

Keppel Ltd

Earnings growth is more visible



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SINGAPORE | CONGLOMERATE | 1Q25 UPDATE

25 April 2025

- Limited financials were provided except 1Q25 net profit was up 25% YoY. Growth was driven by infrastructure and real estate. Not disclosed was the contribution of valuation gains in net profit.
- Asset management fees grew 9% to S\$96mn, supported by S\$1.6bn of equity raised. Asset monetised has been S\$347mn YTD. No change to the S\$10-12bn monetisation target (cumulative: S\$7.2bn). Part of the monetisation will include 63.36mn Seatrium shares available for sale from end Mar25.
- We maintain our FY25e forecast. Our SOTP-derived TP of S\$8.00 and BUY recommendation is unchanged. There is improved visibility of (operating) earnings growth from 2H25 onwards from several projects namely leasing of Keppel South Central, commissioning of Bifrost cables and Keppel Sakra Cogen Plant.

The Positive

+ Earnings growth. The update provided more explicit net profit growth of 25% YoY in 1Q25. In contrast, 1Q24 only mentioned net profit improved YoY. The quality of the earnings is unclear but we believe it is largely real estate disposal gains from Vietnam and China. Asset management fees growth of 9% YoY to S\$96mn was healthy, albeit slower than 1Q24's 55% growth that was aided by acquisition fees.

+ Better earnings growth visibility. Most divisions are expected to enjoy operational earnings growth when their investments are completed. In real estate, Keppel South Central has around 50% of office space and retail units committed or in active negotiation. Infrastructure earnings will climb from Keppel Sakra Cogen Plant, which will be operational in 1H26. All the 600MW capacity has been fully contracted with gas purchases hedged. Connectivity will benefit from the commissioning of the BiFrost subsea cables in 2H25. There will be rental and maintenance fees.

The Negatives

- Mobile consumer soft. Mobile subscribers for M1 continue to slide. Postpaid subscribers slipped 6.6% YoY to 1.81mn. The drop in subscribers is due to intense price competition and customer churn. EBITDA grew on a YoY basis due to the strength of the enterprise operations securing growth in cloud solutions (hybrid, security, migration).

Outlook

Management reiterated there is no direct impact from the trade war. Demand for data centres remains robust. Sentiment amongst the smaller pension funds may be more muted due to asset allocation reasons. Weakness in public equities may elevate the allocation of real assets. Keppel's differentiation is its operational strength. Most of the divisions are expected to enjoy growth as new projects are commissioned. The weakest segment is consumer mobile. We view the current weakness in M1's consumer and upcoming spectrum purchase as a trigger for monetising this business. On the disposal of Rigco, lower oil prices have impacted sentiment. Nevertheless, Rigco continues to receive enquiries, and day rates for the rigs are stable. The focus is to improve the cash flows of Rigco with potential monetisation down the road.

Maintain BUY with unchanged TP of S\$8.00

BUY (Maintained)

LAST CLOSE PRICE	SGD 6.590
FORECAST DIV	SGD 0.350
TARGET PRICE	SGD 8.000
TOTAL RETURN	26.7%

COMPANY DATA

BLOOMBERG CODE:	KEP SP
O/S SHARES (MN) :	1,815
MARKET CAP (USD mn / SGD mn) :	9164 / 12051
52 - WK HI/LO (SGD) :	7.15 / 5.61
3M Average Daily T/O (mn) :	4.30

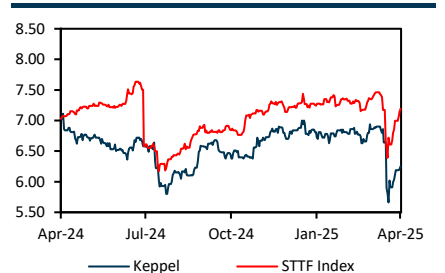
MAJOR SHAREHOLDER (%)

TEMASEK HOLDINGS	20.6%
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TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(6.7)	(4.5)	(6.4)
STTF RETURN	(2.1)	1.2	2.1

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (\$\$ mn)	FY23	FY24	FY25e	FY26e
Revenue	6,966	6,601	6,948	7,450
EBIT	1,076	1,215	1,160	1,216
NPAT	4,067	940	828	883
Dividend yield	5.2%	5.2%	5.3%	5.5%
P/NAV (x)	1.1	1.1	1.0	1.0
P/E (x)	2.9	12.3	13.9	13.1
ROE (%)	7.7%	7.4%	7.2%	7.5%

Source: Company, PSR

VALUATION METHOD

SOTP valuation

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Financials

Income Statement

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	6,620	6,966	6,601	6,948	7,450
Materials and Subcontract costs	(5,174)	(4,998)	(4,737)	(4,947)	(5,334)
Staff costs	(668)	(704)	(712)	(702)	(760)
Depreciation and amortisation	(207)	(221)	(208)	(220)	(235)
Other items	(6)	34	270	80	95
EBIT	565	1,076	1,215	1,160	1,216
Investment income	49	78	61	70	65
Net finance expenses	(55)	(263)	(327)	(305)	(303)
Share of results of associates	536	322	162	200	230
Profit before tax	1,095	1,214	1,110	1,125	1,208
Taxation	(245)	(290)	(244)	(259)	(278)
Minority interests	5	(27)	(22)	(27)	(35)
Perpetual securities holders	(12)	(12)	(12)	(12)	(12)
Adj. Net Profit	844	885	832	828	883
Discontinued operations/FV	89	3,181	108	-	-
Profit attributable to owners	933	4,067	940	828	883

Per share data (\$\$)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
BVPS	6.29	5.85	6.12	6.28	6.44
DPS	0.33	0.34	0.34	0.35	0.36
EPS	0.52	2.31	0.53	0.47	0.50

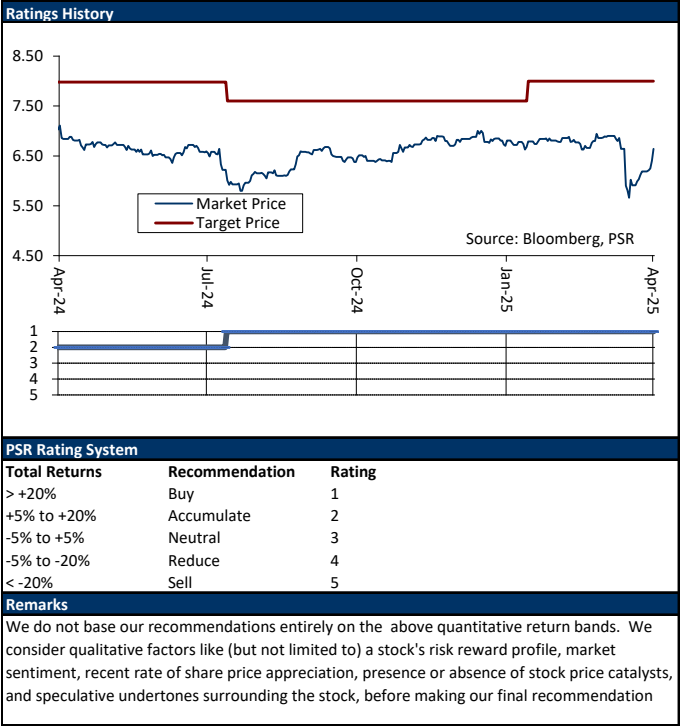
Cash Flow

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Pretax profit	1,095	1,214	1,110	1,125	1,208
Adjustments	(773)	(347)	(13)	254	243
Working capital changes	426	(398)	(253)	9	(55)
Cash generated from ops	747	469	844	1,388	1,396
Others	(566)	(410)	(644)	(501)	(496)
Cashflow from ops	182	58	200	888	900
CFI					
CAPEX, net	(696)	(921)	(611)	(430)	(380)
Others	82	(21)	1,312	350	350
Cashflow from investments	(615)	(942)	701	(80)	(30)
CFF					
Dividend paid	(688)	(582)	(608)	(596)	(613)
Proceeds from borrowings, net	(308)	1,336	703	-	-
Proceeds from equity issuance	(500)	(14)	-	-	-
Others	-	(17)	42	-	-
Cashflow from financing	(1,496)	723	137	(596)	(613)
Net change in cash	(1,929)	(161)	1,038	212	256
Cash at the start of the period	3,544	1,445	1,265	2,291	2,512
Currency translation	(170)	(18)	(12)	10	-
Others	-	-	-	-	-
Ending cash	1,445	1,266	2,291	2,512	2,769

Source: Company, PSR estimates

Balance Sheet

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
PPE & Investment Properties	5,501	5,781	9,784	9,994	10,139
Others	10,554	14,691	11,256	11,106	10,986
Total non-current assets	16,055	20,472	21,039	21,100	21,124
Cash and cash equivalents	1,142	1,266	2,302	2,512	2,769
Stocks	2,301	2,110	1,924	1,903	2,050
Receivables	1,228	1,694	1,625	1,523	1,633
Others	(8,913)	573	769	769	769
Total current assets	5,319	6,004	6,619	6,708	7,221
Assets - held for sale	9,561	362	-	-	-
Total Assets	30,935	26,838	27,658	27,807	28,345
LIABILITIES					
Trade and other payables	2,786	2,586	2,730	2,617	2,818
ST borrowings	3,578	2,422	1,389	1,389	1,389
Others	4,996	1,131	652	645	664
Total current liabilities	11,360	6,139	4,771	4,650	4,871
LT borrowings	6,603	8,538	10,509	10,509	10,509
Others	(7,390)	531	953	953	953
Total non-current liabilities	3,438	9,376	11,462	11,462	11,462
Liabilities - held for sale	4,224	307	-	-	-
Total liabilities	19,022	15,821	16,233	16,112	16,333
EQUITY					
Share Capital	1,306	1,306	1,306	1,306	1,306
Treasury shares	(456)	(387)	(96)	(96)	(96)
Retained profits	10,329	9,389	9,545	9,788	10,070
Others	11,178	10,307	10,754	10,998	11,280
Total equity	11,913	11,017	11,426	11,696	12,013
Total equity and liabilities	30,935	26,838	27,658	27,808	28,346
Valuation Ratios					
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	12.6	2.9	12.3	13.9	13.1
P/B (x)	1.0	1.1	1.1	1.0	1.0
EV/EBITDA (x)	26.9	16.4	14.9	15.2	8.0
Dividend yield	5.0%	5.2%	5.2%	5.3%	5.5%
Growth & Margins					
Growth					
Revenue	0.1%	5.2%	-5.2%	5.3%	7.2%
EBITDA	-45.7%	68.1%	9.7%	-3.0%	5.2%
EBIT	-50.0%	90.4%	12.9%	-4.6%	4.8%
PBT	-32.0%	10.8%	-8.5%	1.4%	7.3%
Margins					
EBITDA margin	11.7%	18.6%	21.6%	19.9%	19.5%
EBIT margin	8.5%	15.4%	18.4%	16.7%	16.3%
Net profit margin	12.7%	12.7%	12.6%	11.9%	11.9%
Key Ratios					
ROE	6.9%	7.7%	7.4%	7.2%	7.5%
ROA	2.7%	3.1%	3.1%	3.0%	3.1%
Net Gearing	75.9%	88.0%	84.0%	80.2%	76.0%



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