City Developments (CIT SP)

Resilient Operating Performance

Highlights

- **Business as usual.** In its 3Q26 operational update, CIT reported stable residential sales value yoy while its investment property portfolio enjoyed higher occupancy amid positive rental reversion. Its hospitality segment saw an improved 6.4% growth in portfolio RevPAR. Gearing stayed stable qoq at 75% as at end-3Q26.
- **Guiding for 2H26 to be weaker yoy.** Although this does not come as a surprise given the very high base of PATMI in 2H25 (due mainly to divestment gains from South Beach), CIT alerted that forex losses on its SGD-denominated intercompany loan receivable due to the strengthening of Korean won vs S$ could drag on earnings while year-end property valuations may result in impairment losses.
- **Capital recycling transactions delayed to 2027.** CIT updated that under the current challenging market conditions, certain capital recycling transactions originally envisaged for the remainder for 2026 are now expected to complete in 2027 instead. Nonetheless, CIT remains committed to executing its strategic objectives to: a) unlock embedded value through S$6b of divestments, and b) strengthen its financial position by lowering gearing to 55% by 2029.
- **Maintain BUY with a target price of S$11.85.**

Analysis

- **Reported S$322.6m residential sales in 3Q26, bringing 9M26 sales to around S$1.2b**. While 3Q26 sales value was slightly ahead of 3Q25's level, the 9M26 sales value was below the S$2.5b recorded for 9M25. After 3Q26, there has been a continued increase in take-up rates at Lucerne Grand (73% sold) and Union Square Residences (80% sold), while Canning Hill Piers obtained TOP.
- **730 new units to be launched in 1Q27**. City Developments (CIT) is scheduled to roll out two executive condominium (EC) projects in 1Q27 – 430-unit Wynwood Grand in Woodlands and 300-unit Solano Grand at Senja Close. We expect these two developments to be well received as both sites were acquired under the previous EC framework.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	3,271.2	3,587.1	4,158.5	3,534.3	3,667.1
EBITDA	691.0	583.2	1,123.2	959.6	876.1
Operating profit	413.7	293.5	826.5	661.5	576.6
Net profit (rep./act.)	201.3	629.7	565.1	351.0	250.9
Net profit (adj.)	201.3	629.7	565.1	351.0	250.9
EPS (S$ cent)	22.4	70.5	63.3	39.3	28.1
PE (x)	31.7	10.1	11.3	18.1	25.4
P/B (x)	0.7	0.7	0.6	0.6	0.5
EV/EBITDA (x)	26.9	31.8	16.5	19.3	21.2
Dividend yield (%)	1.4	1.7	3.1	1.9	1.3
Net margin (%)	6.2	17.6	13.6	9.9	6.8
Net debt/(cash) to equity (%)	113.5	118.2	110.2	99.5	92.8
Interest cover (x)	1.9	1.4	3.3	2.6	2.4
ROE (%)	2.2	6.7	5.6	3.3	2.2
Consensus net profit (S$m)	-	-	437.5	466.9	473.7
UOBKH/Consensus (x)	-	-	1.29	0.75	0.53

Source: City Developments, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$7.12
Target Price	S$11.85
Upside	66.4%

Stock Data

Sector	Real Estate
Bloomberg ticker	CIT SP
Shares issued (m)	893.4
Market cap (S$m)	6,361.0
Market cap (US$m)	4,960.2
3-mth avg daily t'over (US$m)	14.4

Price Performance (%)

52-week high/low				S$10.09/S$6.95
1mth	3mth	6mth	1yr	YTD
0.3	(9.0)	(12.2)	(2.6)	(11.0)

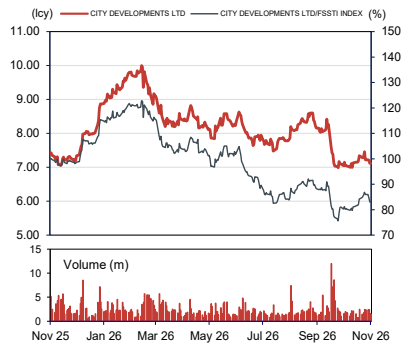
Major Shareholders (%)

Hong Leong Investment Hldgs	49.45

Balance Sheet Metrics

FY26 NAV/Share (S$)	11.70
FY26 Net Debt/Share (S$)	12.90

Price Chart



Source: Bloomberg

Company Description

CIT is a global real estate operating company with a geographically diverse portfolio comprising residences, offices, hotels, serviced apartments and shopping malls.

- **Recurring income fortified by strong office and retail tenancies.** Singapore office saw an uptick in occupancy level to 97.4% amid positive rental reversions while Singapore retail occupancy stood at 97.1%. Newport Tower and Union Square Central, scheduled to complete in 2027 and 2028 respectively, have attracted leasing interest from cybersecurity, fintech, financial and professional services sectors. While UK commercial portfolio committed occupancy dipped qoq to 82.8%, management indicated that leasing activity has picked up with a total 96,680sf currently under offer. We estimate that portfolio occupancy could rise above 90% upon full conversion.
- **Hospitality RevPAR up 6.4% yoy in 9M26 vs +4.9% yoy in 1H26.** The improvement in hotel segment performance came on the back of a 2.3% rise in occupancy and a 3.1% higher average room rate. Gross operating (GOP) margin rose 0.5% to 32.5% in 9M26. The best RevPAR yoy growths by geography came from the US (+15.4%), Australasia (+11.8%) and Asia (+1.2%). Management expects RevPAR growth to continue for the rest of 2026, supported by recovery in corporate and group travel.
- **Living sector portfolio continues to gain traction.** Occupancy at CIT's UK rental housing properties such as The Junction saw an uptick in take-up rates to 94% while its UK student accommodation portfolio also enjoyed a higher take-up rate of 83% for the 2026/27 academic year. This should build on the group's recurring income base as it ramps up occupancy and rental performance.

Valuation/Recommendation

- **We maintain our BUY rating on CIT** on the back of its attractive valuation at 0.62x P/B and 58% discount to our RNAV estimate of S$16.92. We believe the potential positive knock-on benefits from a lower net debt-to-equity ratio and higher ROE, as the group executes its portfolio optimisation strategy on the back of the strategic review, should close the valuation gap between share price and asset backing. Our target price of S$11.85 is premised on a 30% discount to RNAV.

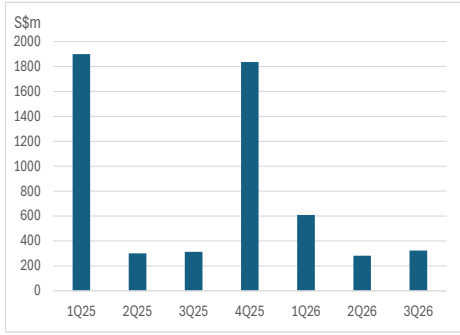
Earnings Revision/Risk

- We keep our RNAV at S$16.92 and maintain our target price at S$11.85, based on a 30% discount to RNAV. Key risks to our view include a longer-than-expected timeline to divest assets or lower-than-projected divestment gains.

Share Price Catalyst

- Strong execution outcome for its asset sales and capital recycling efforts, resulting in a robust improvement in ROE.

Total Residential Sales Value



Source: City Developments, UOB Kay Hian

Key Operating Hotel Statics

	Room Occupancy			Average Room Rate			RevPAR			GOP Margin		
	9M 2026	9M 2025	Incr/ (Decr)	9M 2026	9M 2025*	Incr/ (Decr)	9M 2026	9M 2025*	Incr/ (Decr)	9M 2026	9M 2025	Incr/ (Decr)
	%	%	%pts	$	$	%	$	$	%	%	%	%pts
Singapore	81.2	78.5	2.7	201.2	201.9	(0.3)	163.3	158.5	3.0	36.4	38.9	(2.5)
Rest of Asia	66.1	66.7	(0.6)	151.5	149.5	1.3	100.2	99.8	0.4	37.2	35.8	1.4
Total Asia	**71.9**	**71.3**	**0.6**	**172.9**	**172.1**	**0.5**	**124.2**	**122.7**	**1.2**	**36.8**	**37.3**	**(0.5)**
Australasia	**74.8**	**70.5**	**4.3**	**184.6**	**175.1**	**5.4**	**138.1**	**123.5**	**11.8**	**33.6**	**31.3**	**2.3**
London	85.1	80.0	5.1	287.9	312.5	(7.9)	245.0	250.1	(2.0)	46.5	47.4	(0.9)
Rest of UK and Europe	77.9	80.7	(2.8)	220.7	213.0	3.6	172.0	171.9	0.1	28.4	29.0	(0.6)
Total Europe	**82.0**	**80.4**	**1.6**	**260.5**	**263.5**	**(1.1)**	**213.7**	**211.8**	**0.9**	**39.9**	**39.7**	**0.2**
New York	87.3	86.9	0.4	366.2	338.0	8.3	319.8	293.6	8.9	19.9	18.3	1.6
Regional US	57.5	54.1	3.4	226.5	209.3	8.2	130.4	113.3	15.1	15.5	17.5	(2.0)
Total US	**72.5**	**69.0**	**3.5**	**311.1**	**283.1**	**9.9**	**225.6**	**195.5**	**15.4**	**18.5**	**18.1**	**0.4**
Total Group	**75.2**	**72.9**	**2.3**	**232.9**	**225.9**	**3.1**	**175.2**	**164.6**	**6.4**	**32.5**	**32.0**	**0.5**

Source: City Developments, UOB Kay Hian

RNAV Breakdown

Investment properties	**Stake**	**NLA**	**Mkt value (S$m)**	**Value/share (S$)**
Republic Plaza	100%	769,069	2996.1	3.35
City House	100%	157,283	475.6	0.53
Palais Renaissance	100%	111,061	300.4	0.34
King's Centre	100%	91,183	98.2	0.11
City Square Mall	100%	473,671	1188.4	1.33
Delfi orchard	100%	91,279	208.2	0.23
Katong Shopping Centre	100%	187,334	341.8	0.38
The Arcade	100%	48,815	111.3	0.12
Le Grove	100%	137	133.0	0.15
Biltmore Court & Tower USA	100%	377,995	235.0	0.26
125 Old Broad St UK	100%	329,396	302.2	0.34
Aldgate House UK	100%	209,860	367.7	0.41
St Katharine Docks UK	100%	525,201	746.8	0.84
330 Collins St AU	67%	193,907	116.8	0.13
Hong Leong Plaza Hongqiao - office	100%	345,229	40.9	0.05
Hong Leong Hongqiao Center - office	100%	360,432	47.4	0.05
Hong Leong Hongqiao Center - retail	100%	24,266	5.1	0.01
Hong Leong Technology Park Shenzhen	100%	931,274	36.8	0.04
Owned hotels	**Stake**	**Rooms**		
M Social Singapore	100%	293	162.8	0.18
Millinium Hilton Bangkok	58%	533	86.3	0.10
M Social Suzhou	100%	292	55.9	0.06
M&C hotels	**Stake**	**Rooms**		
Rest of Asia	100%	3,744	936.8	1.05
Australasia	86%	2,204	551.1	0.62
New York	100%	2,238	1,509.9	1.69
Regional US	100%	2,525	257.8	0.29
London	100%	2,343	1,463.5	1.64
Rest of Europe	100%	2,316	444.5	0.50
Living assets		**Units**		
UK PRS	100%	1,505	733.7	0.82
UK PBSA	100%	2,368	454.5	0.51
Japan PRS	100%	2,246	584.0	0.65
Australia BTR	100%	563	354.7	0.40
PV of development profits				
Singapore residential and other projects under devt			2852.9	3.19
China			62.2	0.07
Australia and others			15.5	0.02
Associates	**Stake**	**Issued units**		
CDL HT	29%	1,270.8	280.2	0.31
IREIT	21%	1,344.8	52.7	0.06
First Sponsor	35%	1,129.3	385.4	0.43
GAV			18,996.1	21.26
Other net assets/liabilities			7,466.3	8.36
Net cash/debt			-11,336.4	-12.69
RNAV			15,126.1	
RNAV/share			**16.93**	
Assumed discount			30%	
TP			**11.85**	

Source: City Developments, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	**3,587**	**4,159**	**3,534**	**3,667**
EBITDA	583	1,123	960	876
Deprec. & amort.	290	297	298	299
EBIT	293	827	662	577
Total other non-operating income	30	0	0	0
Associate contributions	181	167	154	122
Net interest income/(expense)	(404)	(342)	(373)	(368)
Pre-tax profit	**772**	**708**	**443**	**331**
Tax	(136)	(137)	(89)	(77)
Minorities	(6)	(5)	(3)	(2)
Net profit	**630**	**565**	**351**	**251**
Net profit (adj.)	630	509	351	251

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	12,114	12,171	12,228	12,284
Other LT assets	3,857	4,024	4,178	4,300
Cash/ST investment	2,060	2,024	2,653	3,084
Other current assets	9,019	9,743	9,660	9,802
Total assets	**27,049**	**27,961**	**28,718**	**29,470**
ST debt	3,176	3,176	3,176	3,176
Other current liabilities	1,790	1,684	1,648	1,742
LT debt	10,221	10,371	10,521	10,671
Other LT liabilities	1,603	1,603	1,603	1,603
Shareholders' equity	9,592	10,454	11,094	11,599
Minority interest	668	674	677	679
Total liabilities & equity	**27,049**	**27,961**	**28,718**	**29,470**

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	**(1,512)**	**333**	**967**	**762**
Pre-tax profit	772	708	443	331
Tax	(119)	(137)	(89)	(77)
Deprec. & amort.	290	297	298	299
Associates	(181)	(167)	(154)	(122)
Working capital changes	(2,075)	(709)	96	(37)
Non-cash items	(612)	0	0	0
Other operating cashflows	415	342	373	368
Investing	**397**	**102**	**63**	**40**
Capex (growth)	(1,005)	(150)	(150)	(150)
Investments	1,345	167	154	122
Others	56	85	59	68
Financing	**421**	**(471)**	**(401)**	**(371)**
Dividend payments	(139)	(194)	(120)	(85)
Issue of shares	0	0	0	0
Proceeds from borrowings	3,151	150	150	150
Loan repayment	(2,016)	0	0	0
Others/interest paid	(574)	(427)	(432)	(436)
Net cash inflow (outflow)	**(694)**	**(36)**	**629**	**431**
Beginning cash & cash equivalent	**2,689**	**1,995**	**1,959**	**2,588**
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	**1,995**	**1,959**	**2,588**	**3,020**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	16.3	27.0	27.2	23.9
Pre-tax margin	21.5	17.0	12.5	9.0
Net margin	17.6	13.6	9.9	6.8
ROA	2.5	2.2	1.3	0.9
ROE	6.7	5.8	3.5	2.4
Growth				
Turnover	(27.4)	15.9	(15.0)	(11.8)
EBITDA	(36.2)	92.6	(14.6)	(22.0)
Pre-tax profit	63.3	(8.2)	(37.4)	(53.3)
Net profit	98.4	(10.3)	(37.9)	(55.6)
Net profit (adj.)	212.8	(10.3)	(37.9)	(28.5)
EPS	101.4	(10.3)	(37.9)	(55.6)
Leverage				
Debt to total capital	130.6	121.7	116.4	112.8
Debt to equity	139.7	129.6	123.5	119.4
Net debt/(cash) to equity	118.2	110.2	99.6	92.8
Interest cover	1.4	3.3	2.6	2.4

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