-Tax Profit	657	661	759	768	851
Dep. & Amort.	215	219	219	219	219
Tax Paid	(162)	(211)	(385)	(122)	(138)
Assoc. & JV Inc/(loss)	(44.5)	(64.9)	(30.2)	(44.3)	(74.9)
Chg in Wkg.Cap.	297	(1,531)	1,280	395	535
Other Operating CF	125	328	0.0	0.0	0.0
Net Operating CF	**1,087**	**(600)**	**1,842**	**1,216**	**1,392**
Capital Exp.(net)	(358)	(261)	(1,750)	(400)	(400)
Other Invts.(net)	(28.9)	(59.2)	0.0	0.0	0.0
Invts in Assoc. & JV	161	(1,504)	(100.0)	(100.0)	(100.0)
Div from Assoc & JV	99.6	46.2	46.2	46.2	46.2
Other Investing CF	41.2	49.7	0.0	0.0	0.0
Net Investing CF	**(85.3)**	**(1,729)**	**(1,804)**	**(454)**	**(454)**
Div Paid	(244)	(285)	(140)	(158)	(158)
Chg in Gross Debt	(458)	1,189	800	300	300
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(237)	(6.3)	0.0	0.0	0.0
Net Financing CF	**(939)**	**898**	**660**	**142**	**142**
Currency Adjustments	146	121	0.0	0.0	0.0
Chg in Cash	209	(1,310)	699	904	1,080
Opg CFPS (S cts)	87.0	103	62.0	90.5	94.5
Free CFPS (S cts)	80.2	(94.9)	10.2	90.0	109

Acquisition of M&C

Source: Company, DBS Bank

Target Price & Ratings History



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

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	03 Jan 19	7.94	9.50	HOLD
2:	17 Jan 19	8.74	9.50	HOLD
3:	19 Feb 19	9.45	9.50	HOLD
4:	22 Feb 19	9.28	9.50	HOLD
5:	18 Mar 19	9.01	9.50	HOLD
6:	28 Mar 19	8.94	9.50	HOLD
7:	30 Apr 19	8.94	9.50	HOLD
8:	10 Jun 19	8.97	9.50	HOLD
9:	05 Aug 19	9.19	9.50	HOLD
10:	13 Aug 19	9.09	11.00	BUY
11:	22 Nov 19	10.78	11.00	BUY

Source: DBS Bank

Analyst: Rachel TAN

Derek TAN

UOL Group

Version 16 | Bloomberg: UOL SP | Reuters: UTOS.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Jan 2020

BUY

Last Traded Price (30 Dec 2019): S$8.23 (**STI :** 3,222.44)
Price Target 12-mth: S$9.50 (15% upside) (Prev S$8.53)

Analyst
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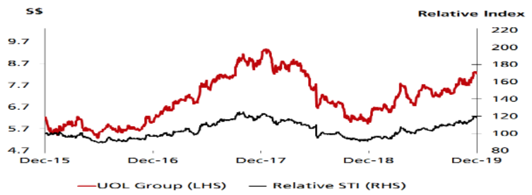
What's New

- Raising our TP to S$9.50 implying +-0.5 SD of 5-year P/NAV range to reflect better operating climate
- Repositioning of Marina Square integrated development a key catalyst
- Unlocking value from its commercial or hotel portfolio could drive further re-rating towards NAV.
- SG based hotels to enjoy better operating performance from 2020 onwards

Price Relative



Forecasts and Valuation

FY Dec (S$m)	2018A	2019F	2020F	2021F
Revenue	2,397	1,854	2,535	2,731
EBITDA	828	760	841	881
Pre-tax Profit	710	535	640	691
Net Profit	434	326	415	446
Net Pft (Pre Ex.)	348	326	415	446
Net Pft Gth (Pre-ex) (%)	(0.9)	(6.3)	27.1	7.5
EPS (S cts)	51.5	38.7	49.2	52.9
EPS Pre Ex. (S cts)	41.3	38.7	49.2	52.9
EPS Gth Pre Ex (%)	(1)	(6)	27	7
Diluted EPS (S cts)	51.5	38.7	49.2	52.9
Net DPS (S cts)	17.5	17.5	17.5	17.5
BV Per Share (S cts)	1,145	1,166	1,198	1,233
PE (X)	16.0	21.3	16.7	15.6
PE Pre Ex. (X)	19.9	21.3	16.7	15.6
P/Cash Flow (X)	nm	6.7	6.2	5.4
EV/EBITDA (X)	18.8	19.9	17.5	16.0
Net Div Yield (%)	2.1	2.1	2.1	2.1
P/Book Value (X)	0.7	0.7	0.7	0.7
Net Debt/Equity (X)	0.3	0.2	0.2	0.1
ROAE (%)	4.5	3.4	4.2	4.4
Earnings Rev (%):		0	0	-
Consensus EPS (S cts):		41.2	48.4	40.8
Other Broker Recs:		B: 8	S: 0	H: 2

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

Hidden gold within

Maintain BUY; TP revised to S$9.50. We maintain our BUY rating with a revised target price (TP) of S$9.50 for UOL Group (UOL), pegged to 28% discount to revalued net asset value (RNAV). Our TP implies a 0.8x P/ forward NAV, close to its 5-year +0.5 standard deviation (SD). The stock offers good value at 0.7x P/NAV and we believe can potentially trade closer to its NAV if it unlocks value from its commercial and hospitality assets.

Where we differ: Gaining access to prime integrated development with redevelopment potential. Following UOL's tighter grip on United Industrial Corporation (UIC) (50% stake) and control of Marina Centre Holdings (MCH), UOL now has control over a prime integrated development comprising a retail mall and 3 hotels fronting the Marina Bay area. We wait with bated breath for UOL to unveil redevelopment plans (which will likely include residential components) for the site to unlock value. With key commercial assets located at and the fringes of the central business district (CBD), we believe that UOL is well positioned to gain from asset enhancement initiatives (AEI)/redevelopment potential riding on the government's plan to rejuvenate the CBD.

Potential catalysts: Unlocking value of its commercial and hospitality assets, and recovery in rental rates and hotel revenue per available room (RevPAR) could be some of of the key catalysts.

3Q19 result highlights: Its residential projects in Singapore are 40%-86% sold, making UOL one of the better performers amongst its peers.

Valuation:

We maintain our BUY rating on UOL and TP of S$9.50, pegged to 28% discount to our RNAV. We have factored in the higher valuation and its stake in MCH.

Key Risks to Our View:

Economic slowdown. The downside risk to our projections is if residential sales are slower than our projections or if commercial properties and hotel operations are impacted by slower-than-projected growth in rental/room rates.

At A Glance

Issued Capital (m shrs)	843
Mkt. Cap (Sm/USm)	6,941 / 5,146
Major Shareholders (%)	
Wee Investment te Ltd	14.0
CY Wee & Co Pte Ltd	13.7
Haw Par Corp Ltd	8.5
Free Float (%)	
3m Avg. Daily Val (US$m)	5.9
GIC Industry : Real Estate / Real Estate Management & Development	

Bloomberg ESG disclosure score (2018)^	35.1
- Environmental / Social / Governance	19.4 / 43.9 / 62.5

^ refer to back page for more information

WHAT'S NEW

Hidden gold within its portfolio

9M19 results on track

- UOL's 9M19 earnings increased 19% y-o-y to S$348m, mainly due to higher fair value gains (recorded in 2Q19) but offset by the accounting reversal of development property backlog of S$76.4m recorded in 1H19 vs S$15.3m in 1H18. All development property backlog previously recognised have been fully amortised with the completion of Park Eleven, Shanghai and The Clement Canopy at end- 1Q19.
- Excluding fair value gains, net profit fell 4% y-o-y to S$244mn.
- 9M19 revenue fell 5% y-o-y, mainly from lower contributions from property development (-15% y-o-y) following the completion of development projects and hotel operations (-4% y-o-y) were impacted by lower occupancies and room rates at Marina Mandarin Singapore and PARKROYAL Darling Harbour, Sydney and ongoing refurbishments at PARKROYAL on Kitchener Road. These were offset by higher revenue from property investments (+3% y-o-y) and higher dividend income (+14% y-o-y)
- 3Q19 net profit fell 7% y-o-y to S$80m in line with lower revenue (-10% y-o-y) mainly from lower contributions from property development (-34% y-o-y), higher marketing and distribution expenses (+11% y-o-y) for new and ongoing launches such as Avenue South Residences, Amber45 and The Tre Ver, and higher finance expenses (+14% y-o-y).
- Gross margins improved to 50% (vs 49% in 2Q19 vs 45% in 4Q18) due to lower proportions from property development with lower margins and higher dividend income.

Outlook

Residential: Strong sell-through rates at all 3 ongoing Singapore projects (40% to 86% sold).

- UOL's Avenue South Residence recorded the top-selling project in September 2019 with more than 417 units sold (~39% sold) to-date.
- UOL's ongoing projects (Amber45 and The Tre Ver) launched in May 2018 / July 2018 has achieved 80% and 86% sales take-up to-date respectively.
- YTD, Meyer House has opened for private previews since May 2019 and has sold 5 units to-date (9% take-up).
- Targets to launch its new landbank Clementi Avenue 1 in 3Q2020.
- In China, UOL launched phase 2 in October 2019 with approved sales price of RMB85.4k psqm vs RMB77k psqm for phase 1. UOL achieved 51 bookings out of 183 units (28%)
- In UK, The Sky Residences at One Bishopsgate Plaza held soft launches in HK and China since October 2019 which saw healthy interest (received more than 20 expression of interest).

Hotel: Reviewing more potential divestments of non-core hotels.

- RevPAR in Singapore and Southeast Asia were up by 1% and 4% respectively.
- Australia and China remains challenging with RevPAR down 1% and 6% respectively.
- Following the divestment of Pan Pacific Suzhou, UOL continues to review its portfolio of assets and may consider divestments of non-core hotels / hotels with weaker performance.
- Marina Mandarin Singapore will be rebranded to PARKROYAL Collection Marina Bay from 1 January 2020. Targeting AEI post-Formula 1 (F1) and aerospace events, possibly in 2H2020.
- Key hotel openings – i) Pan Pacific London (Bishopgate, London) is expected to open by mid-2020, ii) PARKROYAL Dalian is expected to open in 4Q2020, iii) Pan Pacific Orchard (Singapore) is expected to open in 2021.

Commercial: Healthy operational metrics for office and retail; expect limited office rental growth on weakening economic outlook.

- Overall office portfolio achieved mid-single digit positive rental reversions. However, UOL's management has turned cautious on weakening economic outlook which could lead to limited rental growth.
- Retail portfolio showed healthy operational metrics; i) occupancy remains healthy at 95%, ii) shopper traffic increased 1.3% mainly from United Square and Velocity@Novena and, iii) positive rental reversions. KINEX remains challenging with ongoing mall repositioning and trade re-mixing. While UOL's management saw some "fruits" from ongoing improvements at the Marina Square mall, it acknowledged that there is more work to be done to position it as a destination mall.

Marina Square redevelopment: In talks with the government.

- Negotiations are still ongoing with the government for a feasible redevelopment plan for Marina Square.

Quarterly / Interim Income Statement (S$m)

FY Dec	3Q2018	2Q2019	3Q2019	% chg yoy	% chg qoq
Revenue	527	512	477	(9.5)	(7.0)
Cost of Goods Sold	(282)	(261)	(240)	(14.7)	(8.0)
Gross Profit	**245**	**251**	**236**	**(3.6)**	**(5.9)**
Other Oper. (Exp)/Inc	(87.9)	(87.6)	(86.8)	(1.2)	(1.0)
Operating Profit	**157**	**164**	**150**	**(4.9)**	**(8.5)**
Other Non Opg (Exp)/Inc	2.00	81.5	2.48	24.0	(97.0)
Associates & JV Inc	0.99	(0.8)	0.25	(74.7)	(132.4)
Net Interest (Exp)/Inc	(21.8)	(24.3)	(26.3)	(20.9)	(8.2)
Exceptional Gain/(Loss)	0.0	104	0.0	-	nm
Pre-tax Profit	**139**	**324**	**126**	**(9.1)**	**(61.0)**
Tax	(19.0)	(21.9)	(22.9)	20.2	4.4
Minority Interest	(33.9)	(106)	(23.2)	31.6	(78.2)
Net Profit	**85.8**	**195**	**80.1**	**(6.6)**	**(59.0)**
Net profit bef Except.	85.8	91.7	80.1	(6.6)	(12.7)
EBITDA	192	269	179	(6.6)	(33.5)
Margins (%)					
Gross Margins	46.6	49.0	49.6		
Opg Profit Margins	29.9	31.9	31.4		
Net Profit Margins	16.3	38.1	16.8		

Source of all data: Company, DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

Retail and office sub-segments to offer stable returns. UOL derives a significant 50-58% of its revenues from the retail, office and hotel segments which should continue delivering stable cash flows in the coming years. UIC's portfolio of investment properties is complementary to the group's exposure to largely city-fringe properties as a majority of the group's properties are located in the CBD. The tight competitive supply within the CBD will result in potentially stronger rental reversionary prospects.

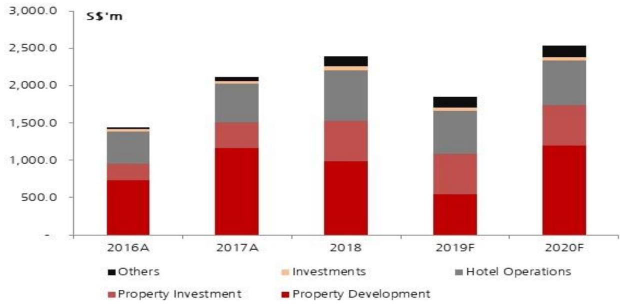
Its retail malls – United Square and Novena Square – are located in the Novena area, close to the emerging medical hub. The malls have formed a niche, which should result in high tenant stickiness; United Square houses tenants well known for providing various children's education programmes, and Novena Square's tenant mix mainly caters to necessity shopping and the needs of the vicinity's growth as a medical hub.

New/refurbished hotels to drive growth. Despite a weaker outlook in some markets within the group's hotels and residences, we believe new/refurbished hotels will drive growth, such as Pan Pacific Melbourne (via acquisition), Pan Pacific London (expected to open in FY20) and refurbished hotels such as Pan Pacific Orchard (expected to open in FY21) and Pan Pacific at Kitchener.

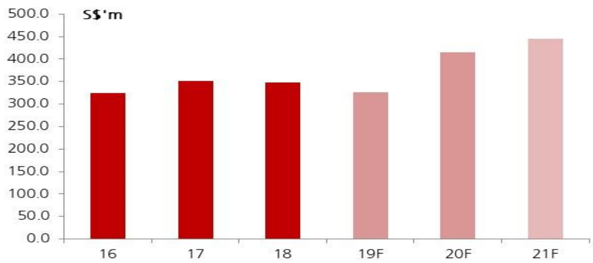
Good pre-sales for residential projects amid muted residential outlook. As of FY18, UOL has substantially sold most of its projects (>68% sold) and The Tre Ver at only c.70% sold in 1QFY19. Despite weak market sentiment in 1H19, UOL continues to maintain steady sales momentum and capitalize on the improving sentiment in 2H19 to launch its key project Avenue South Residences which saw strong take-ups. .

Marina Centre opens up hotel operating and land banking opportunities. While the redevelopment plans of Marina Square development are still preliminary, UOL's management sees two low-hanging fruits; i) potential change of operator at Marina Mandarin, which Pan Pacific is in the running for, ii) potential redevelopment of Marina Square with land banking opportunity, plot ratio enhancement and potential uplift of land tenure. According to the government's incentive scheme, a residential component will have to be included in the redevelopment plans. UOL's management sees this as a land banking opportunity in the medium-term which will be enhancing to NAV but the prohibitive development costs could be a hurdle to cross in the medium term.

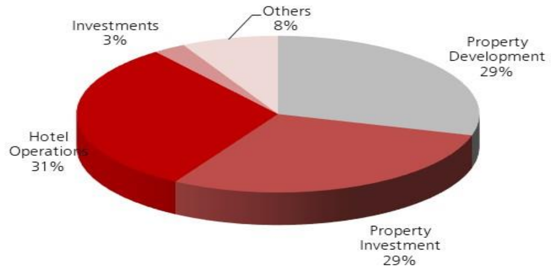
Revenue growth (S$'m)



Net profit (pre-exceptionals)



Contribution to revenue



RNAV	
Properties	**OMV ($m)**
Investment Properties	7,263
less book value	-7,329
Surplus/deficit	**-66**
NPV of devt profits	**887**
Mark to TP value of quoted holdings	
Listed equities/Strategic Holdings	6,658
Hotel operations	3,175
Total	9,833
less book value	-7,742
Surplus	**2,091**
Book NAV	**8,127**
RNAV	11,039
Total Shares	842
RNAV/share ($)	13.12
Discount	28%
Price Target ($)	**9.50**

Source: Company, DBS Bank

Balance Sheet:

Balance sheet remains strong. Debt-to-equity ratio stood at 0.3x as at March 2019. This leaves UOL with sufficient headroom to acquire projects/new sites when opportunities arise.

Share Price Drivers:

Positioned to unlock the value of its commercial and hospitality assets. Given its recent actions (gaining control in UIC and MCH), UOL is now well positioned to unlock the value of its commercial and hospitality assets. We believe UOL can potentially trade closer to its NAV as it slowly unlocks more value from its commercial and hospitality assets.

Redevelopment potential at Marina Square. UOL now has control over a prime integrated development comprising a retail mall and three hotels fronting the Marina Bay area. UOL is positioned to benefit from AEI / edevelopment riding on the government's plan to rejuvenate the CBD.

Maintain transaction volumes amid muted residential outlook. Despite the weak sentiment on residential properties, its development properties will continue to drive growth if UOL is successful in maintaining its transactions volumes. In addition, UOL's residential projects have high margins given that it started landbanking earlier than most developers.

Key Risks:

Economic slowdown. The downside risk to our projections is if residential sales are slower than projected or if its hotel operations are impacted by slower-than-projected RevPAR performance. The upside risks to our view and TP would be higher-than-expected selling prices or upgrades to the TPs of its listed investment holdings.

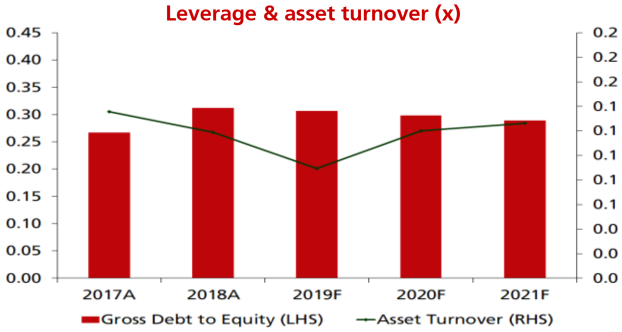
Environmental, Social, Governance (ESG):

UOL Group is committed to ensure that sustainability is integrated at both strategic and operational levels. UOL started publishing sustainability reports since 2013 and strongly believes in leveraging new construction technologies to improve sustainability through greener construction technologies. Its commercial properties achieved 7.9% reduction in building energy intensity by gross floor area (GFA) occupied vs 2010 while exceeding its 2020 target with a 18.4% reduction of water intensity.

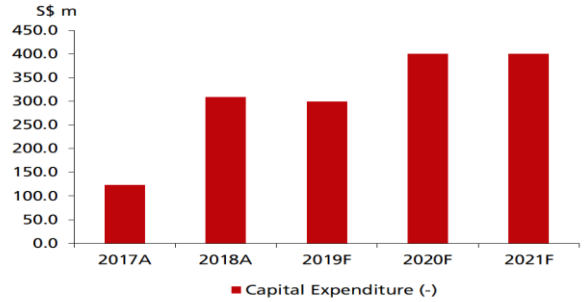
Company Background

With a track record of nearly 50 years, UOL Group's impressive list of property development projects includes best-selling residential units, office towers, shopping centres, hotels and serviced suites.

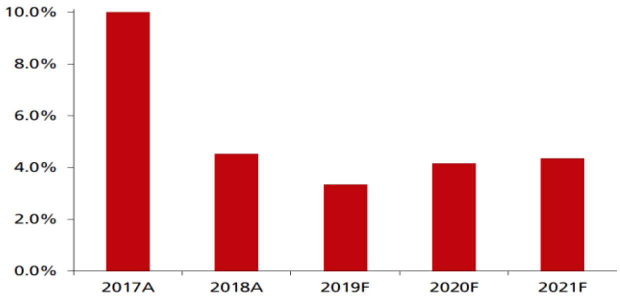
Leverage & asset turnover (x)



Capital expenditure

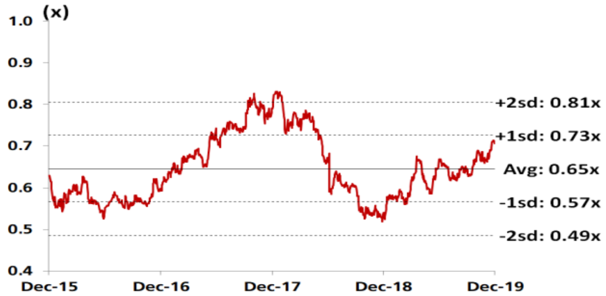


ROE (%)



Forward PE Band (x)

PB Band (x)



Source: Company, DBS Bank

Segmental Breakdown

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenues (S$m)					
Property Development	1,167	989	545	1,193	1,335
Property Investment	338	541	539	550	560
Hotel Operations	526	679	577	595	635
Investments	29.8	48.2	48.2	48.2	48.2
Others	53.4	140	144	149	153
Total	2,114	2,397	1,854	2,535	2,731

Income Statement (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenue	2,114	2,397	1,854	2,535	2,731
Cost of Goods Sold	(1,406)	(1,410)	(977)	(1,463)	(1,596)
Gross Profit	709	988	877	1,072	1,135
Other Opng (Exp)/Inc	(307)	(385)	(315)	(431)	(464)
Operating Profit	402	603	562	641	671
Other Non Opg (Exp)/Inc	14.7	43.2	13.7	18.7	23.7
Associates & JV Inc	119	5.57	8.61	4.49	9.54
Net Interest (Exp)/Inc	(26.3)	(26.7)	(48.5)	(24.1)	(12.8)
Exceptional Gain/(Loss)	529	85.3	0.0	0.0	0.0
Pre-tax Profit	1,038	710	535	640	691
Tax	(61.2)	(98.3)	(88.3)	(89.7)	(96.8)
Minority Interest	(96.2)	(178)	(121)	(136)	(149)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	880	434	326	415	446
Net Profit before Except.	352	348	326	415	446
EBITDA	667	828	760	841	881
Growth					
Revenue Gth (%)	46.8	13.4	(22.7)	36.7	7.7
EBITDA Gth (%)	38.1	24.2	(8.2)	10.6	4.7
Opg Profit Gth (%)	53.0	50.0	(6.8)	14.2	4.6
Net Profit Gth (Pre-ex) (%)	8.4	(0.9)	(6.3)	27.1	7.5
Margins & Ratio					
Gross Margins (%)	33.5	41.2	47.3	42.3	41.6
Opg Profit Margin (%)	19.0	25.1	30.3	25.3	24.6
Net Profit Margin (%)	41.6	18.1	17.6	16.4	16.3
ROAE (%)	10.0	4.5	3.4	4.2	4.4
ROA (%)	5.6	2.2	1.6	2.0	2.1
ROCE (%)	2.5	2.7	2.4	2.7	2.8
Div Payout Ratio (%)	16.7	34.0	45.2	35.6	33.1
Net Interest Cover (x)	15.3	22.6	11.6	26.6	52.5

Source: Company, DBS Bank

Quarterly / Interim Income Statement (S$m)

FY Dec	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019
Revenue	527	569	741	512	477
Cost of Goods Sold	(282)	(335)	(427)	(261)	(240)
Gross Profit	**245**	**234**	**314**	**251**	**236**
Other Oper. (Exp)/Inc	(87.9)	(113)	(154)	(87.6)	(86.8)
Operating Profit	**157**	**121**	**160**	**164**	**150**
Other Non Opg (Exp)/Inc	2.00	8.52	3.91	81.5	2.48
Associates & JV Inc	0.99	3.90	1.00	(0.8)	0.25
Net Interest (Exp)/Inc	(21.8)	33.4	(25.5)	(24.3)	(26.3)
Exceptional Gain/(Loss)	0.0	45.7	1.25	104	0.0
Pre-tax Profit	**139**	**213**	**141**	**324**	**126**
Tax	(19.0)	(27.2)	(29.4)	(21.9)	(22.9)
Minority Interest	(33.9)	(45.5)	(39.2)	(106)	(23.2)
Net Profit	**85.8**	**140**	**72.4**	**195**	**80.1**
Net profit bef Except.	85.8	94.3	71.1	91.7	80.1
EBITDA	192	200	270	269	179
Growth					
Revenue Gth (%)	(17.4)	8.0	30.3	(30.9)	(7.0)
EBITDA Gth (%)	(16.6)	4.2	35.3	(0.4)	(33.5)
Opg Profit Gth (%)	(6.5)	(23.1)	32.4	2.0	(8.5)
Net Profit Gth (Pre-ex) (%)	(7.4)	10.0	(24.6)	28.9	(12.7)
Margins					
Gross Margins (%)	46.6	41.1	42.4	49.0	49.6
Opg Profit Margins (%)	29.9	21.3	21.6	31.9	31.4
Net Profit Margins (%)	16.3	24.6	9.8	38.1	16.8

Balance Sheet (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Net Fixed Assets	2,856	2,808	2,931	3,155	3,378
Invts in Associates & JVs	286	283	291	296	305
Other LT Assets	12,325	12,596	12,596	12,596	12,596
Cash & ST Invts	816	679	1,273	1,841	2,574
Inventory	4.99	4.25	4.38	5.98	6.45
Debtors	395	576	445	609	656
Other Current Assets	2,948	3,718	3,220	2,892	2,398
Total Assets	**19,633**	**20,664**	**20,762**	**21,395**	**21,915**
ST Debt	973	1,763	1,763	1,763	1,763
Creditor	928	803	621	849	914
Other Current Liab	110	189	169	170	178
LT Debt	2,808	2,762	2,762	2,762	2,762
Other LT Liabilities	661	678	678	678	678
Shareholder's Equity	9,451	9,648	9,827	10,094	10,393
Minority Interests	4,703	4,822	4,943	5,079	5,228
Total Cap. & Liab.	**19,633**	**20,664**	**20,762**	**21,395**	**21,915**
Non-Cash Wkg. Capital	2,311	3,307	2,880	2,487	1,968
Net Cash/(Debt)	(2,964)	(3,845)	(3,251)	(2,683)	(1,950)
Debtors Turn (avg days)	42.7	73.9	100.5	75.9	84.5
Creditors Turn (avg days)	161.9	256.0	324.3	208.5	226.7
Inventory Turn (avg days)	0.8	1.4	2.0	1.5	1.6
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	2.1	1.8	1.9	1.9	2.0
Quick Ratio (x)	0.6	0.5	0.7	0.9	1.1
Net Debt/Equity (X)	0.2	0.3	0.2	0.2	0.1
Net Debt/Equity ex MI (X)	0.3	0.4	0.3	0.3	0.2
Capex to Debt (%)	3.3	6.8	6.6	8.8	8.8
Z-Score (X)	1.5	1.5	1.5	1.5	1.5

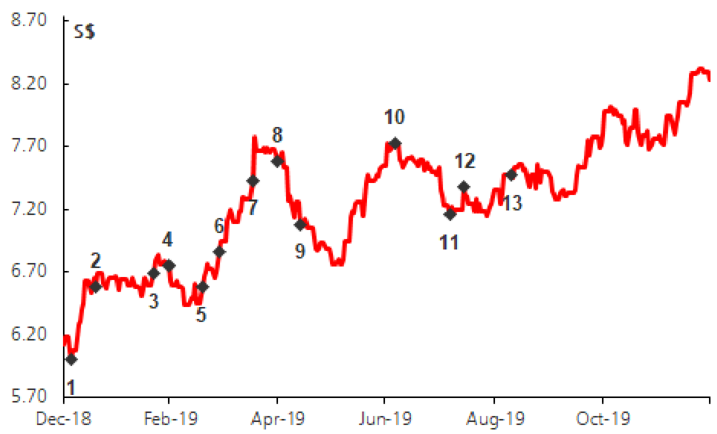
Source: Company, DBS Bank

Cash Flow Statement (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Pre-Tax Profit	976	612	535	640	691
Dep. & Amort.	131	176	176	176	176
Tax Paid	(61.3)	(106)	(108)	(88.3)	(89.7)
Assoc. & JV Inc/(loss)	(119)	(5.6)	(8.6)	(4.5)	(9.5)
Chg in Wkg.Cap.	485	(1,138)	446	391	512
Other Operating CF	(476)	(16.1)	0.0	0.0	0.0
Net Operating CF	936	(477)	1,041	1,116	1,281
Capital Exp.(net)	(124)	(310)	(300)	(400)	(400)
Other Invts.(net)	210	(4.4)	0.0	0.0	0.0
Invts in Assoc. & JV	(142)	(14.4)	0.0	0.0	0.0
Div from Assoc & JV	48.6	32.5	0.0	0.0	0.0
Other Investing CF	7.05	10.4	0.0	0.0	0.0
Net Investing CF	(0.1)	(286)	(300)	(400)	(400)
Div Paid	(75.7)	(175)	(147)	(147)	(147)
Chg in Gross Debt	(255)	897	0.0	0.0	0.0
Capital Issues	12.1	8.36	0.0	0.0	0.0
Other Financing CF	(103)	(107)	0.0	0.0	0.0
Net Financing CF	(422)	624	(147)	(147)	(147)
Currency Adjustments	0.55	(0.7)	0.0	0.0	0.0
Chg in Cash	515	(139)	594	568	733
Opg CFPS (S cts)	53.7	78.4	70.7	85.9	91.2
Free CFPS (S cts)	96.5	(93.4)	88.0	84.9	104

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	03 Jan 19	6.00	7.15	HOLD
2:	17 Jan 19	6.58	7.15	HOLD
3:	19 Feb 19	6.69	7.15	HOLD
4:	27 Feb 19	6.75	7.15	HOLD
5:	18 Mar 19	6.58	7.15	HOLD
6:	28 Mar 19	6.86	7.15	HOLD
7:	16 Apr 19	7.43	8.53	BUY
8:	30 Apr 19	7.58	8.53	BUY
9:	13 May 19	7.08	8.53	BUY
10:	05 Jul 19	7.73	8.53	BUY
11:	05 Aug 19	7.16	8.53	BUY
12:	13 Aug 19	7.38	8.53	BUY
13:	09 Sep 19	7.47	8.53	BUY

***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: 02 Jan 2020 08:23:06 (SGT)
Dissemination Date: 02 Jan 2020 08:45:56 (SGT)

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8. Olivier Lim Tse Ghow, a member of DBS Group Holdings Board of Directors, is a Advisor of Frasers Property Ltd as of 30 Sep 2019.
9. Su Shan TAN, a member of DBS Group Management Committee, is a Director of Mapletree North Asia Commercial Trust as of 02 Dec 2019.

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