

Singapore

February 10, 2022 - 11:30 PM

Highlighted Companies

Keppel Corporation

ADD, TP S\$7.20, S\$6.04 close

Keppel filed an arbitration against SPH. We see minimal earnings impact from the arbitration but its share price could see some knee-jerk reaction. We have expected its deal to take SPH private to be off.

Singapore Press Holdings

HOLD, TP S\$2.11, S\$2.33 close

The termination of Keppel Scheme will pave the way for a more direct privatisation and voting process for shareholders.

Singapore Strategy

Expediting the privatisation of SPH

- SPH terminates Keppel Scheme, paving the way for a more direct privatisation process by Cuscaden.
- Keppel launches an arbitration against SPH for its purported termination of the agreement. We see minimal impact on EPS.
- We think outcome of the arbitration may not matter as companies would have moved on, pursuing goals of higher price of privatisation (SPH) and vision 2030 plans (KEP).

SPH terminates Keppel Scheme

- SPH yesterday announced that it had on Wednesday given Keppel Pegasus notice of the termination of the Keppel Implementation Agreement (KIA) with immediate effect. This follows the consultation with the Securities Industry Council (SIC) which had no objections to SPH exercising its termination right. According to the KIA, if any of the scheme conditions are not satisfied and if the Keppel Scheme has not become effective by the cut-off date of 2 Feb 2022, either party may immediately terminate the KIA.
- SPH said the reasons for exercising its termination right include i) Cuscaden's superior scheme, ii) the removal of disparity in terms of timing and regulatory approval process between Cuscaden and Keppel's schemes, iii) some of the conditions under the Keppel Scheme have not been satisfied by the cut-off date of 2 Feb 2022. SPH will continue with its preparations to allow shareholders to vote on the Cuscaden Scheme.

Keppel filed an arbitration, disagrees with the termination

- Separately in an earlier announcement yesterday, Keppel Pegasus said it had on Wednesday filed a notice of arbitration with the Singapore International Arbitration Centre (SIAC) to commence arbitration proceedings against SPH.
- This was in response to the letter Keppel Pegasus received from SPH on 24 Jan 2022 giving written notice of its intention to consult the SIC in relation to the termination of the implementation agreement dated 2 Aug 2021 entered into between them. Keppel Pegasus does not agree with SPH's purported attempt to terminate the Keppel Implementation Agreement and intends to seek various reliefs, including specific performance of SPH's obligations. SPH has said that it will vigorously defend its position.

Our thoughts on SPH

- The termination of the Keppel Scheme paves the way for a clearer and more straightforward privatisation and voting process for shareholders to vote on the more superior Cuscaden offer. Recall that Keppel/Cuscaden composite documents and/or the finalisation of the Independent Financial Advisor (IFA) opinion have been pending regulatory approval. Consequently, the timing and sequence for both scheme meetings cannot be determined, leading to the delay in scheme meetings.
- Our last TP for SPH of S\$2.11 included a 20% discount to RNAV (S\$2.64) vs. Cuscaden's offer of S\$2.36-2.40. Downside risks include privatisation falling through. Reiterate Hold.

Our thoughts on Keppel

- We have already expected its deal to take SPH private to be off since the intervention by Cuscaden in Nov 2021. We believe the earnings impact from the arbitration could be immaterial for KEP. Breakup fee of c.S\$34m (4% of FY22F earnings) was supposedly to be borne by Cuscaden. However, KEP's share price could see a very short-term knee-jerk reaction, as with any negative newsflow from disputes. We note that SIC has given the go-ahead for SPH to terminate the Keppel Scheme, but the final outcome of the arbitration lies with the administration of SIAC.
- The medium-term outlook for KEP's asset monetisation and capital recycling into new growth sectors is not affected by the above, in our view. Reiterate Add on KEP, with SOP-based TP of S\$7.20. Catalysts: faster pace of asset recycling and conclusion of proposed merger with SMM by 1Q22F. Downside risks include slower macro outlook, and unfavourable terms for the SMM merger, or the merger falling through.

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent,

n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.