

# CapitaLand Debt Investor Relations Forum

## CapitaLand Limited



8 March 2011



# Disclaimer

*This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.*

- Program
- CapitaLand Overview & Business Update
- Business Model – Principles
- Group Financial Performance & Debt Profile
- Group Capital Management Strategy



# Program

- Opening Remarks by Mr Olivier Lim,  
Chief Financial Officer, CapitaLand Limited
- Presentation and Q&A by
  - CapitaLand Limited
  - CapitaLand Residential Singapore
  - The Ascott Limited
  - Ascott Residence Trust
- Coffee Break @ 10.15am
  - CapitaMalls Asia Limited
  - CapitaMall Trust
  - CapitaCommercial Trust
  - Australand Property Group
- Closing Remarks by Mr Olivier Lim,  
Chief Financial Officer, CapitaLand Limited



## Program (cont'd)

- Networking Lunch @Ai Mien Bar, Capital Tower
- Depart for Optional Property Tour @ 1.45pm
  - Visit to Interlace, Residential Development
  - Raffles City Singapore, Mix-used Development
- End of Tour & Programme

# Overview & Business Update





# Leading Real Estate Player in Asia

***5<sup>th</sup> consecutive year of >S\$1b in profits***

## Dominant Market Position

- Largest real estate company in South-East Asia
- Manages real estate assets >S\$50 bn
- Presence in 110 cities in >20 countries

## Diversified Business Profile

- Well balanced geographically between high growth markets as well as established markets
- Presence across the entire real estate value chain
- Significant player in each segment, retail, serviced residences

## Long & successful track record

- Long presence in key countries in Asia
- Pioneered S-Reit market

## Prudent Financial management

- Strong focus on maintaining liquidity at all times
- Demonstrated financial discipline by having low D/E before and during crisis

## Access to capital markets

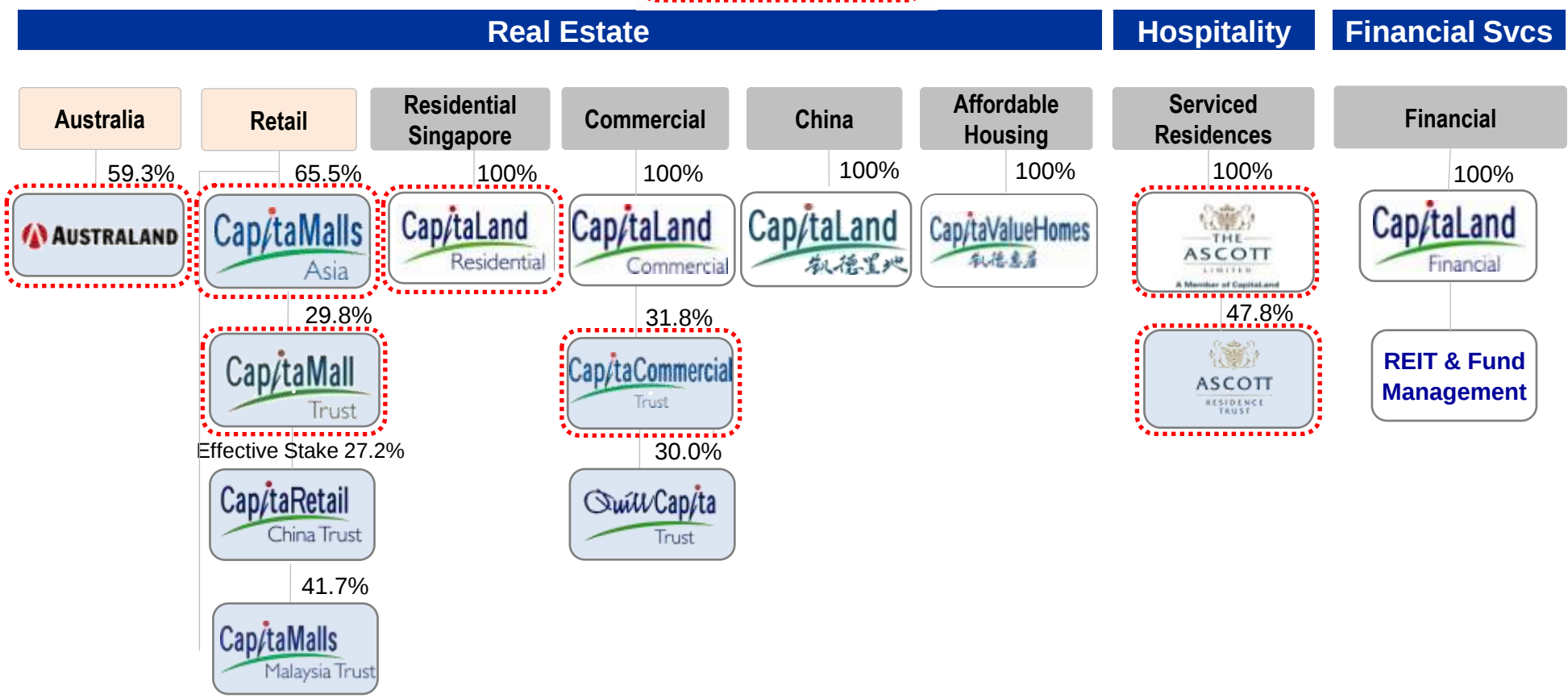
- Has unfettered access even during crisis, demonstrated through CMA IPO, rights issues, and CB issuances

## Strong parentage

- Strong sponsorship from Temasek owning ~41%



# CapitaLand Organisation Structure



Listed Entities    Presenting Entities    Wholly owned Subsidiaries

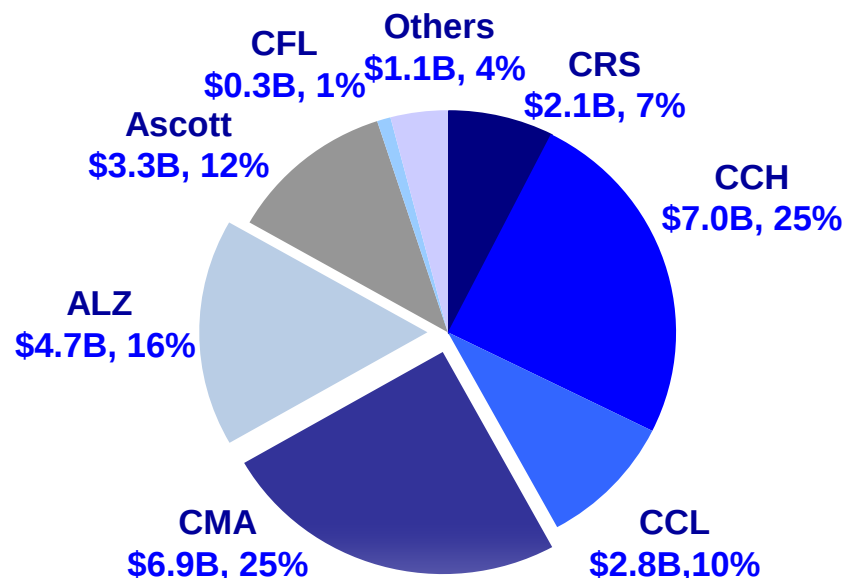




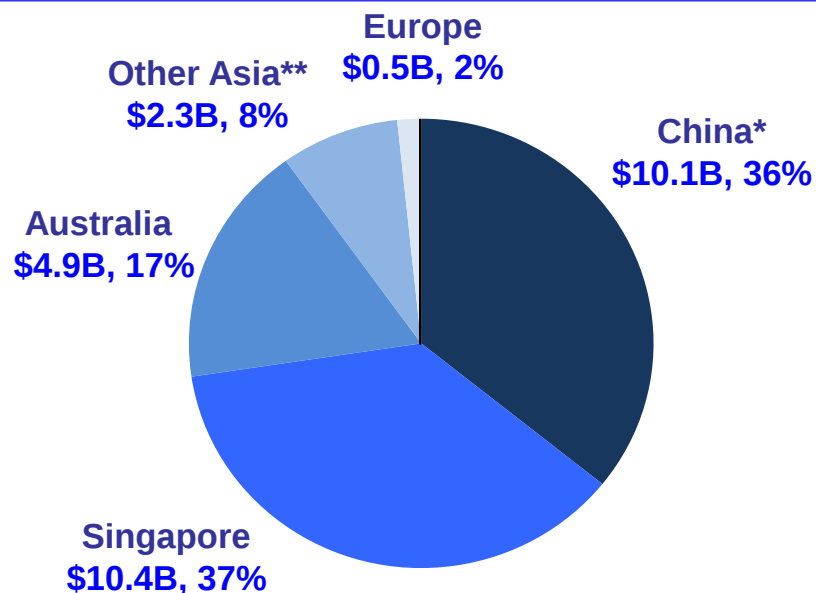
# Diversified across Real Estate Segments & Geography

**Assets @ Dec 2010 : S\$28.2 billion (ex treasury cash)**

## By SBU



## By Geography



\* China including Macau & Hong Kong

\*\* Excludes Singapore & China and includes project in GCC

|         | FY 2009 |          | FY 2010 |          |
|---------|---------|----------|---------|----------|
|         | S'pore  | Overseas | S'pore  | Overseas |
| ASSETS  | 41%     | 59%      | 37%     | 63%      |
| REVENUE | 33%     | 67%      | 36%     | 64%      |
| EBIT    | 85%     | 15%      | 40%     | 60%      |



## Some Key Achievements for FY2010

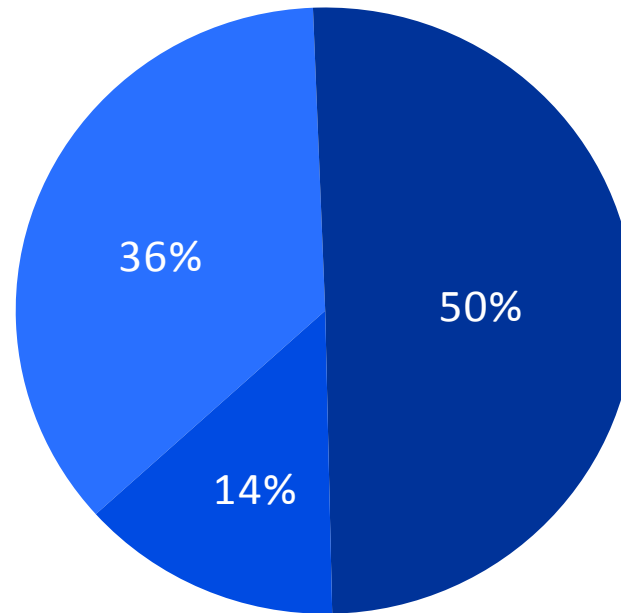
|                                   | Milestones                                                                                                                                                                                                                                             |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Residential<br/>(China)</b>    | <ul style="list-style-type: none"><li>▪ Sold 2,920 units in China, an increase of 23% YoY, for RMB5.4b</li><li>▪ Added 6,000 units to China pipeline from OODL acquisition</li><li>▪ Launched new Affordable Housing SBU to product offering</li></ul> |
| <b>Integrated<br/>Development</b> | <ul style="list-style-type: none"><li>▪ Added 2 more Raffles City projects in China – Shanghai &amp; Shenzhen, bringing tally to 7 Raffles City projects in China</li></ul>                                                                            |
| <b>Capital Management</b>         | <ul style="list-style-type: none"><li>▪ Tapped debt market for S\$1.85b equivalent of long term debt (CL, CMA, CMT)</li><li>▪ Recycled ~S\$1.8b capital in China, including S\$1b from OODL portfolio within 1 year</li></ul>                          |

# Acquisition of OODL Portfolio in Feb 2010

- Increase China property portfolio by approximately 1.4m sqm
- Increase CL's China's assets from 28% to 36%
- Quick time to market
- Positive contribution within first year of acquisition
- 7 high quality sites located in Shanghai, Kunshan and Tianjin
- Portfolio properties mainly in city centre near MRT stations
- Diversified portfolio mix:
  - 4 residential projects (67% of portfolio GFA)
  - 2 integrated developments (30% of portfolio GFA)
  - 1 hotel (3% of portfolio GFA)
- Successfully recycled ~S\$1b of the S\$3.1b transaction

# OODL Portfolio GFA by Geography

86% of the portfolio in Greater Shanghai



■ Shanghai ■ Kunshan ■ Tianjin



# Building Raffles City Franchise Across China

- **Launched 2 new Raffles City projects in 2010**
  - Raffles City Shenzhen
  - Raffles City Changning, Shanghai
- **Total portfolio of 7 Raffles City projects across China**
  - 2 operational (Shanghai and Beijing)
  - 5 under development (Chengdu, Ningbo, Hangzhou, Changning and Shenzhen)



Raffles City Shanghai



Raffles City Beijing



Raffles City Chengdu



Raffles City Ningbo



Raffles City Hangzhou



Raffles City Shenzhen



Raffles City Changning

# Strengthened Residential Portfolio in Vietnam

- **Achieved total sales value of ~S\$433m**
  - The Vista, Ho Chi Minh City
    - Topped out in Jun'10
  - Mulberry Lane, Hanoi
    - Sold 75% of 768 units launched
- **Increased portfolio to over 4,000 units across 4 prime residential projects**
  - Secured 2<sup>nd</sup> project in Hanoi
  - Ready to launch 2<sup>nd</sup> project in Ho Chi Minh City: Beau Rivage
- **Formed US\$200m joint venture fund with Mitsubishi Estate Asia and GIC Real Estate in Nov 2010**



The Vista, Ho Chi Minh City



Site at Mo Lao Ward, Hanoi

# Tap Strong Demand for Affordable Homes in Asia

## ■ CapitaValue Homes – New business unit formed in Oct 2010

- Pursue opportunities in affordable housing
- Secured pipeline of over 2,500 affordable homes
  - i. Site in Wuhan, China: over 2,000 units
  - ii. Site in Ho Chi Minh City, Vietnam: over 500 units

## ■ Strategies

- Target mass market homebuyers with mortgage capacity of ~40%
- Standardise design to achieve
  - Effective cost management
  - Fast inventory turnover
- Speed to market





# Executing the strategy

## 1 Grow China Business

### Target 35-45% of CL's business

- ✓ China portfolio at 36%
- ✓ Added 2 new Raffles City in Shenzhen & Shanghai
- ✓ Pipeline of 25,000 homes

## 2 Expand in Vietnam

### Grow total assets from S\$400m to ~S\$2b over 3-5yrs

- ✓ Secure pipeline of >5,000 residential units
- ✓ Launch 1,000 homes in 2011
- ✓ Explore other RE segments

## 3 Expand into Affordable Housing

### China & Vietnam opportunities

- ✓ Secured projects in HCMC, Vietnam and Wuhan, China
- ✓ Secure 15,000 units pipeline
- ✓ Build 10k-15k homes annually in 3-5 years

## 4 Build Ascott's Global dominance

### Grow to 40,000 units by 2015

- ✓ Deploy S\$1b capital to new investments in Europe and Asia
- ✓ Enhance customer experience & brand image

## 5 Increase presence in Singapore

### Singapore transformation to a Global City

- ✓ Aim to be top 3 developer
- ✓ Expand mall presence
- ✓ Raise Ascott market share
- ✓ Evaluate office re-devt

## 6 Grow Financial Services Franchise

### Open to new funds/JVs in Malaysia, China and Vietnam

- ✓ Manages 6 REITs and 17 PERE funds
- ✓ Originate structured financial products

## 7 Extend leadership in Pan-Asian shopping mall business

### Target to grow China to 40% of CMA's business

- ✓ Successful IPO of CMA
- ✓ Listed 1<sup>st</sup> pure-play shopping mall REIT on Bursa Malaysia



# Executing the strategy

- **Investing for sustainable growth**
  - Seeking \$5-6b of new investments in 2011 in core markets
- **Government cooling measures present opportunities**
  - Will stabilise markets in China and Singapore
  - Seek acquisitions when price expectations are moderated
- **Proxy to Asian growth momentum**
  - Our business is focused on fast growing Emerging Asia
  - Greater opportunities with balanced multi-sector, multi-geography and complete real estate value chain approach, ie investor, developer, operator, asset manager and fund manager

# Business Model - Principles





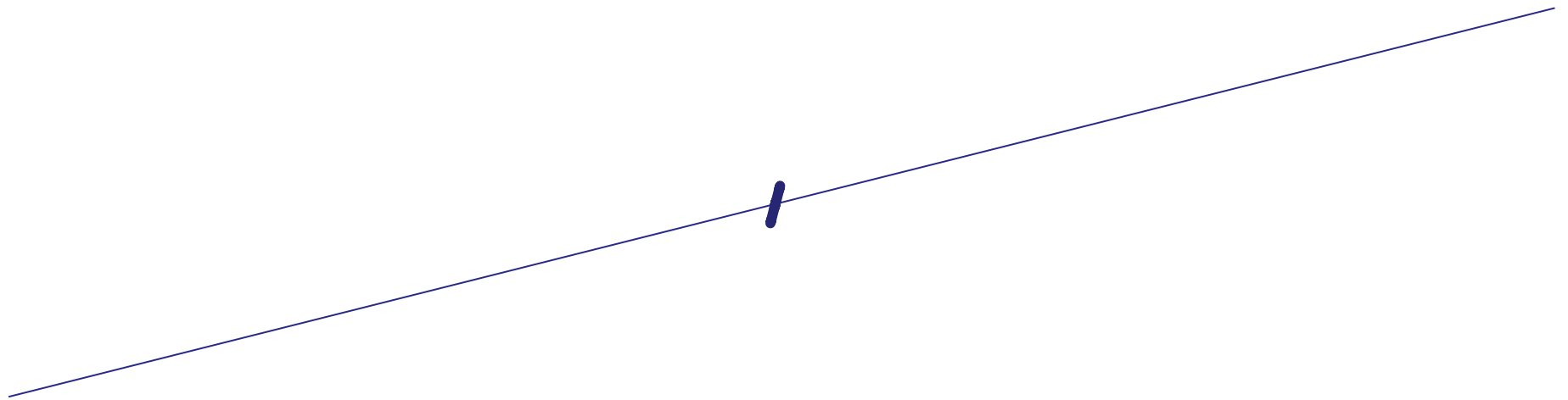
# Objective

## ■ How to achieve?

- Good ROE and NTA accretion...
- ...through the cycles...
- ...while maintaining a high degree of safety?



# Industry Context



**Cyclical**



# Industry Context

**\$\$\$**

**Capital Intensive**



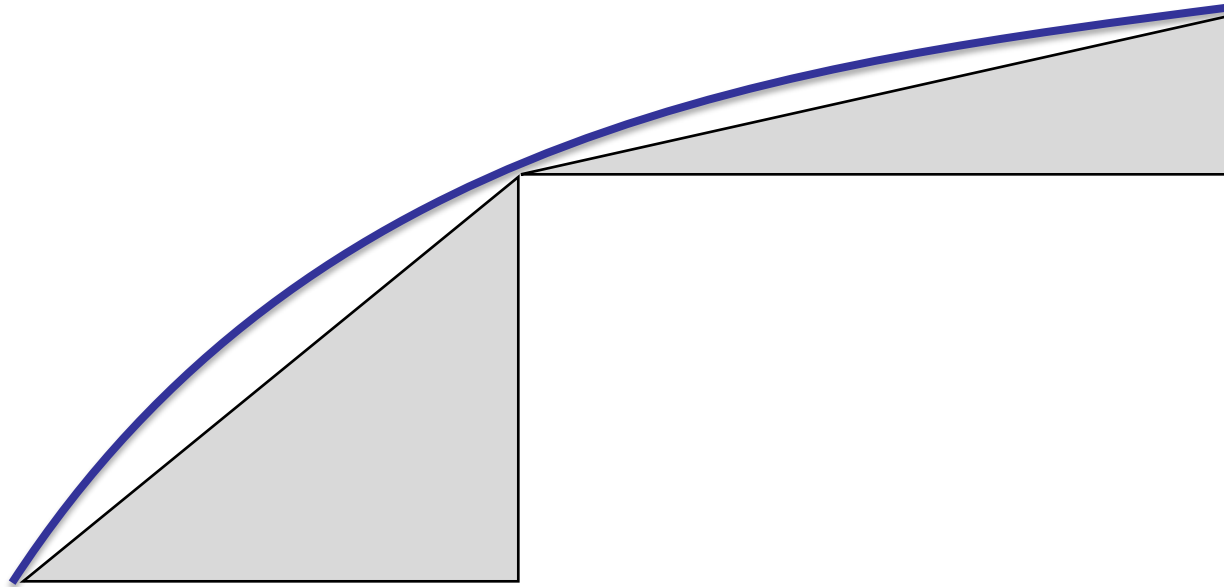
## Industry Context



**Lumpy Assets – Liquidity can be low at times**



# Industry Context



**Acquisition->Design->Approvals->Construction->Sales/Leasing->Asset Enhancement**

## Value Creation Curve

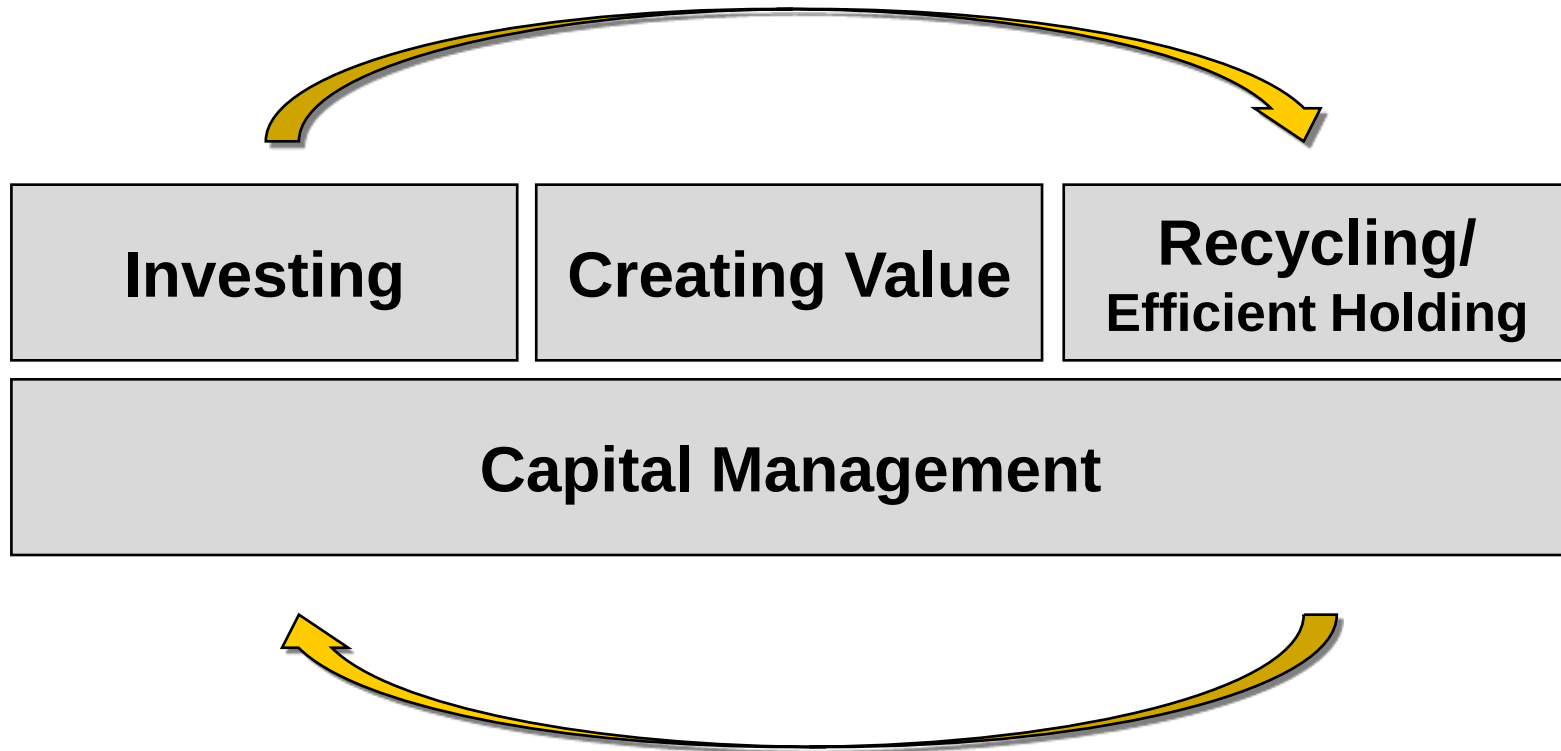


# Principles

- **Focus, Balance & Scale**
- **Geographic and Segmental diversification**
  - 4 core markets, 4 core segments
- **Strategic Capital Management**
  - Centralised Capital Allocation
  - Capital Recycling Discipline
  - Low Cost of Capital
  - Financial flexibility
  - Safety Margin

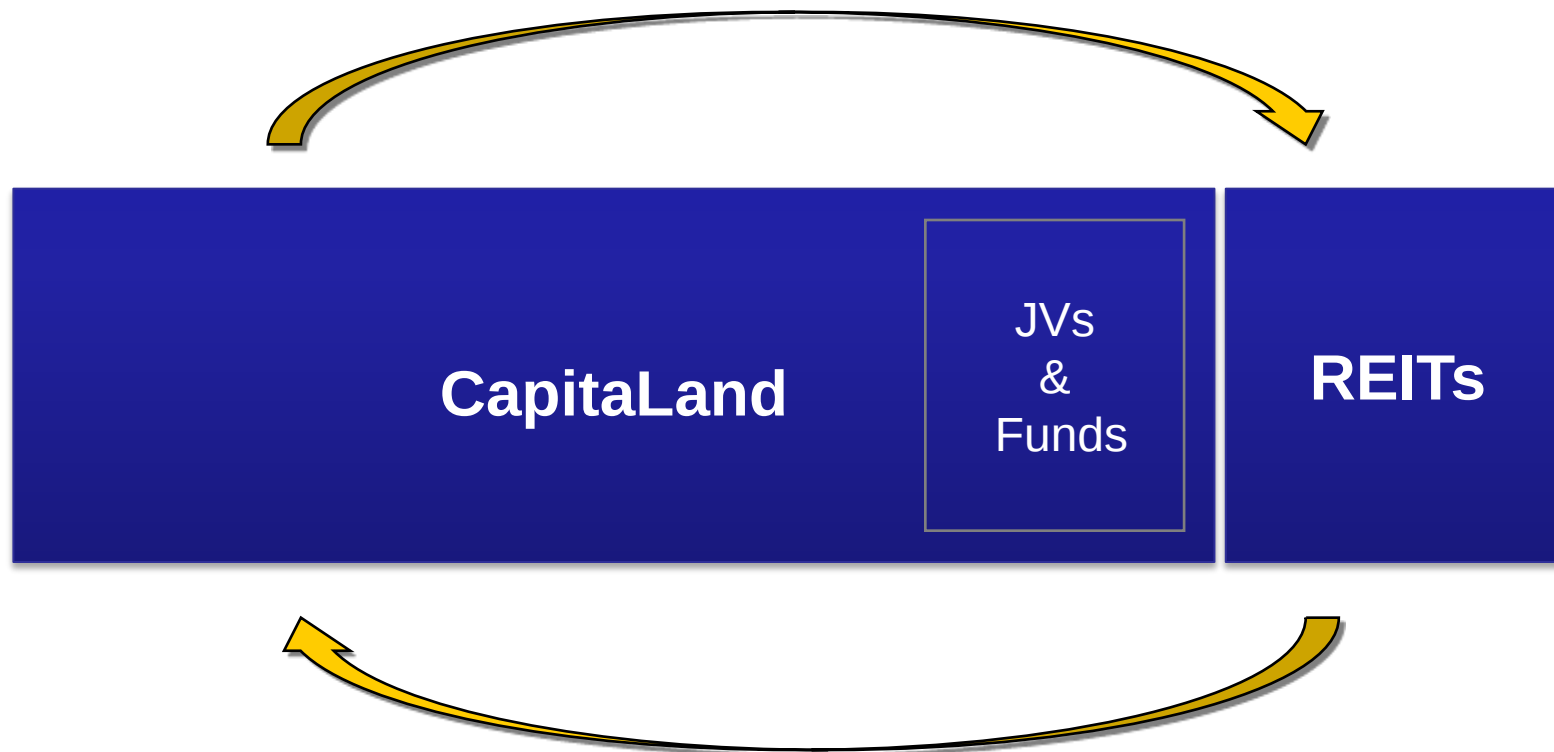


# Business Model – Components of Value Creation



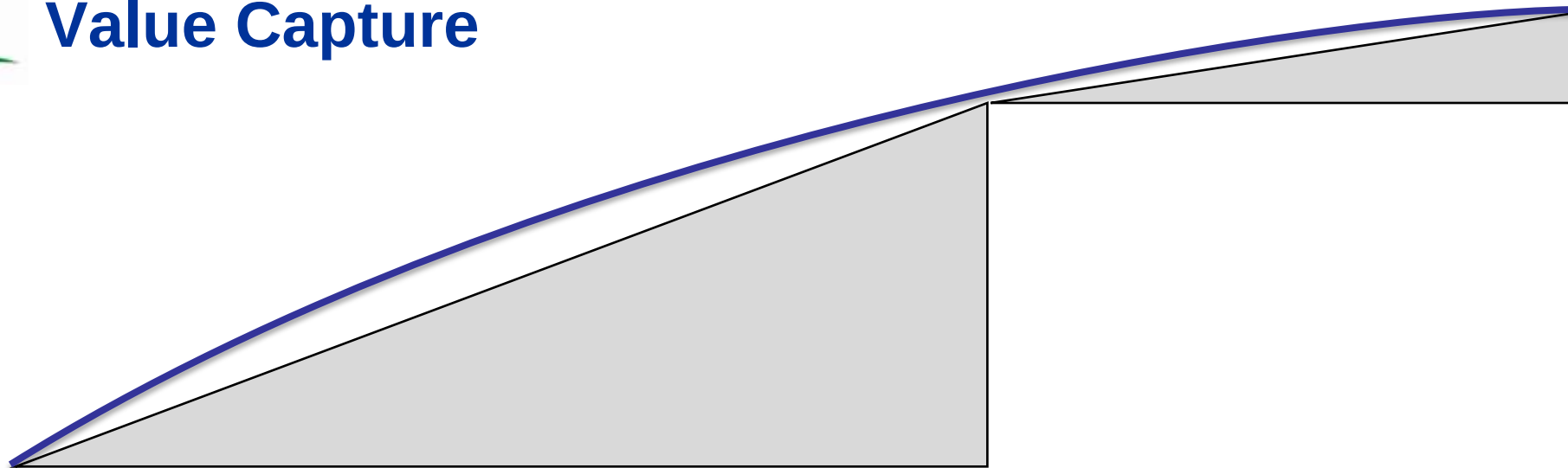


# Capital Efficient & Capital Precise





# Value Capture



Acquisition->Design->Approvals->Construction->Sales/Leasing->Asset Enhancement





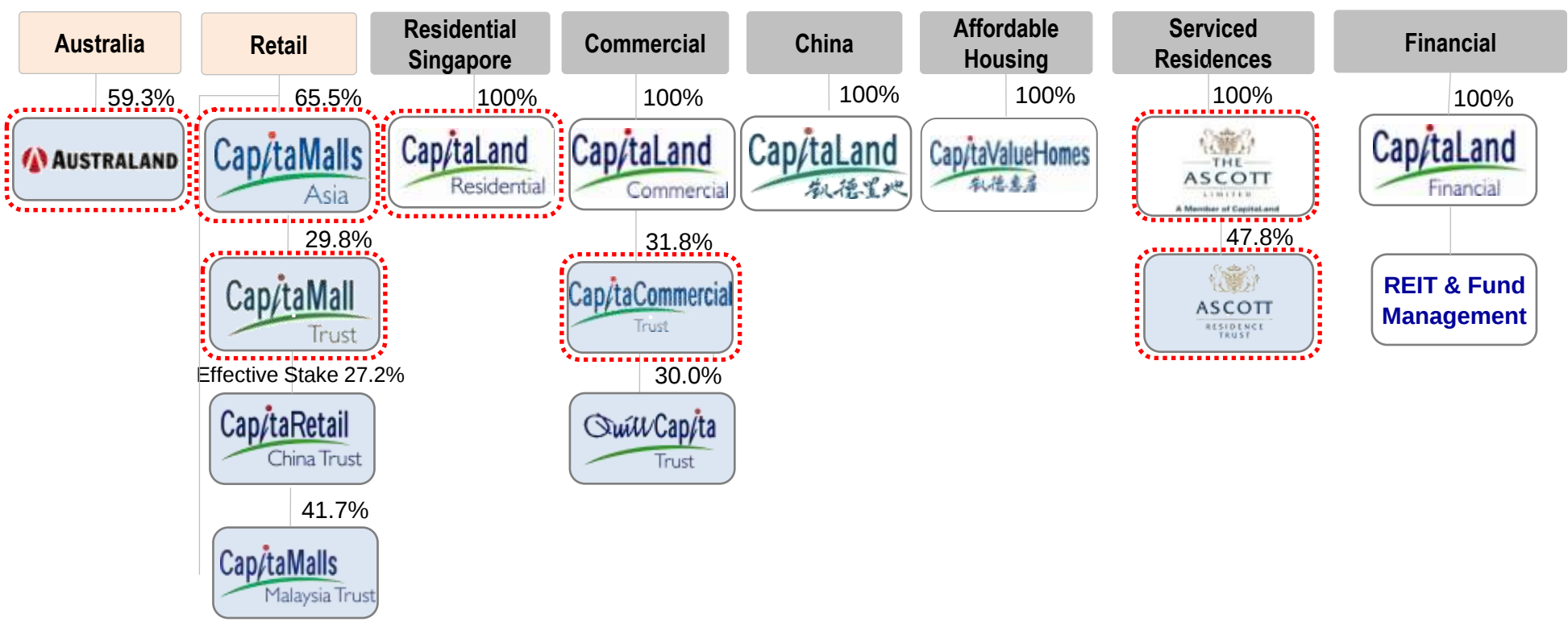
# CapitaLand Organisation Structure



## Real Estate

## Hospitality

## Financial Svcs

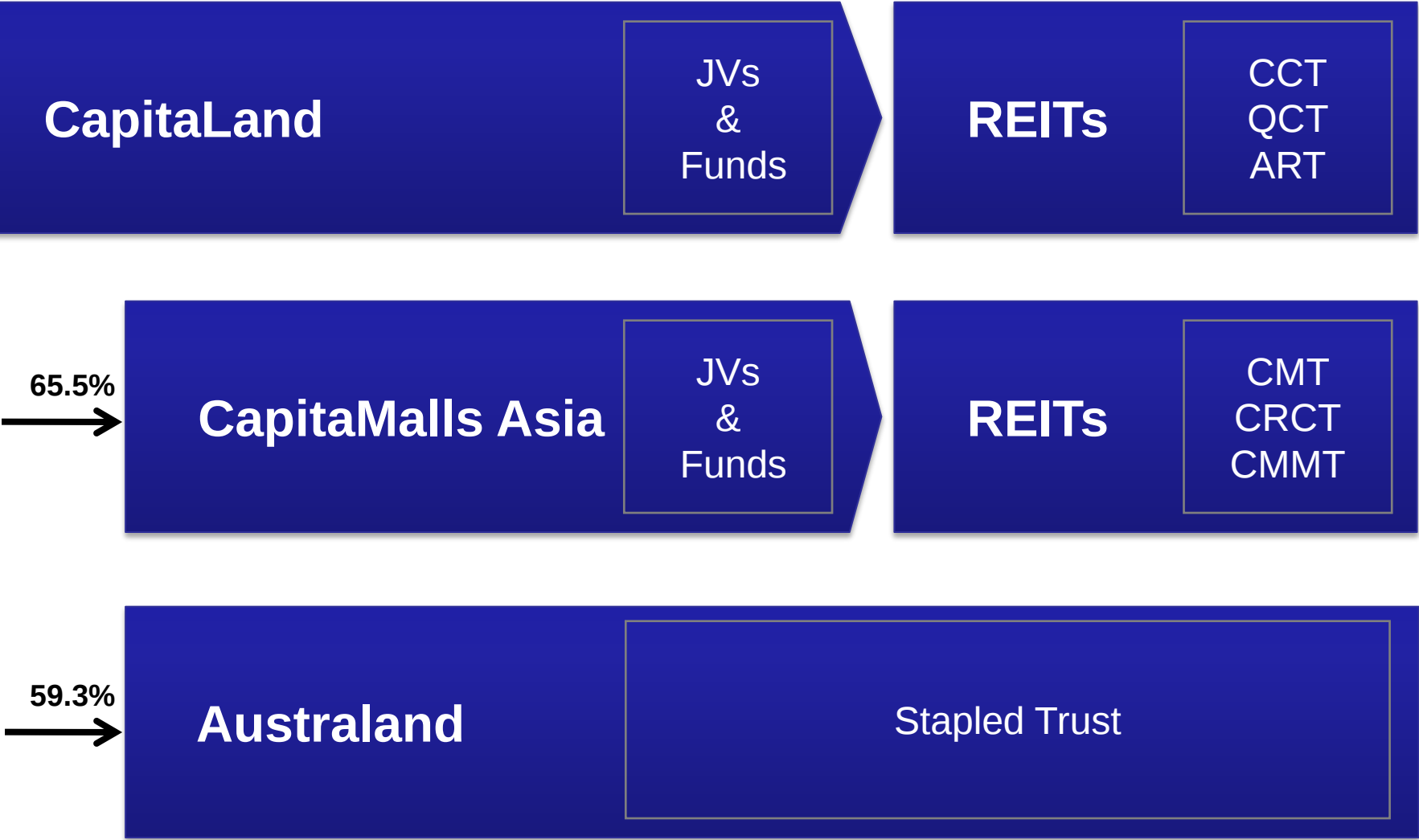


Listed Entities    Presenting Entities    Wholly owned Subsidiaries





# CL Group Schematic





# The Good News for Debt Investors

- We are aggressive in expanding our business
- But conservative in our balance sheet management
  - “Too much cash” is a strategic advantage in our view
- “Optimal” or “Efficient” balance sheet (i.e. leveraged) in good times may be a strait jacket in bad times
  - In extreme cases, they can lead to financial collapse



# The Good News for Debt Investors

## Guiding Principles:

- Diversify funding sources
- Tap long term debt
- Nurture new debt markets
- Aim for market clearing transactions
- CapitaLand Debt Market Strategy:

***“Grow the Orchard, don’t squeeze the Orange”***

# Group Financial Performance & Debt Profile





# Group Overview – FY 2010 PATMI Analysis

| (S\$ m)                                 | FY2009  | FY2010  | Better/(Worse) |
|-----------------------------------------|---------|---------|----------------|
| <b>PATMI</b>                            | 1,053.0 | 1,273.1 | 220.1          |
| <b>Operating Profit</b>                 | 697.6   | 558.3   | (139.3)        |
| <b>Portfolio Gains<sup>1</sup></b>      | 983.9   | 285.6   | (698.3)        |
| <b>Revaluation<br/>(Losses) / Gains</b> | (92.9)  | 488.3   | 581.2          |
| <b>Impairments</b>                      | (535.6) | (59.1)  | 476.5          |

<sup>1</sup> Portfolio gains reflect divestments



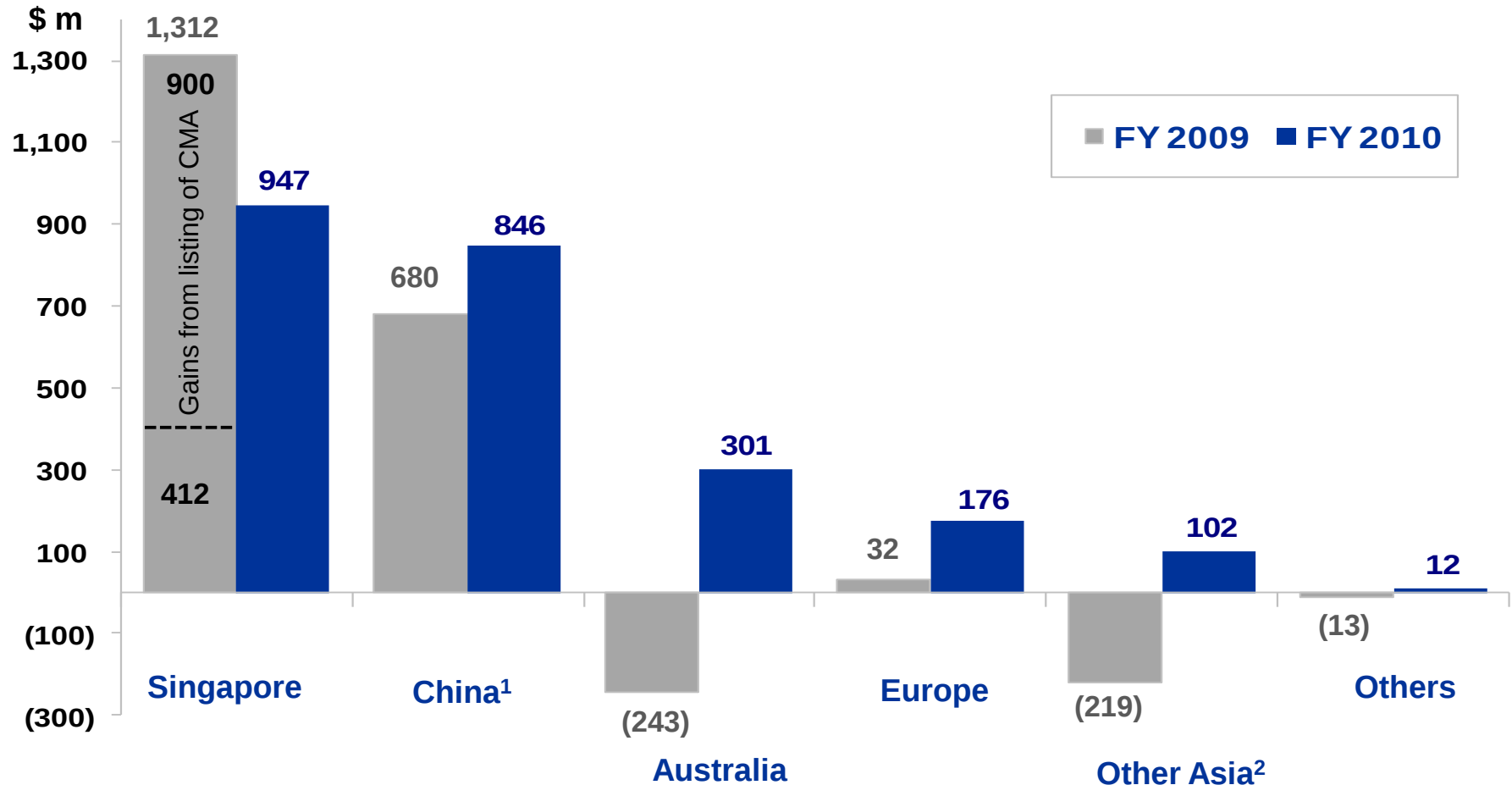
# PATMI excluding CMA & Australand

| (S\$ m)                     | FY2010  | %     |
|-----------------------------|---------|-------|
| CapitaLand Group            | 1,273.1 | 100.0 |
| Contribution from:          |         |       |
| CapitaMalls Asia            | 276.3   | 21.7  |
| Australand                  | 122.6   | 9.6   |
| CapitaLand ex.<br>CMA & ALZ | 874.2   | 68.7  |



# EBIT by Geography

**FY 2010: S\$2.4b vs FY 2009: S\$1.5b**



<sup>1</sup>China including Macau & Hong Kong

<sup>2</sup>Exclude Singapore and China but include projects in GCC



Capital Management

# Strong Balance Sheet & Liquidity Position

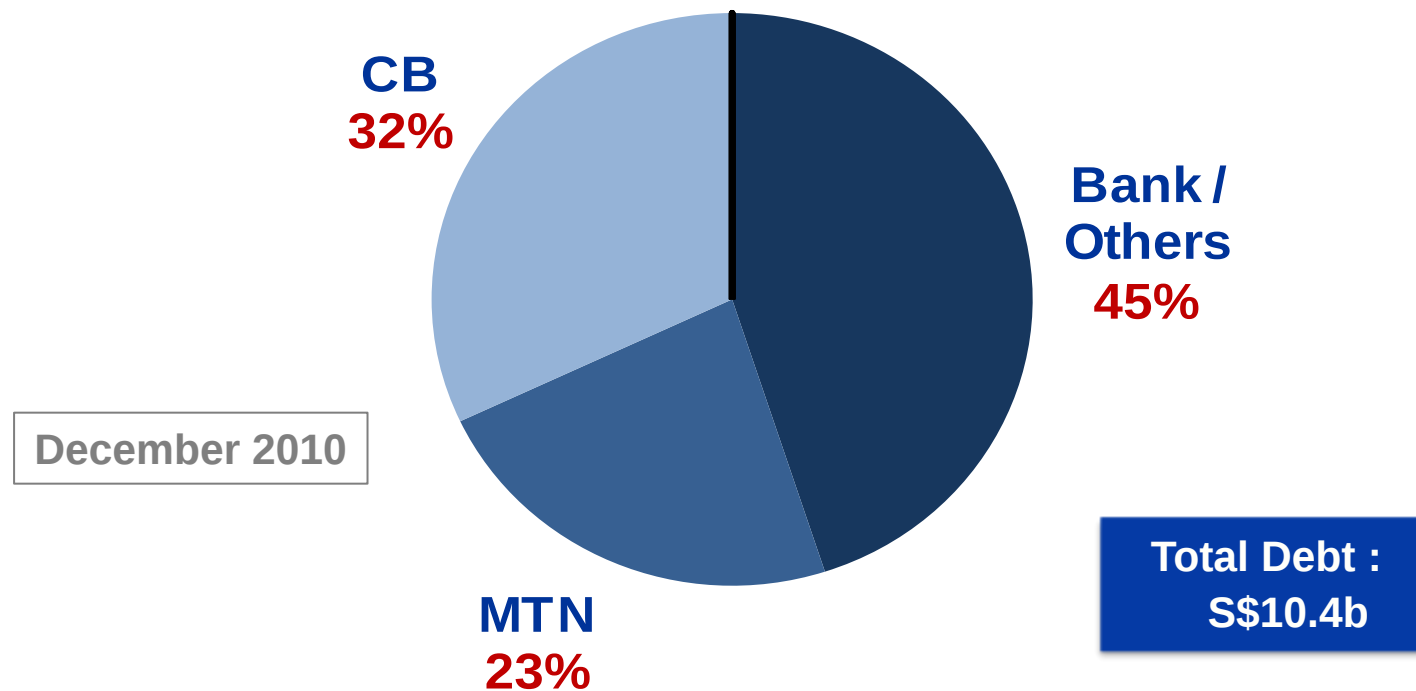
|                                          | FY 2009 | FY 2010     | Change           |
|------------------------------------------|---------|-------------|------------------|
| <b>Equity (S\$b)</b>                     | 16.9    | <b>18.0</b> | <b>Increased</b> |
| <b>Cash (S\$b)</b>                       | 8.7     | <b>7.2</b>  | <b>Decreased</b> |
| <b>Net Debt (S\$b)</b>                   | 1.6     | <b>3.2</b>  | <b>Increased</b> |
| <b>Net Debt/Equity</b>                   | 0.09    | <b>0.18</b> | <b>Strong</b>    |
| <b>% Fixed Rate Debt</b>                 | 66%     | <b>72%</b>  | <b>Improved</b>  |
| <b>Ave Debt Maturity(Yr)<sup>1</sup></b> | 3.5     | <b>3.7</b>  | <b>Improved</b>  |
| <b>NTA/share (\$)</b>                    | 3.03    | <b>3.22</b> | <b>Increased</b> |

<sup>1</sup>Based on put dates of Convertible Bond holders



## Diversified funding sources

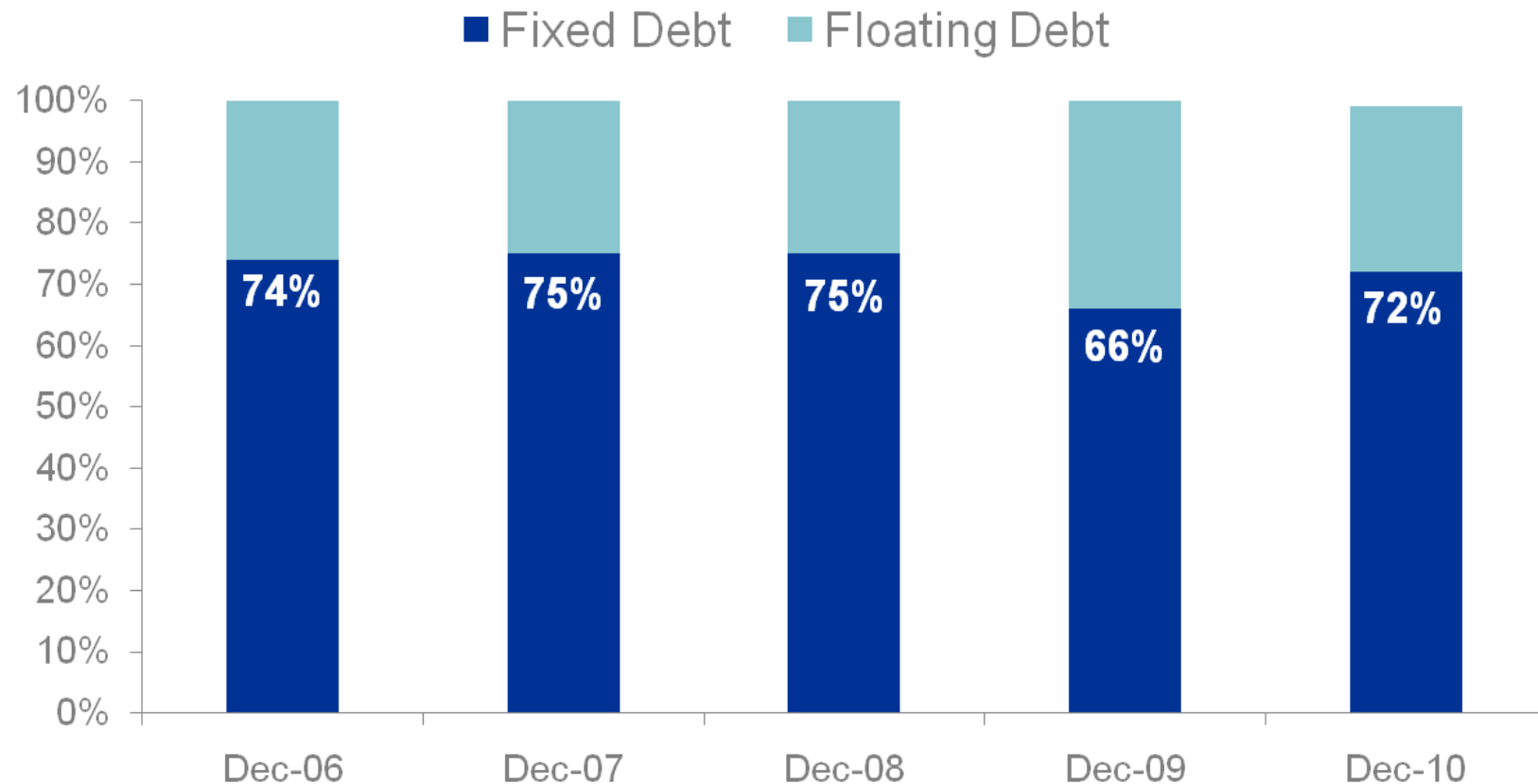
- Group has good access to capital markets even through GFC





## Interest rate hedged portfolio

- Balance of fixed & floating rate instruments to manage costs and interest rates risks





## Evenly-spread maturity profile

- Sufficient cash buffer to meet debt due in the next 36 months

S\$mil

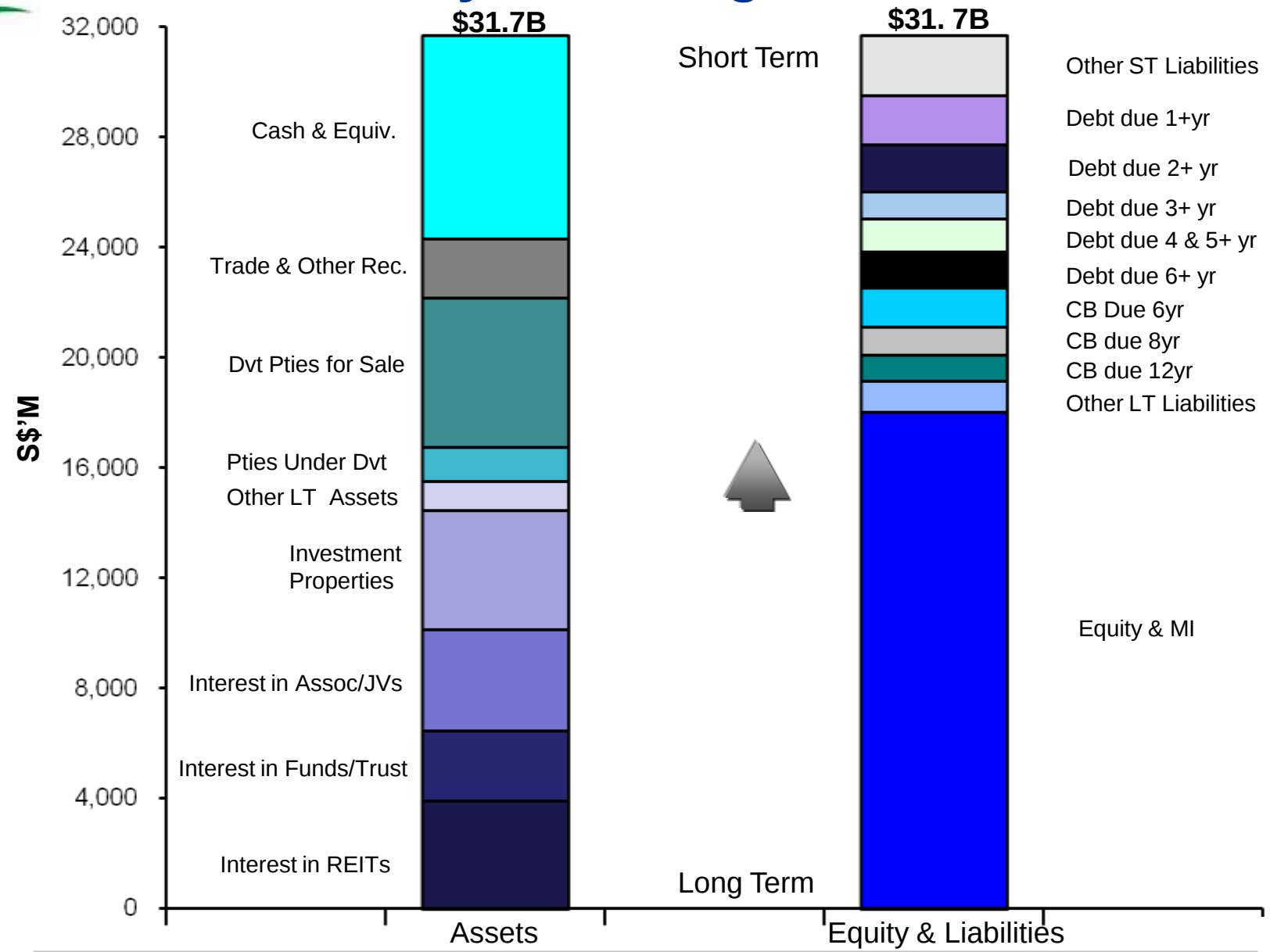
As at December 2010

Debt payable (consolidated)





# Asset & Liability Matching



The Group has been prudent with its Asset Liability matching

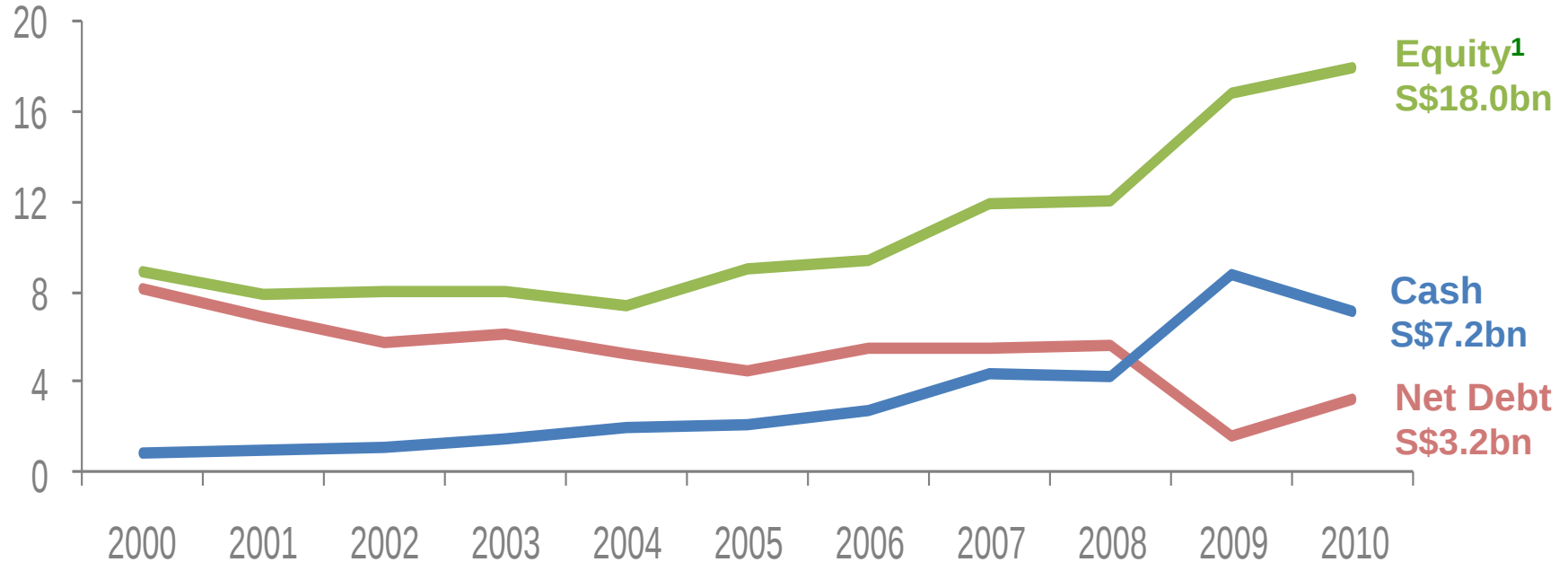


# Group Capital Management Strategy



# Aggressive Growth with Disciplined Financial Management

- Low gearing of 0.18x and healthy cash reserves of S\$7.2b
- Capacity to seek strategic investments
- Remain disciplined in our investment management

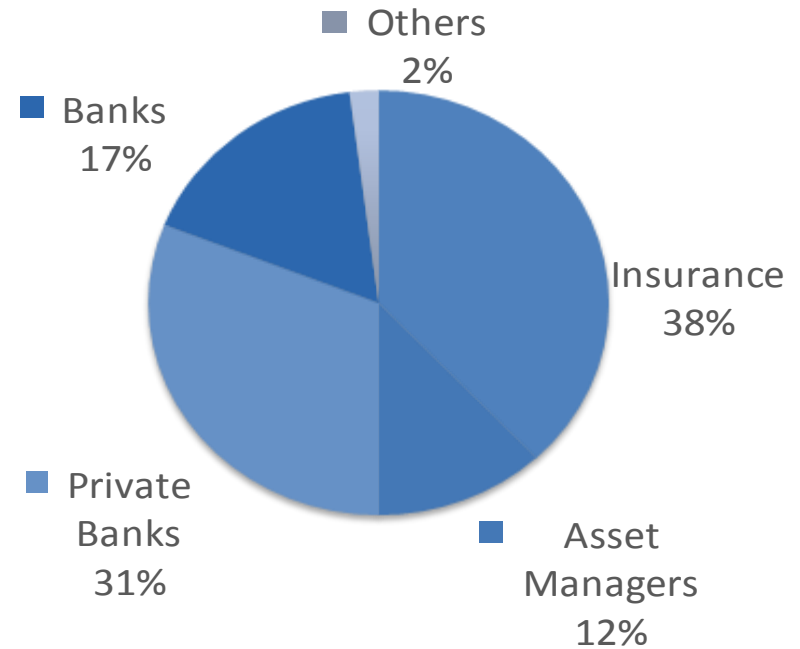


<sup>1</sup> Dividend & distributions totaled S\$3.1b since merger in Nov 2000. Rights issue of S\$1.8bn in 1Q09.



## Case Study: CL 10-year SGD benchmark bond issue

Bid Spread



|              |                               |
|--------------|-------------------------------|
| Issuer       | : CapitaLand Treasury Limited |
| Guarantor    | : CapitaLand Limited          |
| Coupon / YTM | : 4.3%                        |
| Issue Price  | : 100%                        |
| Issue Size   | : S\$350 million              |
| Pricing Date | : Aug 17 <sup>th</sup> , 2010 |
| Issue date   | : Aug 31 <sup>st</sup> , 2010 |
| Maturity     | : Aug 31 <sup>st</sup> , 2020 |

Pursuant to existing Medium Term Note Program



# Summary

- **Fifth consecutive year of above \$1b PATMI**
  - Aggregate PATMI of \$7.4b over last 5 years
  - PATMI registered 11% CAGR between 2005 – 2010
- **Active investments**
  - Committed over \$6b of new investments in 2010
  - Investment outflow of \$5.3b in 2010, up 100% YoY
- **Financial flexibility & balance sheet strength**
  - Low net D/E ratio of 0.18, \$7.2b cash on balance sheet
  - Additional \$6b of financial capacity assuming net D/E of 0.5
- **Strong fundamental recovery**
  - Earnings improved across all property sectors, geographies and SBUs\*

*\* Excluding CRS' share of revaluation gain of \$71.6m from ION Orchard in FY09, EBIT for FY10 would be 17% higher YoY*

# Thank You



# Supplementary Slides





Financials

# Asset Matrix - Diversified Portfolio

As at 31 December 2010

| S\$'m                              | S'pore        | China <sup>(1)</sup> | Aust         | Other Asia <sup>(2)</sup> | Europe & Others | Total         |
|------------------------------------|---------------|----------------------|--------------|---------------------------|-----------------|---------------|
| CapitaLand Residential S'pore      | 2,097         | -                    | -            | -                         | -               | 2,097         |
| CapitaLand China Holdings          | -             | 7,036                | -            | -                         | -               | 7,036         |
| CapitaLand Commercial              | 1,997         | -                    | -            | 705                       | 43              | 2,745         |
| Ascott                             | 1,296         | 803                  | 224          | 636                       | 356             | 3,315         |
| CapitaLand Financial               | 146           | 11                   | 22           | 49                        | 43              | 271           |
| Others                             | 4,377         | 44                   | 7            | 162                       | 26              | 4,616         |
| <b>Unlisted Subsidiaries Total</b> | <b>9,913</b>  | <b>7,894</b>         | <b>253</b>   | <b>1,552</b>              | <b>468</b>      | <b>20,080</b> |
| CapitaMalls Asia                   | 3,967         | 2,201                | -            | 776                       | -               | 6,944         |
| Australand                         | -             | -                    | 4,676        | -                         | -               | 4,676         |
| <b>Total</b>                       | <b>13,880</b> | <b>10,095</b>        | <b>4,929</b> | <b>2,328</b>              | <b>468</b>      | <b>31,700</b> |

(1) China including Macau & Hong Kong

(2) Excludes S'pore and China and includes projects in GCC



Financials

# EBIT by SBUs

(S\$ m)

|                                        | FY2009         | FY2010         | Change       |
|----------------------------------------|----------------|----------------|--------------|
| CapitaLand Residential S'pore          | 371.7          | 351.5          | -5.4%        |
| CapitaLand China Holdings <sup>1</sup> | 551.2          | 682.4          | 23.8%        |
| CapitaLand Commercial <sup>2</sup>     | (497.4)        | 264.2          | N.M.         |
| The Ascott Limited                     | 31.4           | 173.0          | 450.7%       |
| CapitaLand Financial                   | 98.0           | 103.0          | 5.2%         |
| CapitaMalls Asia                       | 449.1          | 472.4          | 5.2%         |
| Australand                             | (240.8)        | 311.9          | N.M.         |
| Others <sup>3</sup>                    | 785.8          | 25.8           | -96.7%       |
| <b>TOTAL EBIT</b>                      | <b>1,549.0</b> | <b>2,384.2</b> | <b>53.9%</b> |

<sup>1</sup> Excludes Retail and Serviced Residences in China

<sup>2</sup> Includes residential businesses in Vietnam, Malaysia, India and Thailand

<sup>3</sup> Includes Corporate Office and Others