MESSAGE TO SHAREHOLDERS

From left
MR MIGUEL KO
Chairman

MR LEE CHEE KOON
Group Chief Executive Officer

Dear Shareholder

2023 was a challenging year for CapitaLand Investment (CLI) in several respects, as the global economy confronted a series of macroeconomic and geopolitical challenges. Within the fund management sector, the rapid rise in interest rates to combat inflation impacted capital flows globally, bringing global private equity fundraising to a six-year low[1], dampening property demand and valuations. While CLI was not immune to these headwinds, we remain confident in the fundamentals of our business model, which focuses on generating resilient and recurring fee income. To this end, we have set a new funds under management (FUM) target of S$200 billion over the next five years, as we continue to progress on this journey.

TURNING CHALLENGES INTO OPPORTUNITIES.

Since CLI's listing in 2021, our commitment to creating positive, sustainable value for our stakeholders has remained unwavering. CLI's core operating strengths: a strong balance sheet and disciplined capital management, a growing global network of trusted capital partners, and our commitment to asset management and operating excellence, have provided us with the ability and confidence to build on a strong foundation, as we strive to become a leading global real asset manager.

We believe that periods of uncertainty often reveal interesting investment opportunities. We continue to invest in the thematic and tactical investment strategies that we have identified, rebalance capital allocations and risks across our markets, and grow in an asset-light manner through our four principal Fee Income-related Business (FRB): Private Funds Management, Listed Funds Management, Lodging Management and Commercial Management. Together, these FRB pillars increased CLI's total fee revenue by 9% year-on-year (YoY) to S$1.1 billion.

Multi-pronged approach to grow fund management.

In 2023, reflecting a higher cost of capital in many markets, we tapped into global investors' requirements for higher-return investments, successfully raising S$3.5 billion of equity commitments through our private funds.

Along thematic lines, CLI launched the CapitaLand Wellness Fund (C-WELL), a value-add fund that invests in healthcare and wellness-related real estate to capitalise on the emerging "longevity economy" in Southeast Asia. We also incepted a follow on Grade A business park development fund in India and a China data centre fund, in line with the investable megatrends of demographic changes, supply chain resilience, and digitalisation.

Tactically, we launched a China special situations programme and have already deployed capital into two assets, which we are repositioning for higher returns. We continued to cater to healthy investor demand from domestic Chinese institutions through our Renminbi funds. In December, we divested 95% of our stake in Capital Square Beijing, a Grade A office building in China's capital city, to a leading domestic insurance company, under which we will continue to manage and generate fee income from the asset.

In our listed funds platform, we deployed S$1.2 billion towards new economy and lodging assets and recycled more than S$530 million of assets to strategically reconstitute portfolios. We also continue to focus on value creation through asset enhancement and redevelopment opportunities, totalling more than S$740 million in committed expenditure.

In our private funds business, a total of S$1.5 billion was deployed, mostly via our fund launches in 2023. This includes notable progress with CapitaLand Open End Real Estate Fund, CLI's flagship regional core-plus private fund, with S$250 million investments in Japan and South Korea.

CLI's FUM[2] grew to S$100 billion as at the end of February 2024, an increase from S$96 billion the previous year. This includes close to S$10 billion of dry powder, which we are committed to deploying in a disciplined manner. Correspondingly, our recurring base fees registered an increase of 9% YoY, mitigating the decline in event-driven fund management fees due to subdued deal activity.

Lodging in the spotlight.

We made significant progress in Lodging Management. We achieved a record year of fee income-related earnings (FRE) of S$331 million and the highest number of property openings, with nearly 9,600 units turning operational in 2023. The strong performance was underscored by our diverse portfolio of brands and strategic presence in new destinations.

For the full year, Lodging Management's Revenue per Available Unit grew 20% over 2022 from higher average daily rates and occupancies. 77 new properties across all brands were signed in 2023.

1 Private equity fundraising plunges to 6-year low in 2023 | S&P Global Market Intelligence (spglobal.com).
2 FUM includes announced acquisitions/divestments from listed and private funds not yet completed, committed but undeployed capital for private funds on a leveraged basis and forward purchase contracts.

MESSAGE TO SHAREHOLDERS

The strong growth trajectory enabled Lodging Management to surpass its year-end target of securing 160,000 units in March 2023, well ahead of schedule.

As we commemorate The Ascott Limited's (Ascott) 40th anniversary in 2024, we have set a new target of doubling fee revenue to more than S$500 million by 2028. This objective will be realised by continuously enhancing our ability to meet guest demand, foster customer loyalty, and drive returns. Additionally, we will expand our portfolio of global brands and pursue the right strategic acquisitions, as demonstrated by the successful purchase of Oakwood Worldwide in 2022, which has already seen a 20% growth in terms of unit numbers, positioning us well to achieve our target.

Commercial Management: a resilient contributor.
A proven and resilient fee contributor (comprising around 30% of the total FRB revenue), Commercial Management derives most of its recurring fee income from asset and property management.

To harness CLI's long-standing domain expertise and capabilities across asset classes in our core markets, we are expanding our services to cater to third party-owned commercial assets, enhancing the economies of scale within CLI's portfolio.

Since 3Q 2023, we have secured five contracts in Singapore and China, including our recent appointment as the new retail operator of the Singapore Sports Hub and four retail projects under development in China which CLI will manage upon opening the assets.

FY 2023 FINANCIAL PERFORMANCE.

Notwithstanding our growth and recycling efforts in 2023, CLI's Total Profit After Tax and Minority Interests (PATMI) reflected the challenges during the year, declining by 79% YoY to S$181 million. This was mostly due to unrealised non-cash impairment and revaluation losses of S$600 million in CLI's properties. The properties are largely concentrated in China, where the operating environment was weaker, and in the USA, through a broad-based expansion of capitalisation rates. The Group's diversified investments helped to mitigate the weakness in these markets, with fair value gains of S$209 million in Singapore and India.

The cash components of the Total PATMI for FY 2023 remained resilient at S$781 million. While Operating PATMI for FY 2023 dipped by 7% YoY to S$568 million, mostly because of lower contribution from our Real Estate Investment Business (REIB) segment, FRB contribution remained largely stable. Reflecting the transition in our business model to grow our four fee income businesses and attain greater capital efficiency, Operating PATMI attributed to FRB grew from 40% since listing in 2021 to 54% in FY 2023.

Contributions from portfolio gains were S$213 million, a dip of 4% YoY. This was despite having only executed around three-quarters of our divestment target of S$3 billion due to the subdued transaction environment.

In line with our commitment to maintaining a core dividend payout and in view of the resilient Cash PATMI delivered, we are delighted to propose a first and final cash dividend of 12 Singapore cents, unchanged from 2022.

In 2023, we also executed S$64 million in appropriately timed share buybacks, with an additional S$92 million conducted thus far this year[3].

COMMITTED TO DISCIPLINED CAPITAL MANAGEMENT AND OPTIMAL CAPITAL EFFICIENCY.

As we continue to transform CLI, we will prioritise strict financial discipline which has kept us resilient in the face of headwinds and positioned us for growth.

This includes proactively managing our interest costs through disciplined debt tranching, balancing fixed and variable rates across maturity profiles and markets. Despite a surge in interest rates, we have maintained relatively stable borrowing costs below 4% for FY 2023. Our net debt-to-equity ratio of 0.56 times provides us with ample headroom to pursue growth opportunities. Furthermore, we will continue capital recycling of at least S$3 billion of gross asset divestments annually to improve capital efficiency and expand our capacity for growth.

We remain disciplined in improving capital efficiency by maintaining an average stake of 20% across new private funds in 2023, and sponsor's stakes of less than 30% across all our listed funds, with CLMT as a current exception.

REORGANISED FOR ACTION: BUILDING CAPABILITIES.

Since restructuring, we have increased staffing of investment and asset management professionals across mid-to-senior management levels, bolstering our growth in fundraising and deal sourcing skill sets.

3 For the period from 1 January 2024 to 27 February 2024.

As a company, we are dedicated to fostering a high-performance environment, underpinned by a meritocracy of ideas, empowerment, and mutual respect. Our commitment to our people's well-being is evident through our 84% employee engagement score. The results of our 2023 global employee survey reflect the importance of our core values and employee well-being. We also invest in the development of our teams, and to date, we have delivered over 360,000 hours of learning opportunities.

Beyond elevating our employees' capabilities, future-proofing our organisation through innovation and digital transformation is an important component in CLI's competitiveness and resilience. In 2023, our digital rewards programmes such as CapitaStar powered tenant sales by 8% and 33% in Singapore and China respectively, while eCapitaVoucher sales grew 55%. Artificial Intelligence (AI) featured in a significant way with digital innovations such as 'Genie AI', a chatbot for staff that answers questions on the Group's internal policies, 'Cubby', a web chatbot that enhances the booking process for travellers, and a Global City Ranking Index that analyses investment potential in various markets for CLI.

KEEPING SUSTAINABILITY AT THE CORE OF WHAT WE DO.

In 2023, we elevated our environmental, social and governance efforts with our refreshed 2030 Sustainability Master Plan (SMP). The SMP incorporated our goal of reaching Net Zero carbon emissions for Scope 1 and 2 by 2050 and expanded our social and governance focus with new targets. We stepped up our decarbonisation efforts with support from the CapitaLand Innovation Fund, and the piloting of new technologies crowdsourced globally through our CapitaLand Sustainability X Challenge.

WHAT LIES AHEAD?

The early months of 2024 have signalled the prospect of improved sentiment and stability. This has enabled us to get a head start on our targets for the year. We have, to date, deployed more than S$1.3 billion of capital, including our maiden asset investments for C-WELL and the CapitaLand SEA Logistics Fund, as well as recycled more than S$450 million of assets which were transferred from CLI's balance sheet to newly launched private funds such as CapitaLand Ascott Residence Asia Fund II and a core logistics Japanese Yen fund in Japan.

Our strategy to achieve the new FUM target of S$200 billion in the next five years involves a combination of organic growth and strategic acquisitions.

We expect to continue to enjoy favourable macroeconomic and market fundamentals in our core markets of Southeast Asia and India. We also foresee organic growth across all four FRB verticals.

In China, where almost half of our S$9 billion divestible balance sheet assets are located, capital recycling will play a crucial role in further diversifying our capital allocation and exposure. Additionally, we will redeploy capital into domestic capital partnerships to better position our China business in the long-term.

In our other markets of Australia, Japan, South Korea, Europe, the UK and the USA, we aim to accelerate our FUM growth by diversifying our product range and expanding our network of capital partners.

In Lodging and Commercial Management, we will continue building upon the healthy momentum achieved in order to unlock scale advantages and margin growth.

To complement our organic growth, we are searching for suitable strategic acquisitions. As with all our endeavours, we will remain faithful to our mission to create long-term value for our shareholders and capital partners through disciplined execution.

IN CLOSING…

Our first thank you goes to our people—our global staff and managers for their hard work and to our board of directors for their continued support and valuable guidance. We welcome onboard Ms. Belita Ong, our newest Non-Executive Independent Director, who brings extensive global experience in capital markets and money management. With much appreciation, we thank Mr. Kee Teck Koon for his years of guidance and stewardship as he will be stepping down after the upcoming Annual General Meeting. He was instrumental in enhancing risk management at CLI, enabling our company to be recognised with the Best Risk Management Award at the 2023 Singapore Corporate Awards. Thanks also to our many business partners for joining us on our growth journey. And most of all, thank you, our shareholder, for your unwavering support and continued belief in our vision.

Sincerely

MIGUEL KO
Chairman

LEE CHEE KOON
Group Chief Executive Officer