

# Message to Shareholders



Left  
**MR LEE CHEE KOON**  
Group Chief Executive  
Officer

Right  
**MR MIGUEL KO**  
Chairman

## Dear Shareholder

As CapitaLand Investment (CLI) marks its first full year of operations in 2022, we are delighted to report that we have made meaningful progress towards our goal of becoming a leading real estate investment manager (REIM), notwithstanding the challenging market conditions throughout the year. These included the ongoing impact of the COVID-19 pandemic, particularly in China, heightened geopolitical tensions, as well as inflationary and interest rate pressures not seen in decades. As a company on a journey of transformation, we continued to strengthen our talent bench, expand our network of capital partners, grow across all our businesses, as well as pursue new business areas as opportunities arise.

## PERFORMANCE HIGHLIGHTS

During the year, we continued to execute our growth strategy by focusing on scaling fee income through Fund Management and Lodging Management, while prioritising the resilience of our real estate business through hands-on asset and property management and managing our capital prudently. As a result of these efforts, our operating performance continued to improve. In FY 2022, CLI's Operating PATMI was S\$609 million, a 23% increase from the previous year's S\$497 million. Notably, 49% of the Operating PATMI was attributed to fee income-related businesses, which increased by 37% from S\$235 million in FY 2021 to S\$321 million in FY 2022.

Notwithstanding the improved operating performance, lower investment appetite due to weakened fundamentals across major economies and mismatches in pricing expectations was a challenge. Nonetheless, we were able to meet our baseline asset recycling target in FY 2022, with approximately S\$3.1 billion of divestments at an average divestment premium of 12%. The lower recycling outcome was expected considering the exceptional year of divestments we had in 2021, and consequently, portfolio gains decreased from S\$616 million in FY 2021 to S\$222 million in FY 2022. Fair value gains from investment properties similarly declined, largely attributable to macroeconomic factors impacting markets such as China, UK and Europe which offset fair value improvements in the remaining Asian markets. As a result, total PATMI slid from S\$1.3 billion in FY 2021 to S\$861 million in FY 2022.

## COMMITMENT TO SUSTAINABLE SHAREHOLDER RETURNS

Our positive operating performance and healthy cashflow are clear indicators that our business

fundamentals remain robust. As such, we are pleased to propose a dividend of 12.0 Singapore cents per share which reflects confidence in our financial standing. In addition, we also propose a special dividend-in-specie (DIS) of 0.057 of CapitaLand Ascott Trust (CLAS) units per ordinary share valued at 5.9 Singapore cents per share for FY 2022<sup>1</sup>. By distributing CLAS units as a DIS, we will decrease our shareholdings in the Trust from around 38% to roughly 29%, enhancing our capital efficiency in the process. This move will also offer Shareholders an opportunity to benefit directly from the growth potential of CLAS as it is well-positioned to take advantage of the current global travel rebound.

The total dividend of 17.9 Singapore cents per share<sup>1</sup> brings the total payout to Shareholders to approximately S\$918 million. Taking into account the 8.5% increase in CLI's share price from S\$3.41 to S\$3.70 in FY 2022, as well as the proposed total dividends of 17.9 Singapore cents per share, CLI Shareholders are expected to enjoy a total share return of 13.8% for the fiscal year.

## THE GROUP IS POSITIONED FOR SUSTAINABLE GROWTH

One of CLI's competitive advantages is its ability to leverage its extensive footprint in Asia, coupled with a strong balance sheet and longstanding real estate expertise in the region, to source for high-quality assets and generate portfolio value. This enables the Group to mitigate the impact of market downturns, ensuring its continued leadership position in Asia.

CLI and its fund vehicles made a total of 33 investments worth S\$7.7 billion. CLI's fund vehicles accounted for 89% of these investments, which also generates fee income for the Group. More than half of the new investments were made in CLI's core markets of Singapore, China and India, where the Group's on-the-ground expertise is strong and well-placed to uncover and create value.

The Group will continue to take a prudent and strategic investment approach in identifying opportunities that can benefit from recovery and growth. We will pursue this through three synergistic pillars of:

### (1) Fund Management

Fund Management will lead CLI's transition towards more ROE-efficient earnings growth in the years ahead. Through growing assets under management via our listed and private funds platforms (FUM)<sup>2</sup>, our target is to achieve S\$100 billion FUM by 2024.

<sup>1</sup> Based on CLI's issued shares as at 31 December 2022 and CapitaLand Ascott Trust (CLAS)'s share price at market close on 22 February 2023 (as announced during CLI's FY 2022 Financial Results Announcement on 23 February 2023). The actual dividend payment can only be determined on book closure date.

<sup>2</sup> Refers to the share of total assets under CLI listed and unlisted funds (private funds and/or investment vehicles, including but not limited to programmes, JV and co-investments managed by CLI Group from time to time).



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In FY 2022, we made progress on this front, with FUM increasing to S\$88 billion, from S\$86 billion as of FY 2021. Including an additional S\$8 billion of embedded FUM<sup>3</sup>, CLI's total FUM to date stood at S\$96 billion.

In FY 2022, our REITs and business trusts transacted a total of S\$2.8 billion of assets. It is noteworthy that the number of investments completed in FY 2022 were at similar levels to FY 2021. This demonstrates that the listed funds were able to continue to find attractive growth opportunities. Our listed vehicles also completed asset enhancements worth S\$300 million across ten projects, adding value to their existing holdings.

With the support of our CLI ground teams across the globe, four of our listed funds, namely CapitaLand Integrated Commercial Trust, CapitaLand Ascendas REIT, CapitaLand India Trust, and CapitaLand Malaysia Trust, expanded into new asset classes or geographies. These strategic moves were aimed at repositioning themselves in the market and highlighted the capability of our funds to invest in a diverse range of asset classes as a Group.

During the year, we achieved three successful fund exits, resulting in an event-driven FRE increase of nearly three times that of FY 2021. Their outstanding results generated positive performance fees for the Group and contributed to the development of the Group's private funds track record.

Notwithstanding the challenging fundraising landscape in 2022, CLI raised S\$2.5 billion across our private funds platform, doubling the capital raised in FY 2021. The eight new funds offered opportunities in various sectors and strategies. Three of them were Renminbi (RMB) denominated funds totalling more than S\$900 million. The launch of these RMB-denominated domestic funds is evidence of CLI's capabilities in originating funds that can appeal to not just global investors but also local Chinese institutional investors. This has opened up an important and highly scalable capital source for CLI.

Complementing this achievement was our partnership with APG Asset Management N.V., the investment manager for the largest pension provider in the Netherlands, to establish a dominant Asia-focused self-storage platform through the acquisition of Extra Space Asia, one of the largest self-storage businesses in the region. This collaboration demonstrates CLI's ability to attract leading global institutions as partners.

The remaining new launches include two logistics funds and CLI's first student accommodation

development fund. For FY 2022, CLI's private funds platform generated an FRE of S\$144 million<sup>4</sup>, a 26% increase from S\$114 million in FY 2021.

## (2) Lodging Management

CLI's Lodging Management segment was the most improved fee-based business in FY 2022, generating S\$258 million of FRE, a strong 36% increase from FY 2021. Beside positive tailwinds resulting from global travel recovery, the segment's stellar performance was due to a significant scale-up of management units during the year. That was partly attributed to the strategic acquisition of Oakwood Worldwide in July 2022, which accelerated our growth and contributed about 15,000 units of the 33,000 new keys secured, bringing the total number of keys to just below 160,000 before 2022 year-end. The acquisition of Oakwood solidified Ascott's position as one of the world's top extended-stay serviced residence providers, strengthening our market leadership in the industry. A record opening of 9,300 units further contributed to the improvement of Lodging Management fee income, as RevPAU improved alongside travel recovery, resulting in a 40% uplift on a year-on-year basis.

With eyes on crossing our target of 160,000 units by this year, Ascott will focus on accelerating our global expansion by enhancing brand recognition and cultivating customer loyalty. By providing differentiated lodging products that cater to the preferences and needs of different asset owners and consumers, Ascott will be able to achieve more targeted growth, leading to improved fee quality over time.

## (3) Capital Management

Our commitment to sustainable growth at CLI is rooted in rigorous financial discipline, which allows us to allocate and manage our capital prudently. In FY 2022, we exercised patience in our investments and new business development, given the heightened levels of global uncertainty. We closely monitored our cash management, leverage levels, debt maturities, and tax efficiency, and proactively diversified our funding sources to ensure financial resilience.

As of 31 December 2022, our total cash and undrawn facilities amounted to S\$5.9 billion, with a strong operating cash flow of S\$735 million. Our net debt-to-equity ratio was a healthy 0.52 times, providing us with ample flexibility for growth. In line with our commitment to sustainability, we are proud to announce that we have secured S\$4.7 billion<sup>5</sup> of sustainable financing during the year. This adds to our diverse range of financing sources and demonstrates our dedication to responsible and sustainable business practices. We will remain disciplined with

our annual divestment target of S\$3 billion, which will provide us with an additional source of funds for growth. We believe our well-calibrated capital structure and strong balance sheet will enable us to weather market volatility and seize opportunities as they arise.

## INTEGRATING SUSTAINABILITY IN OUR BUSINESS

CLI's integration of sustainability in all aspects of our business is a core driver of value for the Group. Keeping pace with a global push towards Net Zero emissions by 2050, we have made a firm commitment to this goal and have raised our ambitions for reducing scope 1 and 2 carbon emissions. Our targets have been independently validated by the Science Based Targets initiative as being consistent with the trajectory required to limit global warming to 1.5°C.

Furthermore, we remain dedicated to driving and sourcing innovations that will help us achieve our 2030 Sustainability Master Plan targets<sup>6</sup>. To this end, we are pleased to be continuing our annual CapitaLand Sustainability X Challenge, which is now in its third edition. Through this initiative, we are seeking out and supporting the most promising sustainability solutions and technologies, to accelerate progress towards a more sustainable future.

As we expand our presence globally, we are proud to be recognised as a sustainability leader by international indices and organisations such as the Dow Jones Sustainability World Index and Asia-Pacific Index, GRESB (with the highest 5-star rating), and Global 100 Most Sustainable Corporations. These accolades are a testament to our commitment to sustainability and our efforts to drive positive change in the world.

At CLI, we believe that our people are our greatest asset and are committed to fostering a diverse and inclusive workplace, and to providing opportunities for our staff to grow and develop. Currently, around 40% of our senior management are women. We are also proud to have provided ESG-related training to more than 83% of our staff in 2022.

Through the CapitaLand Hope Foundation (CHF), our philanthropic arm, we have been able to support a range of causes and initiatives that benefit those in need. In 2022, over 1,000 of our staff volunteered more than 10,000 hours of their time, delivering meals and bread to seniors, distributing school essentials, rejuvenating public spaces, and conducting environmental awareness programmes for children. These efforts reflect our commitment to being a responsible corporate citizen, and to creating lasting value for the communities in which we operate.

Over the past year, we have taken significant steps to bolster the capabilities of our management team and Board. This includes the hiring of more than 20 senior professionals, mostly in investment and asset management roles across Private Capital Markets, Lodging and our core and international markets. These hires have enhanced our on-the-ground expertise. We are privileged to have also attracted the talents of three accomplished professionals to further strengthen our Board's expertise. Ms. Helen Wong and Mr. David Su joined our board as Non-Executive Independent Directors in January 2022, while Tan Sri Abdul Farid bin Alias was appointed more recently in 2023. These new directors bring a wealth of experience in sectors including private equity and banking, with extensive regional knowledge across various countries in Asia. Their diverse backgrounds and experiences will be invaluable in guiding our strategic initiatives.

## IN CLOSING

As of March 2023, the global operating environment remains uncertain. However, there are also positive developments such as China's emergence from the COVID-19 pandemic and early indications that inflation and interest rates will stabilise in the medium term. While we continue to work through challenges, we will stay focused on our priorities and be judicious with the management of capital and our assets.

Our goal is to become a global REIM with a strong presence in Asia. This is a multi-year journey that requires a culture of teamwork and a winning mindset, and keeping at heart our responsibilities to deliver and sustain returns for all our investors. As our purpose statement goes, we want to **Think Big, Do Right and Make It Last to Make A Positive Impact** to our stakeholders and communities in which we operate.

We wish to express our appreciation to our Board members for their active participation in board deliberations and for their counsel through these challenging times, and to our staff for their dedicated service and commitment.

Importantly, we would like to thank you, our Shareholder, for your support as we continue our transformation journey to become a leading global REIM that creates sustainable value and makes a positive impact to all our stakeholders.

**MR MIGUEL KO**  
Chairman

**MR LEE CHEE KOON**  
Group Chief Executive Officer

March 2023

<sup>3</sup> Embedded FUM for listed and private funds are determined based on acquisitions as announced during CLI FY 2022 Financial Results on 23 February 2023, which are not completed and yet to be reported in FUM, committed but undeployed capital for private funds and forward purchase contracts.

<sup>4</sup> Includes performance fees of S\$38 million, comprising S\$29 million from a Vietnam fund and a Singapore fund recognised under other operating income and S\$9 million from a Korean fund recognised under revenue.

<sup>5</sup> Includes Off balance sheet sustainable financing.

<sup>6</sup> CapitaLand's 2030 Sustainability Master Plan is regularly reviewed where necessary to ensure that it remains relevant to the Group's business strategy and alignment with climate science. The first scheduled review in 2022 is in progress.