



For immediate release

NEWS RELEASE

CapitaLand proposes restructuring to sharpen business focus and unlock shareholder value

- *To create a leading global Real Estate Investment Manager (REIM) with multiple Fund AUM growth drivers*
- *Privatised real estate development business to continue to incubate projects and provide pipeline opportunities for newly created REIM*
- *To unlock substantial value for CapitaLand shareholders*
- *CapitaLand shareholders to receive an implied consideration of S\$4.102 per share in cash and scrip, including 1-for-1 equivalent stake in new listed entity*
- *Existing ecosystem to be preserved to harness synergies and strengthen competitive advantage for restructured Group*

Singapore, 22 March 2021 – CapitaLand announced today, together with CLA Real Estate Holdings (CLA)¹, a scheme of arrangement (the “Scheme”) under Section 210 of the Companies Act, Chapter 50 of Singapore, to:

- a) effect a proposed restructuring of the Group’s business to consolidate the Group’s investment management platforms, as well as its lodging business, into “CapitaLand Investment Management” (CLIM), which is to be listed by introduction on the Singapore Exchange (SGX); and
- b) to place the real estate development business of the Group under private ownership, to be fully held by CLA through the proposed privatisation of CapitaLand on completion of the Scheme.

With assets under management (AUM) of about S\$115 billion², CLIM is expected to be the largest real estate investment manager (REIM) in Asia, and the third largest listed REIM company globally³. The privatised development entity will develop and incubate projects as a key source of pipeline for CLIM, entrenching the mutually reinforcing ecosystem within the Group.

As part of the proposed Scheme, CapitaLand will distribute approximately 48%⁴ of shares in CLIM to all its Shareholders, excluding CLA (Eligible Shareholders). As this is a 1-for-1 distribution, the share ownership ratio in CLIM immediately after the issuance of the CLIM shares will be equal to the Eligible Shareholders’ existing ownership in CapitaLand.

¹ CLA Real Estate Holdings Pte. Ltd., an indirect wholly owned subsidiary of Temasek, is the largest shareholder of CapitaLand, holding 52% stake as at 12 Mar 2021.

² Represents total value of real estate managed by CapitaLand Group entities stated at 100% property carrying value; includes real estate AUM of lodging assets which are operational and under development.

³ Source: IPE Top 150 Real Estate Investment Managers 2020.

⁴ Final percentage will vary depending on the total number of Shares held by the Eligible Shareholders as at the Record Date.

CapitaLand will continue to own a 52%⁴ interest upon listing of CLIM. CapitaLand will also distribute in specie 388.2 million units in CapitaLand Integrated Commercial Trust (“CICT DIS”), representing in aggregate 6.0% of CICT’s outstanding units, bringing its current 28.9% stake in CICT to 22.9%. CLA will not participate in the distribution of the CICT units, and its entitlement to the CICT units will be distributed to the Eligible Shareholders as part of the Scheme.

Under the Scheme, the total implied consideration for each CapitaLand Share held by the Eligible Shareholders would comprise:

	Value per Share (S\$)	
	Based on Current Share Capital as at 19 March 2021	Assumed Fully Diluted Share Capital Basis ⁵
1 CLIM share ⁶	2.823	2.715
0.155 CICT Units to 0.143 CICT Units comprising: ⁷		
• Eligible Shareholder’s pro-rata entitlement – 0.075 CICT Units to 0.072 CICT Units	0.158	0.152
• CLA’s entitlement distributed in favour of the Eligible Shareholders – 0.08 CICT Units to 0.071 CICT Units	0.170	0.151
Cash Consideration payable by CLA	0.951	0.951
Implied Consideration	4.102	3.969

Eligible Shareholders are expected to receive S\$4.102 per share in cash and scrip for every one CapitaLand share they own. This is 24% above the last traded price of CapitaLand and represents a premium of 27% to the one-month volume-weighted average price (VWAP). The Cash Consideration will not be reduced by the amount of the FY2020 Final Dividend⁸ after the dividend payment is made.

CLIM at its inception will be a fully integrated REIM with funds and property management capabilities across multiple asset classes and a spectrum of private and listed funds. The managers of all the listed real estate investment trusts (REITs) and business trusts, as well as selected unlisted funds currently managed by CapitaLand, will be held under CLIM. These funds have a total Fund AUM (“FUM”) of about S\$78 billion as of 31 December 2020, having grown at a CAGR of approximately 15% since 2017. CLIM’s investment management business will be a scalable and global business focused on Fee-related Earnings (FRE) and FUM growth.

⁵ Please refer to paragraph 1.2 in page 2 of the Joint Announcement for more details.

⁶ This represents pro forma NAV as at 31 December 2020, adjusted for transaction-related costs. CLIM is valued at 1x NAV for illustrative purpose to determine the implied consideration.

⁷ This is determined based on the one-month VWAP per CICT Units up to the Last Trading Day of 19 March 2021, being S\$2.122 per CICT unit.

⁸ Subject to shareholders’ approval, CapitaLand Board has proposed a final ordinary dividend of 9 Singapore cents a share for FY2020.

CapitaLand's full stack lodging management business, which encompasses the leading global serviced residence management platform under The Ascott Limited (Ascott), will also become a part of CLIM. The lodging capabilities will provide a distinctive growth engine for FRE as well as proven track record of further expansion into other adjacent long-stay sectors such as multifamily properties.

CLIM will hold the stakes in the listed REITs and business trusts⁹, as well as the managed private funds. CLIM will also have within its investment portfolio over S\$10.1 billion² worth of high-quality, income-generating properties. Most of these properties can be recycled and serve as potential pipeline to grow FUM for CLIM fund vehicles over an expected monetisation period of approximately three years. In addition, the recycling will generate financial resources for further growth.

The remaining real estate development-related business and assets under CapitaLand, with a pro forma Net Asset Value (NAV) of about S\$6.1 billion¹⁰, will be held privately by CLA upon completion of the Scheme. The proposed deal will allow Eligible Shareholders to realise immediate value upside from the development business, which is a segment requiring commitment of capital for longer-term gestation projects.

The privatised development arm will continue to support CLIM with its deep development capabilities, by participating and collaborating in the development and/or redevelopment of projects within CLIM and its managed funds. The existing ecosystem is hence preserved for the benefit of the restructured Group. Being part of this ecosystem will enable CLIM to tap on a key pipeline source to augment its FUM growth. Post restructure, the privatised entity will also act as an incubator for potential new businesses.

Mr Ng Kee Choe, Chairman of CapitaLand Limited, said: "Significant progress has been made in the last few years to pivot CapitaLand from a largely traditional development-focused business to one that is more asset-light and fee-income driven. This proposed restructuring is a significant and important milestone in CapitaLand's transformation. It will provide the impetus for us to further expand and scale up our asset and investment management, and lodging businesses whilst benefitting from the pipeline of projects from CapitaLand as part of the ecosystem. It will also extend our market leadership in the Asian real estate investment management business. Shareholders will get an opportunity to remain invested in these asset-light growth businesses through CLIM. At the same time, shareholders will benefit from the substantial value that will be unlocked."

Mr Wong Kan Seng, Chairman of CLA Real Estate Holdings, said: "As one of Asia's largest diversified real estate groups, this restructuring will play a key role in setting CLIM on a focused and high growth trajectory. It will also provide flexibility for the development business to pursue longer gestation and capital-intensive projects. As a major shareholder of CLIM upon completion of the proposed transaction, the privatised CapitaLand and its development arm

⁹ CapitaLand Group has in its stable of sponsored trusts, five REITs and business trusts listed on the Singapore Exchange (S-REIT), namely: CapitaLand Integrated Commercial Trust, Ascendas Real Estate Investment Trust, Ascott Residence Trust, CapitaLand China Trust and Ascendas India Trust. Collectively, they have an aggregate market capitalisation of S\$34.1 billion as of Last Trading Day of 19 Mar 2021, contributing about one-third of the total S-REIT's market cap.

¹⁰ Adjusted for transaction costs and FY2020 dividend declared.

will support the growth of CLIM as a committed development partner, and by contributing a pipeline of assets that the privatised CapitaLand will incubate. Both entities will have substantial cross-platform synergies and complementary strengths to seize growth opportunities in the market.”

Mr Lee Chee Koon, Group CEO of CapitaLand Group, said: “This restructuring is about sharpening our focus and positioning ourselves to be an asset-light and capital-efficient business. We have made good progress to pivot ourselves to the new economy sectors, expanding our global footprint and growing our fee-income business. We are now taking the next step to create a leading global real estate investment manager with dominance in Asia, especially through our track record in the public REITs space. As listed REIMs generally trade at a premium to their NAVs in the capital markets, we are confident that CLIM will be able to drive returns for our shareholders given its scale, capabilities and a strong ecosystem.”

Mr Lee added: “The real estate development business is subject to longer gestation periods and not adequately appreciated by the public markets. With a privately held development business, we will be able to better ride property development cycles to optimise returns across asset classes and geographies. We can make more appropriate risk-return decisions to undertake attractive but longer gestation projects, and optimally build our pipeline and incubate projects. With the privatised development arm as a key source of pipeline for CLIM, the well-established CapitaLand ecosystem remains intact. This symbiotic relationship within the Group will be a major advantage for CLIM and differentiate it from other real estate investment managers.”

About CapitaLand Investment Management

1. Asia-centric global leader in real estate investment management

It will be a leading real estate investment manager with a strong Asia foothold and domain knowledge across asset classes and geographies. With a business presence spanning over 230 cities across more than 30 countries, it has established a strong footprint across all major global markets. At a current AUM of S\$115 billion², it is expected to be ranked amongst the top three largest listed REIMs globally³. Notably, more than 80% of its AUM are in Asia and well balanced across different asset classes.

2. Proven fund management track record

It has a well-established track record of diversifying and growing its FUM base, which is currently valued at S\$78 billion, after growing at double-digit CAGR over the past five years. Along with the growing FUM, it has consistently demonstrated growth of fee income and margins from REITs and fund management. S\$306 million of fee income was collected in FY2020 from REITs and fund management, setting a CAGR of 12% in fee income growth from 2017-2020. It has remained disciplined in capital recycling, continually exceeding its annual target of S\$3 billion in the last three years. CLIM also possesses a good track record in raising third-party capital, having successfully raised approximately S\$5 billion of third-party equity since 2018.

3. Highly scalable pipeline

It has an attractive pipeline with strong monetisation potential over the next three years. There are multiple recycling vehicles and strategies, including through third party sale or to managed funds by CLIM, to release capital from the S\$10.1 billion of income-

generating assets. With accessible sources of capital, including third party capital, available for future deployment, CLIM will tap its own pipeline as well as increase M&A activities to drive its ambition to grow FUM sizeably. The S\$7.6 billion² longer-gestation pipeline projects currently incubated under the privatised development entity will also be a major added advantage for CLIM.

4. Distinctive lodging management platform

With full value chain capabilities from operations to investment management, the lodging business is well positioned to become a distinctive engine to drive FRE growth. Ascott is a leading international lodging owner-operator with portfolio spanning more than 30 countries globally. To date it has about 70,000 operating units and close to 53,000 units under development, making a total of about 123,000 units in over 770 properties. Ascott achieved four consecutive years of record management and franchise contracts growth, growing at 19.5% CAGR since 2017. At S\$20–25 million of fees to be earned for every 10,000 stabilised units, fee income contribution is expected to increase materially as units in the pipeline turn operational. To augment AUM growth, Ascott has started embarking on synergistic expansion and diversification towards adjacent longer-stay accommodation sectors, such as multifamily properties and purpose-built student accommodation.

MANAGEMENT ORGANISATION STRUCTURE

Mr Lee Chee Koon will be taking the helm of CLIM as Group CEO. In tandem with this strategic reorganisation, suitable arrangements will be entered into to facilitate interaction and engagement between the listed CLIM and the private development arm, to ensure the inherent business advantages of scale, synergy, capabilities and expertise embedded within the existing ecosystem is preserved to fully benefit CLIM and the restructured CapitaLand Group of which CLIM is part.

Mr Jason Leow, currently President, Singapore & International of CapitaLand Group, will be the CEO of CapitaLand Development, the development business arm of the privatised entity, post the restructure. With this management organisation structure, the restructured Group will continue to be led by an experienced and highly professional management team, with both the depth and breadth in experience.

While the entities within the Group leverage their collective strength to drive sustainable competitive advantage for the restructured Group, proper governance structure will be institutionalised to ensure they are separably accountable to their respective boards and shareholders.

CONDITIONS TO THE PROPOSED RESTRUCTURING

The Scheme is subject to relevant regulatory conditions, the approval of the High Court of the Republic of Singapore, and the approval of CapitaLand's independent shareholders at an Extraordinary General Meeting (EGM) and at a Scheme Meeting. As an interested party, Temasek and its associated parties will not be allowed to vote at both the EGM and the Scheme Meeting. Following the execution of the agreement between the parties and today's announcement, CapitaLand will issue and despatch to all shareholders in due course, a scheme document which will include, *inter alia*, the opinion of the Independent Financial Adviser and notices to convene the EGM and the Scheme Meeting, which are expected to be held in or around 3Q 2021. An introductory document on CLIM will also be issued and

despatched to all shareholders. The Scheme is expected to be completed in or around 4Q 2021.

J.P. Morgan (S.E.A.) Limited and Allen & Gledhill LLP are acting as financial advisor and legal counsel to CapitaLand respectively.

DBS Bank Ltd. and WongPartnership LLP are acting as financial advisor and legal counsel to CLA respectively.

About CapitaLand Limited (www.capitaland.com)

CapitaLand Limited (CapitaLand) is one of Asia's largest diversified real estate groups. Headquartered and listed in Singapore, it owns and manages a global portfolio worth about S\$132.5 billion as at 31 December 2020. CapitaLand's portfolio spans across diversified real estate classes which includes commercial, retail; business park, industrial and logistics; integrated development, urban development; as well as lodging and residential. With a presence across more than 230 cities in over 30 countries, the Group focuses on Singapore and China as its core markets, while it continues to expand in markets such as India, Vietnam, Australia, Europe and the USA.

CapitaLand has one of the largest real estate investment management businesses globally. It manages six listed real estate investment trusts (REITs) and business trusts as well as over 20 private funds. CapitaLand launched Singapore's first REIT in 2002 and today, its stable of REITs and business trusts comprises CapitaLand Integrated Commercial Trust, Ascendas Real Estate Investment Trust, Ascott Residence Trust, CapitaLand China Trust, Ascendas India Trust and CapitaLand Malaysia Mall Trust.

CapitaLand places sustainability at the core of what it does. As a responsible real estate company, CapitaLand contributes to the environmental and social well-being of the communities where it operates, as it delivers long-term economic value to its stakeholders.

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