CDL 53RD ANNUAL GENERAL MEETING – 20 APRIL 2016, 3.00 PM PRESENTATION BY CDL CEO MR GRANT KELLEY

Presentation Transcript

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- Thank you very much Chairman, and good afternoon, shareholders, ladies and gentlemen

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- Today's presentation will cover five key areas:
  - Financial Highlights;
  - Singapore Overview;
  - International Overview;
  - Hotel Operations;
  - And, finally, will conclude with some brief remarks on our strategic objectives for 2016

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- First, let's turn to CDL's financial highlights for the past year

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- And in summary, despite challenging market conditions, the Group delivered a consistent and resilient performance, marking the third consecutive year of outperformance versus our peer group

- In 2015, PATMI increased by 0.5% to slightly over $773 million, supported by a record Q4 PATMI of over $410 million

- This resulted in full year EBITDA of slightly less than $1.3 billion

- In our Singapore residential business, we posted two key milestones:
  - First, our Executive Condominium (or EC) project, The Brownstone, was the best-selling EC in Singapore last year, with over 60% of units sold to date

  - Second, in November, CDL acquired the Lorong Lew Lian site in Serangoon, near NEX Shopping Mall, for $321 million

- CDL also grew its international footprint, with five major acquisitions amounting to approximately $1 billion

- Key milestones were achieved in the target markets of China, the UK and Australia, and we will discuss each of these in detail later in the presentation

- In our funds management business, we completed the second Profit Participation Securities (or PPS) investment programme, generating $1.1 billion of incremental cash flow and $314 million Profit Before Tax

- The execution of the funds management strategy, in parallel with international acquisitions, enabled us to recycle cash, and hence retain our traditionally strong balance sheet metrics, specifically:
  - A 26% net gearing ratio (19% if fair value accounting is used); and
  - $3.6 billion of cash on the balance sheet, which positions us well for further acquisitions in 2016

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- As mentioned, we believe this performance demonstrates consistency and resilience, despite the challenging environment

- … with the bottom lines of:
  - Increased PATMI of 0.5%
  - Increased EPS of 0.5% and
  - Increased NAV per share of 6.9%

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- The strength of CDL's diversification strategy is evident in our earnings and asset composition. Specifically, in 2015:
  - 27% of EBITDA; and
  - 45% of Total Assets

... were overseas

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- An example of the Group's growing international presence is our Land Bank

- Currently the Group has 75% by site area, and 76% by proposed GFA, outside our home market of Singapore

- Approximately two-thirds of total proposed GFA is in the core overseas markets of the UK and China

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- Additionally, CDL today is a business which enjoys significant recurring income streams

- In 2015:
  - 71% of EBITDA; and
  - 51% of Total Assets

  … were in Hotel Operations, Rental Properties, or Funds Management

- The relevance of this is that equities analysts typically place a higher Price-Earnings Multiple (or "PE") on recurring earnings, versus one-time profits from build-to-sell residential projects

- Moving forward, the group will continue to balance its residential development business with durable and predictable recurring income streams

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- One of the most important recurring income streams is our Funds Management business, which we launched in 2014

- In December 2015, the Group unveiled its second PPS, partnering with Alpha Investment Partners, a subsidiary of Keppel Corporation

- The $1.1 billion "PPS2" portfolio comprises three of the Group's prime office assets: Manulife Centre, Central Mall (Office Tower), and 7 & 9 Tampines Grande

- The Group injected these assets to the PPS vehicle on a long-term leasehold basis, retaining upside from our long-term reversionary title, after 99 years, to both Manulife Centre and Central Mall (Office Tower)

- CDL will also enjoy a 60-40 preferential share of profits, above a preferred return to the investor of 12.6%

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- Following PPS 2, the Group is now well-positioned in its objective of achieving $5 Billion of Funds Under Management (or FUM) by the end of 2018

- We will continue to seek opportunities for additional PPS programmes as well as new ways to monetise assets and recycle cash

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- In 2015, CDL continued to build stakeholder value through its focus on Environmental, Social and Governance stewardship (or ESG)

- This culminated with CDL's ranking, at the World Economic Forum in January 2016, as the top real estate company in the Global 100 Most Sustainable Corporations in the World

- CDL was also one of only two Singapore companies listed amongst the world's top 10 most sustainable companies.

- Additionally, we were listed on other global sustainability benchmarks – including the FTSE4Good Index Series, the Dow Jones Sustainability Indices, the STOXX Asia Pacific ESG Leaders 50 Index, MSCI "AAA" Rating and the GRESB Report 2015

- These accolades not only help CDL differentiate its branding and product, but are becoming a "must have" for many institutional investors which will increasingly evaluate sustainability practices prior to making any financial commitments

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- Turning now to an overview of our Singapore operations

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- And in 2015, residential prices continued their downward trend, falling 3.7%, similar to the 4.0% decline in 2014

- Rentals of private residential projects similarly fell by 4.6%, vs 3.0% the prior year

- The downward pressure on prices continues, with the latest Q1 2016 flash estimate representing the 10th consecutive quarter of decline

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- Singapore residential unit sales also continue to remain depressed

- In 2015, developers sold 7,440 units representing a slight increase of 1.7%, versus 2014

- However buying behavior continues to be adversely impacted by property cooling measures, most especially the Additional Buyers' Stamp Duty (ABSD) and Total Debt Servicing Ratio (TDSR) restrictions

- In view of these measures, plus incoming supply of completed residential units, we expect demand to remain subdued in 2016, with prices likely to continue to decline

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- Despite the challenging environment, in 2015 the Group, together with our joint venture associates, sold 674 units, including ECs, at a value of $691.5 million

- Average unit size increased by almost 200 square feet, although prices per square foot decreased by approximately $200

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- In 2015, CDL launched two EC projects:

    - The Brownstone – a 638-unit EC located at Canberra Drive in Sembawang, which is now over 60% sold; and

    - The Criterion – a 505-unit EC in Yishun, which is now over 17% sold

- The EC market continues to remain highly competitive given the limited pool of eligible buyers, plus increased supply

- However, we believe that over time, sales momentum will increase as construction progresses and buyers are able to visualise the finished product

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- In 2015, CDL completed and handed over five residential projects, of which four are now fully sold:

    - In March, The Rainforest – a 466-unit EC located at Choa Chu Kang Ave 3

    - In May, H2O Residences – a 521-unit waterfront development located at Fernvale Link

    - In June, Bartley Residences – a 702-unit residence at Lorong How Sun

    - In September and December, The Palette – an 892-unit residence at Pasir Ris Grove

    - And lastly, in December, UP@Robertson Quay, an exclusive 70-unit luxury residence, now 81% sold

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- In the next several months, the Group plans to launch Gramercy Park, an exclusive 174-unit freehold development on Grange Road, minutes away from the Orchard Road shopping district, and easily accessible to the CBD

- Comprising two iconic sculptured towers, Gramercy Park is designed by world renowned architectural firm, NBBJ New York

- It is beautifully landscaped with a large garden, a nature-inspired walking trail, and a function room overlooking a 50-metre lap pool and a jacuzzi

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- In 2016, we expect to complete and hand over an additional five projects. These are:
  - HAUS@SERANGOON GARDEN – a landed housing project within the Serangoon Gardens residential enclave
  - Lush Acres, a 380-unit EC located at Fernvale Close
  - Jewel @ Buangkok, a 616-unit residence at Compassvale Bow, walking distance to Buangkok MRT station
  - The Echelon, a luxury 508-unit residence at Alexandra View
  - And finally, Bartley Ridge, an 868-unit residence at Mount Vernon Road

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- Additionally, in November 2015, the Group successfully secured a 99-year leasehold residential site, at Lorong Lew Lian for $321 million
- Our JV bid topped a tightly contested field by a thin margin of 2.6%
- The site is well-located within an established residential estate, approximately 250 metres from the Serangoon bus interchange and MRT station
- We plan to develop the site into a residential project with over 500 units

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- Turning now to the office sector, and in 2015 Singapore experienced a 0.1% decline in the national price index, and a 6.5% decline in rentals
- Unfortunately, the environment is expected to worsen during 2016 and into 2017, due to excess supply versus historical take-up rates
- However, the Group’s Singapore office portfolio continued to perform well, with average occupancy of 97%, compared to the national average of 90.5%

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- Turning now to South Beach, the Group’s iconic mixed-use JV development covering 3.5 prime city hectares, bounded by Beach Road, Bras Basah Road, Nicoll Highway, and Middle Road
- South Beach Tower, the 34-storey office block facing Middle Road, comprising over 510,000 sq ft of Grade A office space, is now 98% leased, owing to a successful lease-up strategy executed in the first half of 2015, which targeted financial institutions such as

Rabobank as well as “new economy” companies such as Facebook and Expedia

- Additionally, South Beach’s retail component, comprising 60,000 sq ft, is now over 48% leased

- Retail leasing activity is expected to increase as construction works for the direct link to the MRT station are expected to complete in Q3 2016

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- Let’s turn now to our international operations

- As mentioned earlier, very good results are beginning to be realised, after many years of meticulous planning and hard work

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- To date 4 projects have been successfully launched, with each recording very strong take-up:

    - In Australia, the Ivy and Eve residential project in Brisbane is 73% sold;

    - In China, our two launched projects, Hong Leong City Centre (Phase One) in Suzhou, and the re-launched Hongqiao Royal Lake in Shanghai, have sold 60% and 18% to date respectively

    - And in the UK, Hanover House in Reading outside London is now fully sold

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- Internationally, 10 projects are in development:

    - 3 in China

    - 6 in the UK; and

    - Our Shirokane project in Japan which we will cover shortly

- This represents a total saleable area of over 2 million sq ft

- We will now go through each of these projects in more detail, both launched and unlaunched

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- In 2015, the Group re-entered the Australian residential market, with the Ivy and Eve, a JV project comprising 472 apartments, across two towers, in Brisbane’s highly sought-after South Bank precinct

- Due to the project's exceptional location, and competitive pricing, the sales launch met with a highly positive response, with 73% of the 472 units sold to date

- The Group expects to realise profits from this project in early 2018

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- Moving on to our China platform:

    - To recall, we entered the market in 2010 setting aside up to $800 million for the investment programme

    - Since that time, the Group acquired 4 development sites at good valuations, and subsequently developed these according to local market conditions and buyer preferences

- In 2015, we posted strong sales results from our two launched projects, with sales revenue totaling RMB 1.6 billion:

    - Hong Leong City Center – a mixed-use waterfront development in Suzhou – sold 677 units in 2015, with sales revenue of RMB 1.36 billion. It was the top-selling project in Suzhou Industrial Park for the year
    - In Shanghai, we re-launched the Hongqiao Royal Lake luxury villa project in November. 13 villas were sold prior to the end of the year, generating sales revenue of approximately RMB 260 million
    - In 2016, each of these projects have continued to register healthy sales. To date, we have sold 826 units or 60% of Hong Leong City Center Phase 1, and 15 villas at Hongqiao Royal Lake

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- Our other projects in Chongqing continue to make good progress:
    - Eling Residences, a 126-unit luxury development located at the peak of Eling Hill in Yuzhong district, completed structural works in 2015, and will be launched for sale shortly

    - Huang Huayuan, a mixed-use riverside development, also located in Yuzhong, is undergoing fine-tuning to its residential sales mix. Substructure works will resume later this year

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- Turning to Japan, in September 2014, the Group acquired Hattori House, a prime freehold site in the prestigious residential enclave of Shirokane, which is currently being redeveloped into a luxury condominium

- The sales launch is targeted for Q4 2017

- Overall, the Group remains positive in its outlook for Japan's real estate market, and will continue to source proprietary opportunities in the residential, office and hospitality segments

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- Moving to the UK, and just to recap:
  - When we entered the market in 2013, we set aside £550 million for investment
  - Since that time, the Group has acquired a total of 8 freehold properties for approximately £400 million

- It is noteworthy that, after our first 12 months in the UK, we de-risked the portfolio as an early mover out of Core Central London acquiring assets in Reading and Croydon, thus avoiding the overheating which occurred throughout 2015

- In keeping with this strategy, in Q4 last year we completed two large acquisitions in the Borough of Richmond, about 20 km from central London:
  - Teddington Studios; and
  - Stag Brewery in Mortlake

  … were acquired for a combined total of £243 million
- Additionally, we achieved two major sales milestones:
  - At Hanover House in Reading we are now fully sold; and additionally
  - We exited Emerald House in Croydon for a profit of £5.7 million (representing an ROI of 45%)

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- As mentioned, residential sales of the 82-unit, £18.7 million Reading project, Hanover House, look promising, with 73 units exchanged and 9 units reserved

- This project is on target to produce profits in Q3 2016

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- The Group's other UK projects continue to make steady progress

- 28 Pavilion Road, a former car park located adjacent to the Millennium Hotel Knightsbridge, is in the process of securing planning approval

- The three other residential projects shown on this page are all very well-advanced:
  - Chesham Street (in Belgravia), and Hans Road (in Knightsbridge) are targeted for completion in Q4 2016; and

    - Sydney Street (in Chelsea) will be completed by Q4 2017

- As high-end properties, these are not expected to attract buyers until they are completed

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- Turning now to our Hotel Operations, comprising both Millennium & Copthorne Hotels (or "M&C"), in which the Group holds a 65.7% stake, and our REIT platform, CDL Hospitality Trusts (or "CDLHT") in which M&C holds a 36% interest

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- In 2015, M&C faced a very difficult operating environment, heavily impacted by falling commodity prices, mounting concerns with terrorism, health advisory travel alerts, and the emergence of "disruptors" such as Air BnB

- These issues were particularly acute in the key "gateway cities" of Asia, Europe, and the United States

- The bottom line was that, although M&C's revenue for 2015 increased by 2.5% to £847 million, M&C reported reduced PATMI of £65 million , a 41% decline, due primarily to the need to recognise a net impairment charge of £43 million

- The PATMI impact at the CDL Group level was approximately $48 million

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- Some better news was at the M&C portfolio level, however, where the number of hotels increased by a net 6 properties, equating to an additional 1,350 rooms

- Key highlights included:
    - Acquisition of two new new properties in the UK (in Liverpool and Cambridge, the Cambridge property being booked by CDLHT); and
    - Addition of five new management contracts in the Middle East, including in key cities such as Muscat and Kuwait City

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- Turning now to CDL Hospitality Trusts,

- In 2015, Revenues increased by 3.4% overall, although Net Property Income (or "NPI") declined by 2.5%

- The revenue increases were due to:
    - The acquisition of Hilton Cambridge City Centre, (CDLHT's first acquisition in Europe); and

  - Full year performance from the two Tokyo "MyStays" hotels, acquired in December 2014

- However, a decline in bottom-line NPI was recorded, predominantly due to currency translation losses from our Australasian assets

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- Moving forward, the Group expects 2016 to be a challenging year for most sectors, given the unpredictable global growth outlook

- However, CDL is moving forward, confidently, in its strategic vision

- For example, last week, we announced six senior management appointments, aimed at strengthening our internal capabilities, to ensure that CDL is well-poised to meet the changing business environment

- These appointments are the first step of an ongoing effort to enhance our organisational structure, systems, and processes

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- In 2016, there are three key strategies which we will seek to execute:

- First, we see significant opportunities to deploy CDL's strong cash reserves in a dislocating market, where values are becoming increasingly attractive, although as always we will remain disciplined in our investment approach

- Second, we will continue to expand internationally across the 5 target markets of the US, UK, Japan, China and Australia, building on the strong work already achieved today

- Third, we will grow our funds management business, targeting the $5 billion FUM objective by end-2018.

  - Of course, in addition to all of this, our eyes are still very much focused on the Singapore property market, where we are prepared to respond quickly should the market environment improve

- Finally, ladies and gentlemen, in closing, on behalf of the Chairman, the Board and Management, I wish to thank all of our shareholders for your strong support and confidence in the Group over the past year, and of course, the many preceding years

- We will continue to work hard for you and for all of our stakeholders, building greater value for the company and the community

- Thank you very much

END