



CapitaLand

CapitaLand Analysts/Media Trip 2016 “The Future CapitaLand”

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21 November 2016



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Recap Of CapitaLand's Transformation

ION Orchard, Singapore



CapitaLand's 2013 Strategy

1. Geography

- Two Core Markets – China (five city clusters) and Singapore
- Growth Markets – Vietnam and Indonesia

2. Asset Class

- Integrated Developments, Residential, Office, Retail, Serviced Residences

3. Business Model

- Balanced portfolio of trading, investment and fee-based business;
- Capital Recycling through REITs and Private Equity Funds





Key Actions Taken Since 2013 To Implement Strategy

1 Organisation Structure

- Simplified complex structure with the sale of Australand and the privatisation of CMA
- Cost rationalisation initiatives e.g. optimize manpower planning, more shared services and strengthen Group Procurement

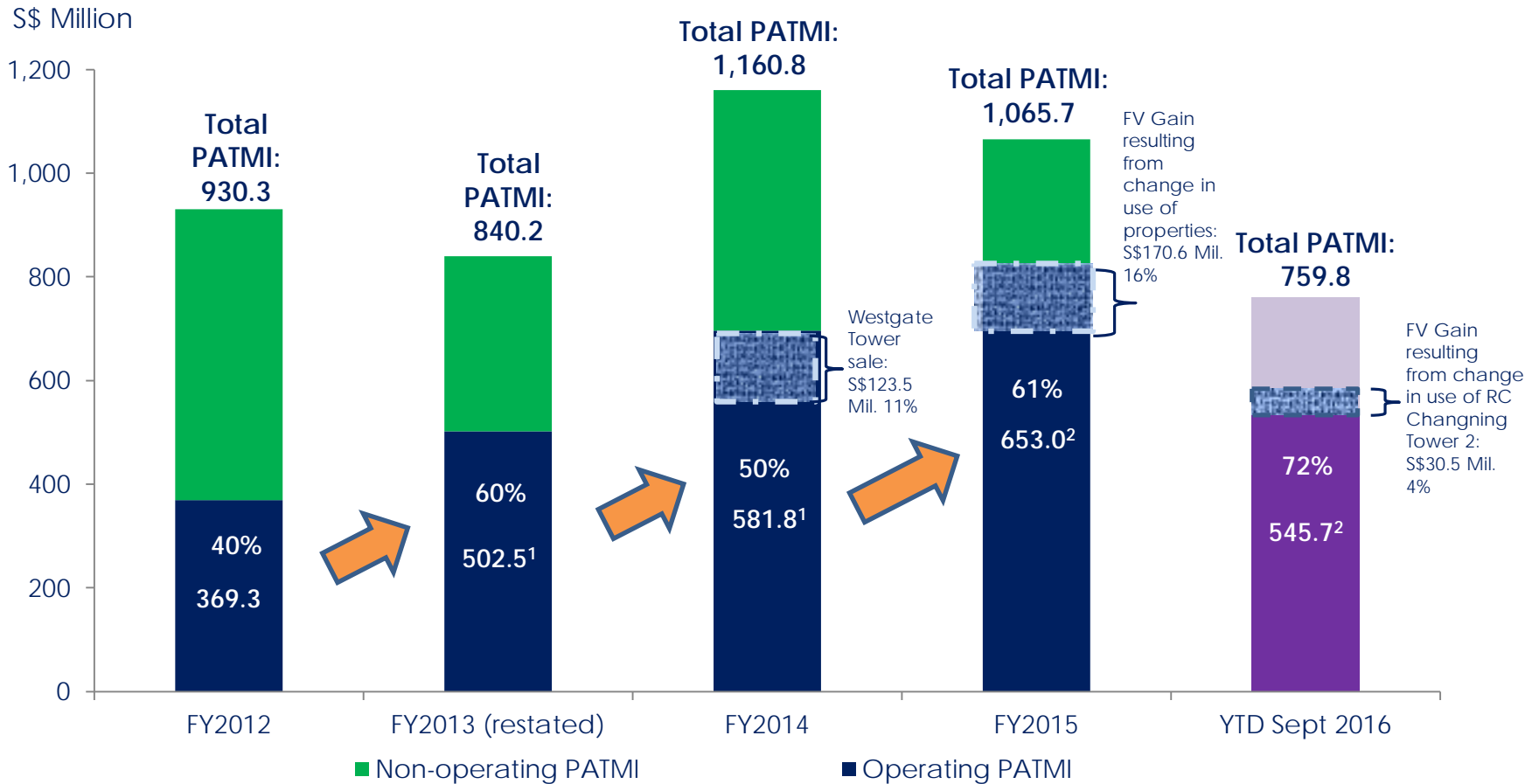
2 Business operations

- De-risked Singapore residential portfolio
- Improved business operations in China – shorter time to market and more efficient capital structure
- Grown Ascott's business significantly through management contracts and entered several new markets such as USA, Saudi Arabia, Turkey, Myanmar, Cambodia, Laos
- Increased exposure in Vietnam
- Accelerated asset recycling and portfolio reconstitution



3

Strengthened Growth In Operating PATMI



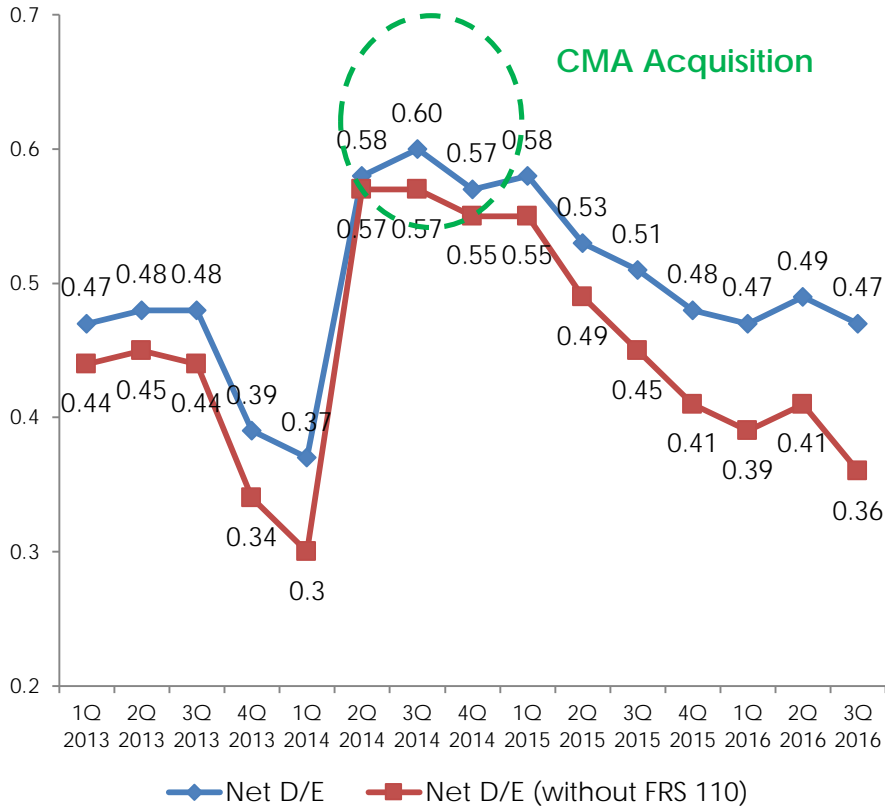
Operating PATMI Increased Steadily For The Past 4 Years

Note:
 1. Total operating PATMI inclusive of S\$16.3 million operating PATMI from discontinued operation in FY 2014 (FY2013 restated: S\$108.7 million)
 2. Operating PATMI excluded fair value gain of S\$30.5 million arising from change in use of development projects in China in FY2016 (FY2015: S\$170.6 million).

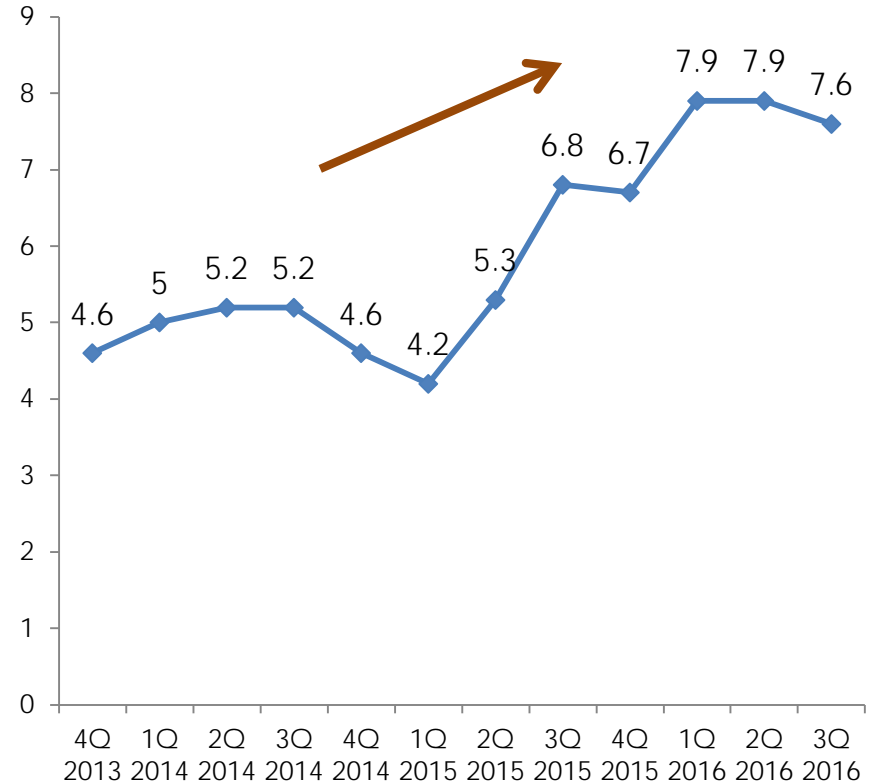


4 Improved Balance Sheet Strength

Net Debt/Equity



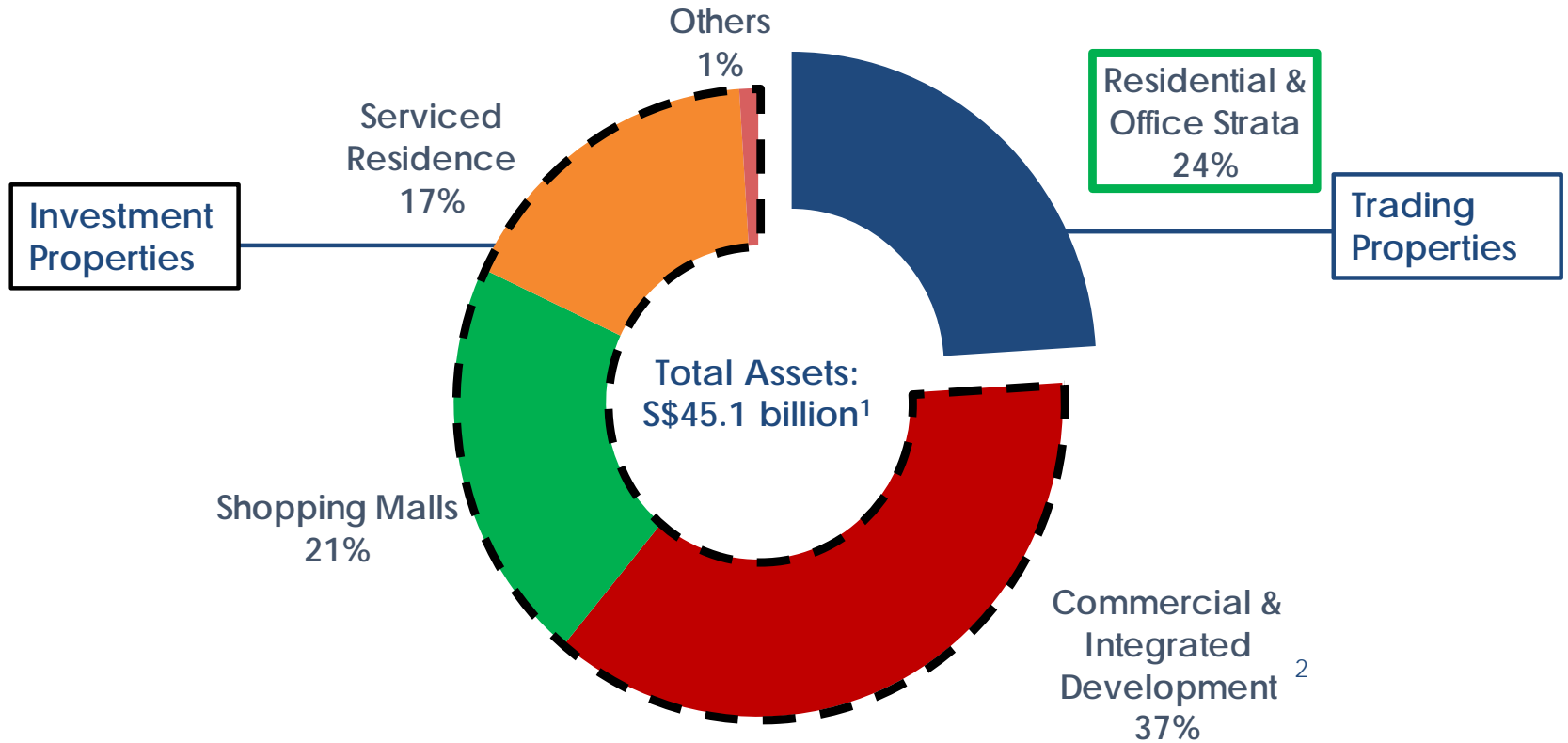
Interest Service Ratio



Prudent Capital Management Kept Balance Sheet Robust, Despite Of Major Acquisition In 2014



5 Achieved Optimal Mix Of Assets To Ensure Strong Recurring Income (As Of 30 September 2016)



Majority or ~76% Of Total Assets Contribute To Recurring Income; ~24% Of Total Assets Contribute To Trading Income

Note:
1. Refers to total assets, excluding treasury cash held by CapitaLand and its treasury vehicles
2. Excludes residential component

What Has Changed Since 2013

Capitaland

Raffles City Beijing, China



Headwinds Faced In The Last Few Years

- 1 Structural and regulatory challenges in the Singapore residential market
- 2 Lower revaluations of investment properties due to lower growth and/or higher than expected supply
- 3 Large proportion of projects under development and assets to be stabilised



1

Structural & Regulatory Challenges In The Singapore Market...

Singapore no longer enjoys the mid to high single digit growth

Average Growth	1970s = 9.5%	1980s = 7.8%	1990s = 7.3%	2000s = 5.3%	2010s ⁽¹⁾ = 3-4%	Beyond 2020 ⁽²⁾ = 2-3%
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Singapore's population growth is slowing

Average Growth	1970s = 1.5%	1980s = 2.3%	1990s = 2.8%	2000s = 2.5%	2010s ⁽¹⁾ = ~1.3-1.6%	Beyond 2020 ⁽²⁾ = 1.1-1.4%
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Residential cooling measures have had a dampening effect

Total Residential Sales	2012 = ~22,200 units	2013 = ~15,000 units	2014 = ~7,300 units	2015 = ~7,400 units
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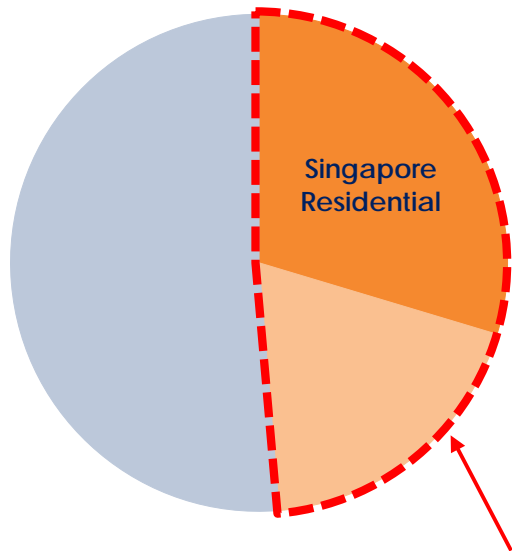
Source: Population White Paper, January 2013, 2013; Singstat, NPTD

Notes:

- (1) Up to 2020, outlook assumes Singapore can achieve 2% to 3% productivity growth per year (which is an ambitious stretch target), and maintain overall workforce growth at 1% to 2%.
- (2) Beyond 2020, outlook assumes Singapore will continue to enjoy good prospects if Singapore remains competitive and is able to plug into Asia's growth. However, actual economic growth will depend on many factors: external environment, Singapore's productivity and workforce growth etc

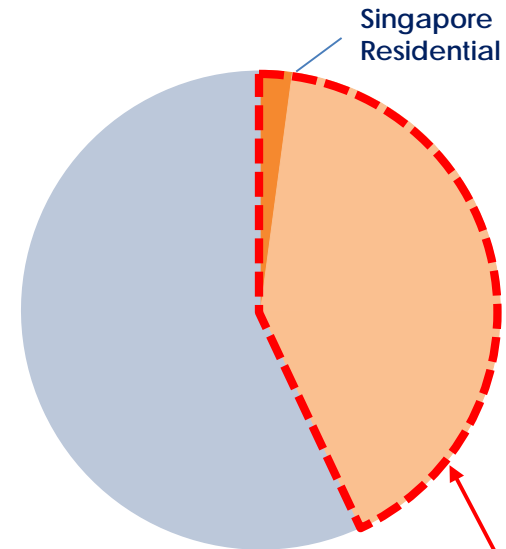
...Leading To Reduction In Residential Contribution

Total CL EBIT of \$2,549Mil
FY2010



Singapore EBIT = S\$1,241Mil

Total CL EBIT of \$2,316Mil
FY2015

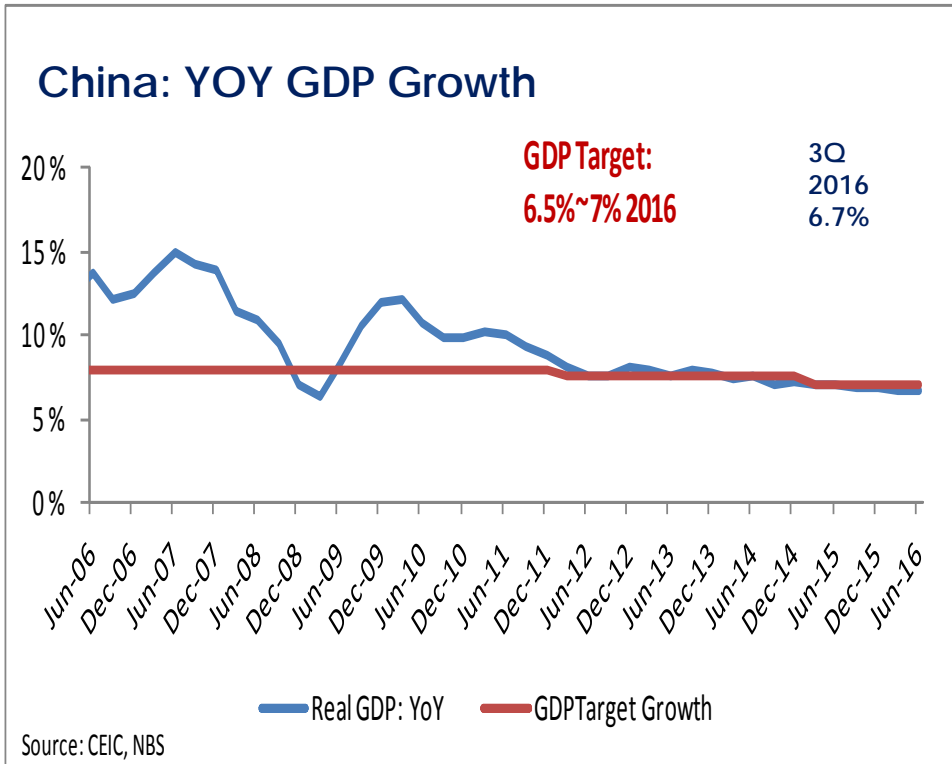


Singapore EBIT = S\$920 Mil

Singapore Peers Also Face The Same Outcome

2 Slower Growth & Higher Supply In China Market

China's Fundamentals Remain Strong Although Growth Slower Than Before

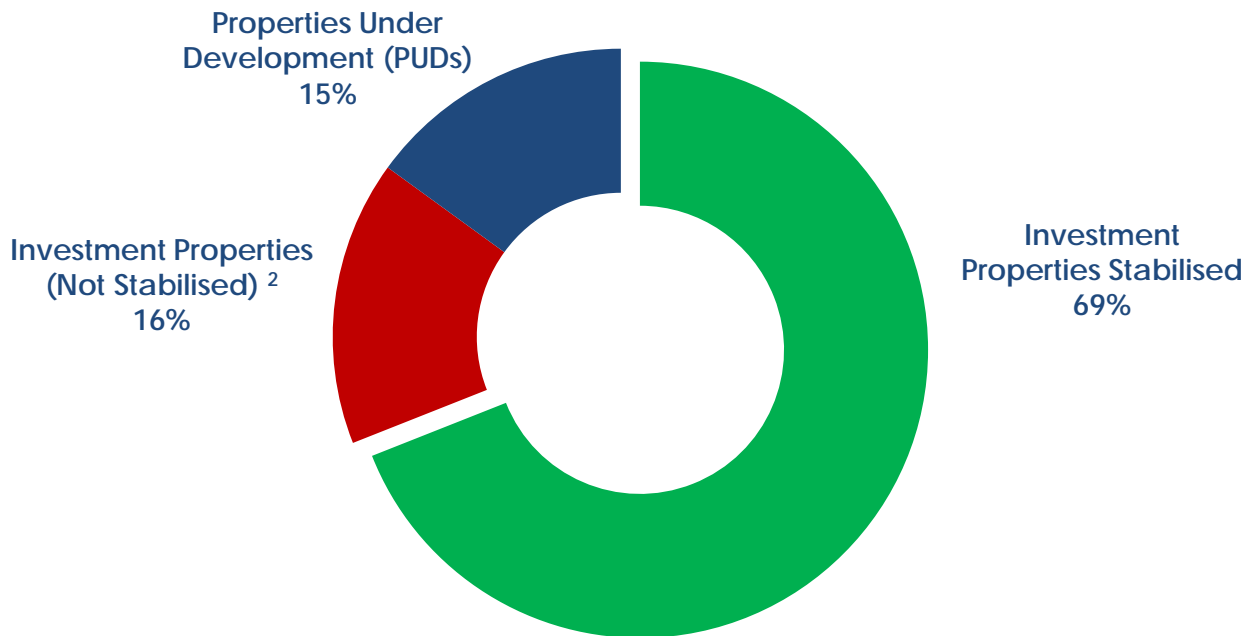


- China's economy is going through transition from fixed asset investment & export-led to domestic consumption & innovation-led
- Stable economic growth at 6.7% in 3Q 2016
- Future rental growth of investment properties are expected to moderate with slower growth, hence lower revaluation gains

Strong Focus On Operating PATMI To Make Up For Lower Revaluation Gains



3 Only 69% Of Investment Properties Are Matured Assets¹



Large Potential As Assets Turn Operational & Become Stabilised

Note:
(1) As of 30 Sep 2016. Investment properties/serviced residences held by subsidiaries are based on 100% of the property value; properties held through associate/JV are reported based on effective share of properties values.
(2) Non- stabilised assets comprised properties opened/completed in the last 3 yrs

Next Strategic Thrusts



Plaza Singapura, Singapore

1 Strengthen The Core Businesses

CMA

- **Enhance** existing network and **reconstitute** our portfolio
- Expand retail network through acquisitions and **management contracts**

CLC

- Focus on **Tier-1 and upper Tier 2 cities** (five city clusters)
- To build a **sustainable pipeline of projects**

CLS

- Commercial – look for opportunities to **reconstitute** portfolio
- Residential – in position to acquire new land bank

Ascott

- Continue to **build scale** (target 80,000 units or more)
- To improve **technology capabilities** to enhance distribution and customer engagement

Focus On Strengthening Competitive Advantages Through Various Strategic Initiatives



2 Evolve Business Model To Real Estate Investment + Operating Platforms

- Asset-lighter strategy: management services generate recurring income e.g. Third-party management contracts by CMA and Ascott
- Scaling up existing network
- Ownership of key assets still required to anchor operating platforms

Drag On ROE Partly Due To Capital Intensity & Duration Of Projects



Evolve Into An Asset Lighter Model For More Sustainable Future Growth



3 Grow AUM By Using Investment Management As A Competitive Advantage

- A Enhanced ROE from capital recycling and acquiring third party assets
 - Reduces balance sheet requirements while AUM scales up
 - Recurring income and higher ROE

- B On track to grow AUM up to S\$10 billion by 2020
 - Already raised 2 funds – Ascott-QIA JV (2015) and RCCIP III (2016) of total ~S\$6 billion AUM



4 Staying Relevant With Real Estate Of The Future

Inspiring A New Live-Work-Play Paradigm



Leverage On Technology To Enhance Existing Platforms

First Premium Co-Working Space In The CBD

COLLECTIVE WORKS



Encouraging 'Stickiness' To Our Malls

阿里旅行·去啊



JD.COM 京东

tujia 途家

Jia 齐家网 .com

CAPITASTAR 凯德购物星
SIMPLY REWARDING



Roadmap To ROE Target

ION Orchard, Singapore



How Do We Reach 8% ROE Target?

Initiatives from existing portfolio including:

1. Higher contribution from China & Vietnam residential projects
2. Reduced PUDs/non-stabilised on balance sheet
3. De-risk Singapore residential
4. Rationalise cost

New Initiatives:

1. Optimise capital structure as current mix of assets ensures strong cash flow generating capabilities
2. Higher fees from investment management business



Conclusion

ION Orchard, Singapore



Conclusion

- 1 Significant transformation made by the Group in the last 3 years
- 2 Complexion of the business has improved with increasing share of operating PATMI and a strong balance sheet
- 3 Evolve towards an asset lighter model with operating platforms
- 4 Achieving ROE target delayed mainly due to weak Singapore residential market as well as projects under development
- 5 However, there is an actionable plan to work towards 8% ROE area within the next 2-3 years

**Strengthen Core, Evolve Business Model,
Grow AUM, Stay Relevant**



Thank You