Singapore Company Focus

CapitaLand

Bloomberg: CAPL SP | Reuters: CATL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

23 Nov 2015

BUY

Last Traded Price: S$3.10 (STI : 2,903.49)
Price Target : S$3.73 (20% upside)

Reason for Report : Post site visit update
Potential Catalyst: Higher presales and revenues from its malls
Where we differ: Estimates are higher due to % completion assumption

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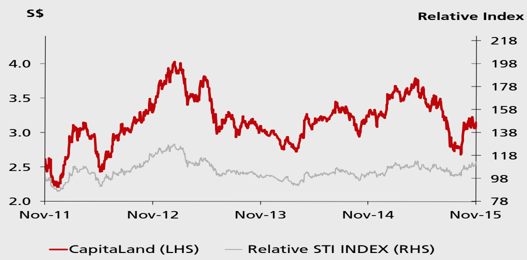
Price Relative



Forecasts and Valuation

FY Dec (S$m)	2014A	2015F	2016F	2017F
Revenue	3,925	3,728	4,187	5,363
EBITDA	2,444	1,662	1,763	2,044
Pre-tax Profit	1,997	1,161	1,238	1,498
Net Profit	1,161	714	762	921
Net Pft (Pre Ex.)	1,161	714	762	921
EPS (S cts)	27.3	16.8	17.9	21.6
EPS Pre Ex. (S cts)	27.3	16.8	17.9	21.6
EPS Gth (%)	33	(38)	7	21
EPS Gth Pre Ex (%)	33	(38)	7	21
Diluted EPS (S cts)	36.9	16.8	17.9	21.6
Net DPS (S cts)	9.00	8.00	8.00	8.00
BV Per Share (S cts)	394	401	411	425
PE (X)	11.5	18.7	17.5	14.5
PE Pre Ex. (X)	11.5	18.7	17.5	14.5
P/Cash Flow (X)	13.3	27.4	31.2	8.7
EV/EBITDA (X)	13.4	20.3	19.6	16.9
Net Div Yield (%)	2.9	2.6	2.6	2.6
P/Book Value (X)	0.8	0.8	0.8	0.7
Net Debt/Equity (X)	0.6	0.6	0.6	0.6
ROAE (%)	7.1	4.2	4.4	5.2
Earnings Rev (%):		-	-	-
Consensus EPS (S cts):		15.9	17.5	19.3
Other Broker Recs:		B: 20	S: 0	H: 3

ICB Industry : Real Estate
ICB Sector: Real Estate
Principal Business: Residential, commercial and industrial property owner and developer.

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

A glimpse of the future

- **Visit to selected key projects in Shanghai, Hangzhou and Suzhou reaffirms our positive stance on the outlook**
- **Deepening presence in Tier 1 and 2 cities in China through M&As and urban renewal projects to gain access to prime land**
- **Harnessing digital enablers across its business segments**
- **BUY, TP S$3.73 maintained**

Positive on key developments in East China. We came away feeling positive after our recent visit to various key developments undertaken by CapitaLand in Shanghai, Hangzhou and Suzhou. With a combined development cost of c.RMB 25bn (CapitaLand's effective stake of c.RMB 11.5bn), we believe that the execution and positioning of the various projects - Raffles City Hangzhou, Raffles City Changning, and Lu One in Shanghai, Suzhou City Mall remain on track and will be key drivers to higher ROE on completion from 2017 onwards.

Deepening presence in key Tier 1 and 2 cities. Management strategy is to deepen their focus in key Tier 1 and 2 cities, which continue to see increasing demand for real estate on the back of faster urbanization rate and infrastructure developments. Within China, the group intends to land-bank through M&As or urban renewal projects in order to gain access to prime land. The group also intends to be more capital efficient through shortening project development cycles, optimizing cost through group procurement and tapping onshore capital markets.

Harnessing digital enablers across its business segments.. We are positive that the group is embracing digital enablers and harnessing valuable data analytics across its business segments. We see value from its CAPITASTAR rewards program which will enable CMA to deepen its knowledge on customer spending habits and trends, thus tailoring its marketing campaigns to increase customer stickiness, spending and traffic at their malls. The recent strategic tie-up between Ascott and Tujia is expected to widen its addressable market segment as well as to cross-sell its products across various online and offline platforms.

BUY, TP S$3.73. We remain positive on the group's prospects post our site visit and expect to see incrementally stronger earnings as the group delivers successfully on the ongoing development projects. Maintain BUY!

At A Glance

Issued Capital (m shrs)	4,248
Mkt. Cap (Sm/USm)	13,169 / 9,407
Major Shareholders	
Temasek Holdings Pte Ltd (%)	39.6
Free Float (%)	60.4
3m Avg. Daily Val (US$m)	28.7

INVESTMENT THESIS

Profile	Rationale
CapitaLand 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 new growth markets.	**Driven by an improved outlook in China.** We maintain our BUY call with a target price of S$3.73 based on a 25% discount to our RNAV. We believe that CAPL offers value, trading at an attractive 0.8x P/Bk and 0.6x P/RNAV. We expect the group's strategy to focus on growing its commercial portfolio, and coupled with opportunistic asset recycling of mature assets into its listed REITs/funds will present upside to our earnings. **Growing recurring revenues from its retail mall portfolio and Ascott.** Its current property portfolio has up to 75% of its assets in retail malls, and commercial integrated developments, including Ascott Group, which offer strong income visibility in the medium term. We see improved operating performance for its malls, as the properties reach maturity, boosted by the completion of four Raffles City mega developments in China in the medium term. **Launch of new PE funds to boost returns.** Leveraging on its fund management expertise, CAPL aims to launch 5-6 private equity funds with funds under management of S$8bn-10bn by 2020. We believe that by tapping on third party capital, CAPL would be able to leverage on its larger scale to achieve better economies of scale, capitalise on market opportunities and at the same time de-risk its property level exposure.
Valuation	**Risks**
Our target price of S$3.73 is based on a 25% discount to our RNAV of S$4.97/share. Our RNAV is based on our estimates of the market valuation of its various property developments and investment property assets across its various divisions.	**Slowdown in Asian economies.** The risk to our view is a slowdown in Asian economies which could dampen demand for housing and private consumption expenditure and retail sales. This in turn could result in slower-than-expected projections.

Source: DBS Bank

Key Highlights from site visit

Trip to cities of Shanghai, Hangzhou and Suzhou. We visited CapitaLand's various projects in Shanghai, Hangzhou and Suzhou, which is one of the group's main city clusters in East of China, where the group has significant presence and capital investments in various malls (operational and ongoing developments), residential projects and Raffles City integrated developments.

We gained a better understanding of the market positioning and progress of ongoing projects in Shanghai (Lu One integrated development and Raffles City Changning), Hangzhou (Raffles City Hangzhou and Riverfront) and Suzhou (Suzhou Center Mall).

As such, with an estimated total development cost (or PDE) of RMB 25bn (CapitaLand's effective share of RMB11.5bn) to be invested across the above mentioned projects, our visit reinforced our confidence that the execution of major development projects in the pipeline remains on track for completion over 2016-2018 and will be a key driver towards achieving Management's target of 8%-12% for shareholders' returns in the medium term.

Management also gave a presentation, reinforcing the group's focus in deepening its presence in its pre-identified city clusters across China, supported by robust growth from its other business units (BUs), especially Ascott Limited.

1. Deepening presence in China.

CapitaLand to refocus efforts to deepen presence in existing Tier 1 and Tier 2 cities. Management's strategy in China is to remain focused on new residential and integrated development opportunities in Tier 1 and Tier 2 cities in the pre-identified five city clusters. A key reason, in our view, is that these cities attract higher demand for real estate, supported by higher GDP growth due to: (i) increasing foreign direct investments (FDIs), (ii) a growing pool of workers on faster urbanization rates, and (iii) infrastructure development which improves connectivity.

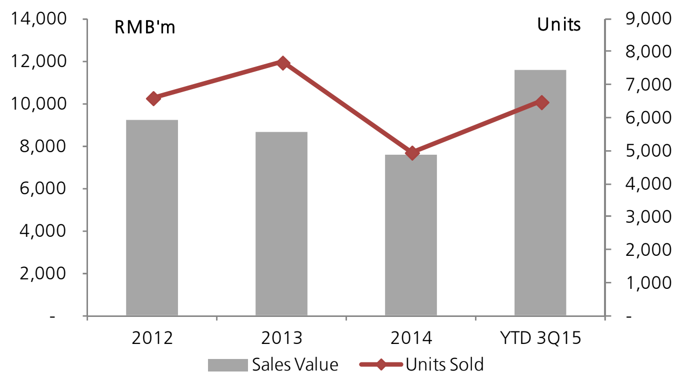
Land-banking opportunities to come from M&As; urban renewal projects. While management remains keen to deploy further capital, they remain selective when coming to land tenders given the elevated land pricing levels. Management prefers to land-bank through potential M&As and joint venture projects with partners that have access to prime land, and if possible, work with local government agencies on urban renewal projects which will enable the group to gain access to prime sites at affordable prices.

We believe that this strategy will enable CapitaLand to keep overall project cost low and still maintain EBIT margins of between 15%-20%. Key to achieving higher returns is through optimizing project execution through shortening the development cycle and keeping a tight lid on costs.

Residential sales to achieve record high in 2015. FY2015 will be a bumper year for CapitaLand China as YTD sales have already hit a record high of RMB11.6bn, which will be the highest level in 4 years. Looking ahead, in the pipeline the group has over 7m sqm of GFA of which over 2,000 units launch ready in the pipeline in 4Q15, mainly in the cities of Beijing, Guangzhou and Chengdu, Hangzhou.

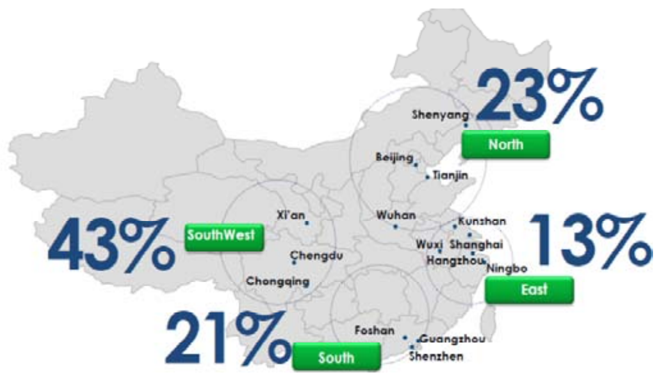
In addition, the recent purchase of a plot of land in downtown Guangzhou (Project Datansha), is expected to offer longer term earnings visibility for the group. First phase (out of a total of 10 plots) is expected to be launched from 4Q16 onwards.

Pre-sales as of YTD 3Q15 already at 4-year highs



Source: Company, DBS Bank

Residential/Trading Pipeline (7m sqm of GFA)



Source: Company, DBS Bank

2. CapitaLand Malls Asia – embracing e-commerce through harnessing data-analytics to serve consumer better.

Data-analytics to drive tenant sales, traffic flow at its malls. We are encouraged by the Management of CapitaLand Malls Asia's (CMA) positive approach towards embracing the impact of e-commerce on consumer spending patterns, and viewing this as an "enabler" rather than a "disruptor" to the traditional brick-and-mortar retail business.

Over the past few years, we have seen the transformation of the malls under their management towards having more experiential offerings like F&B, supermarkets and services (education, KTVs, children playground), creating destinations for people to gather and meet rather than just shopping. This has been successful somewhat in maintaining steady growth in tenant sales and traffic (YTD tenant sales at its malls in China are up 9.2% per sqm) at its malls.

CMA mall hopes to differentiate itself from its competitors by harnessing valuable data that it has gathered from its "CAPITASTAR" rewards program. Data gathered from over 2.2m members (1.4m in China) across 54 operational malls and over 13,000 tenant relationships is a powerful enabler for CMA to analyze and gain a deeper understanding of shoppers' spending patterns and preferences. Together with its tenants, CMA will engage shoppers through multi-channel marketing initiatives to drive stickiness, increase visit frequency and spending at their malls, which will result in better tenant sales and potentially higher rents going forward.

3. Ascott Limited – spreading its wings.

Expanding footprint in China through management contracts. Ascott Limited is the largest serviced residence owner-operator in China with over 14,300 units, 80 properties in 24 cities. With significant operational scale and reach in China, Ascott remains on the hunt to expand and deepen its presence in key cities in China, which is mainly through management contract agreements that require minimal equity outlay.

YTD 2015, Ascott China has been able to secure 14 management contracts for over 2,500 units in Beijing, Dalian, Hangzhou, Hong Kong, Nanjing, Nantong, Shanghai Tianjin, Wuxi ad Xiamen.

Tujia (途家) JV to reap benefits in the medium term; a new brand to emerge from this collaboration. Targeting at mainly the budget conscious and leisure travelers, we believe that this collaboration with Tujia (途家) complements its current brands (Ascott, Somerset and Citadines residences).

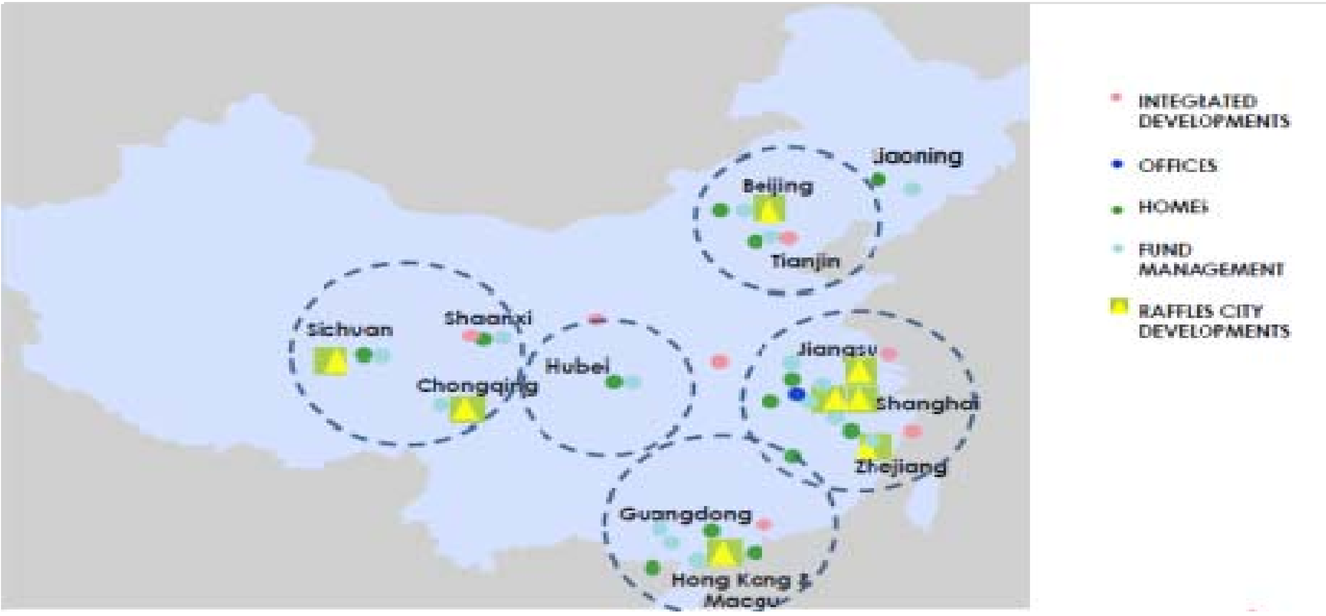
We understand that the strategic investment and alliance with Tujia (途家) is off to a robust start, with Ascott Limited leveraging on Tujia's (途家) online platform and network of users to cross sell their properties. With a widened addressable target market of travelers to China, we believe the demand for Ascott Limited's properties will rise in the medium term.

Summary of properties visited

Property	City	Type	GFA (m' sqm)/ Rooms (units)	CAPL Stake*	Project Total Estimated Cost (RMB'bn)	Completion
Lu One	Shanghai	Integrated Devt	0.13m	33%	RMB 4.6bn	1Q2017 onwards
Raffles City Changning	Shanghai	Integrated Devt	0.26m	43%	RMB 8.6bn	4Q2016 onwards
Ascott Hengshan	Shanghai	Serviced Residence	90 rooms	100%	-	Completed
Raffles City Hangzhou	Hangzhou	Integrated Devt	0.29m	55%	RMB 5.0bn	4Q16 onwards
Riverfront	Hangzhou	Residential		100%	-	4Q16
Suzhou Center Mall	Suzhou	Integrated Devt	0.35m	50%	RMB 6.9bn	4Q16 onwards

**rounded to the nearest %*
Source: Company, DBS Bank

CapitaLand's Focus of City Clusters



Source: Company, DBS Bank

Technology enablers across business segments

Source: Company, DBS Bank

Lu One (Shanghai)

Integrated development in heart of Huangpu District. The property is located in central Huangpu District and is a 10-min walk from Tianzifang and Xintiandi. It is also a 5 to 10-min drive from Huaihai Road, The Bund and People's Square. The property also has direct connection with Metro existing line 9 and the future line 13, which will ply between north-south through key stations (Xintiandi, Huai Hai Road and Jingan).

Positioning – affordable luxury, family-themed mall. We understand that the immediate catchment is close to 3.2m residents living in a 5 km radius and thus the property will be positioned to target families living in the vicinity, given that the project is in a location with high density of residential developments and offices.

The retail mall is expected to be of affordable luxury brands which currently remain in vogue with shoppers, focusing on F&B, supermarkets and lifestyle and kids. Rentals for retail space average close to RMB 15 psm /day while office rents average about RMB 9 -10 psm/ day.

Project Brief

GFA	Retail (90,000 sqm) Office (49,000 sqm)
NLA	Retail (47,000 sqm)
Parking Lots	699
Target opening date	1Q2017
Total Projected Development Estimates	RMB 4.7bn

Source: Company, DBS Bank

Lu One (Artist Impression when completed)

Lu One Site visit

Source: Company, DBS Bank

Remarks

Lu one is positioned as a premier shopping center, targeting the mid-upper class consumers. The mall will feature 7 above ground levels with 2 basement levels (B2 will link directly to the MRT station).

Direct links to the MRT station will likely increase foot traffic into the mall and the good accessibility will expand its target market size.

Lu One Site Visit (Development Update)

Remarks

A unique feature in the design is the indoor 46-m sky light and garden atrium and café, which allow natural light into the main atrium (at level 3).

There will be duplex units at level 3 and 4 which will bring street-front style shopping into the mid-levels of the shopping mall.

Lu One Site visit (Nearby developments)

Surrounding area of the Lu One development is fairly well built-up with residential and offices nearby.

Lu One Site visit (Development progress)

Development works have reached ground floor of the mall.

In the background, residential developments (completed and upcoming) will mean higher population density in the vicinity in the future.

Source: DBS Bank

Raffles City Changning

Integrated development in Zhongshan Park district; mid-to-higher end positioning. Like a typical "Raffles City" integrated development, one of the key characteristics of this project is its downtown location in Zhongshan Park District, with close to 1m residents living in the vicinity. The positioning is likely to be more mid-to-higher end (affordable luxury) which will complement a nearby mid-end shopping center (Cloud 9, which is managed by CMA).

Raffles City Changning will have an integrated retail and office block surrounding a historical building, which will be preserved and repositioned. With direct link to existing Metro lines 2, 3 and 4, we believe that Raffles City Changning will be able to attract strong demand from companies and retail tenants looking for space in a well-located development.

Pre-leasing on track. As of 3Q15, we understand that Office Tower 3 is already operational with 68% committed occupancy and is in advanced discussions with other prospective tenants for the remaining space. The remaining office Towers One and Two will open from middle of 2016 and 2017 respectively.

For the retail space which will only complete progressively from 2017 onwards, we understand that CMA has already secured anchor tenants i.e. a cinema operator, supermarkets and a number of international brands, new to the market, are also keen to set up shop there.

Project Brief

GFA	362,602 sqm
Land Use Tenure	49 years
Parking Lots	1,249
Target opening date:	
Office Tower 3	Operational
Office Tower 2	2016
Mall & Office Tower 1	2017
Total DPE	RMB 8.6bn

Source: Company, DBS Bank

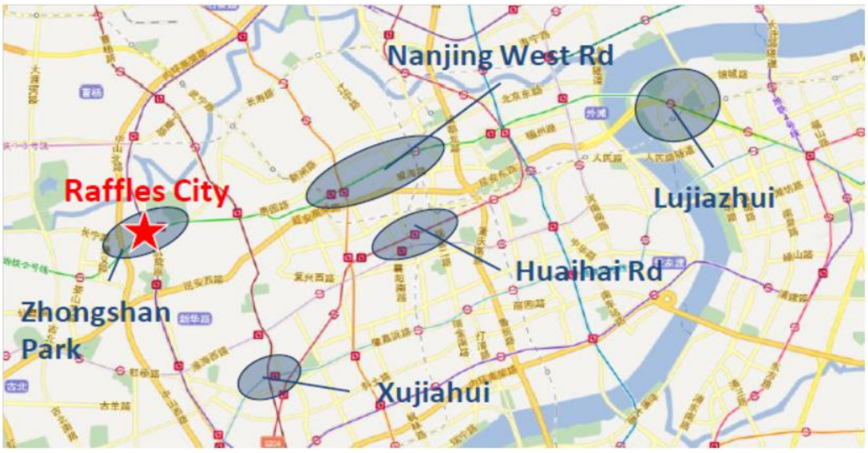
Raffles City Changning (Artist impression when completed)

Source: Company, DBS Bank

Remarks

Developed on the site of former St Mary's Girls school, we are visibly impressed with the way the project (shopping mall and 3 office towers) is beautifully integrated with 5 heritage buildings, retaining the historical significance of the site.

Raffles City Changning (Locataion Map)



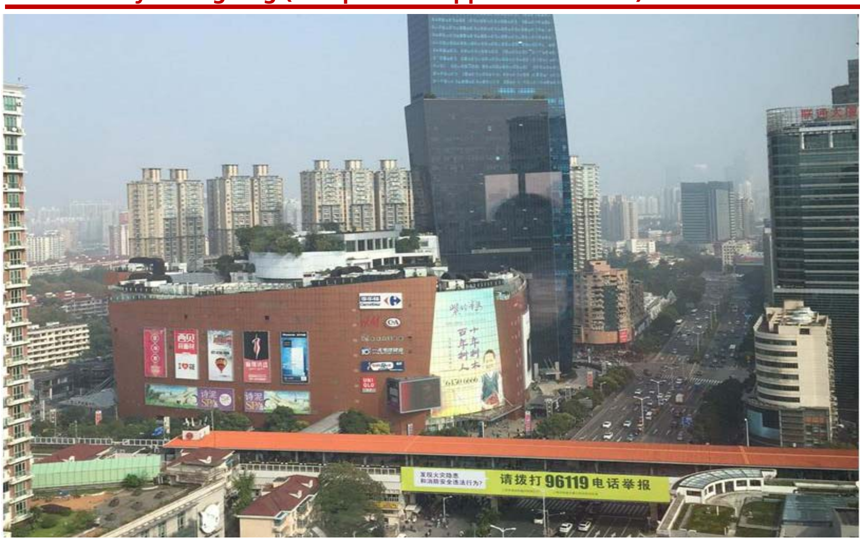
Remarks

Raffles City Changning is located at the heart of Zhongshan park and is directly connected to heavily used Metro lines 2, 3 and 4.

Raffles City Changning (Development progress)

Development works for office and retail mall. Expected TOP for Office Tower 1 from 2016 onwards and Office Tower 1 and Mall (2017 onwards)

Raffles City Changning (Competition opposite the mall)



Nearby competition – Cloud 9 mall, which is also managed by CMA, will not likely be a competition to Raffles City Changning when completed given differentiated positioning between the two malls

Source: DBS Bank

Ascott Heng Shan

High end serviced residence in a prime location; > 90% occupancy to long stay guests. Ascott Heng Shan is a 90-unit serviced residence located along Hengshan Road, situated in an exclusive historical neighborhood in the heart of Shanghai. The property was previously planned for sale as high end residences, but CapitaLand repositioned the property as a high-end serviced residence instead, which we believe to be a good move given its prime location.

Ascott Hengshan is close to the Huaihai Road Shopping Center, Xujiahui Commercial Centre and foreign consulates. The property is also served by a myriad of dining, shopping entertainment options for visitors. As such, the Ascott Hengshan enjoys a robust occupancy rate of >90% with a majority of guests being long stay in nature. Average monthly rent ranges from RMB 35,000/mth for a 1-bedroom apartment to RMB 100,000/mth for a 3-bedroom apartment, which implies that the guests are mainly the well-heeled or top Management staff.

Ascott Heng Shan

Ascott Heng Shan (Map)

Source: Company, DBS Bank

Remarks

The Ascott Heng Shan serviced residence is well located along Heng Shan Road and offers top class facilities (in-door pool, gymnasium, restaurant).

Riverfront (Residential project)

Prime location next to Grand Canal The Riverfront project in Hangzhou is one of the two residential projects that CapitaLand has in Hangzhou currently under development. The property is located in Gongshu District, within 4km of downtown Hangszhou. The property is located in a mature neighbourhood with rich amenities and branded school resources and offers residents an unobstructed view of the Grand Canal, a UNESCO World Heritage and Yuhangtang River. Riverfront consists of 686 units, ranging from 89 sqm-180 sqm.

Robust sales momentum since launch. We had the opportunity to see the property twice (in March'15 before the sales launch) and in Nov'15. We are pleasantly surprised by the positive response by buyers for this project since its launch in 1Q15. We understand that a key reason for the improved buyer sentiment was the removal of home purchase restrictions back in 1Q15, which spurs sales for the project.

As of 3Q15, we understand that close to 66% of the 518 units are already sold at an average price of close to RMB28,000 psm onwards. This is close to 50% (i of the total project already sold and will be looking to launch more units from 4Q15 onwards.

Project Brief

Site Area	32,042 sqm
Land use tenure	70 years
GFA	70,119 sqm
Total number of units	686
Sales launch	1Q 2015
Completion	2Q 2016

Source: Company, DBS Bank

Sales progress

No. of units launched	518 (76% of total units)
No. of units sold	344
Sell-through rate	66%
ASP achieved	RMB 27,759 psm

Source: Company, DBS Bank

Riverfront (Sales show Suite)

Source: Company, DBS Bank

Remarks

Total development consists of 9 blocks of residential units, offering unobstructed view of the Grand Canal.

Riverfront (Development update (Mar'15))

Remarks

We had the opportunity to visit the project twice, in Mar'15 (before sales launch) and in Nov'15 (project is now 66% for units launched for sale.

Raffles City Changning (Development progress)

Expected TOP in 2Q16, with the remaining units of the project to be launched from 4Q15 onwards.

Source: DBS Bank

Raffles City Hangzhou

A mega development in the "new CBD". The Raffles City Hangzhou is an iconic project located in Qianjian New City CBD, which is Hangzhou's new business, political and cultural centre. Raffles City Hangzhou will have two 250-m twin towers, which will be the tallest building in Hangzhou on completion. The property is located within 4km of the high-speed train station and has direct access to Metro line 4.

At a total GFA of 386,243 sqm, Raffles City Hangzhou will be one of the largest Raffles City projects undertaken by CapitaLand at a total projected cost of close to RMB 6bn. The integrated development has seven main components, comprising Sky Habitat SOHO (11%), Strata Apartments (3%) and strata office (8%) which will be for sale, while the group intends to keep the remaining Mall (39%), planned 170-room Ascott Serviced Residence (9%) and 320-room Conrad Hotel (17%) for recurring income.

Given the premium positioning of the project, initial take-up for the strata office has been positive, with close to 1/3 of the space taken up at an average ASP of RMB 30,000 sqm, which we understand to be at a premium to office transactions in the market. The project is expected to open in phases from end of 2016 onwards and given the premium product and "Raffles City" branding, we expect positive leasing (mall and office) and buying interest for subsequent components (Strata apartments, SOHO and office).

Project Brief

Site Area	40,355 sqm
Land use tenure	40 years
GFA	386,243 sqm
Car park spaces	1,952
Opening date	From 4Q 2016 onwards
LEED pre-certification	Gold

Source: Company, DBS Bank

Raffles City Hangzhou (Artist Impression)

Source: Company, DBS Bank

Remarks

The development will tower over its neighboring offices and malls and will be the tallest building in Qianjiang New City.

Raffles City Hangzhou (Map)

Remarks

Property overlooks the river and is in near vicinity to the West Lake, a tourist attraction in Hangzhou.

Raffles City Hangzhou (Development progress)

Development progress is approaching the top level of the project.

Note that the middle floors of the left tower have been zoned for strata sales and have seen encouraging responses.

Source: DBS Bank

Suzhou Center Mall

Located at the heart of Suzhou Industrial Park (SIP). The , Suzhou Center Mall & Suzhou Center Office is an integrated development comprising a shopping mall, two blocks of luxury residences, four office towers and a hotel. Of these, CapitaLand Mall Asia co-owns the shopping mall and two of the office towers with Suzhou Industrial Park Jinji Lake Urban Development Co. Ltd, in a 50:50 joint venture.

The integrated development is well located in the heart of western CBD of Suzhou Industrial Park, offering direct access to the scenic Jinji Lake. When completed, the integrated development will be the most prestigious and largest urban project, with direct access to Metro line 1 and the upcoming future Metro Line 3.

Suzhou Center Mall will be the largest shopping mall in East China with a total NLA of over 245,000 sqm (177,000 sqm of retail and 68,000 sqm of office). Given the size of the mall, the positioning of the property will be wide, with different themes at various parts of the mall, offering shoppers an integrated shopping and entertainment experience.

The mall will feature international luxury brands in one building and popular high-street fashion and lifestyle, children attractions, entertainment, a goumet supermarket, IMAX Cineplex and an Olympic size ice rink will be housed in other buildings.

While we remain positive on the mall's prospects, we notice that there are several office developments in the vicinity, which may face pressure for pre-leasing of the development's office towers. We understand that the two office towers (68,000sqm) are expected to be launched and marketed together with the other two taller towers (owned by CMA's JV partner) to prevent cannibalization.

Project Brief

Location	West Jinji Lake, SIP
Land use tenure	Integrated development comprising a shopping mall with six above ground level and two grade A 21-storey office towers
Site Area	65,010 sqm
GFA excluding carpark	~ 364,000 sqm (296,000 sqm retail, 68,000 sqm of office)
Net lettable area	~ 245,000 sqm (177,000 sqm retail, 68,000 sqm of office)
No of leases	~800 leases
Land use tenure	40 years
Opening date	2H 2017

Source: Company, DBS Bank

Suzhou Center Mall (Show Suite)

Source: Company, DBS Bank

Remarks

The development is located in the heart of western CBD of Suzhou Industrial Park and will be the most prestigious and largest urban project with direct access to Metro line 1 and the upcoming Metro Line 3.

Suzhou Center Mall (show suite model)

Remarks

Suzhou Center Mall & Suzhou Center Office is an integrated development comprising a shopping mall, two blocks of luxury residences, four office towers and a hotel.

CMA will co-own the "inner circle" portion of the development which is the mall and two office tower blocks.

Suzhou Center Mall (Development update)

Development progress is approaching the top level of the development.

Source: Company, DBS Bank

Segmental Breakdown

FY Dec	2013A	2014A	2015F	2016F	2017F
Revenues (S$m)					
CapitaLand Singapore	1,237	1,242	1,002	1,021	1,213
CapitaLand China	899	638	1,140	1,452	2,227
CMA	641	1,178	761	842	999
Ascott	635	683	681	725	775
Others	99.0	185	144	147	149
Total	3,511	3,925	3,728	4,187	5,363
EBIT (S$m)					

Driven mainly by locked in sales (residential) and recurring income from its commercial portfolio (mainly office and CCT)

Driven mainly by locked in sales (residential)

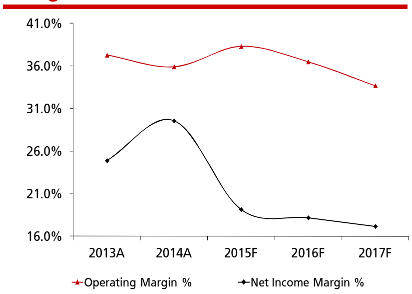
Improved returns for the group's malls business

Income Statement (S$m)

FY Dec	2013A	2014A	2015F	2016F	2017F
Revenue	3,511	3,925	3,728	4,187	5,363
Cost of Goods Sold	(2,274)	(2,543)	(1,761)	(2,093)	(2,962)
Gross Profit	1,237	1,382	1,967	2,095	2,401
Other Opng (Exp)/Inc	72.5	27.7	(539)	(566)	(594)
Operating Profit	1,310	1,410	1,428	1,529	1,807
Other Non Opg (Exp)/Inc	0.0	0.0	0.48	0.48	0.48
Associates & JV Inc	903	970	168	169	171
Net Interest (Exp)/Inc	(402)	(382)	(436)	(460)	(481)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1,811	1,997	1,161	1,238	1,498
Tax	(205)	(238)	(209)	(223)	(270)
Minority Interest	(731)	(599)	(238)	(254)	(307)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	875	1,161	714	762	921
Net Profit before Except.	875	1,161	714	762	921
EBITDA	2,275	2,444	1,662	1,763	2,044
Growth					
Revenue Gth (%)	6.4	11.8	(5.0)	12.3	28.1
EBITDA Gth (%)	25.3	7.4	(32.0)	6.1	15.9
Opg Profit Gth (%)	40.3	7.6	1.3	7.0	18.2
Net Profit Gth (Pre-ex) (%)	12.8	32.7	(38.5)	6.6	21.0
Margins & Ratio					
Gross Margins (%)	35.2	35.2	52.8	50.0	44.8
Opg Profit Margin (%)	37.3	35.9	38.3	36.5	33.7
Net Profit Margin (%)	24.9	29.6	19.2	18.2	17.2
ROAE (%)	5.6	7.1	4.2	4.4	5.2
ROA (%)	2.1	2.6	1.6	1.7	2.1
ROCE (%)	3.0	3.0	2.9	3.0	3.4
Div Payout Ratio (%)	39.0	33.0	47.7	44.7	37.0
Net Interest Cover (x)	3.3	3.7	3.3	3.3	3.8

Source: Company, DBS Bank

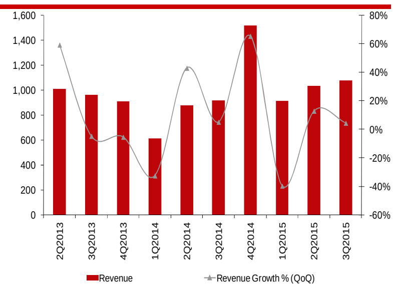
Margins Trend



Quarterly / Interim Income Statement (S$m)

FY Dec	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Revenue	919	1,518	915	1,031	1,076
Cost of Goods Sold	(610)	(1,080)	(553)	(637)	(738)
Gross Profit	309	438	362	394	338
Other Oper. (Exp)/Inc	(91.6)	(173)	(116)	(88.0)	(30.2)
Operating Profit	218	265	245	306	308
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	124	331	126	236	140
Net Interest (Exp)/Inc	(96.5)	(97.6)	(107)	(112)	(105)
Exceptional Gain/(Loss)	0.0	248	0.0	322	0.0
Pre-tax Profit	245	747	263	753	343
Tax	(47.5)	(104)	(50.6)	(144)	(64.4)
Minority Interest	(67.6)	(227)	(51.6)	(146)	(85.6)
Net Profit	130	416	161	464	193
Net profit bef Except.	130	168	161	142	193
EBITDA	342	596	371	543	448
Growth					
Revenue Gth (%)	5.0	65.2	(39.7)	12.7	4.3
EBITDA Gth (%)	(40.8)	74.6	(37.8)	46.3	(17.4)
Opg Profit Gth (%)	7.5	21.9	(7.6)	24.9	0.5
Net Profit Gth (Pre-ex) (%)	(43.6)	29.1	(3.9)	(12.2)	36.1
Margins					
Gross Margins (%)	33.7	28.9	39.5	38.2	31.4
Opg Profit Margins (%)	23.7	17.5	26.8	29.7	28.6
Net Profit Margins (%)	14.1	27.4	17.6	45.0	17.9

Revenue Trend

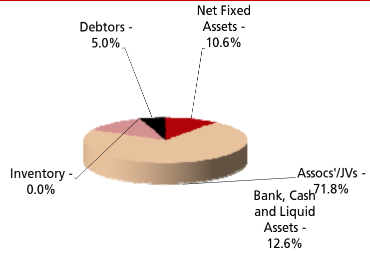


Balance Sheet (S$m)

FY Dec	2013A	2014A	2015F	2016F	2017F
Net Fixed Assets	666	1,047	1,922	2,021	2,121
Invts in Associates & JVs	12,673	12,781	13,040	13,300	13,561
Other LT Assets	16,583	18,705	18,430	18,930	19,430
Cash & ST Invts	6,393	2,941	2,489	2,201	3,017
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	1,167	963	909	1,021	1,308
Other Current Assets	7,579	7,676	7,043	6,830	6,093
Total Assets	45,063	44,113	43,833	44,304	45,529
ST Debt	1,280	3,469	3,469	3,469	3,469
Creditor	2,889	3,070	1,956	1,292	1,130
Other Current Liab	478	463	527	606	733
LT Debt	14,656	12,517	13,017	13,517	14,017
Other LT Liabilities	1,305	1,386	1,386	1,386	1,386
Shareholder's Equity	16,109	16,758	17,089	17,510	18,090
Minority Interests	8,346	6,451	6,389	6,524	6,704
Total Cap. & Liab.	45,063	44,113	43,833	44,304	45,529
Non-Cash Wkg. Capital	5,379	5,107	5,469	5,954	5,538
Net Cash/(Debt)	(9,543)	(13,045)	(13,997)	(14,785)	(14,469)
Debtors Turn (avg days)	137.9	99.1	91.7	84.1	79.3
Creditors Turn (avg days)	433.2	438.9	541.0	292.3	152.6
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)	3.3	1.7	1.8	1.9	2.0
Quick Ratio (x)	1.6	0.6	0.6	0.6	0.8
Net Debt/Equity (X)	0.4	0.6	0.6	0.6	0.6
Net Debt/Equity ex MI (X)	0.6	0.8	0.8	0.8	0.8
Capex to Debt (%)	0.5	0.8	5.7	1.0	0.9
Z-Score (X)	1.2	1.1	1.0	1.1	1.1

Source: Company, DBS Bank

Asset Breakdown (2015)



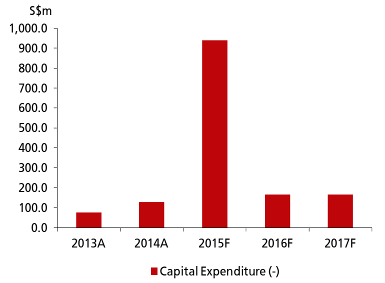
Debt/eqity to remain at 0.6x

Cash Flow Statement (S$m)

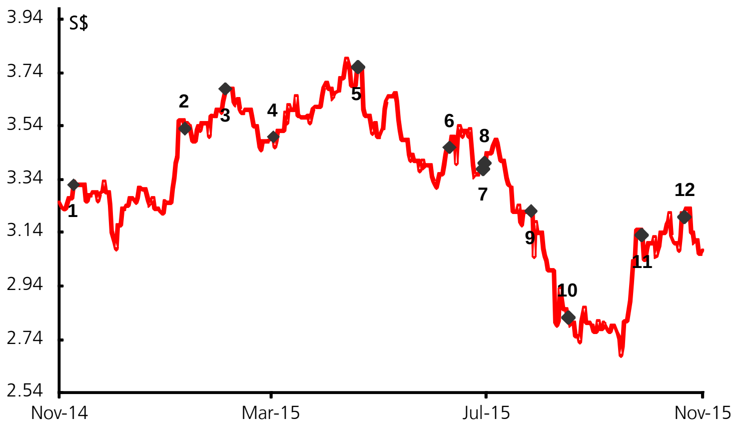
FY Dec	2013A	2014A	2015F	2016F	2017F
Pre-Tax Profit	1,811	1,997	1,161	1,238	1,498
Dep. & Amort.	62.8	64.6	65.0	65.0	65.0
Tax Paid	(223)	(256)	(145)	(144)	(143)
Assoc. & JV Inc/(loss)	(903)	(970)	(168)	(169)	(171)
Chg in Wkg.Cap.	(53.7)	51.9	(427)	(564)	289
Other Operating CF	262	111	0.0	0.0	0.0
Net Operating CF	956	999	487	427	1,538
Capital Exp.(net)	(76.6)	(127)	(939)	(164)	(164)
Other Invts.(net)	(190)	(1,357)	275	(500)	(500)
Invts in Assoc. & JV	57.0	841	(150)	(150)	(150)
Div from Assoc & JV	439	406	58.9	59.0	59.9
Other Investing CF	141	(102)	0.0	0.0	0.0
Net Investing CF	370	(339)	(756)	(755)	(755)
Div Paid	(688)	(705)	(683)	(460)	(468)
Chg in Gross Debt	280	177	500	500	500
Capital Issues	1.64	1.38	0.0	0.0	0.0
Other Financing CF	(464)	(3,746)	0.0	0.0	0.0
Net Financing CF	(869)	(4,272)	(183)	40.3	32.4
Currency Adjustments	352	55.0	0.0	0.0	0.0
Chg in Cash	809	(3,557)	(452)	(288)	816
Opg CFPS (S cts)	23.8	22.2	21.4	23.3	29.3
Free CFPS (S cts)	20.7	20.5	(10.6)	6.17	32.3

Source: Company, DBS Bank

Capital Expenditure



Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	24 Nov 14	3.32	3.84	BUY
2:	26 Jan 15	3.53	3.84	BUY
3:	18 Feb 15	3.68	3.88	BUY
4:	17 Mar 15	3.50	3.88	BUY
5:	04 May 15	3.76	4.11	BUY
6:	25 Jun 15	3.46	4.11	BUY
7:	14 Jul 15	3.38	4.11	BUY
8:	15 Jul 15	3.40	4.11	BUY
9:	10 Aug 15	3.22	4.11	BUY
10:	31 Aug 15	2.82	3.73	BUY
11:	12 Oct 15	3.13	3.73	BUY
12:	05 Nov 15	3.20	3.73	BUY

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

Source: DBS Bank

DBS VICKERS SECURITIES

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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

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