

Keppel Ltd

A slow quarter

SINGAPORE | CONGLOMERATE | 1Q24 UPDATE

- Little financial details were revealed in this update. Revenue was S\$1.5bn in 1Q24, down from S\$1.6bn in 1Q23. Net profit was higher YoY if the impact of the disposed offshore and marine assets were excluded. The real estate segment underperformed.
- The pace of asset monetisation slowed in this quarter. Only S\$169.9mn (FY23: S\$947.4mn) was achieved, which includes the divestment of the Wuxi landbank for S\$161mn.
- Net gearing hovered at 0.9x (Dec 23: 0.9x), suggesting muted operating cash inflow while capex is kept low. With its asset-light strategy, investments are made through funds under management and not through its balance sheet.
- Maintain ACCUMULATE and SOTP-derived TP at S\$7.98. A near-term share price catalyst could be a potential redemption of the notes receivables.

Highlights

The Negatives

The pace of asset monetization was slow. S\$169.9mn was unlocked (FY23: S\$947.4mn), which included the proposed divestment of a residential landbank in Wuxi for S\$161.6mn. The total value unlocked from the monetisation programme since 2020 is S\$5.5bn. It maintains the monetisation target of 10-12bn by 2026.

- Net gearing hovered at 0.9x at end-Mar 24 (Dec 23: 0.9x), suggesting slow cash inflow. The average cost of debt was 3.81% (FY23: 3.75%). About S\$2.4bn (22% of total debt) is due this year and S\$400mn 2.9% perpetual securities are due for reset/refinance in Sep 24. Management expects cost of debt to be maintained at 3.81% when these are refinanced.

The Positives

+ It received S\$71.3mn from Asset Co, which holds the legacy rig assets. The rigs are fully deployed on bareboat charters, buoyed by stronger offshore and marine activities. We believe these rigs could be monetized in the near term, which could return S\$3.1bn cash to Keppel when the notes receivables from Asset Co are redeemed.

+ Fees from asset management grew 52% to S\$88mn (FY23: S\$283mn). About 90% of this is recurring. About S\$436mn in equity was raised YTD (FY23: S\$5bn). It has 19 active private funds currently and plans to launch three new funds for data centres, education assets and private credit in 2024.

Outlook

With 60% of its energy-generating capacity locked in on contracts of more than three years, energy sales would provide a stable and recurring earnings base. The 600MW Keppel Sakra Cogen plant is 51% completed and expected to contribute from early 2026.

The acquisition of a 50%-stake in Aermont Capital is expected to be completed by end-April 2024, bringing total funds under management to S\$79bn. Aermont will be a launchpad for Keppel to access the sovereign wealth and pension funds in Europe. FY24e earnings growth is expected to be derived from higher fund management fee income.

Maintain ACCUMULATE and TP of S\$7.98.



StocksBnB.com

26 April 2024

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 6.840
FORECAST DIV	SGD 0.340
TARGET PRICE	SGD 7.980
TOTAL RETURN	21.6%

COMPANY DATA

BLOOMBERG CODE:	KEP SP
O/S SHARES (MN) :	1,775
MARKET CAP (USD mn / SGD mn) :	8929 / 12139
52 - WK HI/LO (SGD) :	7.45 / 5.91
3M Average Daily T/O (mn) :	3.70

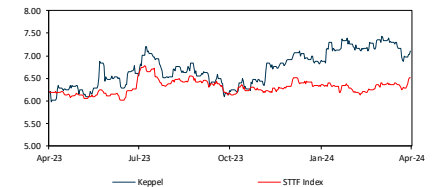
MAJOR SHAREHOLDER (%)

TEMASEK HOLDINGS	21.0%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(3.4)	2.2	19.7
STTF RETURN	3.6	5.4	4.6

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (\$\$, 'mn)	FY22	FY23	FY24e	FY25e
Revenue	6,620	6,966	7,732	8,196
EBIT	565	1,076	1,160	1,229
NPAT	927	4,067	946	1,007
Dividend yield	4.8%	5.0%	5.0%	5.0%
P/NAV (x)	1.1	1.2	1.1	1.0
P/E (x)	13.2	3.0	12.8	11.9
ROE (%)	6.9%	7.7%	8.3%	8.4%

Source: Company, PSR

VALUATION METHOD

SOTP valuation

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Financials

Income Statement

Y/E Dec, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
Revenue	6,611	6,620	6,966	7,732	8,196
Materials and Subcontract costs	(5,082)	(5,174)	(4,998)	(6,031)	(6,393)
Staff costs	(665)	(668)	(704)	(773)	(820)
Depreciation and amortisation	(291)	(207)	(221)	(193)	(220)
Other items	556	(6)	34	425	466
EBIT	1,129	565	1,076	1,160	1,229
Investment income	105	49	78	80	80
Net finance expenses	(82)	(55)	(263)	(291)	(291)
Share of results of associates	459	536	322	330	340
Profit before tax	1,611	1,095	1,214	1,279	1,358
Taxation	(375)	(245)	(290)	(294)	(312)
Minority interests	16	5	(27)	(27)	(27)
Perpetual securities holders	-3	-12	-12	-12	-12
Net Profit	1,249	844	885	946	1,007
Discontinued operations	(226)	83	3,181	-	-
Profit attributable to owners	1,023	927	4,067	946	1,007

Per share data (\$)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
BVPS	6.41	6.29	5.85	6.23	6.64
DPS	0.33	0.33	0.34	0.34	0.34
EPS	0.56	0.52	2.31	0.54	0.57

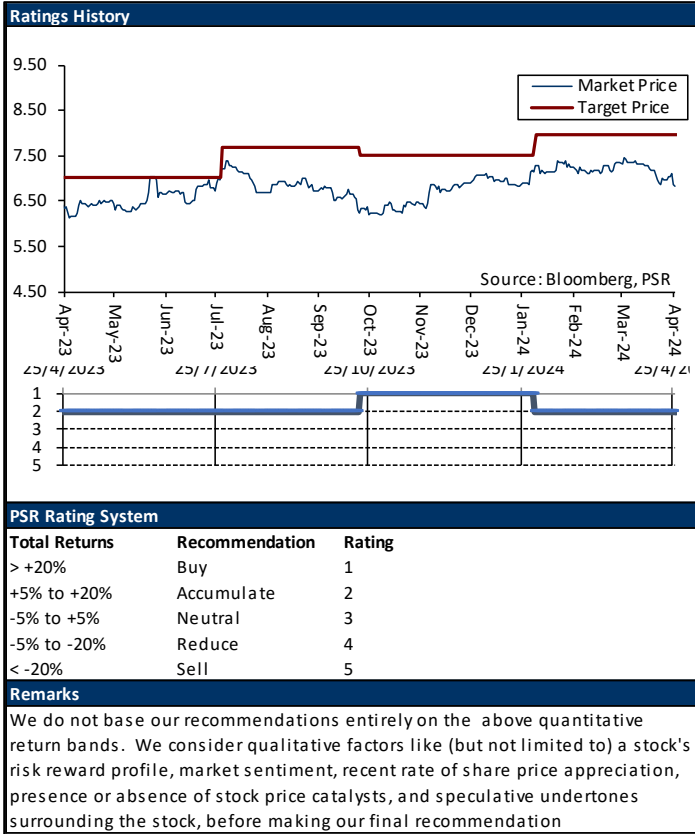
Cash Flow

Y/E Dec, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
CFO					
Pretax profit	1,611	1,095	1,162	1,235	1,301
Adjustments	(1,283)	(773)	(377)	(406)	(389)
Working capital changes	(263)	426	146	54	42
Cash generated from ops	65	747	931	883	953
Others	(106)	(235)	38	54	48
Cashflow from ops	(40)	512	969	937	1,002
CFI					
CAPEX, net	(615)	(696)	(600)	(580)	(580)
Others	2,383	(249)	1,801	-	-
Cashflow from investments	1,768	(946)	1,201	(580)	(580)
CFF					
Dividend paid	(357)	(688)	(4,149)	(311)	(326)
Proceeds from borrowings, net	(674)	(308)	1,000	-	-
Proceeds from equity issuance	-	-	-	-	-
Others	385	(500)	-	-	-
Cashflow from financing	(646)	(1,496)	(3,149)	(311)	(326)
Net change in cash	1,082	(1,929)	(980)	47	96
Cash at the start of the period	2,408	3,544	1,445	163	210
Currency translation	53	(170)	-	-	-
Others	-	-	(302)	-	-
Ending cash	3,544	1,445	163	210	306

Source: Company, PSR estimates
n.m. not meaningful

Balance Sheet

Y/E Dec, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
PPE & Investment Properties	6,830	5,501	5,781	6,168	6,528
Others	10,647	10,554	14,691	14,681	14,671
Total non-current assets	17,477	16,055	20,472	20,849	21,199
Cash and cash equivalents	3,617	1,142	1,266	2,039	2,477
Stocks	4,604	2,301	2,110	2,251	2,290
Receivables	2,169	1,228	1,694	1,377	1,460
Others	3,401	(8,913)	573	573	573
Total current assets	14,318	5,319	6,004	6,601	7,162
Assets - held for sale	528	9,561	362	362	362
Total Assets	32,323	30,935	26,838	27,812	28,722
LIABILITIES					
Trade and other payables	4,957	2,786	2,586	2,971	3,149
ST borrowings	4,659	3,578	2,422	2,422	2,422
Others	2,219	4,996	1,131	1,047	1,066
Total current liabilities	11,835	11,360	6,139	6,440	6,637
LT borrowings	6,796	6,603	8,538	8,538	8,538
Others	1,174	(7,390)	531	531	531
Total non-current liabilities	8,008	3,438	9,376	9,376	9,376
Liabilities - held for sale	38	4,224	307	307	307
Total liabilities	19,882	19,022	15,821	16,123	16,319
EQUITY					
Share Capital	1,306	1,306	1,306	1,306	1,306
Treasury shares	-5	-456	-387	-387	-387
Retained profits	10,354	10,329	9,389	10,035	10,721
Others	11,655	11,178	10,307	10,953	11,640
Others	786	735	709	736	763
Total equity	12,441	11,913	11,017	11,689	12,403
Total equity and liabilities	32,323	30,935	26,838	27,812	28,722
Valuation Ratios					
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (x)	12.2	13.2	3.0	12.8	11.9
P/B (x)	1.1	1.1	1.2	1.1	1.0
EV/EBITDA (x)	14.3	27.5	16.8	15.5	14.1
Dividend yield (%)	4.8%	4.8%	5.0%	5.0%	5.0%
Growth & Margins (%)					
Growth					
Revenue	0.6%	0.1%	5.2%	11.0%	6.0%
EBITDA	236.9%	-45.7%	68.1%	4.3%	7.1%
EBIT	nm	-50.0%	90.4%	7.8%	6.0%
PBT	nm	-32.0%	10.8%	5.4%	6.2%
Margins					
EBITDA margin	21.5%	11.7%	18.6%	17.5%	17.7%
EBIT margin	17.1%	8.5%	15.4%	15.0%	15.0%
Net profit margin	18.9%	12.7%	12.7%	12.2%	12.3%
Key Ratios					
ROE	10.6%	6.9%	7.7%	8.3%	8.4%
ROA	3.8%	2.7%	3.1%	3.5%	3.6%
Net Gearing (%)	63.0%	75.9%	88.0%	76.3%	68.4%



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