CapitaLand Investors’ Day 2016
“The Future CapitaLand”
Presentation By Mr. Lim Ming Yan, President & Group CEO
15 November 2016
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Recap Of CapitaLand’s Transformation
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
## Recap of CapitaLand’s Transformation

### Key Actions Taken Since 2013 To Implement Strategy

<table>
<thead>
<tr>
<th>1</th>
<th>Organisation Structure</th>
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<tbody>
<tr>
<td></td>
<td>• Simplified complex structure with the sale of Australand and the privatisation of CMA</td>
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<tr>
<td></td>
<td>• Cost rationalisation initiatives e.g. optimize manpower planning, more shared services and strengthen Group Procurement</td>
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<table>
<thead>
<tr>
<th>2</th>
<th>Business operations</th>
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<tbody>
<tr>
<td></td>
<td>• De-risked Singapore residential portfolio</td>
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<td>• Improved business operations in China – shorter time to market and more efficient capital structure</td>
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<td></td>
<td>• Grown Ascott’s business significantly through management contracts and entered several new markets such as USA, Saudi Arabia, Turkey, Myanmar, Cambodia, Laos</td>
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<td></td>
<td>• Increased exposure in Vietnam</td>
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<td>• Accelerated asset recycling and portfolio reconstitution</td>
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Recap of CapitaLand’s Transformation

3) Strengthened Growth In Operating PATMI

- **Operating PATMI Increased Steadily For The Past 4 Years**

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

**Recap of CapitaLand’s Transformation**

**Net Debt/Equity**

- CMA Acquisition

**Interest Service Ratio**

- Prudent Capital Management Kept Balance Sheet Robust, Despite Of Major Acquisition In 2014
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
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
What Has Changed Since 2013

1 Structural & Regulatory Challenges In The Singapore Market...

Singapore no longer enjoys the mid to high single digit growth

<table>
<thead>
<tr>
<th>Average Growth</th>
<th>1970s</th>
<th>1980s</th>
<th>1990s</th>
<th>2000s</th>
<th>2010s(^{(1)})</th>
<th>Beyond 2020(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s</td>
<td>19.5%</td>
<td>1980s</td>
<td>7.8%</td>
<td>1990s</td>
<td>7.3%</td>
<td>2000s</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>3-4%</td>
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<tr>
<td>Beyond 2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2-3%</td>
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</table>

Singapore’s population growth is slowing

<table>
<thead>
<tr>
<th>Average Growth</th>
<th>1970s</th>
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<th>2000s</th>
<th>2010s(^{(1)})</th>
<th>Beyond 2020(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s</td>
<td>1.5%</td>
<td>1980s</td>
<td>2.3%</td>
<td>1990s</td>
<td>2.8%</td>
<td>2000s</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.5%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>~1.3-1.6%</td>
<td>2020s</td>
</tr>
<tr>
<td>Beyond 2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.1-1.4%</td>
<td></td>
</tr>
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Residential cooling measures have had a dampening effect

<table>
<thead>
<tr>
<th>Total Residential Sales</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>~22,200 units</td>
<td>~15,000 units</td>
<td>~7,300 units</td>
<td>~7,400 units</td>
</tr>
</tbody>
</table>

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.
What Has Changed Since 2013

...Leading To Reduction In Residential Contribution

Total CL EBIT of $2,549Mil FY2010

- Singapore Residential
  - Singapore EBIT = S$1,241Mil

Total CL EBIT of $2,316Mil FY2015

- Singapore Residential
  - Singapore EBIT = S$920 Mil

Singapore Peers Also Face The Same Outcome
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
Only 69% Of Investment Properties Are Matured Assets¹

Properties Under Development (PUDs) 15%
Investment Properties (Not Stabilised) ² 16%
Investment Properties Stabilised 69%

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
Next Strategic Thrusts

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
Next Strategic Thrusts

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

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

Evolve Into An Asset Lighter Model For More Sustainable Future Growth
Next Strategic Thrusts

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
Next Strategic Thrusts

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

Encouraging ‘Stickiness’ To Our Malls
Roadmap To ROE Target
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

Roadmap To ROE:

>6%  ~8%

FY 2016  FY 2018 & Beyond
Concentrate On Execution To Achieve ROE Target

**Residential**
- Sky Vue
- Marine Blue
- Cairnhill Nine
- >5,000 China Residential Units To Be Completed in 2017 & 2018
- Victoria Park Villas

**Commercial/Integrated Developments**
- Raffles City Changning
- Raffles City Hangzhou
- LuOne, Shanghai
- Raffles City Shenzhen
- Suzhou Center Mall
- Capital Tower, Shanghai
- Funan, Singapore
- Raffles City Chongqing

**Malls**
- CapitaMall Xinduxin, Qingdao
- The Forum Mysore, India
- Melawati Mall, Kuala Lumpur
- CapitaMall Westgate, Wuhan
- CapitaMall Tiangongyuan, Beijing
- Jewel Changi Airport, Singapore
- Fortune Finance Center, Changsha

**Serviced Residences**
- Ascott Olaya Riyadh
- ~4,500 Pipeline Units Opened/To Be Opened
- Ascott Marunouchi Tokyo
- ~4,500 Pipeline Units To Be Opened
- Ascott Taiyuan
- ~11,300 Pipeline Units To Be Opened between 2018 and 2020

**Notes:**
1. Projects listed above are those planned as of 30 Sep 2016
3. Based on the year of opening of the first component of the particular Raffles City development
4. Office Towers 3 and 2 of Raffles City Changning have commenced operations in 3Q 2015 and 2Q 2016 respectively
5. CapitaMall Xinduxin, Qingdao opened in 2Q 2016
6. Based on number of pipeline units in Ascott’s inventory of 17,180 units that are under development as of 30 Sep 2016
Conclusion
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