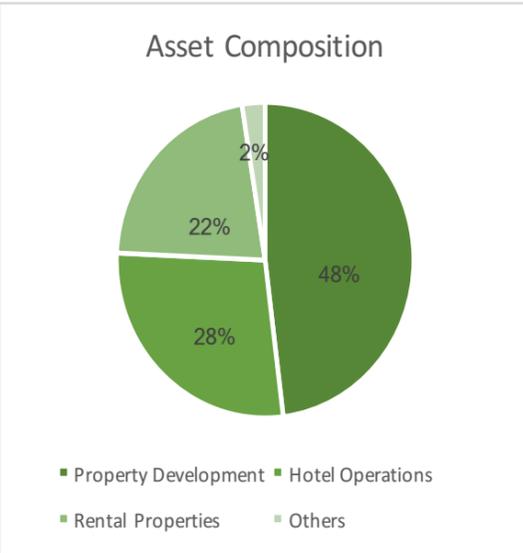




Company Overview

Figure 1. CDL Asset Composition



City Developments Limited is a property developer and owner. The Company, through its subsidiaries, are principally engaged in the investment of properties and shares, property management, project management and the provision of consultancy services, hospitality-related information technology, and procurement services. City Developments has a global presence.

SGD'MN	FY15	FY16	FY17e	FY18e
Revenue	3,304	3,905	3,994	4,064
Gross Profit	1,656	1,758	1,696	1,901
EBIT	951	924	843	1,033
EPS (SGD)	0.84	0.70	0.78	0.94
DPS (SGD)	0.16	0.12	0.12	0.12
PER, x (adj.)	9.20	12.50	11.20	9.30
P/BV, x	0.80	0.90	0.90	0.80
Div Yield, %	2.1%	1.4%	1.4%	1.4%
ROE, %	8.6%	6.7%	6.2%	7.1%

Source: CDL Q1 2017 Results

Investment Thesis

Figure 3. Singapore Property Market Clock



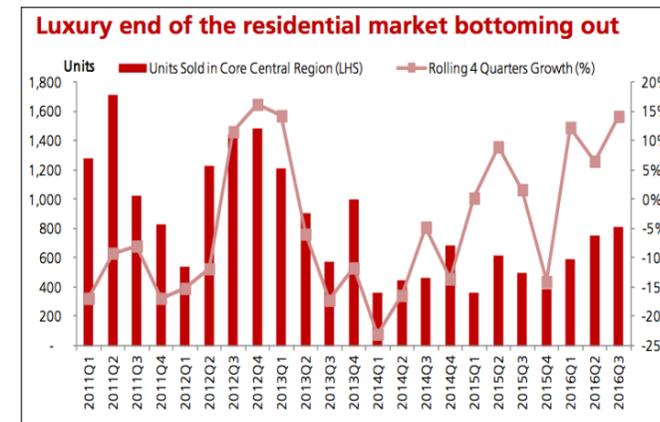
- Lowly geared balance sheet;** as at 2Q17, balance sheet lowly geared at 0.16x. Management indicated capital deployment into SG and overseas. Looking to unlock value of mature assets as well.
- Residential sales volume picking up;** 1H2017 sold 691 units worth SGD1.15bn, higher than 324 units (SGD \$386m) in 1H2016. In 2Q, Venue Residences fully sold while Gramercy Park was 63% sold. New Futera launching in 4Q2017 and recent Tampines acquired site in 1Q18.
- Strong warchest to deploy capital overseas and locally;** more than 3bn SGD ready for acquisition potentials. CDL spent 304m to acquire 24% equity stake in China's co-working space operator Distrii

Source: DBS Research

Please read our disclaimer at the end of this report

12M Industry Outlook

Figure 2. 2017 SG residential market units sold

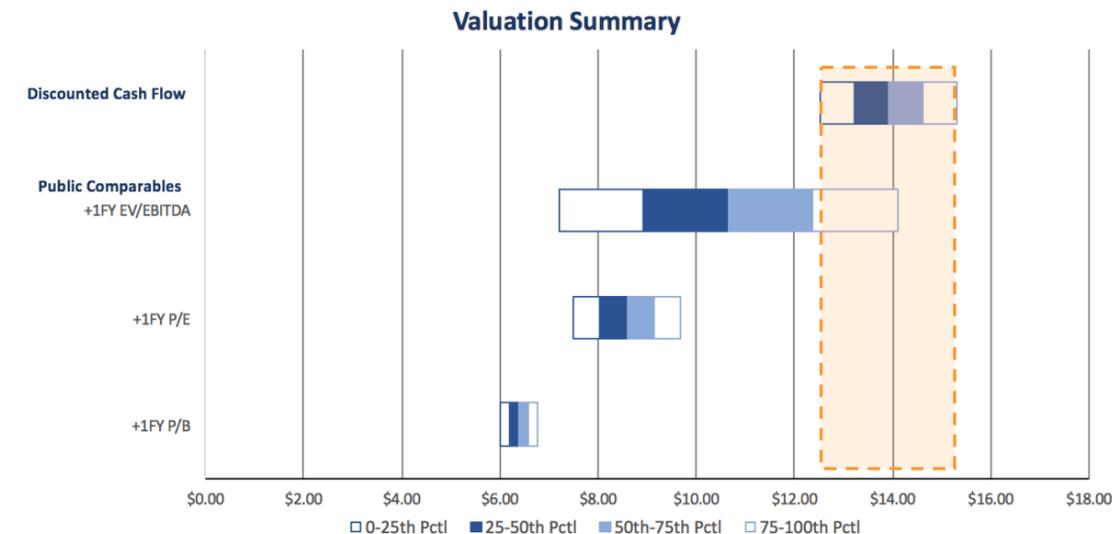


Source: DBS Research

- Residential market bottoms out in Singapore.** Easing of government cooling measures was met by high 1H2017 sales – CDL more than doubled sales in the same timeframe last year. Market sentiments improving.
- Growing supply, shared lodging and flattening of growth in corporate travel.** New supply as well as competition from shared lodging hosts have muted enthusiasm for the hotel sector. Moving forward, midscale and upscale hotels are expected to do better as compared to economy and luxury hotels. Costs have also become an issue as rising wages and labour shortages pose further challenges to the hotel sector.

Valuations

Figure 4. Valuation Summary



Our 12 month price target from date of coverage is \$13.92, assuming a year-on-year growth rate of 2% in the long term, with an exit multiple of 11.6x.

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