CapitaLand Investment (CLI SP)

9M26: Growth Driven By Fee Income

Highlights

- CLI's 9M26 revenue dipped 3% yoy to S$1.5b due to a 23% yoy decline in real estate investment business (REIB) income, largely offset by higher contributions from its stakes in listed and private funds and strong expansion in fee income (+15% yoy to S$1.035b). Fee-related business (FRB) revenue was mainly lifted by a 30% yoy growth in listed fund management fees and a 32% higher private funds management income.
- CLI established FeeCo and AssetCo to sharpen growth focus. FeeCo aims to scale a dual growth engine from listed and private funds to grow recurring income and leverage on commercial and lodging management business to drive fees and asset performance. AssetCo would focus on monetisation through capital recycling platforms including C-REITs, P-REITs and RMB Master Funds as third party sales and to pursue longer-term strategic pathways for China AssetCo. Maintain BUY. Target price: S$3.80.

9M26 Results

Year to 31 Dec (S$m)	9M26	9M25	yoy%	Remarks
Gross revenue	1,500	1,568	-3.0	Decline due to lower REIB contributions
FRB revenue	1,035	900	+15.0	Higher fees in all segments, more event driven fees
REIB revenue	580	753	-23.0	Lower on assets and Synergy platform divestment
Fee-to-fund ratio (bp)	56	52 (FY25)	na	
All-in fee to fund ratio (bp)	89	85 (FY25	na	

Source: CLI, UOB Kay Hian

Analysis

- **Continued scaling up of fee business.** CapitaLand Investment Limited (CLI) indicated it raised S$4.3b in equity through its listed and private funds and deployed S$9.6b and divested S$5.7b of assets from Jan to Nov 26. We think this multi-pronged fund growth strategy should enable it to continue scaling up its fee business.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	2,815	2,133	2,412	2,466	2,608
EBITDA	790	608	549	515	509
Operating profit	650	477	426	392	386
Net profit (rep./act.)	465	145	557	586	598
Net profit (adj.)	465	145	557	586	598
EPS	9.2	2.9	11.2	11.7	12.0
PE (x)	25.7	81.9	21.3	20.3	19.9
P/B (x)	0.9	0.9	0.9	0.9	0.8
EV/EBITDA (x)	25.0	32.5	35.9	38.3	38.8
Dividend yield (%)	7.7	5.0	5.0	5.0	5.0
Net margin (%)	16.5	6.8	23.1	23.8	22.9
Net debt/(cash) to equity(%)	41.3	46.7	51.8	58.0	63.6
Interest cover (x)	1.7	2.1	1.9	1.6	1.5
ROE (%)	3.3	1.1	4.3	4.4	4.3
Consensus net profit	-	-	613	743	813
UOBKH/Consensus (x)	-	-	0.91	0.79	0.73

Source: CLI, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)	
Share Price	S$2.38
Target Price	S$3.80
Upside	59.7%
Previous TP	S$4.05

Stock Data

Sector	Real Estate
Bloomberg ticker	CLI SP
Shares issued (m)	4,993.5
Market cap (S$m)	11,884.6
Market cap (US$m)	9,299.4
3-mth avg daily t'over (US$m)	22.0

Price Performance (%)

52-week high/low				S$3.2/S$2.5
1mth	3mth	6mth	1yr	YTD
(3.6)	(12.8)	(10.2)	(10.5)	(12.2)

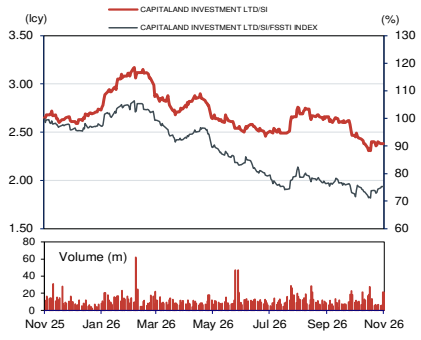
Major Shareholders (%)

Temasek Hldgs	54.17

Balance Sheet Metrics

FY26 NAV/Share (S$)	2.65
FY26 Net Debt/Share (S$)	1.37

Price Chart



Source: Bloomberg

Company Description

CLI is a global real estate manager with an Asian foothold and a diversified exposure across retail, office, lodging and new economy asset classes.

- **Fee to fund ratio up yoy.** Although 3Q26 fee income growth slowed qoq, due to slower event-driven fees, we remain upbeat on the outlook for CLI's fee business. Apart from recurring fees from listed funds, CLI's AEIs, portfolio reconstitution and value crystallisation strategies would enable it to boost transaction-related and project management. Meanwhile, the upcoming listing of CapitaLand Commercial C-REIT II by end-26 should enable it to broaden access to more domestic capital. For 9M26, fund management fee to fund ratio improved 4bp yoy to 56bps while all-in fee to fund ratio also ticked up to 89bps, +4bp from 2025.
- **9M26 real estate investment business (REIB) revenue slipped 23% yoy to S$580m** due to the absence of contributions from Synergy and Dalian IT Park, partly offset by contributions from One iPark development-for-sale assets. YTD, CLI had divested S$0.4b worth of on-balance sheet properties (CapitaMall LuOne and Arlington Park) and holds a remaining S$3.5b of non-fund investments.
- **Private funds growth driver.** It is on track to launch ACP III, extending its Asia Pacific real estate credit franchise. In addition, it had established a Hong Kong student accommodation platform seeded with a 1,200-bed conversion project. In China, it had launched the China Rental Housing Fund I (Rmb1.2b), the third sub-fund under the CLI RMB Master Fund series. This should extend the visibility and growth outlook for the private fund business.
- **Lodging management.** CLI signed about 11,700 rooms YTD Sep 26, bringing its total pipeline to 68,300 rooms. During the same period, it opened 5,600 rooms, lifting its operational portfolio to 114,700 rooms. This will support future fee visibility. An estimated 32% of the rooms signed and 48% of the rooms opened YTD Sep 26 are conversions, either from an existing operating property, a brownfield project that is rebranded or repositioned, which has a quicker turnaround time. This will likely translate to a quicker ramp up in returns and fee income.
- **Balance sheet/capital management.** Net debt-to-equity ticked up slightly qoq to 0.46x as at end-3Q26, while average debt maturity shortened slightly to 2.8 years. CLI's implied interest cost stood at 3.5% vs 3.9% in 2025 and it guided that funding cost should remain stable for the rest of the year.

Valuation/Recommendation

- **We maintain our BUY rating on CLI with a lower SOTP-based target price of S$3.80 (previously S$4.05),** as we change our valuation methodology to RNAV and assume a 30% discount to our RNAV, given the potential near-term downside risk to China asset values due to the challenging macro environment.

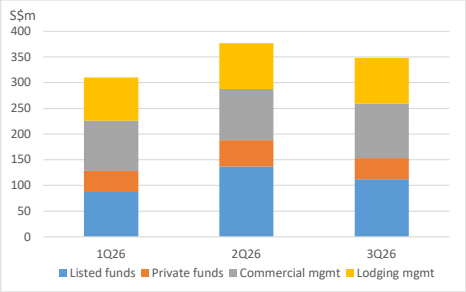
Earnings Revision/Risk

- We lower our earnings forecasts for 2026-28 by 14-22% as we lower our divestment gain assumptions and the continued weak operating outlook in China. Key risk to our earnings estimates would likely be potential asset revaluation deficit, particularly in China, as the group undertakes its annual year-end portfolio revaluation exercise. That said, we believe CLI's operating PATMI (before revaluation) should be supported by its robust recurring income from its fee business.

Share Price Catalyst

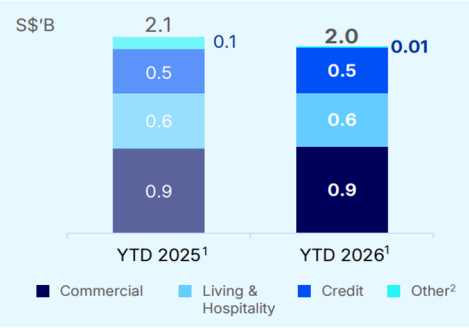
- Stronger-than-expected growth in its FUM; successful monetisation of the S$7b-9b of legacy and non-core assets, particularly in China, and reduced asset value drag, should catalyse share price performance.

Breakdown Of Fee Income



Source: CLI, UOB Kay Hian

Private Funds Capital Raised By Strategy



Source: CLI, UOB Kay Hian

SOTP Valuation

Investment properties and lodging assets	Mkt value ($m)
Singapore	294.1
China	1,660.7
Malaysia	60.9
Japan	24.0
Korea	78.1
India	93.3
Europe/UK	139.4
Lodging	1,525.5
Total	**3,875.9**

Stakes in REITs	Stake	No of units	SP/TP (LC$)	
CICT	0.212	7,954.5	3.11	5,244.5
CLMT	0.37	3,365.1	0.74	297.2
CLCT	0.25	1,757.2	0.61	265.8
CLAS	0.25	3,851.4	1.00	962.9
CLAR	0.1737	4,804.0	3.25	2,712.0
CLINT	0.25	1,486.9	0.85	316.0
Total				**9,798.3**
Stakes in unlisted funds				5,098.1
		Est FY26E fee PATMI		
Value of fund management business		561.3		9,577.1
GAV				28,349.4
Net cash/(debt) (deconsol)				-5,877.0
Other assets/(liabilities) (deconsol)				4,553.7
RNAV				**27,026.1**
RNAV/share (S$)				**5.42**
Assumed discount				-30%
TP (S$)				**3.80**

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	**2,133**	**2,412**	**2,466**	**2,608**
EBITDA	608	549	515	509
Deprec. & amort.	131	123	123	123
EBIT	477	426	392	386
Total other non-operating income	94	0	0	0
Associate contributions	138	666	683	702
Net interest income/(expense)	(287)	(286)	(315)	(330)
Pre-tax profit	**281**	**722**	**760**	**758**
Tax	(111)	(90)	(95)	(90)
Minorities	(25)	(75)	(80)	(70)
Preferred dividends	0	0	0	0
Net profit	**145**	**557**	**586**	**598**
Net profit (adj.)	145	557	586	598

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	5,151	6,171	7,191	8,211
Other LT assets	15,830	16,541	17,269	18,016
Cash/ST investment	2,022	1,060	972	897
Other current assets	1,208	1,272	1,299	1,370
Total assets	**24,211**	**25,045**	**26,732**	**28,493**
ST debt	625	625	625	625
Other current liabilities	1,641	1,767	1,927	2,130
LT debt	7,274	7,274	8,274	9,274
Other LT liabilities	1,147	1,147	1,147	1,147
Shareholders' equity	12,579	13,212	13,659	14,147
Minority interest	945	1,020	1,100	1,170
Total liabilities & equity	**24,211**	**25,044**	**26,732**	**28,493**

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	**491**	**398**	**287**	**287**
Pre-tax profit	170	632	666	668
Tax	(118)	(90)	(95)	(90)
Deprec. & amort.	110	123	123	123
Associates	(138)	(666)	(683)	(702)
Working capital changes	(121)	(62)	(133)	(132)
Non-cash items	74	0	0	0
Other operating cashflows	514	460	410	420
Investing	**(510)**	**637**	**646**	**655**
Capex (maintenance)	(111)	(20)	(20)	(20)
Investments	141	(45)	(45)	(45)
Proceeds from sale of assets	193	(1,000)	(1,000)	(1,000)
Others	(733)	702	711	720
Financing	**(252)**	**(996)**	**(21)**	**(17)**
Dividend payments	(599)	(599)	(599)	(599)
Issue of shares	(7)	0	0	0
Proceeds from borrowings	4,717	0	1,000	1,000
Loan repayment	(4,062)	0	0	0
Others/interest paid	(301)	(397)	(422)	(418)
Net cash inflow (outflow)	**(271)**	**38**	**912**	**924**
Beginning cash & cash equivalent	**2,328**	**2,041**	**1,079**	**991**
Changes due to forex impact	(16)	0	0	0
Ending cash & cash equivalent	**2,041**	**2,079**	**1,991**	**1,916**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	28.5	22.8	20.9	19.5
Pre-tax margin	13.2	29.9	30.8	29.1
Net margin	6.8	23.1	23.8	22.9
ROA	0.5	2.3	2.3	2.2
ROE	1.1	4.3	4.4	4.4
Growth				
Turnover	(23.4)	13.1	2.2	8.1
EBITDA	(30.0)	(9.6)	(6.2)	(7.3)
Pre-tax profit	(40.7)	157.0	5.3	4.9
Net profit	(13.7)	284.1	5.2	7.3
Net profit (adj.)	(68.8)	284.1	5.2	2.0
EPS	(11.4)	283.6	5.2	7.3
Leverage				
Debt to total capital	58.4	55.5	60.3	64.6
Debt to equity	62.8	59.8	65.2	70.0
Net debt/(cash) to equity	46.7	51.8	58.0	63.6
Interest cover	2.1	1.9	1.6	1.5

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