The 10-second briefing

Rising risks and imbalances point to multi-year market decline

- Record home sales YTD with stable prices, but unsold inventories still at elevated levels; all-time high pipeline of 82,251 units
- We expect the overall vacancy rate to rise in 2H12 to 6.5% from 5.9%, driven by completions exceeding rental demand
- Reaffirming Sell ratings on CapitaLand and City Developments

Singapore Property Developers

- Positive
- Neutral
- **Negative** (unchanged)

How do we justify our view?

David Lum, CFA
(65) 6329 2102
david.lum@sg.daiwacm.com

■ What's new

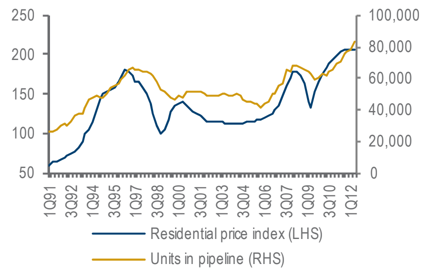
We revisit our core assumptions on the Singapore residential market after considering the resilient state of the market since our 16 November 2011 report, *Singapore Residential Property - Heading for a prolonged downturn*, and after the imposition of a fifth round of government cooling measures, announced on 7 December 2011.

■ What's the impact

The residential market in 2012 so far looks on track to achieve the highest annual sales volume ever, distorted to some extent by a proliferation of shoebox units, while prices have remained stable (flat HoH for 1H12). Even though full-year home sales are likely to reach 20,890 units, based on our revised forecast, the risks of rising imbalances in unsold inventory and increased vacancies in the rental market, our two major concerns, are higher than ever, in our opinion, because the supply of new units continues to build up, led by an aggressive government land sale (GLS) programme. Aside from revising up our annual launch and home sales forecasts, most of our core assumptions are little changed.

Total units of uncompleted properties (those under construction and with written or provisional-permission approvals) hit an all-time high of 82,251 units at the end of 2Q12, surpassing the pre-global financial crisis and pre-Asian financial crisis peaks.

■ Singapore residential: price index and units in the pipeline



Source: Singapore Urban Redevelopment Authority (URA)

In addition, we believe the strong pipeline of completed units in the future could have a negative impact on the overall vacancy rate as early as 2H12. We expect the overall vacancy rate to increase from 5.9% as at end-2Q12 to 6.5% as at end-4Q12. We also expect the vacancy rate to rise steadily to 8.0% by 2016.

We have toned down slightly our forecasts for multi-year declines (from end-2011 to end-2014) of private-home prices. We now expect mass-market home prices to decline by 20% (from 22% previously). For the high-end segment, we project a decline over the same period of 23% (from 26% previously).

After incorporating our new price and volume assumptions, we are raising our 2012-14 EPS forecasts by 1.6-6.0% for City Developments (CDL) and 0.0-0.9% for CapitaLand. We are raising our six-month target prices slightly, pegged to previous trough PER levels, by 3.5% for CDL and 0.4% for CapitaLand.

■ What we recommend

We remain Negative on the Singapore residential market and Singapore property developers. In our view, the sector could see a multi-year property-market downturn in 2012-14 akin to the one in the early 2000s. The major upside risk to our Negative call would be sustained resilience (in prices and volumes) with no threat of government policy measures.

■ How we differ

Our target prices for CapitaLand and CDL are among the lowest on the Bloomberg consensus. We believe the market could be underestimating the possibility of a prolonged downturn or the vulnerability of the residential market to any unforeseen external shocks.

Key stock calls

	New	Prev.
CapitaLand (CAPL SP)		
Rating	**Sell**	Sell
Target price	**S$2.35**	S$2.34
Up/downside	▼ **(23.2)%**	
City Developments (CIT SP)		
Rating	**Sell**	Sell
Target price	**S$8.90**	S$8.60
Up/downside	▼ **(22.7)%**	

Source: Daiwa forecasts
Note: Please refer to page 3 for details.

- Positive
- Neutral
- **Negative** (unchanged)

How do we justify our view?

- Growth outlook ✔ ✔ ✔ ✔ ✔
- Valuation ✔ ✔ ✔ ✔ ✔
- Earnings revisions ✔ ✔ ✔ ✔ ✔

Growth outlook ✔ ✔ ✔ ✔ ✔

We have toned down slightly our forecasts for private home-price declines, but still expect mass-market home prices to decline by 20% (from 22% previously) from the end of 2011 to the end of 2014. For the high-end segment, we expect a decline over the same period of 23% (from 26% previously). We still see negative pressures on rents and capital values from the current lingering global economic uncertainty and below-potential GDP growth for Singapore for 2012 and possibly 2013. Over the medium term (2013-16), we see rising imbalances in unsold inventory and vacant units in the rental market keeping prices (and rents) in check.

Singapore private residential: URA price and rental indices

Source: Singapore URA, Daiwa forecasts (from 3Q12)

Valuation ✔ ✔ ✔ ✔ ✔

The companies' share prices do not appear demanding relative to their historical premiums (since 2004) to Daiwa's NAVs of 5% for CDL and 16% for CapitaLand (though there is evidence that CapitaLand's stock price has been severely derated recently, trading at an average discount to Daiwa's NAV of 4% since 2009).

However, the share prices of the developers have traded at discounts as wide as 36-50% to Daiwa's NAVs during the trough of property cycles in the past. We remain negative on the Singapore residential market and believe that any deterioration in the physical market could send share prices back to their troughs.

CIT and CAPL: target prices and valuations

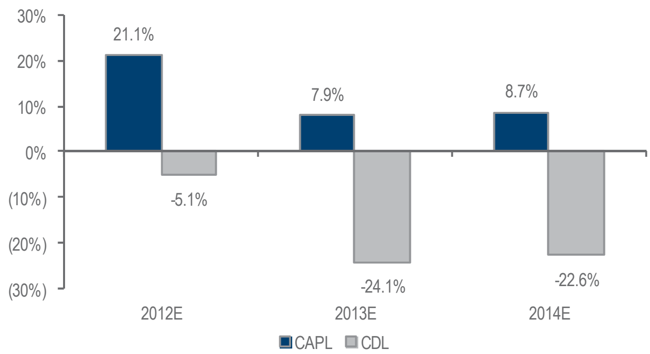
	Bloomberg	Share price (S$)	Target price (S$)	Daiwa NAV (S$)	Discount to NAV	Target disc to NAV
CDL	CIT SP	11.52	8.90	11.65	-1%	-24%
CapitaLand	CAPL SP	3.06	2.35	3.79	-19%	-38%

Source: Bloomberg (tickers and share prices), Daiwa forecasts
Note: based on share prices of 21 August 2012

Earnings revisions ✔ ✔ ✔ ✔ ✔

Our EPS forecasts are considerably lower than those of the Bloomberg consensus for CDL. Our EPS forecasts for CapitaLand include estimated divestment gains and revaluations, which could explain our above-market forecasts. Regardless of this discrepancy, we expect consensus EPS forecasts to be revised down considerably if the Singapore residential market undergoes a multi-year correction.

Daiwa EPS forecasts relative to Bloomberg consensus



Source: Bloomberg, Daiwa forecasts

Key stock calls

		Share	Rating		Target price (local curr.)			EPS (local curr.)					
								FY1			FY2		
Company Name	Stock code	Price	New	Prev.	New	Prev.	% chg	New	Prev.	% chg	New	Prev.	% chg
CapitaLand	CAPL SP	3.06	Sell	Sell	2.35	2.34	0.4	0.193	0.193	0.0	0.199	0.197	1
City Developments	CIT SP	11.52	Sell	Sell	8.90	8.60	3.5	0.645	0.635	1.6	0.559	0.535	4.5

Source: Daiwa forecasts

Table of contents

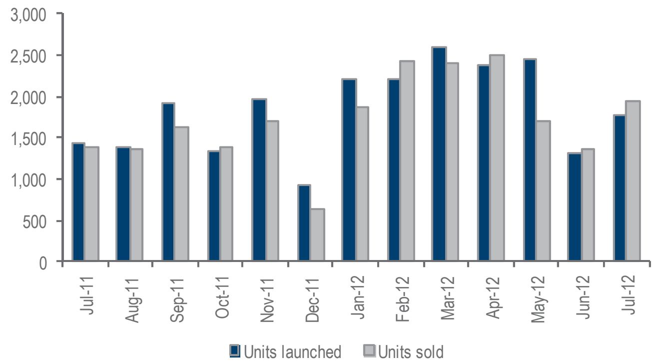
Mounting risks and imbalances

Despite record home sales, the main risk factors for the sector – unsold inventory and vacant units in the rental market – are higher than ever.

High volumes, stable prices

We reiterate our negative stance on the Singapore residential property market, as all the reasons to remain wary, as detailed in our 16 November 2011 report, *Singapore Residential Property - Heading for a prolonged downturn*, are intact. After incorporating the YTD resilience of the property market (stable prices and record sales volume) since our 16 November report, and since the imposition of the fifth round of property cooling measures, announced on 7 December 2011, our core assumptions are little changed.

■ **Singapore residential: monthly developer launches and sales**



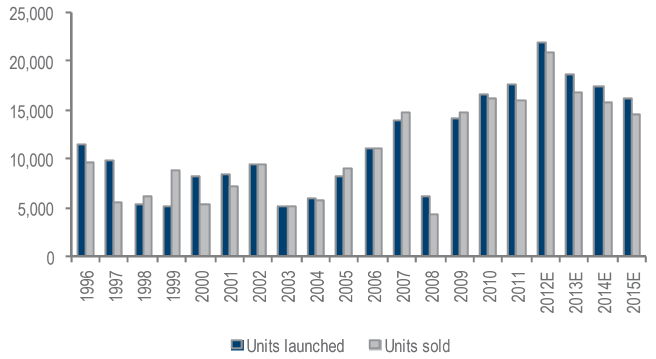
Source: Singapore URA

Strong, record take-up, so far

Despite the cumulative impact of five rounds of property cooling measures, 2012 is shaping up to be a record year for home sales, helped partly by the proliferation of 'shoebox units' (units of less than 50 sq m accounted for 27% of home sales for 1Q12 and 19% for 4Q11) and the popularity of affordable units (42% of sales in 1Q12 and 27% in 2Q12 were for properties worth less than S$750,000). The YTD (January-July) home sales by developers (excluding executive condominiums) totalled 14,185, compared with 15,904 units for the entire year of 2011. The YTD take-up rate was also a healthy 95%.

Given the strong YTD pace of launches, home sales and government land sales (GLS) programme, we have revised up our 2012-15E annual launch assumptions by 20-31% and annual home sales assumptions by 22-46%. In both cases, the greatest revisions occur for 2012E.

■ **Singapore residential: annual units launched and sold by developers**



Source: Singapore URA, Daiwa forecasts

■ **Units launched and sold by developers**

	Launched	Sold	% sold
1996	11,520	9,565	83.0
1997	9,869	5,520	55.9
1998	5,324	6,096	114.5
1999	5,087	8,815	173.3
2000	8,143	5,406	66.4
2001	8,357	7,189	86.0
2002	9,507	9,485	99.8
2003	5,216	5,156	98.8
2004	5,881	5,785	98.4
2005	8,201	8,955	109.2
2006	11,069	11,147	100.7
2007	14,016	14,811	105.7
2008	6,107	4,264	69.8
2009	14,103	14,688	104.1
2010	16,575	16,292	98.3
2011	17,710	15,904	89.8
2012E	21,989	20,890	95.0
2013E	18,743	16,868	90.0
2014E	17,495	15,746	90.0
2015E	16,248	14,623	90.0

Source: Singapore URA, Daiwa forecasts

But, the pace of home sales and take-up in the future is highly uncertain, in our opinion. It requires a big leap of faith to assume the sustainability of YTD home sales – driven by factors such as the absolute affordability of shoebox units, the appeal of suburban projects with proximity to mass rapid transit (MRT) stations or with a significant retail component, the apparently voracious local appetite for investment-property assets, and low interest rates – will last indefinitely.

Moreover, we believe the risk of a system-wide build-up of inventory to unprecedented levels will only increase if the take-up rates for launches over the next several months weaken considerably.

The strong home sales have not improved the imminent build-up of two major supply-related imbalances: 1) unsold inventory, and 2) vacant units in the rental market, the principal sources of our concerns.

Unsold inventory still at elevated levels

Slight QoQ improvement in unsold inventory

Our current tally of unsold inventory* is 13,080 units at the end of 2Q12. Although it has declined slightly QoQ, it is still at an elevated level, exceeding the global financial crisis peak of 11,288 units at the end of 1Q09.

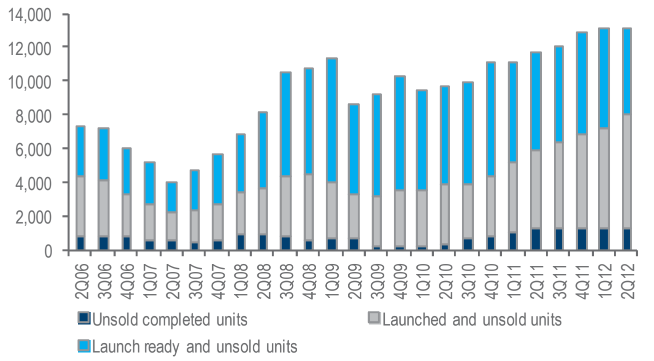
** This is the sum of: 1) the unsold units in completed developments, 2) unsold units that have been launched for sale for uncompleted developments, and 3) the remaining un-launched units in uncompleted developments, which have been partially launched.*

■ Singapore private residential: inventory

(Units)	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Unsold completed units	1,006	1,292	1,279	1,246	1,218	1,233
Launched and unsold units	4,179	4,603	5,044	5,584	6,024	6,762
Launch ready and unsold units	5,943	5,759	5,712	6,003	5,925	5,085
Total unsold inventory (units)	11,128	11,654	12,035	12,833	13,167	13,080
YoY increase in inventory (units)	1,700	1,958	2,088	1,692	2,039	1,426
YoY increase in inventory (%)	18.0	20.2	21.0	15.2	18.3	12.2
QoQ increase in inventory (units)	(13)	526	381	798	334	(87)
QoQ% increase in inventory	(0.1)	4.7	3.3	6.6	2.6	(0.7)

Source: Singapore URA, Daiwa

■ Unsold inventory of residential units



Source: Singapore URA, Daiwa

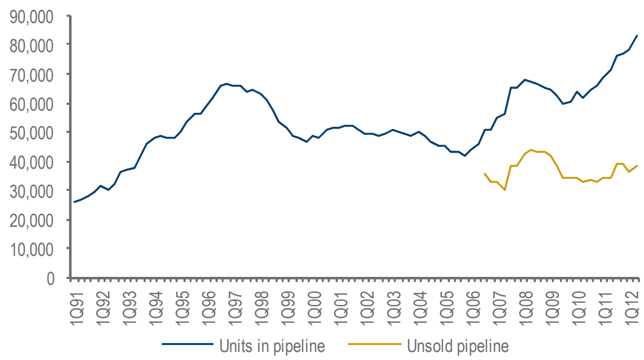
Unsold units in the pipeline still a concern

A broader gauge of unsold inventory would be the number of unsold units out of all units of projects in the pipeline. There were 38,175 unsold units at the end of 2Q12, an increase from 36,552 unsold units at the end of 1Q12, but still below the peak at the end of 4Q08 of 43,414 units. (The URA data of unsold units is only available from 3Q06).

No doubt the strong home sales so far in 2012 have stabilised the level of unsold units. However, the number of unsold units only declined by 1,009 units from the end of 4Q11 to the end of 2Q12, when home sales for 1H12 reached a record of 11,928 units, suggesting that the overall pipeline of units continues to build up.

This build-up is evident in the total units of uncompleted properties 'in the pipeline' (those under construction and with written or provisional-permission approvals), which are at an all-time high of 82,251 units at the end of 2Q12, surpassing the pre-global financial crisis and pre-Asian financial crisis peaks.

■ Singapore residential: units in pipeline and unsold units

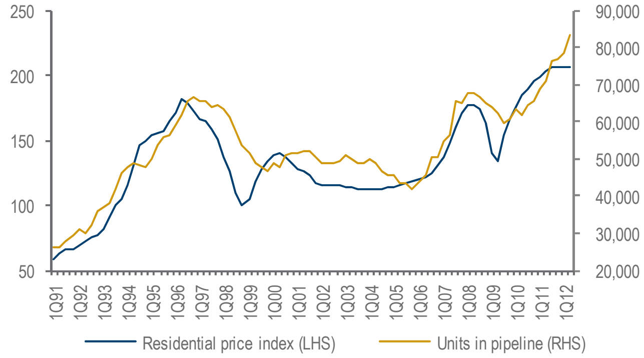


Source: Singapore URA

Since 1990, the (unit) pipeline of private residential supply has been highly correlated with property prices, a reflection of the government's consistent supply-driven policy to address rising property prices. Although the sharp declines in property prices from their peaks have been caused by external factors, we believe it is no coincidence that peak levels of supply have been highly correlated with peak prices.

Although it is possible that the low-interest rate environment could foster a prolonged plateau in prices (we have ruled out further price increases because they would be met promptly with more government cooling measures, in our opinion), we do not regard the current situation as stable and believe the risk in home prices is clearly on the downside.

■ Singapore residential: price index and units in pipeline



Source: Singapore URA

GLS supply-driven policy stays aggressive

We believe the government will continue to inject a generous number of units into the overall supply pipeline to address the perceived 'imbalances' in the residential market. Since 1H11, each semi-annual government land sale (GLS) has exceeded 14,000 units, consisting of projects from both the confirmed and reserved lists.

So far, injecting new sites has had a limited impact on dampening private-home prices, given the time lag from when a site is available for auction to when the winning bidder actually launches new units for sale in the project. The immediate consequence of injecting new sites for sale is a relentless build-up of the supply pipeline.

■ GLS programme: reserved and confirmed list

	Confirmed	Reserved	Total
2H05	0	3,685	3,685
1H06	0	4,320	4,320
2H06	0	4,670	4,670
1H07	3,014	5,020	8,034
2H07	2,579	4,505	7,084
1H08	2,839	4,990	4,990
2H08	1,122	6,840	7,829
1H09	0	7,962	7,962
2H09	0	8,655	8,655
1H10	2,925	7,625	7,625
2H10	8,135	5,770	10,550
1H11	8,125	6,185	14,310
2H11	8,115	6,080	14,195
1H12	7,020	7,120	14,140
2H12	7,060	7,125	14,185

Source: URA

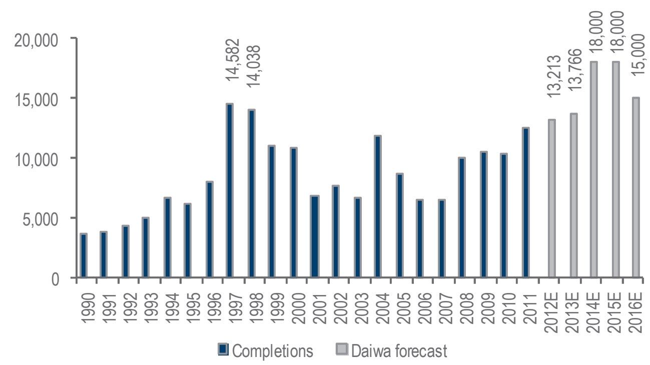
More launches ahead

We expect private-residential launches to continue at a rapid pace (16,250-22,000 annually for 2012-15 compared with an annual average of 9,793 units for 1996-2011), with unit launches a product of 'forced supply' as a consequence of the GLS.

Rental market could blink first

The other aspect of a rising pipeline of new supply is its impact on the rental market. We forecast 13,213-18,000 completed units annually over 2012-16 (peaking at 18,000 units in 2014 and 2015), compared with the previous peak of over 14,000 units in both 1997 and 1998.

■ Completions and future pipeline



Source: Singapore URA, Daiwa forecasts from 2012E

Developers, specifically of private sector projects, have some leeway in deferring the completions of their projects, so our forecast completions for 2014-16 is 9-33% lower than the URA's total pipeline tally, which includes all development projects under construction and those with planning (written or provisional permission) approvals.

■ Residential supply pipeline (units)

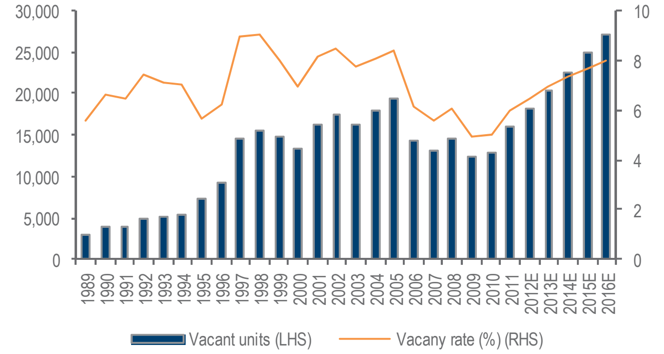
	Daiwa forecast	URA total	Under construction	With approvals
2012E	13,213	13,213	8,292	0
2013E	13,766	13,782	13,766	16
2014E	18,000	19,813	16,366	3,465
2015E	18,000	26,843	15,266	11,577
2016E	15,000	20,570	2,736	17,834

Source: Singapore URA, Daiwa forecasts
*Note: *as at 2Q12; approvals refer to projects with written or provisional permission*

Vacancies set to rise

We expect the vacant stock to rise steadily from 12,388 units at the end of 2009, and surpass the previous all-time high of 19,276 units (at end-2005) by 2013, when we expect over 20,200 vacant units. From 5.9% as at end-2Q12, we expect the vacancy rate to rise steadily to 8.0% by 2016.

■ Singapore residential: vacancy build-up



Source: Singapore URA, Daiwa forecasts (from 2012E)

■ Private residential: supply and demand (units)

	Chg in stock	Completions	Demolitions*	Chg in occupied stock
1997	12,159	14,582	(2,423)	6,954
1998	12,300	14,038	(1,738)	11,155
1999	9,978	11,079	(1,101)	10,880
2000	9,477	10,811	(1,334)	10,846
2001	5,326	6,817	(1,491)	2,460
2002	6,843	7,730	(887)	5,596
2003	5,737	6,619	(882)	6,852
2004	10,969	11,799	(830)	9,392
2005	7,453	8,697	(1,244)	6,093
2006	4,008	6,520	(2,512)	9,027
2007	1,448	6,513	(5,065)	2,571
2008	6,392	10,122	(3,730)	4,903
2009	8,285	10,488	(2,203)	10,520
2010	8,754	10,399	(1,645)	8,259
2011	10,525	12,469	(1,944)	7,428
2012E	11,574	13,213	(1,639)	9,403
2013E	11,766	13,766	(2,000)	9,684
2014E	16,000	18,000	(2,000)	13,672
2015E	16,000	18,000	(2,000)	13,672
2016E	13,000	15,000	(2,000)	10,846

Source: Singapore URA, Daiwa forecasts
** Note: implied from completions and change in stock*

Supply likely to exceed demand in 2H12

We believe the strong completion pipeline could have a negative impact on the overall vacancy rate as early as 2H12. According to the URA's most recent tally (as at end-2Q12), there are 8,292 units under construction scheduled for completion in 2H12 (compared with 4,921 units actually completed in 1H12).

In view of the net demand (the overall increase in occupied units) of only 4,147 units in 1H12, we expect the overall vacancy rate to increase from 5.9% as at end-2Q12 to 6.5% as at end-4Q12 (assuming net demand of 5,256 units for 2H12 and assuming demolitions of 500 units each quarter). The rapid pace of completions is likely to add a considerable number of units in the rental market, and this could exert negative pressure on rents.

Daiwa price and rental forecasts

We have toned down slightly our forecasts for private home-price declines, but still expect mass-market home prices to decline by 20% (from 22% previously) from the end of 2011 to the end of 2014. For the high-end segment, we project a decline over the same period of 23% (from 26% previously).

We still see negative pressures on rents and capital values from the current lingering global economic uncertainty and below-potential GDP growth for Singapore for 2012 and possibly 2013. Over the medium term (2013-16), we see rising imbalances in unsold inventory and vacant units in the rental market keeping prices (and rents) in check, though these negative factors should be tempered by the current capacity for Singapore home buyers to service mortgages, given the low level of unemployment and historically low interest rates.

■ Singapore: private-residential capital values (S$/sq ft)

End of year	Outside central region (OCR)	Chg YoY (%)	Core central region (CCR)	Chg YoY (%)
2004	461		842	
2005	466	1.0	892	6.0
2006	485	4.3	1,043	16.9
2007	613	26.4	1,384	32.7
2008	596	(2.9)	1,306	(5.6)
2009	666	11.8	1,282	(1.8)
2010	765	15.0	1,465	14.2
2011	824	7.7	1,523	4.0
2012E	821	(0.4)	1,477	(3.0)
2013E	727	(11.5)	1,308	(11.5)
2014E	663	(8.7)	1,170	(10.6)
2015E	663	0.0	1,170	0.0
Chg end 2011-15E		(19.5)		(23.2)

Source: URA, Daiwa forecasts

Gradual, multi-year declines

We do not envisage sharp declines (in excess of 20%) in rents or capital values in any one year. Instead, we expect a subdued residential-property market to persist for several consecutive years.

Multi-year declines in prices and rents are nothing new in Singapore, which experienced half a decade of gradual declines in the early 2000s, due to a major supply-demand imbalance (pre-Asian financial crisis overbuilding followed shortly by extremely weak demand in 2000-04). We believe the sector could see a repeat of a multi-year property-market downturn in 2012-14.

■ Singapore private residential: boom and bust periods

Period		Magnitude* URA (%)	JLL (%)
4Q90-2Q96	Tiger-economy rise fuelled by FDIs	222	186^
2Q96-4Q98	Asian financial crisis	(45)	(33)
4Q98-2Q00	Post AFC rebound	40	25
2Q00-1Q04	Dotcom bust, 9-11, SARs	(20)	(22)
1Q04-2Q08	Pre GFC recovery	58	132
2Q08-2Q09	GFC	(25)	(36)
2Q09-4Q11	Post GFC recovery	54	39

Source: URA, Jones Lange LaSalle, Daiwa
*Note:*From trough to peak (or peak to trough)*
^Data from 1Q91 – 2Q96

We project a 20-23% decline in private home prices

We forecast an overall decline in capital values of about 20% from the end of 2011 to the end of 2014 for the outside central region (a proxy for the private mass-residential market), and 23% over the same period for the core central region (a broad proxy for the high-end residential market).

We believe mass residential prices will hold up slightly better than the high-end segment because mass-residential demand should be better underpinned, to some extent, by affordability and public (HDB) resale prices, though we suspect that the resilience of the resale market in several years' time would depend on immigration and the overall rate of population growth.

The government's injection of new supply in the public, HDB, market could eventually moderate the resale market and affect demand for private units, but the resale market could still remain tight for several years, as homeowners of newly-built HDB flats would have to fulfil their minimum occupation requirement of five years before they can put their unit up for sale.

The high-end segment has been more subdued year-to-date, with prices in the core central regional flat from end-2011 to end-2Q12, compared with a 2.6% increase in the outside central region. Foreigners' share of private home purchases has fallen from 20% in 2011 to 7% for 1H12, according to National Development Minister Khaw Boon Wan. Although demand for high-end properties could return as foreign buyers begin to gradually accept the 10% additional buyer's stamp duty (ABSD), we believe other issues such as a strict regulatory stance on the Residential Property Act – which requires foreign developers and those with qualifying certificates (QCs) to complete their residential developments within the stipulated project completion period (and sell all units within two years of obtaining temporary occupancy permit [TOP]) or face prohibitive extension charges – could disrupt the market and cause some developers to lower prices on their unsold completed inventory.

The wildcard: government intervention

The resilience of transaction volumes in the primary market and property prices so far in 2012 has not diminished entirely the risk of another set of property cooling measures, directed possibly at financing.

We believe policy risk cannot be ignored unless the price trajectories of all segments of the market are consistent with the government's desire for a 'soft landing'. However, with all government rule changes, the risk is that the next property measure, which would have to be more severe than the previous measures to have its intended effect, could finally trigger a severe property market downturn given the rising levels of unsold inventory and vacant units in the system.

Government cooling measures imposed to date

14 September 2009 – removal of interest-absorption scheme (IAS) and interest-only housing loans (IOL); resumption of government land sales (GLS) programme for 1H10

19 February 2010 – announcement of a seller's stamp duty (SSD) for residential properties sold within one year of purchase and a maximum loan-to-value limit of 80% for all housing loans provided by financial institutions

30 August 2010 – extension of seller's stamp duty (SSD) to all sales within three years of purchase; maximum loan financing of 70% LTV (from 80%) and minimum cash down-payment of 10% (from 5%) for second mortgages; minimum occupation period (MOP) for resale public flats of five years (from three years); no ownership of private properties within MOP; buyers of resale flats must sell their private properties within six months

13 January 2011 – SSD rates were raised to 16%, 12%, 8%, 4% for sales within one, two, three, and four years respectively; LTV ceiling lowered to 60% (from 70%) for second mortgages; LTV ceiling lowered to 50% for housing loans to non-individuals (corporate entities)

7 December 2011 – an additional buyer's stamp duty (ABSD) of 10% for all home purchases by foreigners or non-individuals (corporate entities), an ABSD of 3% for the second or subsequent home for a permanent resident (PR), and an ABSD of 3% for the third or subsequent home for a Singapore citizen. (The ABSD is applied on top of the normal buyer's stamp duty, currently imposed on a sliding scale, capped at a maximum rate of 3%.)

■ Singapore residential: core property assumptions

Singapore residential		2007	2008	2009	2010	2011	2012E	2013E	2014E	Comment
Core assumptions										
Private (excluding ECs)										
Units launched by developers	units	14,016	6,107	14,103	16,575	17,710	21,989	18,743	17,495	Elevated launch schedules to continue
Units sold by developers	units	14,811	4,264	14,688	16,292	15,904	20,890	16,868	15,746	Sales should hold, but unlikely to outpace launches
Take-up rate of launches	%	105.7	69.8	104.1	98.3	89.8	95.0	90.0	90.0	Supply creates demand, but only to a certain extent
Private housing stock										
Net supply	units	1,448	6,392	8,285	8,754	10,525	11,574	11,766	16,000	Record home sales imply record completions
Net demand	units	2,571	4,903	10,520	8,259	7,428	9,403	9,684	13,672	Rental prospects of new units highly uncertain
Vacancy rate	%	5.6	6.1	5.0	5.0	5.9	6.5	6.9	7.3	Vacancy rate to creep up steadily
Rents (annual average)										
Median rental non-landed core central	S$/sq ft/mth	3.43	4.06	3.32	3.69	3.95	3.92	3.58	3.24	Record completions, uncertain population picture
YoY change	%	37.0	18.3	(18.1)	11.0	7.2	(0.7)	(8.8)	(9.3)	
Median rental non-landed outside central	S$/sq ft/mth	1.76	2.15	1.82	1.99	2.17	2.19	2.02	1.87	Record completions, uncertain population picture
YoY change	%	32.7	22.0	(15.4)	9.5	9.3	0.7	(7.7)	(7.2)	
Capital values (end of year)										
Median price non-landed core central	S$/sq ft	1,384	1,306	1,282	1,465	1,523	1,477	1,308	1,170	We expect a multi-year correction
YoY change	%	32.7	(5.6)	(1.8)	14.2	4.0	(3.0)	(11.5)	(10.6)	
Median price non-landed outside central	S$/sq ft	613	596	666	765	824	821	727	663	We expect a multi-year correction
YoY change	%	26.4	(2.9)	11.8	15.0	7.7	(0.4)	(11.5)	(8.7)	
Yield, non-landed core central (end of quarter)	%	3.35	3.57	3.06	3.17	3.13	3.09	3.16	3.22	Rentals more resilient, but yields still low
Yield, non-landed outside central (end of quarter)	%	3.94	4.14	3.18	3.30	3.20	3.13	3.21	3.33	

Source: Singapore URA, Daiwa forecasts

Daiwa Capital Markets

Company

Construction & real estate / Singapore
23 August 2012

The 10-second briefing

CapitaLand

CAPL SP | CLLDY US

Target price: **S$2.34 → S$2.35**
Up/downside: **-23.2%**
Share price (21 Aug): **S$3.06**

No reason to land bank at the peak of the market

- Reiterate Sell (5) rating; we are still wary about the risk factors for the Singapore residential market
- With a dwindling residential landbank in Singapore, we see a risk of it overpaying for high-profile sites at the peak of the market
- Our target price of S$2.35 represents a 38% discount to our SOTP-derived NAV of S$3.79

1 Buy
2 Outperform
3 Hold
4 Underperform
5 **Sell** (unchanged)

David Lum, CFA
(65) 6329 2102
david.lum@sg.daiwacm.com

■ What's new

Given the resilience of the Singapore residential market so far this year, we review our core assumptions.

■ What's the impact

So far in 2012, the residential market is on track to achieve the highest sales volume ever, distorted to some extent by a proliferation of shoebox units, while prices have remained stable (flat HoH for 1H12).

Although we now forecast home sales of 20,890 units for 2012, we believe the risks of rising imbalances in unsold inventory and increased vacancies in the rental market, our two major concerns, are as high as ever. This is because the supply of new units continues to increase, led by an aggressive GLS programme. Aside from raising our 2012-14 launch and home-sales forecasts, we are changing most of our other core assumptions (and risk factors) only slightly.

We are raising our 2013-14 EPS forecasts by 0.8-0.9% to reflect the home sales achieved for existing projects. Our 2012 EPS forecast is unchanged.

■ What we recommend

We reiterate our Sell (5) rating and believe the Singapore property market is still vulnerable to a severe multi-year price correction. Singapore property development accounts for 14-18% of CapitaLand's EBIT for 2012-14, based on our forecasts. Although the exposure is not excessive, we see a risk of overpaying for sites (given the company's dwindling landbank) during the peak of the property market. We are raising our six-month target price, obtained from applying a trough PER of 12.0x to our average EPS forecast for 2012-13, to S$2.35 from S$2.34. Our SOTP-derived NAV for CapitaLand is S$3.79. Since 2004, the stock has traded at an average premium of 16% to our NAV, but the standard deviation is over 32pp.

The major upside risk would be sustained resilience (in prices and volumes) of home prices with no threat of government policy measures.

■ How we differ

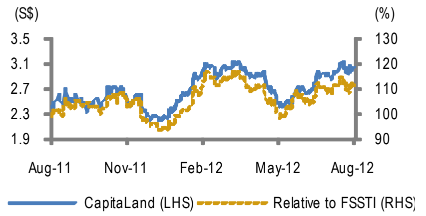
Our target price of S$2.35 is among the lowest on Bloomberg as we believe the market is still underestimating the risks for the Singapore residential market.

Forecast revisions (%)

Year to 31 Dec	12E	13E	14E
Revenue change	(0.2)	0.1	0.1
Net-profit change	0.0	0.9	0.8
EPS change	0.0	0.9	0.8

Source: Daiwa forecasts

Share price performance



12-month range	2.21-3.15
Market cap (US$bn)	10.40
Average daily turnover (US$m)	26.33
Shares outstanding (m)	4,250
Major shareholder	Temasek (39.5%)

Financial summary (S$)

Year to 31 Dec	12E	13E	14E
Revenue (m)	3,331	4,400	4,640
Operating profit (m)	1,776	1,883	2,112
Net profit (m)	818	844	1,026
Core EPS	0.193	0.199	0.241
EPS change (%)	(22.4)	3.1	21.5
Daiwa vs Cons. EPS (%)	21.2	7.9	8.7
PER (x)	15.9	15.4	12.7
Dividend yield (%)	2.0	2.3	2.6
DPS	0.060	0.070	0.080
PBR (x)	0.8	0.8	0.8
EV/EBITDA (x)	7.5	7.4	6.8
ROE (%)	5.4	5.4	6.3

Source: Bloomberg, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
CapitaLand residential Singapore EBIT margin (%)	56.2	43.7	55.2	40.0	42.3	33.5	30.1	30.9
CapitaLand China Holdings EBIT margin (%)	40.9	267.4	85.2	198.3	80.4	31.0	25.7	27.6
CapitaMalls Asia EBIT margin (%)	239.7	144.5	196.2	245.9	242.5	170.8	136.7	151.0
Ascott EBIT margin (%)	73.4	29.9	8.0	42.5	39.3	62.5	38.5	37.7
CapitaLand Financial EBIT margin (%)	58.5	49.6	60.4	88.7	77.5	75.0	75.0	75.0
CapitaValue Homes EBIT margin (%)					(16.0)	(300.0)	25.0	22.9
Overall EBIT margin (%)	100.8	80.4	52.4	76.4	69.1	53.3	42.8	45.5

Profit and loss (S$m)

Year to 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Singapore residential	549	400	674	1,285	774	766	1,132	1,050
CapitaLand China Holdings	985	330	647	327	527	874	999	826
Others	2,259	2,022	1,637	1,771	1,719	1,691	2,270	2,765
Total revenue	**3,793**	**2,752**	**2,957**	**3,383**	**3,020**	**3,331**	**4,400**	**4,640**
Other income	3,066	1,706	1,508	1,852	1,590	1,183	947	1,106
COGS	(2,466)	(1,680)	(1,931)	(2,045)	(1,947)	(2,149)	(2,860)	(3,016)
SG&A	(521)	(412)	(351)	(430)	(491)	(504)	(518)	(532)
Other op. expenses	(47)	(153)	(634)	(175)	(85)	(85)	(85)	(85)
Operating profit	**3,824**	**2,213**	**1,549**	**2,584**	**2,087**	**1,776**	**1,883**	**2,112**
Net-interest inc./(exp.)	(404)	(516)	(454)	(448)	(473)	(497)	(544)	(564)
Assoc/forex/extraord./others	0	0	0	0	0	0	0	0
Pre-tax profit	**3,420**	**1,697**	**1,095**	**2,136**	**1,614**	**1,279**	**1,339**	**1,547**
Tax	(268)	(236)	(86)	(284)	(191)	(176)	(190)	(224)
Min. int./pref. div./others	(393)	(201)	44	(427)	(366)	(285)	(305)	(298)
Net profit (reported)	**2,759**	**1,260**	**1,053**	**1,426**	**1,057**	**818**	**844**	**1,026**
Net profit (adjusted)	**2,759**	**1,260**	**1,053**	**1,426**	**1,057**	**818**	**844**	**1,026**
EPS (reported) (S$)	**0.986**	**0.370**	**0.262**	**0.335**	**0.248**	**0.193**	**0.199**	**0.241**
EPS (adjusted) (S$)	**0.986**	**0.370**	**0.262**	**0.335**	**0.248**	**0.193**	**0.199**	**0.241**
EPS (adjusted fully-diluted) (S$)	**0.986**	**0.370**	**0.262**	**0.335**	**0.248**	**0.193**	**0.199**	**0.241**
DPS (S$)	**0.150**	**0.070**	**0.105**	**0.060**	**0.080**	**0.060**	**0.070**	**0.080**
EBIT	**3,824**	**2,213**	**1,549**	**2,584**	**2,087**	**1,776**	**1,883**	**2,112**
EBITDA	**3,903**	**2,324**	**1,672**	**2,700**	**2,165**	**1,854**	**1,961**	**2,190**

Cash flow (S$m)

Year to 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Profit before tax	3,420	1,697	1,095	2,136	1,614	1,279	1,339	1,547
Depreciation and amortisation	(160)	127	541	98	72	39	39	39
Tax paid	(90)	(168)	(128)	(176)	(195)	(176)	(190)	(224)
Change in working capital	(112)	429	(7)	82	(1,321)	(607)	(120)	(120)
Other operational CF items	(2,503)	(915)	(625)	(1,235)	(972)	(606)	(539)	(510)
Cash flow from operations	**555**	**1,170**	**876**	**905**	**(802)**	**(71)**	**529**	**733**
Capex	(210)	(358)	(206)	(88)	(135)	(17)	(11)	(11)
Net (acquisitions)/disposals	(221)	(628)	3,134	(1,454)	(618)	(333)	(149)	(117)
Other investing CF items	468	50	(547)	(275)	(357)	(1,884)	(45)	(54)
Cash flow from investing	**38**	**(936)**	**2,381**	**(1,817)**	**(1,110)**	**(2,233)**	**(205)**	**(182)**
Change in debt	1,795	932	365	191	1,771	1,845	126	135
Net share issues/(repurchases)	45	23	1,798	22	(61)	0	0	0
Dividends paid	(317)	(423)	(297)	(447)	(256)	(340)	(255)	(298)
Other financing CF items	(440)	(919)	(593)	(356)	(473)	(690)	(690)	(717)
Cash flow from financing	**1,082**	**(388)**	**1,272**	**(590)**	**982**	**816**	**(819)**	**(879)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**1,675**	**(154)**	**4,529**	**(1,502)**	**(931)**	**(1,489)**	**(494)**	**(329)**
Free cash flow	345	812	670	817	(937)	(88)	519	722

Source: Company, Daiwa forecasts

Financial summary continued …

Balance sheet (S$m)

As at 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Cash & short-term investment	4,356	4,228	8,730	7,190	6,264	4,776	4,282	3,953
Inventory	3,541	3,347	3,590	5,667	6,905	7,621	7,721	7,821
Accounts receivable	2,064	1,715	1,302	2,134	1,769	1,767	1,767	1,767
Other current assets	302	254	196	203	195	105	105	105
Total current assets	**10,263**	**9,545**	**13,818**	**15,194**	**15,134**	**14,269**	**13,874**	**13,645**
Fixed assets	1,589	1,633	1,772	1,049	1,076	1,092	1,103	1,114
Goodwill & intangibles	38	589	518	460	459	459	459	459
Other non-current assets	13,952	13,317	14,057	15,184	18,651	21,864	22,955	24,067
Total assets	**25,841**	**25,084**	**30,166**	**31,887**	**35,319**	**37,684**	**38,391**	**39,285**
Short-term debt	1,803	1,871	1,394	1,762	860	860	860	860
Accounts payable	2,890	2,357	1,880	2,050	2,270	2,265	2,245	2,225
Other current liabilities	450	465	461	496	441	454	454	454
Total current liabilities	**5,142**	**4,693**	**3,735**	**4,308**	**3,572**	**3,579**	**3,559**	**3,539**
Long-term debt	8,067	7,919	8,881	8,596	11,330	13,176	13,302	13,437
Other non-current liabilities	767	484	670	1,117	1,178	1,201	1,201	1,201
Total liabilities	**13,976**	**13,096**	**13,286**	**14,022**	**16,080**	**17,956**	**18,062**	**18,177**
Share capital	9,941	10,682	13,408	14,032	14,902	15,371	15,946	16,694
Reserves/R.E./others	0	0	0	0	0	0	0	0
Shareholders' equity	**9,941**	**10,682**	**13,408**	**14,032**	**14,902**	**15,371**	**15,946**	**16,694**
Minority interests	1,924	1,306	3,471	3,833	4,338	4,357	4,383	4,414
Total equity & liabilities	**25,841**	**25,084**	**30,166**	**31,887**	**35,319**	**37,684**	**38,391**	**39,285**
EV	9,573	7,643	9,331	9,996	12,566	13,963	14,493	14,869
Net debt/(cash)	**5,513**	**5,561**	**1,545**	**3,168**	**5,926**	**9,260**	**9,880**	**10,344**
BVPS (S$)	**3.543**	**3.783**	**3.156**	**3.292**	**3.511**	**3.616**	**3.752**	**3.928**

Key ratios (%)

Year to 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Sales (YoY)	20.5	(27.4)	7.4	14.4	(10.8)	10.3	32.1	5.5
EBITDA (YoY)	105.1	(40.5)	(28.1)	61.5	(19.8)	(14.4)	5.8	11.7
Operating profit (YoY)	109.9	(42.1)	(30.0)	66.8	(19.3)	(14.9)	6.1	12.1
Net profit (YoY)	171.1	(54.3)	(16.4)	35.4	(25.8)	(22.6)	3.2	21.5
EPS (YoY)	168.2	(62.4)	(29.2)	27.7	(25.9)	(22.4)	3.1	21.5
Gross-profit margin	35.0	39.0	34.7	39.6	35.5	35.5	35.0	35.0
EBITDA margin	n.m.	84.4	56.5	79.8	71.7	55.6	44.6	47.2
Operating-profit margin	n.m.	80.4	52.4	76.4	69.1	53.3	42.8	45.5
ROAE	27.8	12.2	8.7	10.4	7.3	5.4	5.4	6.3
ROAA	10.7	4.9	3.8	4.6	3.1	2.2	2.2	2.6
ROCE	17.6	10.2	6.3	9.3	7.0	5.4	5.5	6.0
ROIC	20.3	10.9	7.9	11.4	8.0	5.7	5.5	5.9
Net debt to equity	55.5	52.1	11.5	22.6	39.8	60.2	62.0	62.0
Effective tax rate	7.8	13.9	7.9	13.3	11.8	13.7	14.2	14.4
Accounts receivable (days)	198.7	250.6	186.2	185.3	235.9	193.7	146.5	139.0
Payables (days)	278.1	347.9	261.5	212.0	261.1	248.5	187.0	175.8
Net interest cover (x)	9.5	4.3	3.4	5.8	4.4	3.6	3.5	3.7
Net dividend payout	15.2	18.9	40.1	17.9	32.2	31.2	35.2	33.1

Source: Company, Daiwa forecasts

Company profile

CapitaLand is one of Asia's largest integrated real-estate companies. Its real-estate and hospitality portfolio, which includes homes, offices, shopping malls, serviced residences, mixed developments, and affordable homes, spans more than 110 cities in over 20 countries. CapitaLand's geographic exposure by total assets includes Singapore (31%), China (41%), Australia (16%), the rest of Asia (10%), and Europe (2%) as at 30 June 2012.

■ CapitaLand: Daiwa SOTP valuation

	Value S$m
CL Residential Singapore	2,582
CL China Holdings	5,962
CL Commercial	2,118
Ascott	1,765
CapitaValue Homes/Surbana	710
CL Financial	662
Others (group liabilities and borrowings)	(3,245)
CapitaMalls Asia	4,208
Australand	1,339
Total NAV	16,102
Shares (m)	4,250
Daiwa NAV (S$ per share)	**3.79**

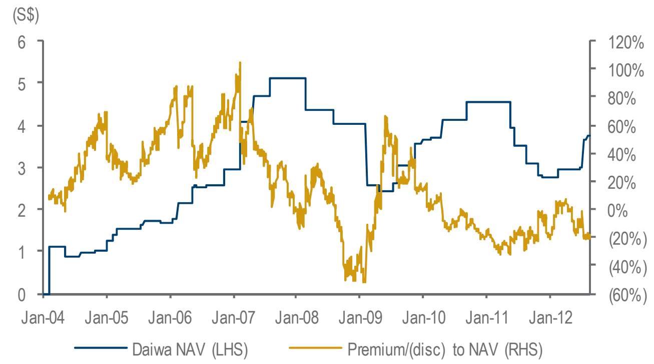
Source: Daiwa estimates

■ CapitaLand: Daiwa NAV breakdown

Singapore residential	13%
China (residential, commercial, and mixed developments)	31%
Commercial (unlisted)	4%
CCT SP	**7%**
ART SP	**4%**
Ascott (ex-ART)	5%
CT SP	**6%**
CRCT SP	**1%**
CMMT MK	**1%**
CMA's China operations (excluding CRCT)	**5%**
Other CMA operations	**9%**
ALZ AU	**7%**
Others	7%
Total NAV	100%

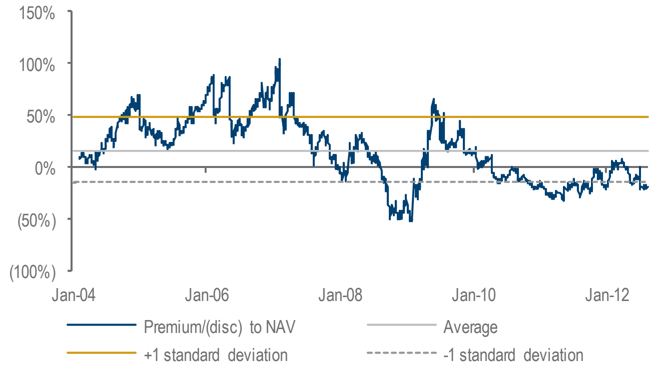
Source: Daiwa estimates; Note: those shaded in blue represent other listed entities

■ CapitaLand: Daiwa NAV and premium/discount to Daiwa NAV



Source: Bloomberg, Daiwa estimates

■ CapitaLand: premium/discount to Daiwa NAV



Source: Bloomberg, Daiwa estimates

Daiwa Capital Markets

Company

Construction & real estate / Singapore
23 August 2012

The 10-second briefing

City Developments

CIT SP | CDEVY US

Target price: **S$8.60 → S$8.90**
Up/downside: **-22.7%**
Share price (21 Aug): **S$11.52**

High exposure to Singapore residential market is a major risk

- Reiterate Sell (5) rating for its high exposure (42-45% of pre-tax profit for 2012-14E) to the Singapore residential market
- Strong home sales and stable prices YTD have not improved the rising imbalances of unsold inventory, vacancies in rental market
- Our revised target price of S$8.90 represents a 24% discount to our SOTP-derived NAV of S$11.65

1 Buy
2 Outperform
3 Hold
4 Underperform
5 **Sell** (unchanged)

David Lum, CFA
(65) 6329 2102
david.lum@sg.daiwacm.com

■ What's new

We are reassessing our assumptions given the resilience of the Singapore property market year-to-date.

■ What's the impact

So far this year, the residential market is on track to achieve its highest sales volume ever, distorted to some extent by a proliferation of shoebox units, while prices have remained stable (flat HoH).

Although we now forecast home sales of 20,890 units for 2012, we believe the risks of increased imbalances in unsold inventory and increased vacancies in the rental market, our two major concerns, are as high as ever. This is because the supply of new units is continuing to build up, led by an aggressive GLS programme. Aside from revising up our 2012-14 annual launch and home-sale forecasts, we are leaving most of our other core assumptions (and risk factors) unchanged.

We are revising up our 2012-14 EPS forecasts by 1.6-6.0% to reflect the home sales achieved for existing projects and the stable year-to-date home prices.

■ What we recommend

We reiterate our Sell (5) rating and believe the Singapore property market is still vulnerable to a severe multi-year price correction. Property development (predominantly from Singapore) represents about 42-45% of CDL's pre-tax profit for 2012-14, based on our forecasts. We are raising our six-month target price, obtained from applying a trough PER of 14.7x (the average for the three previous major corrections) to our average EPS forecasts for 2012-13, to S$8.90 from S$8.60.

Our SOTP-derived NAV for CDL is S$11.65. Since 2004, CDL has traded at an average premium of 5% to our NAV, though the standard deviation is over 20pp. The major upside catalyst to our Negative call would be the sustained resilience (in prices and volumes) of home prices, with no threat of government policy measures.

■ How we differ

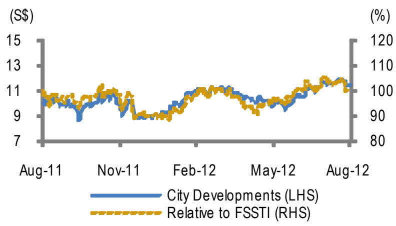
Our revised 2012-14 EPS forecasts are still 5.1-24.1% lower than those of the Bloomberg consensus and our target price of S$8.90 is among the lowest in the market.

Forecast revisions (%)

Year to 31 Dec	12E	13E	14E
Revenue change	0.4	0.9	1.1
Net-profit change	1.6	4.5	6.0
EPS change	1.6	4.5	6.0

Source: Daiwa forecasts

Share price performance



12-month range	8.76-11.98
Market cap (US$bn)	8.38
Average daily turnover (US$m)	7.70
Shares outstanding (m)	909
Major shareholder	Hong Leong (Kwek Leng Beng) (48.4%)

Financial summary (S$)

Year to 31 Dec	12E	13E	14E
Revenue (m)	3,351	3,369	3,492
Operating profit (m)	913	787	797
Net profit (m)	587	509	550
Core EPS	0.645	0.559	0.605
EPS change (%)	(25.3)	(13.3)	8.1
Daiwa vs Cons. EPS (%)	(5.1)	(24.1)	(22.6)
PER (x)	17.8	20.6	19.1
Dividend yield (%)	1.3	1.1	1.3
DPS	0.150	0.130	0.150
PBR (x)	1.5	1.4	1.4
EV/EBITDA (x)	11.7	12.3	11.5
ROE (%)	8.7	7.2	7.3

Source: Bloomberg, Daiwa forecasts

Financial summary

■ Key assumptions

Year to 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Interest cover ratio	6.2	6.8	11.5	14.4	13.9	10.5	9.7	11.4
Property development margin (%)	58.8	61.6	37.6	37.4	39.9	30.7	28.9	28.7
Hotel operations margin (%)	14.4	13.1	8.9	13.0	18.0	16.2	16.1	16.3
Rental properties margin (%)	66.3	55.3	43.8	127.1	116.0	61.9	56.2	59.3
Overall pre-tax margin (%)	30.7	28.3	25.4	34.4	34.6	28.0	24.8	25.0

■ Profit and loss (S$m)

Year to 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Property development	862	773	1,447	1,125	1,344	1,275	1,286	1,365
Hotel operations	1,987	1,866	1,492	1,577	1,563	1,685	1,698	1,745
Others	258	306	334	401	373	391	385	382
Total revenue	**3,106**	**2,945**	**3,273**	**3,103**	**3,280**	**3,351**	**3,369**	**3,492**
Other income	29	138	8	291	254	60	21	22
COGS	(1,478)	(1,271)	(1,638)	(1,451)	(1,507)	(1,578)	(1,668)	(1,754)
SG&A	(523)	(505)	(461)	(484)	(490)	(502)	(510)	(526)
Other op. expenses	(396)	(528)	(376)	(470)	(409)	(419)	(425)	(437)
Operating profit	**738**	**780**	**807**	**990**	**1,127**	**913**	**787**	**797**
Net-interest inc./(exp.)	(70)	(85)	(38)	(33)	(53)	(50)	(45)	(33)
Assoc/forex/extraord./others	287	139	63	110	62	76	94	109
Pre-tax profit	**955**	**834**	**832**	**1,068**	**1,136**	**939**	**836**	**874**
Tax	(65)	(152)	(161)	(202)	(175)	(160)	(138)	(144)
Min. int./pref. div./others	(177)	(114)	(90)	(94)	(176)	(192)	(189)	(180)
Net profit (reported)	**712**	**568**	**581**	**771**	**786**	**587**	**509**	**550**
Net profit (adjusted)	**712**	**568**	**581**	**771**	**786**	**587**	**509**	**550**
EPS (reported) (S$)	**0.783**	**0.625**	**0.638**	**0.848**	**0.864**	**0.645**	**0.559**	**0.605**
EPS (adjusted) (S$)	**0.783**	**0.625**	**0.638**	**0.848**	**0.864**	**0.645**	**0.559**	**0.605**
EPS (adjusted fully-diluted) (S$)	**0.358**	**0.285**	**0.292**	**0.387**	**0.395**	**0.295**	**0.255**	**0.276**
DPS (S$)	**0.300**	**0.075**	**0.080**	**0.180**	**0.180**	**0.150**	**0.130**	**0.150**
EBIT	**738**	**780**	**807**	**990**	**1,127**	**913**	**787**	**797**
EBITDA	**1,161**	**1,050**	**1,004**	**1,241**	**1,323**	**1,122**	**1,014**	**1,040**

■ Cash flow (S$m)

Year to 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Profit before tax	955	834	832	1,068	1,136	939	836	874
Depreciation and amortisation	136	132	134	141	133	133	133	133
Tax paid	(98)	(79)	(72)	(106)	(162)	(168)	(149)	(141)
Change in working capital	(453)	(366)	116	(279)	91	(436)	185	111
Other operational CF items	(279)	(73)	(23)	(311)	(216)	(206)	(207)	(241)
Cash flow from operations	**260**	**448**	**986**	**512**	**983**	**262**	**798**	**736**
Capex	(10)	(19)	(242)	(42)	(195)	(100)	(50)	(50)
Net (acquisitions)/disposals	(631)	(325)	(55)	255	195	(9)	0	0
Other investing CF items	45	106	43	158	52	243	85	98
Cash flow from investing	**(596)**	**(237)**	**(254)**	**371**	**53**	**134**	**35**	**48**
Change in debt	725	158	(356)	104	61	(243)	(481)	(459)
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(260)	(236)	(96)	(100)	(247)	(177)	(149)	(131)
Other financing CF items	(184)	(41)	(76)	30	(233)	(127)	(118)	(102)
Cash flow from financing	**281**	**(119)**	**(528)**	**35**	**(420)**	**(547)**	**(748)**	**(692)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**(55)**	**92**	**204**	**918**	**616**	**(150)**	**85**	**92**
Free cash flow	250	429	744	470	788	162	748	686

Source: Company, Daiwa forecasts

Financial summary continued ...

Balance sheet (S$m)

As at 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Cash & short-term investment	712	776	981	1,874	2,603	2,339	2,424	2,516
Inventory	2,578	2,920	3,279	3,471	3,244	3,617	3,431	3,320
Accounts receivable	1,075	1,099	758	877	1,201	1,336	1,336	1,336
Other current assets	82	31	58	130	38	38	38	38
Total current assets	**4,447**	**4,826**	**5,076**	**6,351**	**7,086**	**7,329**	**7,229**	**7,210**
Fixed assets	4,258	4,162	3,617	3,410	3,313	3,375	3,375	3,375
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	3,514	3,536	4,600	4,361	4,564	4,478	4,478	4,478
Total assets	**12,219**	**12,524**	**13,292**	**14,123**	**14,962**	**15,181**	**15,081**	**15,062**
Short-term debt	799	862	818	780	1,477	1,199	1,199	1,199
Accounts payable	585	641	796	944	982	1,052	1,052	1,052
Other current liabilities	141	187	251	296	361	331	331	331
Total current liabilities	**1,525**	**1,690**	**1,865**	**2,020**	**2,819**	**2,582**	**2,582**	**2,582**
Long-term debt	3,235	3,287	3,198	3,425	2,929	2,964	2,483	2,025
Other non-current liabilities	542	525	566	563	518	510	510	510
Total liabilities	**5,302**	**5,501**	**5,628**	**6,009**	**6,266**	**6,056**	**5,576**	**5,117**
Share capital	2,322	2,322	2,322	2,322	2,322	2,322	2,322	2,322
Reserves/R.E./others	2,877	3,108	3,651	4,075	4,505	4,928	5,301	5,732
Shareholders' equity	**5,199**	**5,430**	**5,972**	**6,396**	**6,827**	**7,250**	**7,622**	**8,054**
Minority interests	1,718	1,593	1,692	1,718	1,869	1,875	1,883	1,891
Total equity & liabilities	**12,219**	**12,524**	**13,292**	**14,123**	**14,962**	**15,181**	**15,081**	**15,062**
EV	14,684	14,398	14,180	13,589	13,052	13,077	12,519	11,976
Net debt/(cash)	**3,322**	**3,373**	**3,035**	**2,332**	**1,803**	**1,824**	**1,258**	**707**
BVPS (S$)	**5.354**	**5.608**	**6.205**	**6.671**	**7.145**	**7.610**	**8.020**	**8.494**

Key ratios (%)

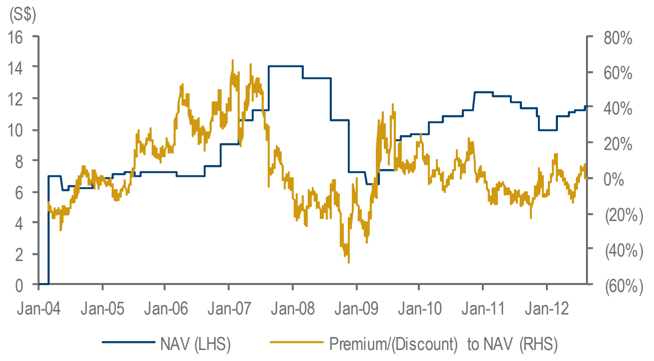
Year to 31 Dec	2007	2008	2009	2010	2011	2012E	2013E	2014E
Sales (YoY)	22.0	(5.2)	11.1	(5.2)	5.7	2.2	0.5	3.7
EBITDA (YoY)	23.0	(9.5)	(4.4)	23.6	6.6	(15.1)	(9.6)	2.5
Operating profit (YoY)	9.6	5.6	3.5	22.7	13.9	(19.0)	(13.7)	1.3
Net profit (YoY)	86.8	(20.2)	2.2	32.8	1.9	(25.3)	(13.3)	8.1
EPS (YoY)	88.0	(20.2)	2.2	32.8	1.9	(25.3)	(13.3)	8.1
Gross-profit margin	52.4	56.8	50.0	53.3	54.0	52.9	50.5	49.8
EBITDA margin	37.4	35.7	30.7	40.0	40.3	33.5	30.1	29.8
Operating-profit margin	23.8	26.5	24.7	31.9	34.4	27.2	23.4	22.8
ROAE	15.4	11.4	10.8	13.2	12.5	8.7	7.2	7.3
ROAA	6.1	4.6	4.5	5.6	5.4	3.9	3.4	3.6
ROCE	7.1	7.1	7.1	8.3	8.9	6.9	5.9	6.1
ROIC	7.2	6.2	6.2	7.6	9.1	7.1	6.1	6.2
Net debt to equity	63.9	62.1	50.8	36.5	26.4	25.2	16.5	8.8
Effective tax rate	6.9	18.2	19.4	18.9	15.4	17.1	16.5	16.4
Accounts receivable (days)	104.6	134.7	103.5	96.1	115.6	138.1	144.7	139.6
Payables (days)	68.0	76.0	80.1	102.3	107.1	110.8	114.0	110.0
Net interest cover (x)	10.5	9.2	21.1	29.9	21.3	18.2	17.4	24.1
Net dividend payout	38.3	12.0	12.5	21.2	20.8	23.2	23.2	24.8

Source: Company, Daiwa forecasts

Company profile

City Developments Limited (CDL) is a property and hotel company. Millennium & Copthorne Hotels plc (M&C), its London-listed hotel arm, owns and operates 104 hotels globally. CDL is one of the biggest landlords in Singapore with over 4m sq ft of lettable commercial and residential space. It also owns one of the largest private landbanks in Singapore with the potential for 5.79m sq ft of developed GFA as at 30 June 2012.

■ **CDL: Daiwa NAV and premium/discount to Daiwa NAV**



Source: Bloomberg, Daiwa estimates

■ **CDL:** Daiwa's **SOTP valuation**

Value of item	S$m	S$/share
Millennium & Copthorne (MLC LN)	1,711	1.88
Share of City e-Solutions (557 HK)	18	0.02
Investment properties	6,277	6.90
Properties under development, landbank	4,514	4.96
Total	12,521	13.77
Net borrowing and adjustments	**(1,927)**	(2.12)
Daiwa NAV	10,594	**11.65**

Source: Daiwa estimates

Daiwa Capital Markets

Daiwa's Asia Pacific Research Directory

HONG KONG

Nagahisa MIYABE	(852) 2848 4971	nagahisa.miyabe@hk.daiwacm.com
Regional Research Head		
Christopher LOBELLO	(852) 2848 4916	christopher.lobello@hk.daiwacm.com
Regional Research Co-head		
John HETHERINGTON	(852) 2773 8787	john.hetherington@hk.daiwacm.com
Head of Product Management		
Tathagata Guha ROY	(852) 2773 8731	tathagata.guharoy@hk.daiwacm.com
Head of Thematic Research; Product Management		
Mingchun SUN	(852) 2773 8751	mingchun.sun@hk.daiwacm.com
Head of China Research; Chief Economist (Regional)		
Dave DAI	(852) 2848 4068	dave.dai@hk.daiwacm.com
Deputy Head of Hong Kong and China Research; Pan-Asia/Regional Head of Clean Energy and Utilities; Utilities; Power Equipment; Renewables (Hong Kong, China)		
Kevin LAI	(852) 2848 4926	kevin.lai@hk.daiwacm.com
Deputy Head of Regional Economics; Macro Economics (Regional)		
Chi SUN	(852) 2848 4427	chi.sun@hk.daiwacm.com
Macro Economics (China)		
Jonas KAN	(852) 2848 4439	jonas.kan@hk.daiwacm.com
Head of Hong Kong Research; Head of Hong Kong and China Property; Regional Property Coordinator; Property Developers (Hong Kong)		
Jeff CHUNG	(852) 2773 8783	jeff.chung@hk.daiwacm.com
Automobiles and Components (China)		
Grace WU	(852) 2532 4383	grace.wu@hk.daiwacm.com
Head of Greater China FIG; Banking (Hong Kong, China)		
Jerry YANG	(852) 2773 8842	jerry.yang@hk.daiwacm.com
Banking/Diversified Financials (Taiwan)		
Joseph HO	(852) 2848 4443	joseph.ho@hk.daiwacm.com
Capital Goods –Electronics Equipments and Machinery (Hong Kong, China)		
Bing ZHOU	(852) 2773 8782	bing.zhou@hk.daiwacm.com
Consumer/Retail (Hong Kong, China)		
Hongxia ZHU	(852) 2848 4460	hongxia.zhu@hk.daiwacm.com
Consumer, Pharmaceuticals and Healthcare (China)		
Eric CHEN	(852) 2773 8702	eric.chen@hk.daiwacm.com
Pan-Asia/Regional Head of IT/Electronics; Semiconductor/IC Design (Regional)		
Alexander LATZER	(852) 2848 4463	alexander.latzer@hk.daiwacm.com
Pan-Asia/Regional Head of Materials; Materials/Energy (Regional)		
Felix LAM	(852) 2532 4341	felix.lam@hk.daiwacm.com
Materials – Cement and Building Materials (China and Taiwan)		
Mark CHANG	(852) 2773 8729	mark.chang@hk.daiwacm.com
Regional Head of Small/Medium Cap; Small/Medium Cap (Regional)		
John CHOI	(852) 2773 8730	john.choi@hk.daiwacm.com
Small/Medium Cap (Regional)		
Cris XU	(852) 2773 8736	cris.xu@hk.daiwacm.com
Small/Medium Cap (Regional)		
Pranab Kumar SARMAH	(852) 2848 4441	pranab.sarmah@hk.daiwacm.com
Head of Solar		
Kelvin LAU	(852) 2848 4467	kelvin.lau@hk.daiwacm.com
Transportation – Aviation, Land and Transportation Infrastructure (Regional)		
Justin LAU	(852) 2773 8741	justin.lau@hk.daiwacm.com
Head of Custom Products Group; Custom Products Group		
Philip LO	(852) 2773 8714	philip.lo@hk.daiwacm.com
Custom Products Group		
Jibo MA	(852) 2848 4489	jibo.ma@hk.daiwacm.com
Custom Products Group		

PHILIPPINES

Alvin AROGO	(63) 2 813 7344 ext 301	alvin.arogo@dbpdaiwacm.com.ph
Economy; Consumer; Power and Utilities; Transportation – Aviation		
Danielo PICACHE	(63) 2 813 7344 ext 293	danielo.picache@dbpdaiwacm.com.ph
Property; Banking; Transportation – Port		

SOUTH KOREA

Chang H LEE	(82) 2 787 9177	chlee@kr.daiwacm.com
Head of Korea Research; Strategy; Banking/Finance		
Sung Yop CHUNG	(82) 2 787 9157	sychung@kr.daiwacm.com
Pan-Asia Co-head/Regional Head of Automobiles and Components; Automobiles; Shipbuilding; Steel		
Anderson CHA	(82) 2 787 9185	anderson.cha@kr.daiwacm.com
Banking/Finance		
Mike OH	(82) 2 787 9179	mike.oh@kr.daiwacm.com
Capital Goods (Construction and Machinery)		
Sang Hee PARK	(82) 2 787 9165	sanghee.park@kr.daiwacm.com
Consumer/Retail		
Jae H LEE	(82) 2 787 9173	jhlee@kr.daiwacm.com
IT/Electronics (Tech Hardware and Memory Chips)		
Jihye CHOI	(82) 2 787 9121	jihye.choi@kr.daiwacm.com
Materials (Chemicals); Oil and Gas		
Thomas Y KWON	(82) 2 787 9181	yskwon@kr.daiwacm.com
Pan-Asia Head of Internet & Telecommunications; Software (Korea) – Internet/On-line Game		
Shannen PARK	(82) 2 787 9184	shannen.park@kr.daiwacm.com
Custom Products Group		

TAIWAN

Yoshihiko KAWASHIMA	(886) 2 8758 6247	y.kawashima@daiwacm-cathay.com.tw
Consumer/Retail		
Christine WANG	(886) 2 8758 6249	christine.wang@daiwacm-cathay.com.tw
IT/Technology Hardware (PC Hardware)		
Alex CHANG	(886) 2 8758 6248	alex.chang@daiwacm-cathay.com.tw
IT/Technology Hardware (Handsets and Components)		
Chris LIN	(886) 2 8758 6251	chris.lin@daiwacm-cathay.com.tw
IT/Technology Hardware (Panels)		

INDIA

Punit SRIVASTAVA	(91) 22 6622 1013	punit.srivastava@in.daiwacm.com
Head of Research; Strategy; Banking/Finance		
Saurabh MEHTA	(91) 22 6622 1009	saurabh.mehta@in.daiwacm.com
Capital Goods; Utilities		
Mihir SHAH	(91) 22 6622 1020	mihir.shah@in.daiwacm.com
FMCG/Consumer		
Deepak PODDAR	(91) 22 6622 1016	deepak.poddar@in.daiwacm.com
Materials		
Nirmal RAGHAVAN	(91) 22 6622 1018	nirmal.raghavan@in.daiwacm.com
Oil and Gas; Utilities		

SINGAPORE

Tony DARWELL	(65) 6321 3050	tony.darwell@sg.daiwacm.com
Head of Singapore Research, Pan-Asia Head of Property		
Srikanth VADLAMANI	(65) 6499 6570	srikanth.vadlamani@sg.daiwacm.com
Banking (ASEAN)		
Adrian LOH	(65) 6499 6548	adrian.loh@sg.daiwacm.com
Regional Head of Oil and Gas; Oil and Gas (ASEAN and China); Capital Goods (Singapore)		
David LUM	(65) 6329 2102	david.lum@sg.daiwacm.com
Property and REITs		
Ramakrishna MARUVADA	(65) 6499 6543	ramakrishna.maruvada@sg.daiwacm.com
Head of ASEAN & India Telecommunications; Telecommunications (ASEAN & India)		

Daiwa
Capital Markets

Daiwa's Offices

Office / Branch / Affiliate	Address	Tel	Fax
DAIWA SECURITIES GROUP INC			
HEAD OFFICE	Gran Tokyo North Tower, 1-9-1, Marunouchi, Chiyoda-ku, Tokyo, 100-6753	(81) 3 5555 3111	(81) 3 5555 0661
Daiwa Securities Trust Company	One Evertrust Plaza, Jersey City, NJ 07302, U.S.A.	(1) 201 333 7300	(1) 201 333 7726
Daiwa Securities Trust and Banking (Europe) PLC (Head Office)	5 King William Street, London EC4N 7JB, United Kingdom	(44) 207 320 8000	(44) 207 410 0129
Daiwa Europe Trustees (Ireland) Ltd	Level 3, Block 5, Harcourt Centre, Harcourt Road, Dublin 2, Ireland	(353) 1 603 9900	(353) 1 478 3469
Daiwa Capital Markets America Inc	Financial Square, 32 Old Slip, New York, NY10005, U.S.A.	(1) 212 612 7000	(1) 212 612 7100
Daiwa Capital Markets America Inc. San Francisco Branch	555 California Street, Suite 3360, San Francisco, CA 94104, U.S.A.	(1) 415 955 8100	(1) 415 956 1935
Daiwa Capital Markets Europe Limited	5 King William Street, London EC4N 7AX, United Kingdom	(44) 20 7597 8000	(44) 20 7597 8600
Daiwa Capital Markets Europe Limited, Frankfurt Branch	Trianon Building, Mainzer Landstrasse 16, 60325 Frankfurt am Main, Federal Republic of Germany	(49) 69 717 080	(49) 69 723 340
Daiwa Capital Markets Europe Limited, Paris Representative Office	36, rue de Naples, 75008 Paris, France	(33) 1 56 262 200	(33) 1 47 550 808
Daiwa Capital Markets Europe Limited, London, Geneva Branch	50 rue du Rhône, P.O.Box 3198, 1211 Geneva 3, Switzerland	(41) 22 818 7400	(41) 22 818 7441
Daiwa Capital Markets Europe Limited, Moscow Representative Office	Midland Plaza 7th Floor, 10 Arbat Street, Moscow 119002, Russian Federation	(7) 495 641 3416	(7) 495 775 6238
Daiwa Capital Markets Europe Limited, Bahrain Branch	7th Floor, The Tower, Bahrain Commercial Complex, P.O. Box 30069, Manama, Bahrain	(973) 17 534 452	(973) 17 535 113
Daiwa Capital Markets Hong Kong Limited	Level 28, One Pacific Place, 88 Queensway, Hong Kong	(852) 2525 0121	(852) 2845 1621
Daiwa Capital Markets Singapore Limited	6 Shenton Way #26-08, DBS Building Tower Two, Singapore 068809, Republic of Singapore	(65) 6220 3666	(65) 6223 6198
Daiwa Capital Markets Australia Limited	Level 34, Rialto North Tower, 525 Collins Street, Melbourne, Victoria 3000, Australia	(61) 3 9916 1300	(61) 3 9916 1330
DBP-Daiwa Capital Markets Philippines, Inc	18th Floor, Citibank Tower, 8741 Paseo de Roxas, Salcedo Village, Makati City, Republic of the Philippines	(632) 813 7344	(632) 848 0105
Daiwa-Cathay Capital Markets Co Ltd	14/F, 200, Keelung Road, Sec 1, Taipei, Taiwan, R.O.C.	(886) 2 2723 9698	(886) 2 2345 3638
Daiwa Securities Capital Markets Korea Co., Ltd.	One IFC, 10 Gukjegeumyung-Ro, Yeouido-dong, Yeongdeungpo-gu, Seoul, 150-876, Korea	(82) 2 787 9100	(82) 2 787 9191
Daiwa Securities Capital Markets Co Ltd, Beijing Representative Office	Room 3503/3504, SK Tower, No.6 Jia Jianguomen Wai Avenue, Chaoyang District, Beijing 100022, People's Republic of China	(86) 10 6500 6688	(86) 10 6500 3594
Daiwa SSC Securities Co Ltd	45/F, Hang Seng Tower, 1000 Lujiazui Ring Road, Pudong, Shanghai 200120, People's Republic of China	(86) 21 3858 2000	(86) 21 3858 2111
Daiwa Securities Capital Markets Co. Ltd, Bangkok Representative Office	18th Floor, M Thai Tower, All Seasons Place, 87 Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	(66) 2 252 5650	(66) 2 252 5665
Daiwa Capital Markets India Private Ltd	10th Floor, 3 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra East, Mumbai – 400051, India	(91) 22 6622 1000	(91) 22 6622 1019
Daiwa Securities Capital Markets Co. Ltd, Hanoi Representative Office	Suite 405, Pacific Palace Building, 83B, Ly Thuong Kiet Street, Hoan Kiem Dist. Hanoi, Vietnam	(84) 4 3946 0460	(84) 4 3946 0461
DAIWA INSTITUTE OF RESEARCH LTD			
HEAD OFFICE	15-6, Fuyuki, Koto-ku, Tokyo, 135-8460, Japan	(81) 3 5620 5100	(81) 3 5620 5603
MARUNOUCHI OFFICE	Gran Tokyo North Tower, 1-9-1, Marunouchi, Chiyoda-ku, Tokyo, 100-6756	(81) 3 5555 7011	(81) 3 5202 2021
New York Research Center	11th Floor, Financial Square, 32 Old Slip, NY, NY 10005-3504, U.S.A.	(1) 212 612 6100	(1) 212 612 8417
London Research Centre	3/F, 5 King William Street, London, EC4N 7AX, United Kingdom	(44) 207 597 8000	(44) 207 597 8550

Disclaimer

This publication is produced by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, and distributed by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, except to the extent expressly provided herein. This publication and the contents hereof are intended for information purposes only, and may be subject to change without further notice. Any use, disclosure, distribution, dissemination, copying, printing or reliance on this publication for any other purpose without our prior consent or approval is strictly prohibited. Neither Daiwa Securities Group Inc. nor any of its respective parent, holding, subsidiaries or affiliates, nor any of its respective directors, officers, servants and employees, represent nor warrant the accuracy or completeness of the information contained herein or as to the existence of other facts which might be significant, and will not accept any responsibility or liability whatsoever for any use of or reliance upon this publication or any of the contents hereof. Neither this publication, nor any content hereof, constitute, or are to be construed as, an offer or solicitation of an offer to buy or sell any of the securities or investments mentioned herein in any country or jurisdiction nor, unless expressly provided, any recommendation or investment opinion or advice. Any view, recommendation, opinion or advice expressed in this publication may not necessarily reflect those of Daiwa Securities Capital Markets Co. Ltd., and/or its affiliates nor any of its respective directors, officers, servants and employees except where the publication states otherwise. This research report is not to be relied upon by any person in making any investment decision or otherwise advising with respect to, or dealing in, the securities mentioned, as it does not take into account the specific investment objectives, financial situation and particular needs of any person.

Daiwa Securities Group Inc., its subsidiaries or affiliates, or its or their respective directors, officers and employees from time to time have trades as principals, or have positions in, or have other interests in the securities of the company under research including derivatives in respect of such securities or may have also performed investment banking and other services for the issuer of such securities. The following are additional disclosures.

Japan

Daiwa Securities Co. Ltd. and Daiwa Securities Group Inc.
Daiwa Securities Co. Ltd. is a subsidiary of Daiwa Securities Group Inc.
Investment Banking Relationship

Within the preceding 12 months, The subsidiaries and/or affiliates of Daiwa Securities Group Inc. * has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SBI Holdings Inc. (6488 HK); Shunfeng Photovoltaic International Ltd. (1165 HK); Rexlot Holdings Limited (555 HK); China Outfitters Holdings Limited (1146 HK); Beijing Jingneng Clean Energy Co. Limited (579 HK); Infraware Inc. (041020 KS)

*Subsidiaries of Daiwa Securities Group Inc. for the purposes of this section shall mean any one or more of: Daiwa Capital Markets Hong Kong Limited, Daiwa Capital Markets Singapore Limited, Daiwa Capital Markets Australia Limited, Daiwa Capital Markets India Private Limited, Daiwa-Cathay Capital Markets Co., Ltd., Daiwa Securities Capital Markets Korea Co., Ltd.

Hong Kong

This research is distributed in Hong Kong by Daiwa Capital Markets Hong Kong Limited ("DHK") which is regulated by the Hong Kong Securities and Futures Commission. Recipients of this research in Hong Kong may contact DHK in respect of any matter arising from or in connection with this research.
Ownership of Securities
For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.
Investment Banking Relationship
For "Investment Banking Relationship", please visit BlueMatrix disclosure Link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.
Relevant Relationship (DHK)
DHK may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.
DHK market making
DHK may from time to time make a market in securities covered by this research.

Singapore

This research is distributed in Singapore by Daiwa Capital Markets Singapore Limited and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these category of investors, Daiwa Capital Markets Singapore Limited and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of Daiwa Capital Markets Singapore Limited's interest and/or its representative's interest in securities). Recipients of this research in Singapore may contact Daiwa Capital Markets Singapore Limited in respect of any matter arising from or in connection with the research.

Australia

This research is distributed in Australia by Daiwa Capital Markets Stockbroking Limited and it may only be distributed in Australia to wholesale investors within the meaning of the Corporations Act. Recipients of this research in Australia may contact Daiwa Capital Markets Stockbroking Limited in respect of any matter arising from or in connection with the research.
Ownership of Securities
For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

India

This research is distributed by Daiwa Capital Markets India Private Limited (DAIWA) which is an intermediary registered with Securities & Exchange Board of India. This report is not to be considered as an offer or solicitation for any dealings in securities. While the information in this report has been compiled by DAIWA in good faith from sources believed to be reliable, no representation or warranty, express of implied, is made or given as to its accuracy, completeness or correctness. DAIWA its officers, employees, representatives and agents accept no liability whatsoever for any loss or damage whether direct, indirect, consequential or otherwise howsoever arising (whether in negligence or otherwise) out of or in connection with or from any use of or reliance on the contents of and/or omissions from this document. Consequently DAIWA expressly disclaims any and all liability for, or based on or relating to any such information contained in or errors in or omissions in this report. Accordingly, you are recommended to seek your own legal, tax or other advice and should rely solely on your own judgment, review and analysis, in evaluating the information in this document. The data contained in this document is subject to change without any prior notice DAIWA reserves its right to modify this report as maybe required from time to time. DAIWA is committed to providing independent recommendations to its Clients and would be happy to provide any information in response to any query from its Clients. This report is strictly confidential and is being furnished to you solely for your information. The information contained in this document should not be reproduced (in whole or in part) or redistributed in any form to any other person. We and our group companies, affiliates, officers, directors and employees may from time to time, have long or short positions, in and buy sell the securities thereof, of company(ies) mentioned herein or be engaged in any other transactions involving such securities and earn brokerage or other compensation or act as advisor or have the potential conflict of interest with respect to any recommendation and related information or opinion. DAIWA prohibits its analyst and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analyst cover. This report is not intended or directed for distribution to, or use by any person, citizen or entity which is resident or located in any state or country or jurisdiction where such publication, distribution or use would be contrary to any statutory legislation, or regulation which would require DAIWA and its affiliates/ group companies to any registration or licensing requirements. The views expressed in the report accurately reflect the analyst's personal views about the securities and issuers that are subject of the Report, and that no part of the analyst's compensation was, is or will be directly or indirectly, related to the recommendations or views expressed in the Report. This report does not recommend to US recipients the use of Daiwa Capital Markets India Private Limited or any of its non – US affiliates to effect trades in any securities and is not supplied with any understanding that US recipients will direct commission business to Daiwa Capital Markets India Private Limited.

Taiwan

This research is distributed in Taiwan by Daiwa-Cathay Capital Markets Co., Ltd and it may only be distributed in Taiwan to institutional investors or specific investors who have signed recommendation contracts with Daiwa-Cathay Capital Markets Co., Ltd in accordance with the Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers. Recipients of this research in Taiwan may contact Daiwa-Cathay Capital Markets Co., Ltd in respect of any matter arising from or in connection with the research.

Philippines

This research is distributed in the Philippines by DBP-Daiwa Capital Markets Philippines, Inc. which is regulated by the Philippines Securities and Exchange Commission and the Philippines Stock Exchange, Inc. Recipients of this research in the Philippines may contact DBP-Daiwa Capital Markets Philippines, Inc. in respect of any matter arising from or in connection with the research. DBP-Daiwa Capital Markets Philippines, Inc. recommends that investors independently assess, with a professional advisor, the specific financial risks as well as the legal, regulatory, tax, accounting, and other consequences of a proposed transaction. DBP-Daiwa Capital Markets Philippines, Inc. may have positions or may be materially interested in the securities in any of the markets mentioned in the publication or may have performed other services for the issuers of such securities.

For relevant securities and trading rules please visit SEC and PSE Link at http://www.sec.gov.ph/irr/AmendedIRRfinalversion.pdf and http://www.pse.com.ph/ respectively.

United Kingdom

This research report is produced by Daiwa Securities Capital Markets Co., Ltd and/or its affiliates and is distributed by Daiwa Capital Markets Europe Limited in the European Union, Iceland, Liechtenstein, Norway and Switzerland. Daiwa Capital Markets Europe Limited is authorised and regulated by The Financial Services Authority ("FSA") and is a member of the London Stock Exchange, Chi-X, Eurex and NYSE Liffe. Daiwa Capital Markets Europe Limited and its affiliates may, from time to time, to the extent permitted by law, participate or invest in other financing transactions with the issuers of the securities referred to herein (the "Securities"), perform services for or solicit business from such issuers, and/or have a position or effect transactions in the Securities or options thereof and/or may have acted as an underwriter during the past twelve months for the issuer of such securities. In addition, employees of Daiwa Capital Markets Europe Limited and its affiliates may have positions and effect transactions in such securities or options and may serve as Directors of such issuers. Daiwa Capital Markets Europe Limited may, to the extent permitted by applicable UK law and other applicable law or regulation, effect transactions in the Securities before this material is published to recipients.

This publication is intended for investors who are not Retail Clients in the United Kingdom within the meaning of the Rules of the FSA and should not therefore be distributed to such Retail Clients in the United Kingdom. Should you enter into investment business with Daiwa Capital Markets Europe's affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.

Daiwa Capital Markets Europe Limited has in place organisational arrangements for the prevention and avoidance of conflicts of interest. Our conflict management policy is available at http://www.uk.daiwacm.com/about-us/corporate-governance-and-regulatory. Regulatory disclosures of investment banking relationships are available at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Germany

This document has been approved by Daiwa Capital Markets Europe Limited and is distributed in Germany by Daiwa Capital Markets Europe Limited, Niederlassung Frankfurt which is regulated by BaFin (Bundesanstalt fuer Finanzdienstleistungsaufsicht) for the conduct of business in Germany.

Bahrain

This research material is issued/compiled by Daiwa Capital Markets Europe Limited, Bahrain Branch, regulated by The Central Bank of Bahrain and holds Investment Business Firm – Category 2 license and having its official place of business at the Bahrain World Trade Centre, South Tower, 7th floor, P.O. Box 30069, Manama, Kingdom of Bahrain. Tel No. +973 17534452 Fax No. +973 535113

This material is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Accordingly, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document, Content herein is based on information available at the time the research material was prepared and may be amended or otherwise changed in the future without notice. All information is intended for the private use of the person to whom it is provided without any liability whatsoever on the part of Daiwa Capital Markets Europe Limited, Bahrain Branch, any associated company or the employees thereof. If you are in doubt about the suitability of the product or the research material itself, please consult your own financial adviser. Daiwa Capital Markets Europe Limited, Bahrain Branch retains all rights related to the content of this material, which may not be redistributed or otherwise transmitted without prior consent.

United States

This report is distributed in the U.S. by Daiwa Capital Markets America Inc. (DCMA). It may not be accurate or complete and should not be relied upon as such. It reflects the preparer's views at the time of its preparation, but may not reflect events occurring after its preparation; nor does it reflect DCMA's views at any time. Neither DCMA nor the preparer has any obligation to update this report or to continue to prepare research on this subject. This report is not an offer to sell or the solicitation of any offer to buy securities. Unless this report says otherwise, any recommendation it makes is risky and appropriate only for sophisticated speculative investors able to incur significant losses. Readers should consult their financial advisors to determine whether any such recommendation is consistent with their own investment objectives, financial situation and needs. This report does not recommend to U.S. recipients the use of any of DCMA's non-U.S. affiliates to effect trades in any security and is not supplied with any understanding that U.S. recipients of this report will direct commission business to such non-U.S. entities. Unless applicable law permits otherwise, non-U.S. customers wishing to effect a transaction in any securities referenced in this material should contact a Daiwa entity in their local jurisdiction. Most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as a process for doing so. As a result, the securities discussed in this report may not be eligible for sales in some jurisdictions. Customers wishing to obtain further information about this report should contact DCMA: Daiwa Capital Markets America Inc., Financial Square, 32 Old Slip, New York, New York 10005 (telephone 212-612-7000).

Ownership of Securities
For "Ownership of Securities" information please visit BlueMatrix disclosure Link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Investment Banking Relationships
For "Investment Banking Relationships" please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

DCMA Market Making
For "DCMA Market Making" please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Research Analyst Conflicts
For updates on "Research Analyst Conflicts" please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action. The principal research analysts who prepared this report have no financial interest in securities of the issuers covered in the report, are not (nor are any members of their household) an officer, director or advisory board member of the issuer(s) covered in the report, and are not aware of any material relevant conflict of interest involving the analyst or DCMA, and did not receive any compensation from the issuer during the past 12 months except as noted: no exceptions.

Research Analyst Certification
For updates on "Research Analyst Certification" and "Rating System" please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action. The views about any and all of the subject securities and issuers expressed in this Research Report accurately reflect the personal views of the research analyst(s) primarily responsible for this report (or the views of the firm producing the report if no individual analysts[s] is named on the report); and no part of the compensation of such analyst(s) (or no part of the compensation of the firm if no individual analyst[s)] is named on the report) was, is, or will be directly or indirectly related to the specific recommendations or views contained in this Research Report.

The following explains the rating system in the report as compared to relevant local indices, based on the beliefs of the author of the report.
"1": the security could outperform the local index by more than 15% over the next six months.
"2": the security is expected to outperform the local index by 5-15% over the next six months.
"3": the security is expected to perform within 5% of the local index (better or worse) over the next six months.
"4": the security is expected to underperform the local index by 5-15% over the next six months.
"5": the security could underperform the local index by more than 15% over the next six months.

Additional information may be available upon request.

Japan - additional notification items pursuant to Article 37 of the Financial Instruments and Exchange Law
(This Notification is only applicable where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with us based on the information described in materials presented along with this document, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, we will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
- In some cases, we may also charge a maximum of ¥ 2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
- For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.
  *The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name:	Daiwa Securities Co. Ltd. Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships:	Japan Securities Dealers Association, The Financial Futures Association of Japan Japan Investment Advisers Association Type II Financial Instruments Firms Association