

Singapore

HOLD (no change)

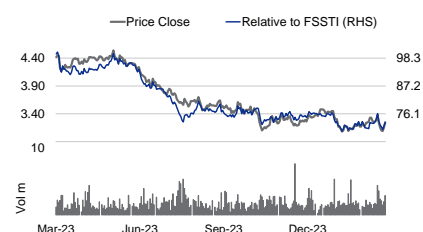
Consensus ratings*: Buy 3 Hold 6 Sell 4

Current price:	US\$3.24
Target price:	US\$3.60
Previous target:	US\$3.60
Up/downside:	11.1%
CGSI / Consensus:	-4.9%
Reuters:	HKLD.SI
Bloomberg:	HKL SP
Market cap:	US\$7,152m
Average daily turnover:	US\$5.78m
Current shares o/s:	2,215m
Free float:	47.9%

*Source: Bloomberg

Key changes in this note

- FY24F EPS increased by 8%.
- FY25F EPS increased by 10%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	-1.2	-26.9
Relative (%)	-0.1	-2.4	-24.4

Major shareholders	% held
Jardine Matheson	52.1

Analyst(s)



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Hongkong Land Holdings Ltd

Sluggish profit recovery

- HKL's underlying net profit yoy decline in FY23 was due to impairment on development property projects in China.
- Although HK offices saw sustained weak rental performance, its entire retail portfolio reported a post-Covid-19 recovery.
- It was selective in land banking in China in FY23 amid a weak recovery in the residential sales market. Reiterate Hold; TP unchanged at US\$3.6.

Underlying net profit down 5% yoy in FY23

HKL's underlying net profit in FY23 declined by 5% yoy to US\$734m (12% above our estimate), dragged by an impairment of US\$90m on development property (DP) projects in China. Underlying net profit from the investment properties (IP) portfolio (before tax and other charges) increased by 3% yoy, boosted by improved rentals from the retail space. FY23 DPS was flat yoy at US\$0.22 (6.8% dividend yield).

Retail, SG office rentals offset sluggish HK office rentals

HKL's office space in HK was subject to c.-10% rental reversion in FY23; the magnitude should narrow in FY24F, per management's estimates. Average monthly rent in FY23 was HK\$106/sf, down from HK\$111/sf a year ago. End-2023 office vacancy at HKL was 7.4%, below the Central average of 10%, as HKL adopted flexible leasing strategies to attract new tenants looking for smaller floor areas. Its HK luxury retail portfolio recovered well in a post-Covid-19 environment; FY23 tenant sales registered mildly positive growth compared to FY17-18 levels, which bodes well for positive rental reversion in FY24F, in our view. Meanwhile, rental growth for the company in China and Singapore (SG) was solid at 19% and 8% yoy, respectively, in FY23, thanks to a recovery in tenant sales in China and positive rental reversions for its SG office space.

Suppressed GPM from China DP sales; selective land banking

OP from its DP business declined by 32% yoy in FY23 due to the impairment mentioned above. GPM from China DP sales booked dropped from 22% in FY22 to 19% in FY23, dragged by slow-moving inventories. HKL was very selective in land banking in FY23, acquiring only two parcels in China and two more in SG. Although its DP booking amount will increase in FY24F based on its booking schedule, we think that GPM from China DP will not improve markedly, unless DP sales at West Bund in Shanghai are upbeat and recognised in FY24F.

Reiterate Hold

After revising DP sales booking schedule and IP growth assumptions, we lift FY24-25F EPS by 8-10% and NAV by 1% to US\$10.3. Our TP for HKL is unchanged at US\$3.6, still based on a 65% NAV discount. Reiterate Hold on HKL; we think a near-term share price re-rating is unlikely unless there is a turnaround in GPM for its DP sales and rental reversion in HK IP. Key downside risks: higher interest expense and higher HK office vacancy. Key upside risks: higher-than-expected GPM for DP sales and stronger rental reversion for its IP portfolio.

Financial Summary

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues (US\$m)	2,244	1,844	1,869	1,874	1,872
Operating EBITDA (US\$m)	272.6	(522.2)	850.5	842.7	840.3
Net Profit (US\$m)	202.7	(582.3)	724.7	839.1	904.4
Core EPS (US\$)	0.34	0.33	0.33	0.38	0.41
Core EPS Growth	(17.0%)	(3.8%)	(1.3%)	15.8%	7.8%
FD Core P/E (x)	9.44	9.80	9.90	8.55	7.93
DPS (US\$)	0.22	0.22	0.22	0.22	0.22
Dividend Yield	6.79%	6.79%	6.79%	6.79%	6.79%
EV/EBITDA (x)	4.17	4.14	3.47	2.47	2.02
P/FCFE (x)	12.81	13.84	32.46	10.98	5.89
Net Gearing	17.5%	16.8%	16.5%	14.6%	14.3%
P/BV (x)	0.22	0.22	0.22	0.20	0.20
ROE	2.29%	2.25%	2.23%	2.45%	2.53%
% Change In Core EPS Estimates			7.99%	9.88%	
EPS/Consensus EPS (x)			0.92	1.02	0.87

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

To see higher average financing cost in FY24F

HKL's average financing cost was 3.9% in FY23, up from 3.3% in FY22, due to increased HIBOR for floating rate debts denominated in HK\$ as well as issuance of medium-term notes (MTN), which resulted in HKL locking in higher interest rates. This impacted HKL's average borrowing cost, and management expects it to rise a bit further in FY24F.

Future share buybacks on opportunistic basis

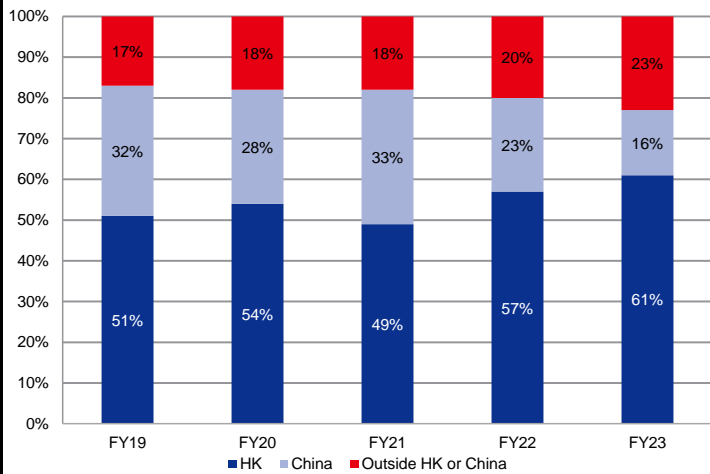
Out of the US\$1bn budget for its share buyback programme that ended on 31 Dec 2023, HKL repurchased 5.5% of outstanding shares with US\$627m. Management expects share buybacks, if any, to be conducted on an opportunistic basis and will prioritise it along with new investments and dividend growth.

Figure 1: HKL FY23 results summary

US\$ m	FY22	FY23	yoy%	FY23F	var%
Total revenue	2,244	1,844	(18)	1,718	7
<i>Gross rental income</i>	1,118	1,144	2	1,134	
<i>Property sales</i>	1,126	700	(38)	584	
Cost of sales	(1,224)	(914)	(25)	(686)	33
<i>Investment properties opex</i>	(258)	(257)	(1)	(250)	
<i>Cost of properties sold</i>	(966)	(657)	(32)	(436)	
Gross Profit	1,021	931	(9)	1,032	(10)
<i>Net rental income</i>	860	887	3	884	
<i>Profit from property sales</i>	160	43	(73)	148	
Other income	41	54	33	(14)	
Admin. & other expenses	(216)	(191)	(12)	(219)	
non-operating gains / (losses)	0	0	n.a.	0	
EBIT	846	794	(6)	799	(1)
Net financing charges	(168)	(184)	10	(261)	
Operating profit	678	610	(10)	539	13
Share of profit from associates	229	235	2	255	
<i>Rental income</i>	72	83	14	113	
<i>Property sales</i>	157	152	(3)	142	
Profit before tax	907	845	(7)	794	6
Tax expenses	(132)	(107)	(19)	(124)	
Minority interests	1	(3)	(633)	(15)	
Underlying net profit	776	734	(5)	655	12
Revaluation and others	(573)	(1,317)	130		
Reported net profit	203	(582)	(387)		
DPS - interim (US\$)	0.06	0.06		0.06	
DPS - final (US\$)	0.16	0.16		0.16	
DPS - total (US\$)	0.22	0.22	0	0.22	0
Net Gearing (%)	17.5%	16.8%	-0.7% pt	20.0%	-3.2% pt

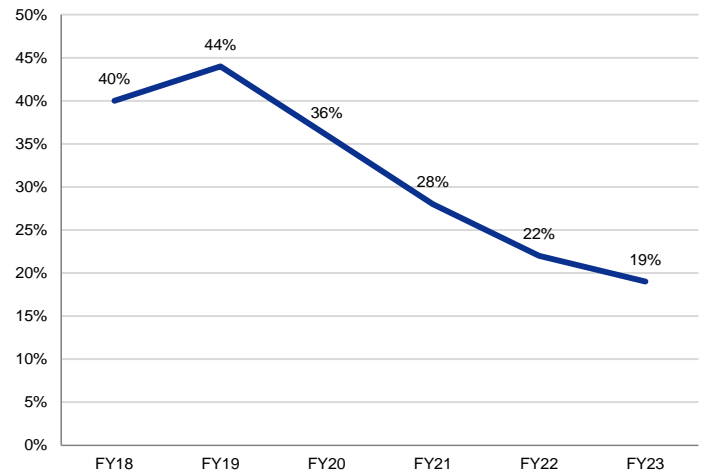
SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Proportion of underlying OP, before corporate expenses



SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 3: GPM (before land appreciation tax [LAT]) for China DP



SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 4: Earnings revisions

US\$ m	2024F			2025F			2026F	
	Old	New	% chg	Old	New	% chg	New	
Core net profit	671	725	8%	764	839	10%	904	
EPS (US\$)	0.30	0.33	8%	0.34	0.38	10%	0.41	
DPS (US\$)	0.22	0.22	0%	0.23	0.22	-4%	0.22	

SOURCES: CGSI RESEARCH ESTIMATES

Figure 5: NAV breakdown (end-2024F)

	US\$ m	US\$/share	% GAV
HK Central office portfolio	12,143	5.5	40.7%
HK Central retail portfolio	2,587	1.2	8.7%
Other HK portfolio	57	0.0	0.2%
China IP	4,823	2.2	16.2%
SG IP	3,422	1.6	11.5%
Other Asean IP and hotels	517	0.2	1.7%
SG and Asean DP	0	0.0	0.0%
China DP	6,293	2.9	21.1%
GAV - total	29,842	13.5	100.0%
Less: net debt	(7,188)	(3.3)	
NAV	22,655	10.3	

SOURCES: CGSI RESEARCH ESTIMATES

Figure 6: Summary of NAV per share and TP changes

	Old	New	Chg
NAV (US\$)	10.20	10.30	1%
Target discount	65%	65%	0% pt
Target price (US\$)	3.60	3.60	0%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 7: HK property valuation summary

Short Name	Ticker	CP (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV (%)	Upside (%)	P/E (x)			P/BV (x)			Div yield (%)			Net Gearing (%)				
									2022	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	
CK Asset	1113 HK	36.35	48.8	ADD	16,480	97.6	63	34	5.9	6.9	7.3	5.2	0.34	0.33	0.32	6.3	6.3	6.5	Net cash	Net cash	Net cash	
HLD	12 HK	22.20	25.1	ADD	13,731	45.6	51	13	11.2	10.6	10.1	10.0	0.33	0.32	0.32	8.1	8.1	8.1	40	40	37	
Kerry Prop	683 HK	13.10	15.6	ADD	2,429	51.9	75	19	4.2	6.4	6.4	5.3	0.17	0.17	0.17	10.3	10.3	10.3	38	43	40	
NWD	17 HK	8.93	11.4	ADD	2,871	45.4	80	28	4.8	12.7	12.9	7.6	0.11	0.12	0.12	26.3	5.6	6.2	51	52	52	
SHKP	16 HK	78.15	97.7	ADD	28,933	177.7	56	25	7.9	9.5	9.8	9.3	0.38	0.37	0.36	6.3	5.0	5.3	18	18	15	
Sino	83 HK	8.30	9.5	ADD	9,047	19.0	56	14	10.8	11.6	13.1	13.0	0.42	0.44	0.44	7.0	7.0	7.1	Net cash	Net cash	Net cash	
Wharf Holdings	4 HK	27.10	21.6	HOLD	10,581	48.0	44	(20)	273.3	21.6	18.9	17.2	0.55	0.53	0.52	1.5	1.6	1.7	11	10	6	
HLP	101 HK	8.31	12.6	ADD	4,777	27.9	70	52	8.9	9.0	7.9	7.7	0.28	0.28	0.27	9.4	9.4	9.4	32	33	30	
HKL*	HKL SP	3.15	3.6	HOLD	6,953	10.3	69	14	9.0	9.5	9.6	8.3	0.22	0.21	0.20	7.0	7.0	7.0	17	17	15	
Hysan	14 HK	12.02	14.9	ADD	1,577	49.8	76	24	7.4	6.6	8.0	7.8	0.16	0.16	0.16	9.0	9.0	9.2	26	26	25	
Swire Prop	1972 HK	15.66	18.0	HOLD	11,704	39.9	61	15	10.5	8.0	11.3	10.5	0.32	0.31	0.31	6.6	6.8	7.0	8	9	8	
Wharf REIC	1997 HK	26.75	30.3	ADD	10,377	60.5	56	13	13.2	13.5	12.0	11.3	0.42	0.42	0.41	4.8	5.3	5.6	19	17	16	
Champion REIT	2778 HK	1.57	1.84	REDUCE	1,198	5.02	69	17	7.2	8.4	9.4	9.4	0.20	0.20	0.20	10.7	9.5	9.4	29	27	25	
Link REIT	823 HK	36.70	51.5	ADD	12,024	68.8	47	40	13.7	6.1	14.2	13.6	0.50	0.49	0.49	7.5	7.1	7.4	26	26	25	
Midland	1200 HK	1.14	0.73	ADD	104	NA	NA	(36)	NA	NA	29.4	10.6	1.24	1.19	1.07	0.0	0.0	0.0	Net cash	Net cash	Net cash	
Developers								61	16	45.4	11.3	11.2	9.7	0.33	0.33	0.32	9.4	6.3	6.5	26	27	25
Landlords & REITs								64	25	10.0	8.7	10.3	9.8	0.30	0.30	0.29	7.8	7.7	7.8	22	22	21
Simple average (ex. Midland)								62	21	27.7	10.0	10.8	9.7	0.31	0.31	0.31	8.6	7.0	7.2	24	24	23

Share price data as of 8 March 2024; * HKL data stated in US\$

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

ESG in a nutshell



Refinitiv ESG Scores

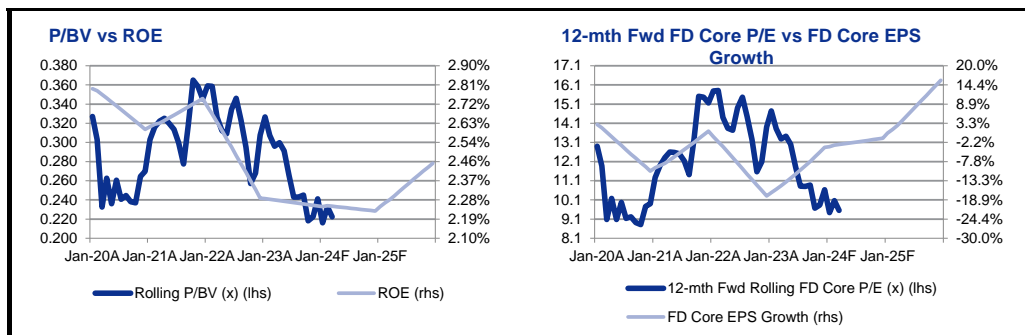
C+ ESG Score	A+ ESG Controversies Score	C+ ESG Combined Score	C+ ESG Environment Pillar Score	B ESG Social Pillar Score	D+ ESG Government Pillar Score
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Hongkong Land Holdings Ltd (HKL) has been a landlord and developer of premium properties for more than 130 years. It strives to set an example of good corporate citizenship by having a well-designed sustainability strategy and governance structure and adopting global best practices. To help address global challenges, HKL has aligned its sustainability strategy with the United Nations Sustainable Development Goals (UNSDGs) and integrated them into its businesses and operations.

<p>Keep your eye on</p> <p>We see no ESG issues for HKL which we are concerned about.</p>	<p>Implications</p> <p>N/A.</p>
<p>ESG highlights</p> <p>In 2022, HKL's HERE2HELP volunteering team achieved over 5,500 hours of volunteer services and served more than 50,000 people in need. It also succeeded in increasing the aggregate facility amount for its sustainability-linked loans from US\$1.9bn at end-2021 to US\$2.2bn at end-2022.</p>	<p>Implications</p> <p>HKL has demonstrated its commitment towards ESG issues over the past few years. We believe that further progress in ESG could support a re-rating of its shares.</p>
<p>Trends</p> <p>HKL has developed sustainability action plans and targets including: 1) reducing its energy consumption and carbon emissions of its HK Central portfolio by 37% and 55%, respectively, by 2030 (base year: 2008); 2) recycling 25% of the waste generated by its existing properties by 2030 (base year: 2008); 3) developing health and wellbeing policy for employees; and 4) disclosing employee diversity metrics.</p>	<p>Implications</p> <p>We have not applied any premium/discount for ESG in our fundamental valuations of HKL. We believe that HKL will continually improve in the different areas of ESG, thereby attracting greater interest among ESG-focused investors.</p>

SOURCES: CGSI RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	2,244	1,844	1,869	1,874	1,872
Gross Profit	1,021	931	1,005	1,002	1,004
Operating EBITDA	273	(522)	850	843	840
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	273	(522)	850	843	840
Financial Income/(Expense)	(168)	(184)	(191)	(182)	(171)
Pretax Income/(Loss) from Assoc.	229	235	229	348	407
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	907	845	888	1,009	1,076
Exceptional Items					
Pre-tax Profit	334	(472)	888	1,009	1,076
Taxation	(132)	(107)	(143)	(142)	(142)
Exceptional Income - post-tax					
Profit After Tax	202	(579)	745	867	933
Minority Interests	1	(3)	(20)	(28)	(29)
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	203	(582)	725	839	904
Recurring Net Profit	776	734	725	839	904
Fully Diluted Recurring Net Profit	776	734	725	839	904

Cash Flow

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	272.6	(522.2)	850.5	842.7	840.3
Cash Flow from Invt. & Assoc.					
Change In Working Capital	78.3	278.7	(75.4)	358.4	907.6
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	814.7	1,437.2	158.4	165.4	172.9
Net Interest (Paid)/Received	(182.6)	(204.8)	(190.8)	(181.8)	(171.3)
Tax Paid	(124.7)	(287.3)	(132.6)	(142.1)	(142.1)
Cashflow From Operations	858.3	701.6	610.1	1,042.6	1,607.4
Capex	(726.7)	(914.1)	(239.0)	(239.0)	(239.0)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.0	1,183.3	0.0	0.0	0.0
Cash Flow From Investing	(726.7)	269.2	(239.0)	(239.0)	(239.0)
Debt Raised/(repaid)	440.8	(451.0)	(150.0)	(150.0)	(150.0)
Proceeds From Issue Of Shares	(352.3)	(83.2)	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(504.2)	(486.8)	(487.3)	(487.2)	(487.2)
Preferred Dividends					
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Financing	(415.7)	(1,021.0)	(637.3)	(637.2)	(637.2)

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	1,173	1,196	929	1,096	1,096
Properties Under Development	2,911	2,926	3,466	3,862	3,905
Total Debtors	539	374	393	412	433
Inventories					
Total Other Current Assets	63	60	60	60	60
Total Current Assets	4,686	4,556	4,848	5,430	5,494
Fixed Assets	0	0	0	0	0
Total Investments	37,670	35,971	36,673	38,280	39,029
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	241	240	240	240	240
Total Non-current Assets	37,911	36,212	36,913	38,520	39,269
Short-term Debt	419	782	782	782	782
Current Portion of Long-Term Debt					
Total Creditors	1,667	1,706	1,706	1,706	1,706
Other Current Liabilities	329	190	114	112	113
Total Current Liabilities	2,415	2,677	2,601	2,600	2,601
Total Long-term Debt	6,571	5,785	5,635	5,485	5,485
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	26	69	69	69	69
Total Non-current Liabilities	6,598	5,854	5,704	5,554	5,554
Total Provisions	257	249	274	301	332
Total Liabilities	9,270	8,781	8,580	8,455	8,486
Shareholders' Equity	33,303	31,965	33,139	35,425	36,178
Minority Interests	24	22	42	70	99
Total Equity	33,327	31,987	33,182	35,495	36,277

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	(5.9%)	(17.8%)	1.3%	0.3%	(0.1%)
Operating EBITDA Growth	(10.3%)	(6.1%)	7.1%	(0.9%)	(0.3%)
Operating EBITDA Margin	37.7%	43.1%	45.5%	45.0%	44.9%
Net Cash Per Share (US\$)	(2.61)	(2.43)	(2.48)	(2.33)	(2.33)
BVPS (US\$)	14.95	14.43	14.96	16.00	16.34
Gross Interest Cover	3.60	2.99	3.19	3.45	3.72
Effective Tax Rate	39.5%	0.0%	16.1%	14.0%	13.2%
Net Dividend Payout Ratio	64.6%	66.6%	67.2%	58.1%	53.9%
Accounts Receivables Days	127.6	90.4	75.1	78.4	82.4
Inventory Days	-	-	-	-	-
Accounts Payables Days	575.9	673.8	722.7	714.2	717.4
ROIC (%)	37.8%	37.7%	41.6%	30.1%	25.4%
ROCE (%)	2.23%	2.21%	2.35%	2.21%	2.11%
Return On Average Assets	2.12%	2.14%	2.19%	2.38%	2.43%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Gross rental income (US\$ m)	1,118.4	1,143.9	1,132.6	1,140.5	1,143.0
Property sales booked (US\$ m)	1,126.0	700.4	736.2	733.0	729.0
Rental income GPM (%)	76.9%	77.6%	78.1%	78.4%	78.6%
Property sales GPM (%)	14.2%	6.2%	16.4%	14.7%	14.5%
Underlying payout ratio on rental profit (%)	69.0%	65.8%	66.0%	65.3%	65.0%
Net gearing (%)	17.5%	16.8%	16.6%	14.6%	14.3%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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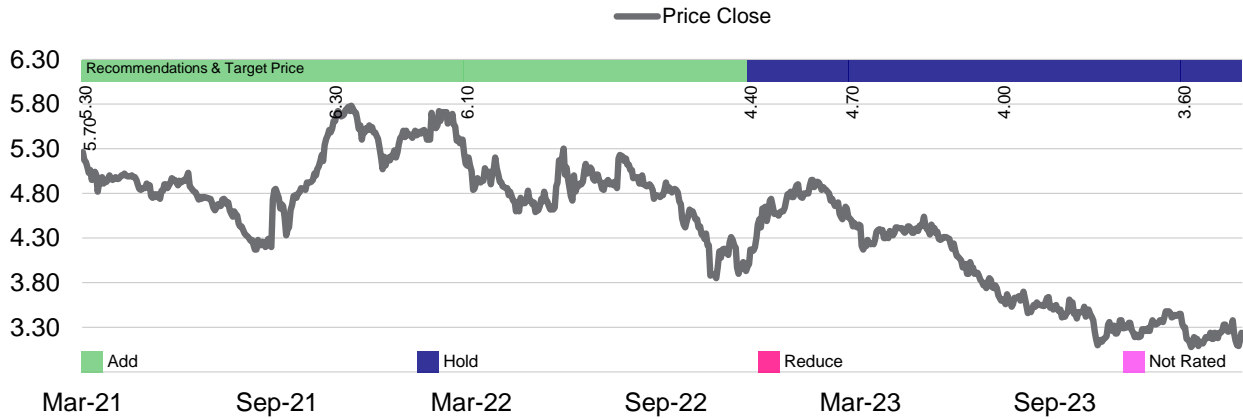
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)

Hongkong Land Holdings Ltd (HKL SP)



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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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