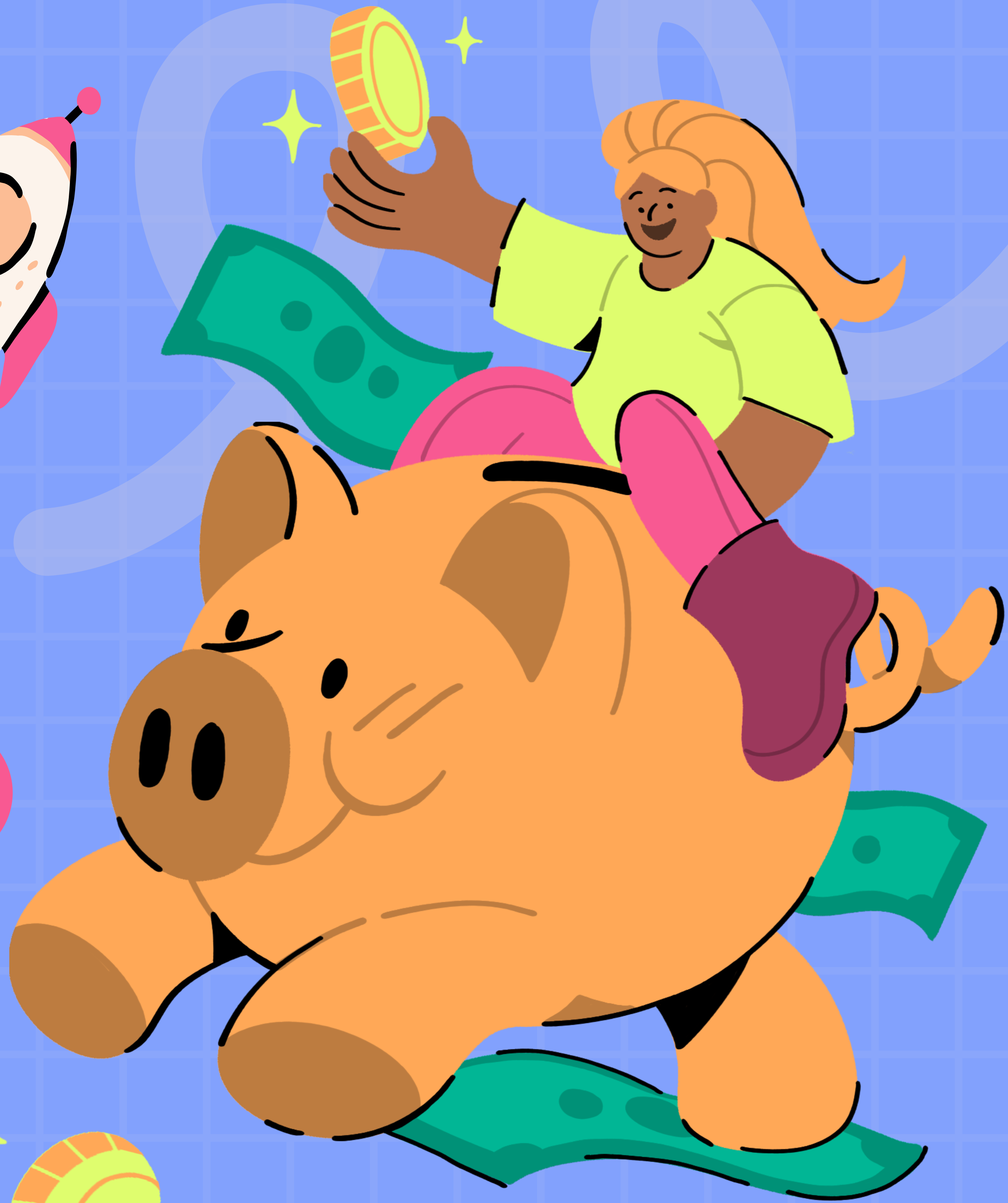
Financial Management:

Joel, Favian, Harika, Alexius



Financial Management:

CapitaLand Investment Limited

Joel: 244284J
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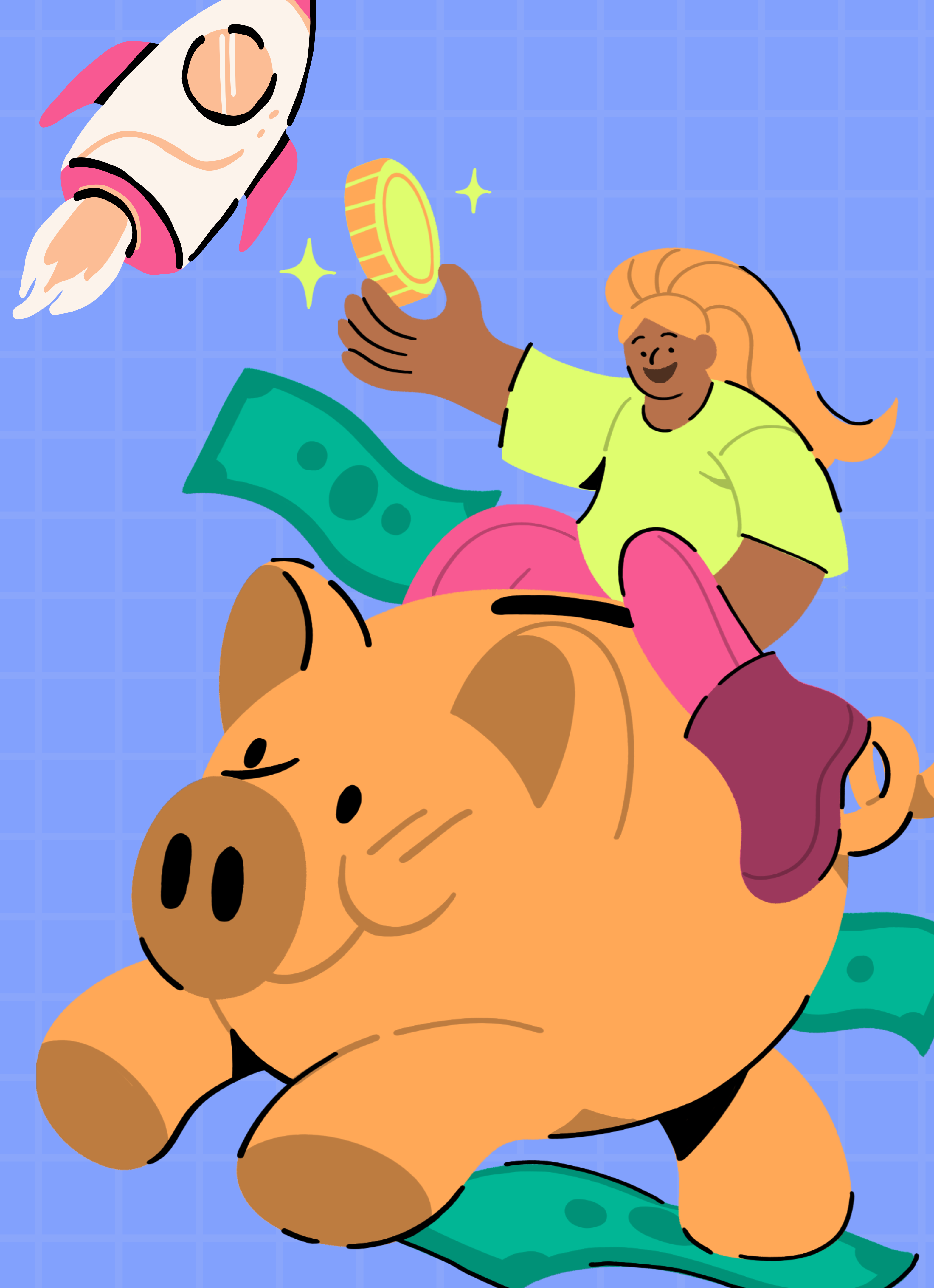


3.1 Analysis of Financial Statements

Harika

Profitability Ratio

Net Profit Margin

= Net Profit after Tax / Net Sales

2023:

333 / 2,784 ≈ 0.1196

=11.96%

2024:

694/ 2815 ≈ 0.2465

=24.65%

	Note	The Group 31 Dec 2024 $'M	The Group 31 Dec 2023 $'M
Revenue	24	**2,815**	2,784
Cost of sales		**(1,550)**	(1,524)
Attributable to:			
Owners of the Company		**479**	181
Non-controlling interests	6	**215**	152
Profit for the year		**694**	333

(Used the Net Profit after tax for the whole group, not only the parent stakeholder → Profit for the Year)

Harika

Efficiency Ratio

Accounts Receivable Ratio

= Credit Sales / Accounts Receivable

2023:

251 - 39 = 212

2,784 / 212 ≈ 13.13 times

2024:

190 - 28 = 162

2,815 / 162 ≈ 17.38 times

	Note	The Group 31 Dec 2024 $'M	The Group 31 Dec 2023 $'M
Revenue	24	**2,815**	2,784
Cost of sales		**(1,550)**	(1,524)

	Current (Not past due) $'M	Within 30 days $'M	30 to 90 days $'M	More than 90 days $'M	Total $'M
The Group					
2024					
Trade receivables	**117**	**26**	**16**	**31**	**190**
Loss allowance	**(4)**	**(1)**	**(1)**	**(22)**	**(28)**
Expected loss rate	**3%**	**4%**	**6%**	**71%**	
The Group					
2023					
Trade receivables	161	28	21	41	251
Loss allowance	(2)	(1)	(2)	(34)	(39)
Expected loss rate	1%	4%	10%	83%	

Harika

Liquidity Ratio

Current Ratio

= Current Assets / Current Liabilities

2023:

4447 / 3544 = 1.25 %

2024:

3621 / 2862 = 1.27 %

	Note	The Group 31 Dec 2024 $'M	The Group 31 Dec 2023 $'M
Current assets			
Development properties for sale	11	**160**	197
Trade and other receivables	12	**1,143**	939
Other current assets	10	**10**	39
Assets held for sale	13	**–**	812
Cash and cash equivalents	14	**2,308**	2,460
		3,621	4,447
Less: current liabilities			
Trade and other payables	15	**1,236**	1,455
Short term borrowings	16	**1,098**	1,014
Current portion of debt securities	17	**–**	238
Current tax payable		**528**	583
Liabilities held for sale	13	**–**	254
		2,862	3,544

Harika

Strengths

Strong Improvement in Profitability

- Net Profit increased from **11.96% (2023) to 24.65% (2024)**
- Shows much **Stronger earnings performance**
- Suggests **Better Cost Control & Operational Efficiency**
- May indicate **Higher Pricing Power**
- Higher Efficiency in generating Profit per dollar of Revenue

Improvement in Receivables Efficiency

- Accounts Receivable Turnover increased from **13.13 times (2023) to 17.38 times (2024)**
- Collection period **improved from 28 days to 21 days.**
- Shows more **Efficient Credit Management.**
- Indicates **Improved Cash Flow**
- **Reduces Credit Risk**

Areas for Improvement

Harika

Limited Liquidity Buffer

- Current Ratio **improved only slightly from 1.25% (2023) to 1.27% (2024)**

  > Indicating a thin liquidity buffer

  > Limited margin of safety to cover short-term obligations.

- Thus making it **vulnerable to economic downturns, slower cash inflows, or rising short-term liabilities.**
- In a capital-intensive industry, a stronger ratio (around **1.5–2.0**) is generally preferred.
- Thus they need to

  > **Enhance its Cash Reserves**

  > **Improve Working Capital / Reduce short-term borrowings** to strengthen liquidity.

Decline Assets Amid Growth

- Current Assets **fell from 4,447M (2023) to 3,621M (2024)**, 18.6% drop.
- Better profitability and efficiency but **Declining Assets tighten short-term flexibility**.
- **Lower cash and receivables reduce the buffer for unexpected expenses/cash flow needs.**
- Reduced assets **increases vulnerability to downturns or rising short-term liabilities**.
- Thus they should

  > **Monitor current asset levels** to **ensure liquidity remains sufficient as operations grow.**

Joel

3.2 Evaluate Bond Investment

Joel

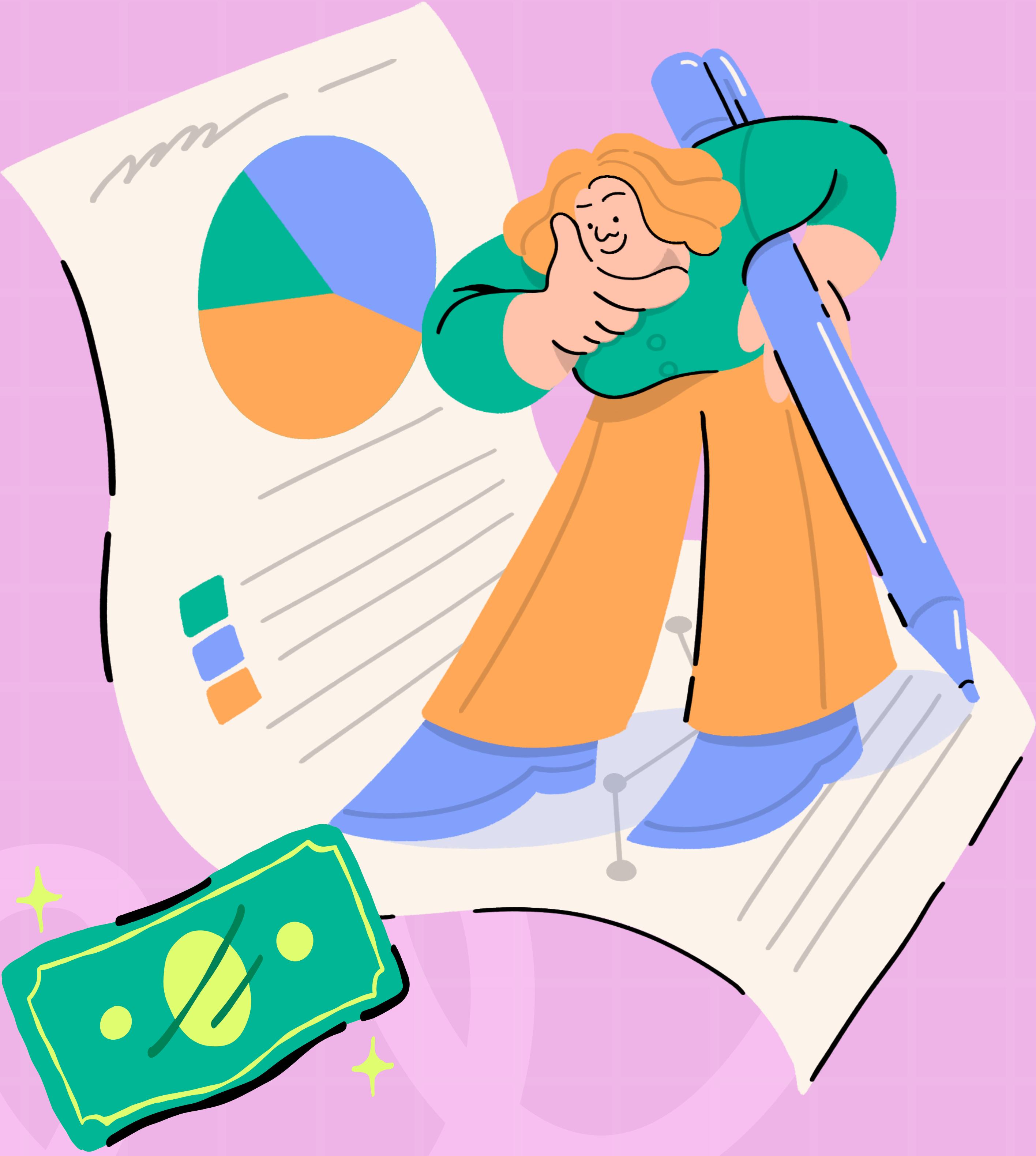
Selected Bond Overview:

<u>Temasek Financial (I) Limited 4.00% 07 Dec 2029 SGD Bond</u>

- Issuer: Temasek Financial (I) Limited
- Guarantor: Temasek Holdings (Private) Limited
- Bond Type: Corporate – Senior Unsecured
- Currency: SGD
- Coupon Rate: 4.00% p.a. (Fixed)
- Coupon Frequency: Semi-annual
- Market Price: S$108.249 per S$100
- Yield-to-Maturity: ~2.3% p.a.
- Maturity Date: 07 December 2029
- Credit Rating: AAA-equivalent
- Sector: Quasi-Sovereign / Financials
- Exchange: SGX
- Minimum Investment: S$250,000

Joel

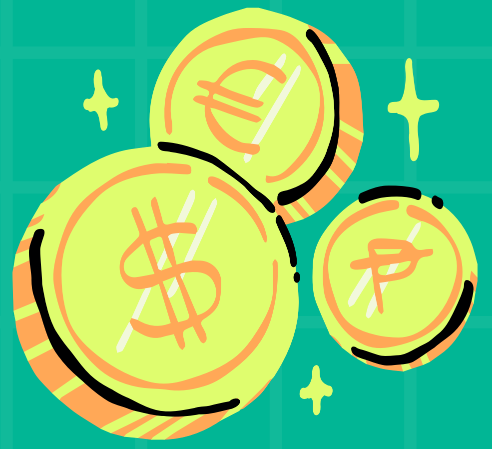
Why?

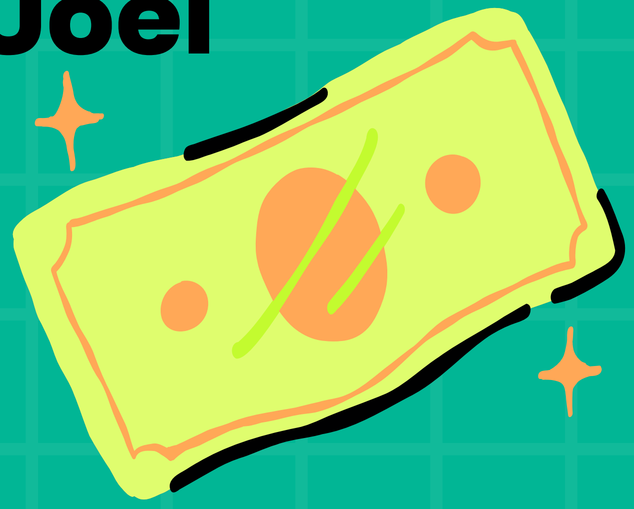


- High-Quality, Quasi-Sovereign Instrument
- Guaranteed by Temasek Holdings, a fully government-owned entity
- Extremely low risk — effectively sovereign safety
- Stable, predictable returns through semi-annual coupons
- Strong alignment with CapitaLand's low-risk investment profile
- SGD-denominated → no FX exposure
- Fits CapitaLand's goal of capital preservation with moderate returns

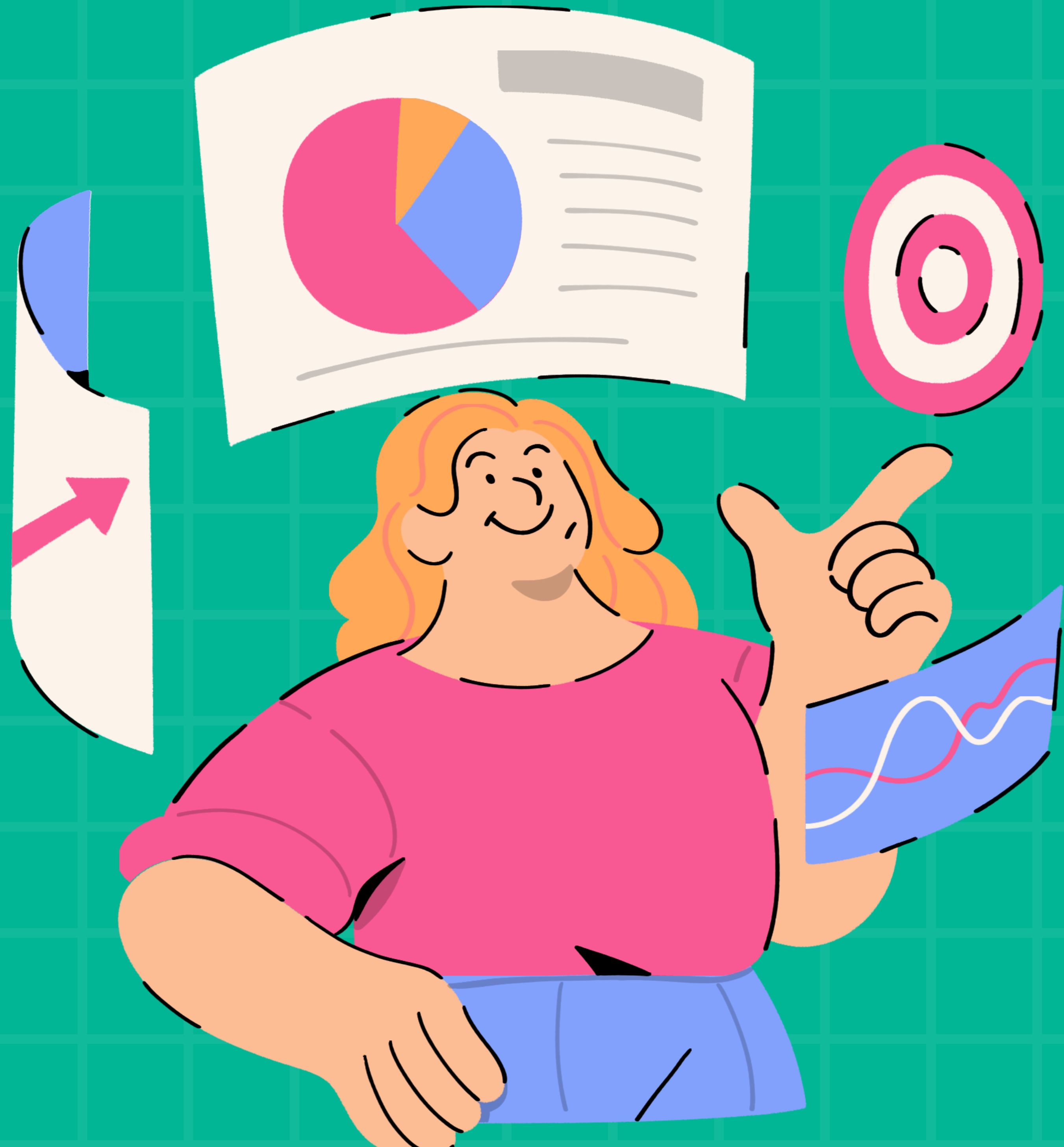
Joel

Risk Assessment Summary





1. **Issuer Risk** — Very Low
   - Temasek Holdings carries AAA-level credit quality
   - Default risk is practically zero
2. **Market Risk** — Moderate
   - Bond trades above par → price sensitive to rate increases
   - But short tenure (~4 years) limits volatility
3. **Liquidity Risk** — Low
   - Temasek bonds are actively traded in SGD markets
   - Easy to sell with small bid-ask spreads
4. **Currency Risk** — None
   - Issued and repaid in SGD
   - Matches CapitaLand's financial reporting currency

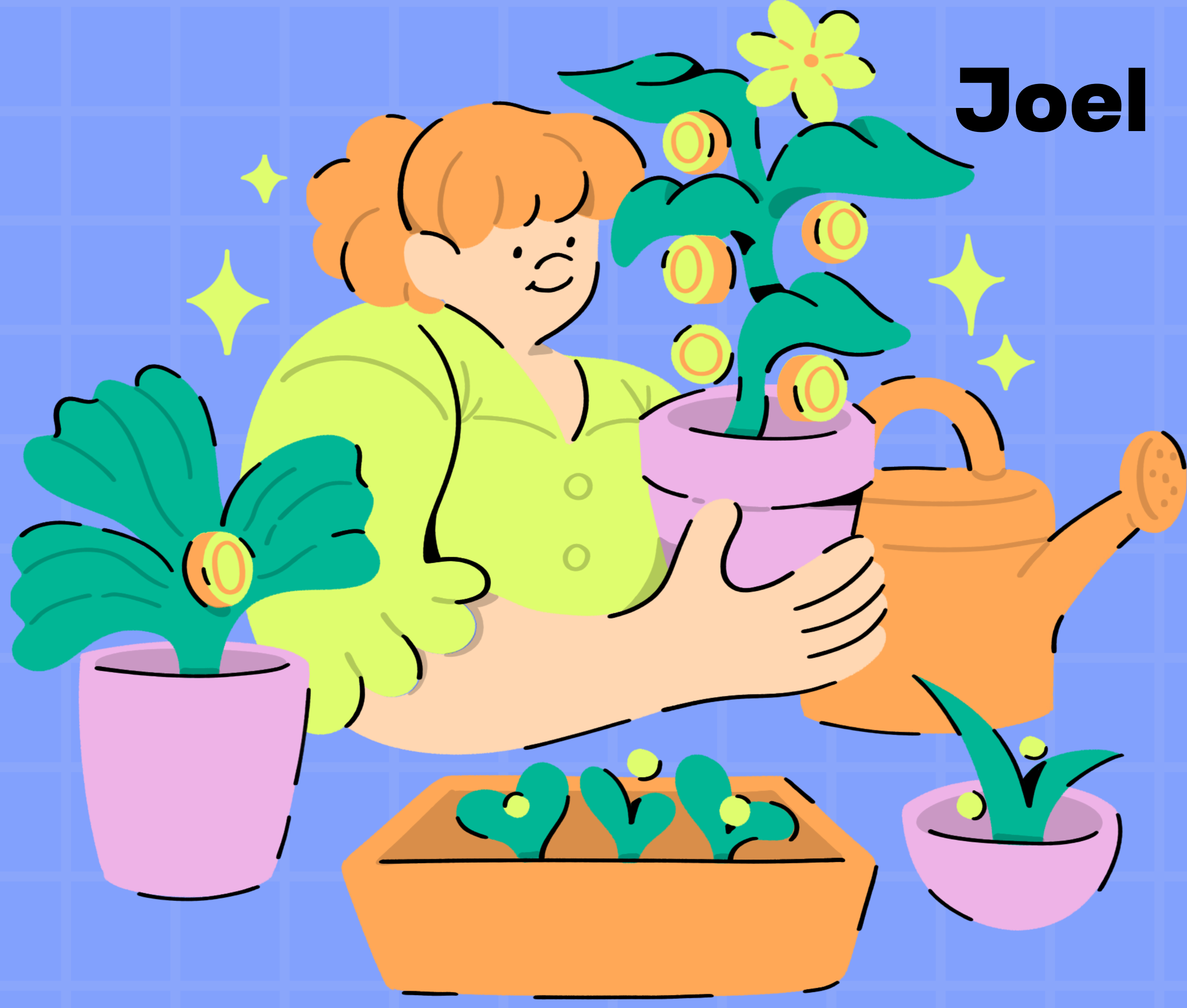


<u>OVERALL RISK LEVEL</u> - Very Low

Suitable for short–medium-term capital preservation

Joel

Return Analysis



Coupon

- 4% coupon → 2% paid semi-annually

Effective Yield

- Market price: S$108.249
- YTM: ~2.3% p.a. due to premium pricing

Attractive Compared To Benchmarks

- Higher than 3-year SGS (~2%)
- Same credit quality as Singapore Government

Cash Flow Benefit

- Predictable semi-annual cash inflows
- Full principal repaid at maturity
- Supports CapitaLand's working capital & project pipeline

Joel

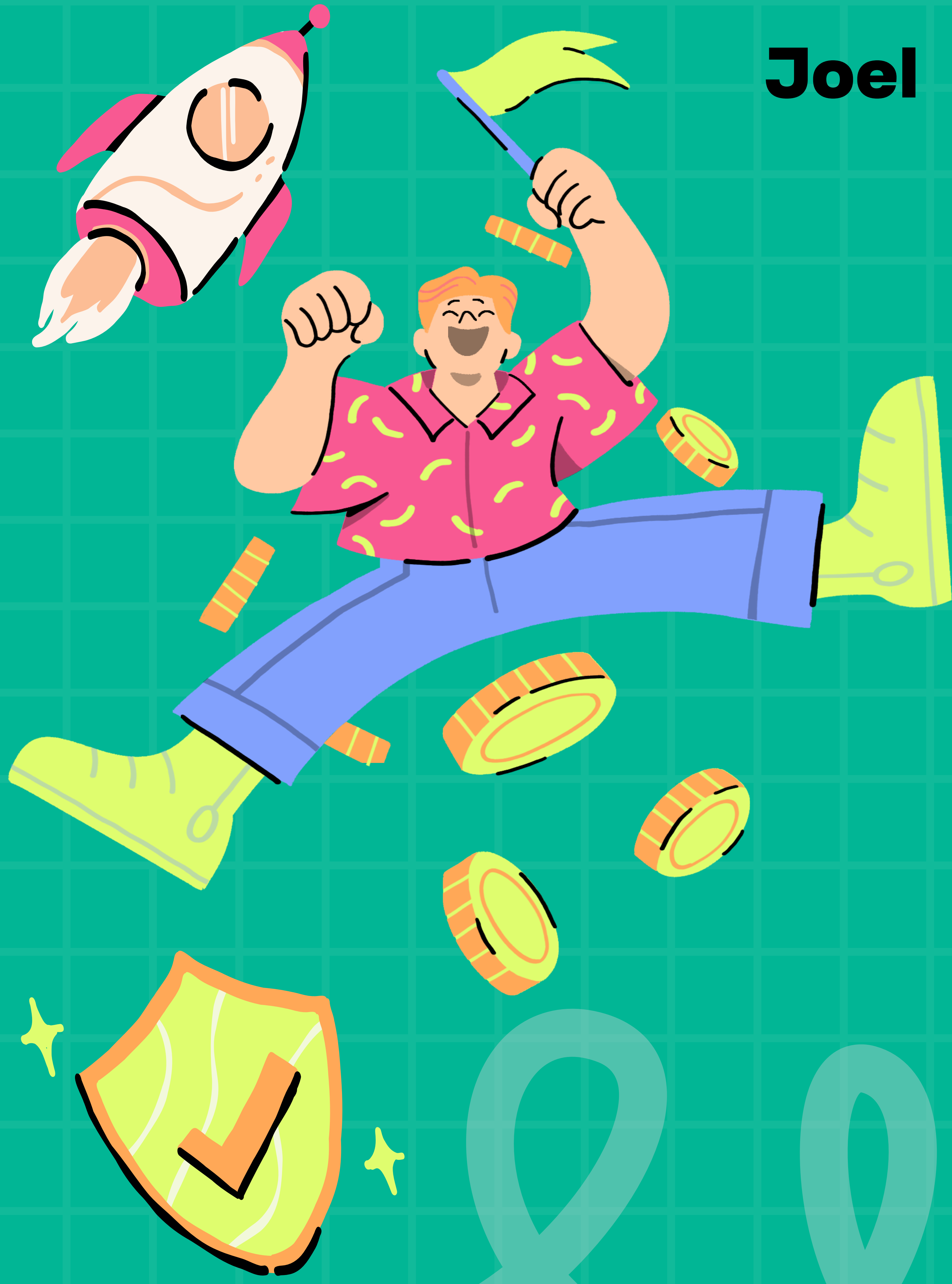
Final Reccomendation: <u>Strong Buy</u>

The Temasek Financial (I) Limited 4.00% 2029 SGD Bond is an excellent fit for CapitaLand's fixed-income portfolio because:

- ✔ Government-linked, AAA-level safety
- ✔ Stable & predictable semi-annual income
- ✔ 2.3% effective yield (<u>above money-market rates</u>)
- ✔ SGD-denominated → 0 FX risk
- ✔ Alignment with CapitaLand's conservative treasury strategy
- ✔ Provides capital protection & positive risk-adjusted spread

<u>Conclusion:</u>

This bond is <u>highly suitable</u> for short- to medium-term deployment of surplus funds and enhances the stability of CapitaLand's overall investment portfolio



3.3 Evaluate Investment in Joint Venture

Alexius

Operational Assumptions

- Facility size: 200 units
- Occupancy ramp: 85% (Y1) → 90% (Y2) → 95% (Y3–Y5)
- Monthly fee: S$4,000 per unit
- Cost of sales: 60% of revenue
- Marketing: 2% | Other operational expenses: 5%

Sources: The Straits Times (2025), Channel NewsAsia (2025), EdgeProp (2025), The Business Times (2025).

Alexius

Financial and Tax Assumptions

- Initial capex: S$40 million (straight-line depreciation over 30 years = S$1.33m/year)
- Terminal cash flow: 3% of construction cost = S$1.2m in Year 5
- Discount rate: 3% p.a. (government special loan rate)
- Tax rate: 0% (Pioneer Incentive)

Sources: The Straits Times (2025), Channel NewsAsia (2025), EdgeProp (2025), The Business Times (2025).

Alexius

3.3 Capacity, Revenue & Expenses

Capacity & Occupancy

The facility has 200 units; occupancy ramps from 85% in Year 1 to 90% in Year 2 and stabilises at 95% from Year 3–5, reflecting ramp-up then mature demand in Queenstown's ageing population and assisted-living push.

Revenue per unit

Revenue each year is based on 200 units × occupancy × S$4,000 per month × 12 months, where S$4,000 is a mid-market assisted living fee between subsidised nursing homes and premium private projects.

Cost Structure Assumptions

Cost of sales is set at 60% of revenue to cover staff, care services, food and utilities, while marketing (2% of revenue) and other operating expenses (5% of revenue) follow the assignment's guidance.

Capital, Depreciation & Terminal Value

The building costs S$40m, depreciated straight-line over 30 years (S$1.33m per year) with no tax, and a terminal cash flow of 3% of construction cost (S$1.2m) is added in Year 5 as required. Discount rate: 3% (govt loan); Tax: 0% (Pioneer Incentive)

3.3 Cash Flow Forecast

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue (S$)	0	8,160,000	8,640,000	9,120,000	9,120,000	9,120,000
Cost of Sales (S$)	0	4,896,000	5,184,000	5,472,000	5,472,000	5,472,000
Gross Margin (S$)	0	3,264,000	3,456,000	3,648,000	3,648,000	3,648,000
Less:						
Depreciation (S$)	0	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333
Other operating expenses (S$)	0	408,000	432,000	456,000	456,000	456,000
Income before tax (S$)	0	1,522,667	1,690,667	1,858,667	1,858,667	1,858,667
Adjustments:						
Depreciation (S$)	0	1,333,333	1,333,333	1,333,333	1,333,333	1,333,333
Initial Investment (S$)	-40,000,000	0	0	0	0	0
Terminal Cash flow (S$)	0	0	0	0	0	1,200,000
Total cash flow (S$)	-40,000,000	2,856,000	3,024,000	3,192,000	3,192,000	4,392,000

Alexius

NPV & IRR

Cash flows used

- Year 0: -40,000,000
- Year 1: 2,856,000
- Year 2: 3,024,000
- Year 3: 3,192,000
- Year 4: 3,192,000
- Year 5: 4,392,000

Discount rate: 3% (government special loan); Tax: 0% (Pioneer Incentive)."
This shows you applied the brief requirements explicitly.

NPV & IRR

=NPV(3%, 2856000, 3024000, 3192000, 3192000, 4392000) - 40000000 = -S$24,831,014

=IRR({-40000000,2856000,3024000,3192000,3192000,4392000})
= -0.2243 which is -22.43%

At −22.43%, the project's effective return is deeply negative, well below the 3% required rate.

Total cash flow (S$)	-40,000,000	2,856,000	3,024,000	3,192,000	3,192,000	4,392,000

Alexius

Decision:
REJECT

Based on both evaluation techniques (NPV and IRR), CapitaLand should REJECT this investment. NPV at 3% is −S$24.83m and IRR is −22.43%, both below the 3% required rate of return.

Both metrics fail because the S$40m upfront investment is too large relative to the 5-year cash flow recovery.
Comparison: At 3% (required rate), the project still destroys value; even if capex were halved, it would barely break even.

Therefore, we recommend rejecting the project and only reconsidering if capex drops significantly or fees increase materially.

3.4 Financing Plan to Raise Fund for Investment

3.4 : Book Value & PE Ratio

- Book Value per Share
  - **Shareholders' Equity** = S$14,411m
  - **Shares Outstanding** = 5,116.4m
  - **Book Value per Share** = S$2.82

- Price-Earning ratio (PE)
  - **EPS (FY2024)** = S$0.168
  - **Share Price (28 Nov)** = S$2.65
  - **PE Ratio** = 2.65 ÷ 0.168
    = 15.8×

Financing Strategy

Rights Issue (Primary Source)

- Raises equity from existing shareholders
- Reduces debt reliance
- Suitable for capital-intensive projects like Queenstown assisted-living
- Supports long-term balance sheet strength

Corporate Bonds / Medium-Term Notes

- 7–10 year fixed-rate bonds
- Stable financing cost
- Strong demand for CLI debt instruments
- Matches long-term project lifespan

Retained Earnings

- Covers early development phases
- Reduces total external funding required
- Shows strong internal funding discipline

Appendices

- CapitaLand Investment Limited. Financial Report (2024). Singapore Exchange (SGX) Corporate. https://links.sgx.com/1.0.0/corporate-announcements/YN1GIEMZ58VLBW3P/68affabccc310178f82cc7556d6c0770acf1fd8d0f78393e800c7278cf81bf71 little bit of body text
- Bondsupermart. (2025). Temasek Financial (I) Limited 4.00% 07 December 2029 SGD Bond (ISIN SG7U76951353). https://www.bondsupermart.com/bsm/bond-factsheet/SG7U76951353

Thank You