

CapitaLand (CAPL SP)

Share Price: SGD3.12

MCap (USD): 9.5B

Singapore

Target Price: SGD3.88 (+24%)

ADTV (USD): 31M

Real Estate

BUY

(Unchanged)

Strong China Performance

- 3Q15 net income in line, with 9M15 at 80% of FY15F. Weak Singapore sales were offset by strong China showing. Malls & serviced residences also improved.
- Ceased negotiations to buy Asia Square Tower 1. Positive as market was wary of CAPL increasing office exposure amid oversupply.
- Maintain BUY with TP lowered to SGD3.88 from SGD3.95 after updating RNAV, still based on 15% discount to RNAV.

3Q15 in line, strong China performance

3Q15 net income of SGD193m (+48% YoY) met expectations, with 9M15 at 80% of our FY15F. Residential sales in Singapore were weak. CAPL sold just 45 units worth SGD109m. 9M15 total home sales fell 36% YoY. CAPL flagged that its exposure to Singapore's difficult residential market is low at <7.3% of assets. Relief came from strong China sales, with 2,422 homes worth CNY3.8b sold vs 3Q14's 1,057 units for CNY1.6b. Mall metrics were also decent, with 9M15 same-mall NPI growth of 1.8% in Singapore and 8.8% in China. Ascott's 3Q15 RevPAU was up 4% YoY to SGD128.

No longer buying Asia Square

CAPL also announced that it has ceased negotiations to scoop up a stake in Asia Square Tower 1. As some investors were wary of CAPL increasing its office exposure at the peak of the cycle, this news could lift sentiment, in our opinion.

Maintain BUY, TP dips to SGD3.88

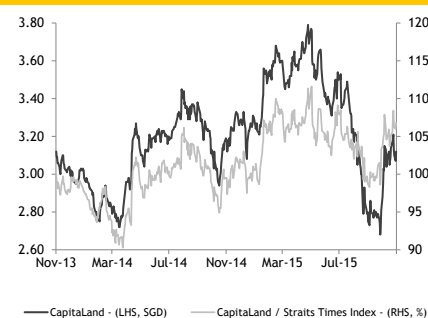
We adjust our FY15-17 EPS by -2%/+7%/+3% after changing the timing of our sales forecasts. Our TP also dips by 1.7% to SGD3.88 to reflect our updated RNAV of SGD4.56, from SGD4.64. Our TP remains based on a 15% discount to RNAV. Maintain BUY.

FYE Dec (SGD m)	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	3,511.0	3,924.6	4,272.9	4,794.8	4,949.0
EBITDA	948.1	1,052.4	1,228.5	1,565.2	1,668.0
Core net profit	840.2	1,160.8	993.3	774.4	838.4
Core EPS (cts)	18.2	24.4	20.9	16.4	17.7
Core EPS growth (%)	36.6	34.0	(14.3)	(21.9)	8.3
Net DPS (cts)	8.0	9.0	9.0	9.0	9.0
Core P/E (x)	17.1	12.8	14.9	19.1	17.6
P/BV (x)	0.8	0.8	0.8	0.8	0.7
Net dividend yield (%)	2.6	2.9	2.9	2.9	2.9
ROAE (%)	5.4	7.1	5.9	4.5	4.8
ROAA (%)	2.0	2.6	2.2	1.7	1.8
EV/EBITDA (x)	32.6	32.1	27.0	20.7	18.7
Net debt/equity (%)	59.8	79.0	78.7	71.6	63.2

Key Data

52w high/low (SGD)	3.79/2.68
3m avg turnover (USDm)	30.7
Free float (%)	60.0
Issued shares (m)	4,273
Market capitalization	SGD13.3B
Major shareholders:	
-Temasek Holdings Pte Ltd.	39.3%
-BlackRock Investment Management LLC	6.0%
-CBRE Clarion Securities LLC	1.1%

Share Price Performance



	1 Mth	3 Mth	12 Mth
Absolute(%)	11.0	(3.7)	(2.2)
Relative to index (%)	3.4	2.5	7.3

Maybank vs Market

	Positive	Neutral	Negative
Market Recs	17	2	0
	Maybank Consensus		% +/-
Target Price (SGD)	3.88	4.00	(3.0)
'15 PATMI (SGDm)	993	742	33.9
'16 PATMI (SGDm)	774	767	1.0

Source: FactSet; Maybank

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Figure 1: Quarterly profit and loss

FYE 31 Dec	3Q14	2Q15	3Q15	Change		YTD15	% of FY	FY15E
	(SGD m)	(SGD m)	(SGD m)	(QoQ %)	(YoY %)	(SGD m)		(SGD m)
Revenue	919	1,031	1,076	4.3	17.1	3,022	81.4	3,715
EBITDA	240	324	311	(4.0)	29.6	838	75.3	1,113
D&A	(17)	(18)	(20)	15.2	20.8	(55)	85.0	(65)
EBIT	223	306	291	(5.1)	30.2	783	74.7	1,048
Net interest income/(expense)	(97)	(112)	(105)	(5.6)	9.2	(217)	51.1	(425)
Other items (recurring)	(6)	322	17	(94.7)	n.m.	399	104.5	382
Associates & JVs	124	236	140	(40.7)	13.1	502	81.1	619
PBT	245	753	343	(54.5)	39.8	1,359	83.7	1,624
Taxation	(47)	(144)	(64)	(55.2)	35.6	(259)	166.2	(156)
MI	(68)	(146)	(86)	(41.2)	26.5	(283)	62.8	(450)
Net income	130	464	193	(58.5)	48.3	818	80.4	1,018

Source: Company, Maybank KE

Figure 2: Segmental performances

FYE 31 Dec	3Q14	4Q14	1Q15	2Q15	3Q15	Change
	(SGD m)	(SGD m)	(SGD m)	(SGD m)	(SGD m)	
Revenue	919	1,518	915	1,031	1,076	4.3
CapitaLand Singapore (CL Singapore)	359	369	344	319	261	(18.0)
CapitaLand China (CL China)	170	232	204	343	437	27.6
CapitaMalls Asia (CMA)	174	657	182	168	155	(7.6)
Ascott	179	177	167	183	196	7.5
Corporate & Others	38	84	19	19	26	34.7
EBIT*	351	867	382	875	459	(47.5)
CapitaLand Singapore	100	344	100	202	118	(41.4)
CapitaLand China	69	95	88	266	105	(60.6)
CapitaMalls Asia	124	380	137	289	140	(51.5)
Ascott	43	96	46	98	83	(15.4)
Corporate & Others	15	(48)	10	20	13	(36.3)

*As disclosed by company. Includes revaluation gains/(losses) and contributions from associates & JVs.

Source: Company

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Metrics					
P/E (reported) (x)	15.8	11.4	13.4	17.1	15.8
Core P/E (x)	17.1	12.8	14.9	19.1	17.6
P/BV (x)	0.8	0.8	0.8	0.8	0.7
P/NTA (x)	0.8	0.8	0.8	0.8	0.8
Net dividend yield (%)	2.6	2.9	2.9	2.9	2.9
FCF yield (%)	10.6	9.9	17.7	16.6	18.5
EV/EBITDA (x)	32.6	32.1	27.0	20.7	18.7
EV/EBIT (x)	34.9	34.2	28.9	21.8	19.7

INCOME STATEMENT (SGD m)

Revenue	3,511.0	3,924.6	4,272.9	4,794.8	4,949.0
EBITDA	948.1	1,052.4	1,228.5	1,565.2	1,668.0
Depreciation	(62.8)	(64.6)	(79.6)	(81.1)	(82.6)
EBIT	885.3	987.8	1,148.9	1,484.1	1,585.4
Net interest income / (exp)	(399.7)	(382.2)	(435.0)	(470.7)	(475.1)
Associates & JV	902.6	969.9	608.9	580.0	591.6
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	422.4	451.1	399.0	0.0	0.0
Pretax profit	1,810.7	2,026.6	1,721.8	1,593.4	1,701.9
Income tax	(205.1)	(266.9)	(228.4)	(304.0)	(333.1)
Minorities	(765.3)	(598.8)	(500.0)	(515.0)	(530.5)
Reported net profit	840.2	1,160.8	993.3	774.4	838.4
Core net profit	840.2	1,160.8	993.3	774.4	838.4

BALANCE SHEET (SGD m)

Cash & Short Term Investments	6,306.3	2,749.4	3,140.8	4,069.5	5,244.0
Accounts receivable	1,167.4	963.4	1,330.0	1,330.0	1,330.0
Inventory	7,469.4	7,865.1	7,645.7	7,106.2	6,387.9
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	666.4	1,047.4	1,067.8	1,086.6	1,104.0
Intangible assets	467.0	463.0	463.0	463.0	463.0
Investment in Associates & JVs	12,673.2	12,780.9	12,922.3	13,009.3	13,098.0
Other assets	16,313.3	18,244.4	19,782.3	19,782.3	19,782.3
Total assets	45,063.1	44,113.5	46,351.7	46,846.9	47,409.2
ST interest bearing debt	1,279.9	3,469.2	3,000.0	3,000.0	3,000.0
Accounts payable	2,889.4	3,069.9	3,987.0	3,987.0	3,987.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	14,656.3	12,516.7	13,500.0	13,500.0	13,500.0
Other liabilities	1,783.0	1,849.0	2,344.0	2,344.0	2,344.0
Total Liabilities	20,608.3	20,905.0	22,831.0	22,831.0	22,831.0
Shareholders Equity	16,108.9	16,758.0	16,970.2	17,362.4	17,818.6
Minority Interest	8,345.9	6,450.5	6,550.5	6,653.5	6,759.6
Total shareholder equity	24,454.8	23,208.5	23,520.7	24,015.9	24,578.2
Total liabilities and equity	45,063.1	44,113.5	46,351.7	46,846.9	47,409.2

CASH FLOW (SGD m)

Pretax profit	1,810.7	2,026.6	1,721.8	1,593.4	1,701.9
Adj net interest (income)/exp	399.7	382.2	435.0	470.7	475.1
Change in working capital	(53.7)	51.9	975.6	539.4	718.3
Cash taxes paid	(222.6)	(256.2)	(228.4)	(304.0)	(333.1)
Other operating cash flow	(612.9)	(747.2)	(779.5)	(276.0)	(258.5)
Cash flow from operations	956.2	998.7	1,975.6	1,800.6	2,053.2
Capex	(76.6)	(126.6)	(100.0)	(100.0)	(100.0)
Free cash flow	1,402.3	1,312.7	2,343.1	2,193.6	2,456.1
Dividends paid	(298.0)	(340.6)	(382.2)	(382.2)	(382.2)
Equity raised / (purchased)	(15.0)	1.4	0.0	0.0	0.0
Change in Debt	392.3	32.4	514.2	0.0	0.0
Other invest/financing cash flow	(473.1)	(4,067.0)	(835.0)	(882.7)	(899.5)
Effect of exch rate changes	15.1	29.4	0.0	0.0	0.0
Net cash flow	456.9	(3,611.9)	391.4	928.8	1,174.5

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Ratios					
Growth ratios (%)					
Revenue growth	6.4	11.8	8.9	12.2	3.2
EBITDA growth	(25.0)	11.0	16.7	27.4	6.6
EBIT growth	(27.4)	11.6	16.3	29.2	6.8
Pretax growth	19.2	11.9	(15.0)	(7.5)	6.8
Reported net profit growth	(9.7)	38.2	(14.4)	(22.0)	8.3
Core net profit growth	47.7	38.2	(14.4)	(22.0)	8.3
Profitability ratios (%)					
EBITDA margin	27.0	26.8	28.8	32.6	33.7
EBIT margin	25.2	25.2	26.9	31.0	32.0
Pretax profit margin	51.6	51.6	40.3	33.2	34.4
Payout ratio	40.6	33.0	38.5	49.3	45.6
DuPont analysis					
Net profit margin (%)	23.9	29.6	23.2	16.2	16.9
Revenue/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	2.8	2.6	2.7	2.7	2.7
ROAE (%)	5.4	7.1	5.9	4.5	4.8
ROAA (%)	2.0	2.6	2.2	1.7	1.8
Liquidity & Efficiency					
Cash conversion cycle	na	na	na	na	na
Days receivable outstanding	146.3	97.7	96.6	99.9	96.7
Days inventory outstanding	na	na	na	na	na
Days payables outstanding	na	na	na	na	na
Dividend cover (x)	2.5	3.0	2.6	2.0	2.2
Current ratio (x)	3.3	1.7	1.6	1.6	1.7
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.1	2.0	2.1	2.1
Net debt/equity (%)	59.8	79.0	78.7	71.6	63.2
Net interest cover (x)	2.2	2.6	2.6	3.2	3.3
Debt/EBITDA (x)	16.8	15.2	13.4	10.5	9.9
Capex/revenue (%)	2.2	3.2	2.3	2.1	2.0
Net debt/ (net cash)	9,629.8	13,236.4	13,359.2	12,430.5	11,256.0

Source: Company; Maybank

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