Keppel Ltd

Clarity in "hong bao" draws

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SINGAPORE | CONGLOMERATE | 1H25 RESULTS

04 August 2025

- 1H25 revenue and adjusted PATMI were within our expectations at 44%/43% respectively of our FY25e forecast. Adjusted PATMI (excl. non-core / valuation/divestments) grew 9% YoY to S$374mn primarily due to asset management fees contributed by Aermont.
- Keppel has separated a pool of assets worth S$14.4bn in the balance sheet (with S$4.7bn NAV) deemed non-core that will be monetised. Management is reiterating its target of S$10-12bn asset monetisation by end 2026, of which S$7.8bn has been completed. The management has provided greater clarity on the assets that will be monetised and capital returned to shareholders. A S$500mn share buyback programme was announced whilst the interim dividend was maintained at 15 cents.
- We maintain our FY25e adjusted earnings. Our SOTP-derived TP is raised to S$10.50 (prev. S$8.00) and BUY recommendation is maintained. We raised our valuations for infrastructure and asset management, driven by the expected earnings spurt over the next 2-3 years. We also removed the holding co discount due to the virtuous synergies as asset owner and operator across the key divisions of infrastructure, real estate, asset management, and connectivity. FY26e will be a year of growth from Keppel South Central, Keppel Sakra Cogen power plant, and Bifrost cables completions.

Results at a glance

S$mn	1H25	1H24	YoY	Comments
Revenue (excl. non-core)	**2,825**	**2,970**	**-4.9%**	
- Infrastructure	2,000	2,265	-11.7%	Lower contract spreads.
- Real Estate	93	64	45.1%	Higher asset management fees.
- Connectivity	732	641	14.2%	
- Non-core for divestment	231	253	-8.6%	
PATMI (excl. non-core)	**431**	**345**	**25.0%**	
- Infrastructure	347	364	-4.9%	Lower fees from KIT.
- Real Estate	98	-20	-598.8%	Valuation gains of S$27mn (1H24: -S$29mn).
- Connectivity	58	69	-16.9%	Lower earnings from M1.
- Corporate	-71	-69	2.1%	Interest expenses and share plan expenses.
- Non-core for divestment	-53	-41	31.5%	
Adjusted PATMI	**210**	**105**	**99.4%**	Excluding valuation and capital recycling gains.
- excl. valuation gains	-21	-171	-87.7%	
- excl. capital recycling	-147	-28	425.0%	
Adjusted PATMI (excl. non-core)	**374**	**344**	**8.8%**	
- Infrastructure	350	351	-0.5%	8% growth in operating income to S$333mn.
- Real Estate	41	9	n.m.	Higher fees from Aermont acquired in Apr24.
- Connectivity	55	52	4.4%	Weaker M1 earnings.
- Corporate	-71	-69	2.1%	
- Non-core for divestment	-164	-239	-31.1%	S$118mn decline in legacy O&M losses.
Funds under management (S$bn)	91	85	7.1%	
Dividend - Interim (cents)	15.0	15.0	0.0%	

Source: Company, PSR

The Positive

+ Improving performance in legacy O&M. Legacy O&M assets (Seatrium shares, rigco, floatel) experienced a sharp drop in net losses from S$209mn to S$91mn. There were limited details, but we believe lower interest expenses and improved charter rates at Rigco supported the turnaround.

BUY (Maintained)

LAST CLOSE PRICE	SGD 8.310
FORECAST DIV	SGD 0.350
TARGET PRICE	SGD 10.50
TOTAL RETURN	30.6%

COMPANY DATA

BLOOMBERG CODE:	KEP SP
O/S SHARES (MN) :	1,815
MARKET CAP (USD mn / SGD mn) :	11672 / 14936
52 - WK HI/LO (SGD) :	8.25 / 5.61
3M Average Daily T/O (mn) :	4.43

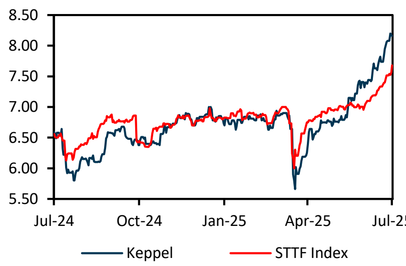
MAJOR SHAREHOLDER (%)

TEMASEK HOLDINGS	21.3%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	11.2	28.6	23.9
STTF RETURN	9.6	13.8	16.2

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (S$ 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	4.1%	4.1%	4.2%	4.3%
P/NAV (x)	1.4	1.4	1.3	1.3
P/E (x)	3.6	15.5	17.6	16.5
ROE (%)	7.7%	7.4%	7.2%	7.5%

Source: Company, PSR

VALUATION METHOD

SOTP valuation

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The Negative

- Softer Infrastructure earnings. Infrastructure adjusted earnings were down a marginal 0.5% to S$350mn. The softness was due to lower transaction fees from KIT. In the prior year, KIT secured an acquisition fee from a German solar portfolio and an Australian transportation business.

What is a hong bao draw? Refers to a special annual lottery draw associated with the Chinese New Year festive period, known for offering some of the biggest jackpot prizes.

Outlook

We expect muted earnings growth in 2025:

(i) Infrastructure: Electricity spark spreads have been softening but offset by decarbonisation and sustainability projects such as waste-to-energy and solar. Keppel Sakra Cogen will be operational in 1H26 and boost generation capacity by nearly 50% from 1.3GW to 1.9GW.

(ii) Real estate: Asset management fees from Aermont and rental income from Keppel South Central will lead the growth in the real estate division. Disposals will support lower interest expenses. And losses in senior living will narrow as occupancy creeps up.

(iii) Connectivity: Competition in consumer mobile remains intense, with M1 losing subscribers. The addition of 700MHz will further raise the costs in the business. M1 is not under the non-core portfolio, but Keppel is still open to divesting it. Bifrost Cable System is ready for service by end-Sep 2025. Earnings from the first two committed fibre pairs, including annual O&M fees, are expected to start in 4Q25.

(iv) Asset management: Reiterates the S$100bn funds under management target end 2026 from the current S$91bn. YTD25, S$4.7bn FUM has been raised.

(v) Non-core portfolio for divestment: This is the first time Keppel is disclosing S$14.4bn of non-core assets – Property (S$8.8bn), Legacy O&M (S$4.8bn), and Investments & others (S$0.8bn). The net book value of these assets is S$4.7bn. Around S$915mn assets to be monetised have been announced this year, with another S$500mn under negotiation (connectivity, real estate).

Maintain BUY with a higher TP of S$10.50 (prev. S$8.00)

Our valuations are based on the sum of the parts (SOTP). We use the P/E ratio for most divisions except real estate, where a discount to book is applied. Net debt is assumed to be entirely held by the holding company because net debt by division is not separated.

Figure 1: SOTP valuation

Sector	S$mn	Per share	Comments
Infrastructure	12,000	6.62	15x PE
Non-core	4,716	2.60	Net book value
Real Estate	3,686	2.03	30% discount to book
Asset Management	3,000	1.65	20x PE
Listed entitites	2,923	1.61	Mark to market
Private funds	1,532	0.84	Mark to valuation
Connectivity	1,200	0.66	15x PE
Less: Net debt	-9,883	-5.45	Group net debt
Corporate cost	-140	-0.08	Corporate activities
Total	**19,034**	**10.50**	

Source: Company, PSR

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 (S$)

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

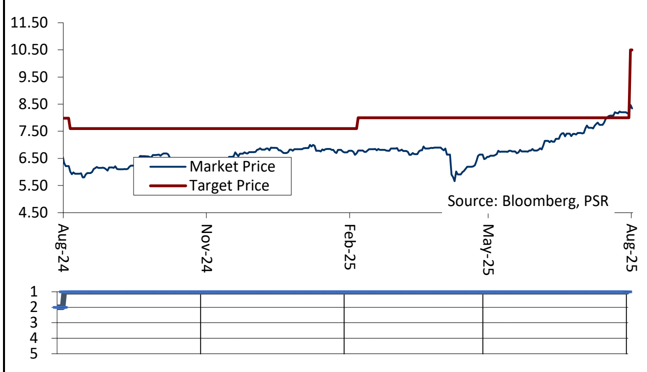
Balance Sheet

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
	11,178	10,307	10,754	10,998	11,280
Others	735	709	671	698	733
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)	15.8	3.6	15.5	17.6	16.5
P/B (x)	1.3	1.4	1.4	1.3	1.3
EV/EBITDA (x)	30.9	18.8	17.0	17.4	10.0
Dividend yield	4.0%	4.1%	4.1%	4.2%	4.3%
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	-8.8%	336.0%	-76.9%	-12.0%	6.7%
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%

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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