

Singapore

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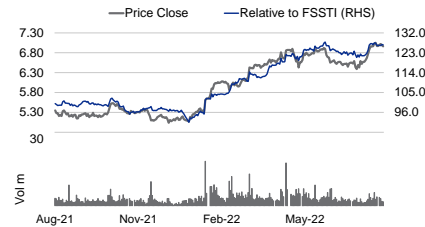
Consensus ratings*: Buy 9 Hold 1 Sell 1

Current price:	S\$6.96
Target price:	S\$9.37
Previous target:	S\$9.37
Up/downside:	34.7%
CGS-CIMB / Consensus:	7.8%
Reuters:	KPLM.SI
Bloomberg:	KEP SP
Market cap:	US\$8,959m
	S\$12,287m
Average daily turnover:	US\$15.65m
	S\$21.51m
Current shares o/s	1,800m
Free float:	60.0%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (S\$m)	820.4	815.5	836.6
Core EPS (S\$)	0.45	0.45	0.46
Core EPS Growth	(19.8%)	(0.7%)	2.6%
FD Core P/E (x)	15.43	15.54	15.15
Recurring ROE	6.71%	6.48%	6.47%
P/BV (x)	1.02	0.99	0.97
DPS (S\$)	0.31	0.31	0.31
Dividend Yield	4.45%	4.42%	4.40%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.9	6.1	29.1
Relative (%)	3.8	4	26.2

Major shareholders	% held
Temasek Holdings	21.3

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Keppel Corporation

Added S\$4bn to orderbook, with an option

- KOM secured the P-80 FPSO contract worth US\$2.92bn (c.S\$4bn), bringing order book to c.S\$8.4bn. We estimate P-80 will fetch EBIT margin of c.5%.
- There is also an option for another contract for the P-82 FPSO, which could add another S\$4bn to KOM's orderbook.
- Reiterate Add with an SOP-based TP of S\$9.37.

Secured US\$2.92bn P-80 FPSO contract; adds S\$4bn to orderbook

- KOM secured an international tender from Petrobras for the engineering, procurement, and construction (EPC) of P-80, a Floating Production, Storage, and Offloading Vessel (FPSO). It is expected to be completed in 1H26.
- The P-80 contract is worth US\$2.92bn based on progressive milestone payments. It will be cashflow neutral during its execution lifecycle and will add more than S\$4bn to KOM's orderbook. We estimate a 5% EBIT margin for the P-80 contract.
- According to Upstream, both KOM and SMM tendered for the P-80 contract, but KOM ultimately snagged it at US\$2.98bn (vs. SMM's offer of US\$3.66bn). After negotiations, KOM agreed to a small price reduction of US\$2.92bn.

Second FPSO contract with Petrobras, with an option for one more

- The P-80 is the second major FPSO contract secured from Petrobras, after the P-78 FPSO (worth US\$2.3bn) which was awarded in May 21. The P-80 has a larger production capacity of 225,000 barrels of oil per day (bopd) compared to 180,000 bopd for the P-78.
- We understand that KOM is also in negotiations with Petrobras to secure the P-82 FPSO contract, which could be finalised by end-FY22F. We estimate that the P-82 contract, if secured, will add an additional S\$4bn to KOM's orderbook.

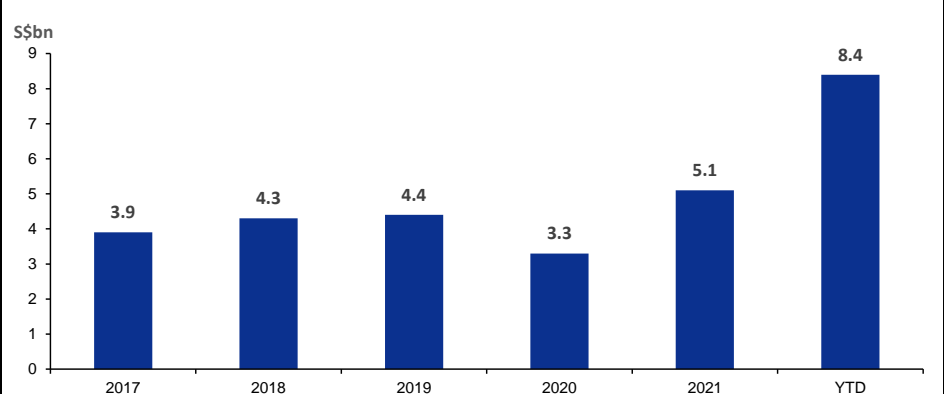
Acquiring a 25% stake in a German wind farm for c.S\$445m

- KEP is also investing €305m (c.S\$445.3m) to acquire a 50.01% stake in a special purpose vehicle (SPV) from Gulf. Post-acquisition, Gulf will own the remaining 49.99% stake in the SPV.
- The SPV holds 50% of Borkum Riffgrund 2 (BKR2), an offshore wind farm in Germany. Orsted owns the remaining 50% of BKR2. KEP's effective stake in BKR2 is thus 25%.
- BKR2 has c.465MW of offshore wind assets with an average age of 2-4 years (commenced operations in 2019). We understand that BKR2 operates under the German EEG 2014 market premium mechanism, which has a Feed-in-Tariff and guaranteed floor price till 2038, which provides cashflow visibility and de-risks the asset.

Reiterate Add with an SOP-based TP of S\$9.37

- Key catalysts: stronger-than-expected asset monetisation and more dividends. Downside risk: prolonged global recession.

Figure 1: KOM's YTD order wins at S\$8.4bn



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: SOP-based TP of S\$9.37

Segment	Basis	Book value/ earnings ('m)	Share of value (\$'m)	Value per share	% of RNAV	Comments	
Urban Development	Estimated market value			4.37	47%	20% discount to landbank for monetisation and 5% premium on investment properties	
Offshore & Marine	Share of 56% of CE at S\$0.10/share before DIS			1.79	19%	Based on S\$0.10/ share consideration of CE net of net asset of O&M at S\$1.6bn and S\$300m of out of scope assets	
Infrastructure	P/E (x)	12	72	863	0.48	5%	12x P/E on FY23F net profit
Connectivity	P/E (x)	12	32	379	0.21	2%	12x P/E on FY23F net profit
Asset Management	P/E (x)	15	302	4,536	2.52	27%	15x P/E on FY23F net profit
				9.37	100%	Target price	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	8,625	6,382	6,120	6,117
Gross Profit	906	670	643	642
Operating EBITDA	1,304	910	1,131	1,141
Depreciation And Amortisation	(406)	(291)	(448)	(433)
Operating EBIT	898	619	683	708
Financial Income/(Expense)	(141)	(53)	(100)	(101)
Pretax Income/(Loss) from Assoc.	467	406	426	431
Non-Operating Income/(Expense)	111	45	47	49
Profit Before Tax (pre-EI)	1,335	1,018	1,057	1,087
Exceptional Items	0	0	0	0
Pre-tax Profit	1,335	1,018	1,057	1,087
Taxation	(325)	(223)	(250)	(258)
Exceptional Income - post-tax				
Profit After Tax	1,010	794	808	829
Minority Interests	13	26	8	8
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	1,023	820	815	837
Recurring Net Profit	1,023	820	815	837
Fully Diluted Recurring Net Profit	1,023	820	815	837

Balance Sheet

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	3,617	4,626	4,030	4,536
Total Debtors	2,169	1,915	2,448	2,447
Inventories	7,774	6,382	6,732	6,728
Total Other Current Assets	1,287	1,287	1,287	1,287
Total Current Assets	14,846	14,210	14,497	14,998
Fixed Assets	2,044	2,008	1,815	1,636
Total Investments	0	0	0	0
Intangible Assets	1,589	1,589	1,589	1,589
Total Other Non-Current Assets	13,844	14,250	14,676	15,107
Total Non-current Assets	17,477	17,848	18,080	18,333
Short-term Debt	4,659	4,659	4,659	4,659
Current Portion of Long-Term Debt				
Total Creditors	5,099	3,829	3,672	3,670
Other Current Liabilities	2,200	2,475	2,422	2,422
Total Current Liabilities	11,958	10,963	10,754	10,751
Total Long-term Debt	6,796	7,196	7,596	7,996
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,127	1,127	1,127	1,127
Total Non-current Liabilities	7,923	8,323	8,723	9,123
Total Provisions	0	0	0	0
Total Liabilities	19,882	19,286	19,477	19,874
Shareholders' Equity	12,057	12,412	12,749	13,114
Minority Interests	385	359	351	343
Total Equity	12,441	12,771	13,100	13,457

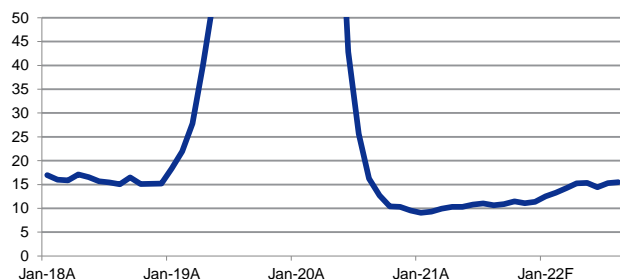
Cash Flow

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	1,304	910	1,131	1,141
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	(187)	651	(1,093)	3
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(608)	446	355	358
Other Operating Cashflow	0	45	47	49
Net Interest (Paid)/Received	(157)	(53)	(100)	(101)
Tax Paid	(260)	(223)	(250)	(258)
Cashflow From Operations	93	1,775	91	1,192
Capex	(538)	(538)	(538)	(538)
Disposals Of FAs/subsidiaries	1,146	0	0	0
Acq. Of Subsidiaries/Investments	(28)	0	0	0
Other Investing Cashflow				
Cash Flow From Investing	580	(538)	(538)	(538)
Debt Raised/(repaid)	(668)	400	400	400
Proceeds From Issue Of Shares	398	0	0	0
Shares Repurchased				
Dividends Paid	(346)	(554)	(550)	(547)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(615)	(154)	(150)	(147)
Total Cash Generated	57	1,083	(597)	507
Free Cashflow To Equity	4	1,636	(47)	1,053
Free Cashflow To Firm	923	1,759	122	1,225

Key Ratios

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	31.2%	(26.0%)	(4.1%)	(0.1%)
Operating EBITDA Growth	209%	(30%)	24%	1%
Operating EBITDA Margin	15.1%	14.3%	18.5%	18.7%
Net Cash Per Share (\$)	(4.31)	(3.97)	(4.52)	(4.46)
BVPS (\$)	6.63	6.82	7.00	7.20
Gross Interest Cover	3.58	1.18	1.20	1.24
Effective Tax Rate	24.3%	21.9%	23.6%	23.8%
Net Dividend Payout Ratio	58.7%	67.5%	67.4%	65.3%
Accounts Receivables Days	99.4	116.8	130.1	146.4
Inventory Days	363.9	452.3	436.9	450.0
Accounts Payables Days	229.4	285.3	249.9	245.4
ROIC (%)	4.09%	2.89%	3.24%	3.15%
ROCE (%)	4.75%	4.68%	4.80%	4.77%
Return On Average Assets	3.57%	2.63%	2.81%	2.82%

12-mth Fwd FD P/E (x) - Keppel Corporation



Key Drivers

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue growth (%)	28.0%	-100.0%	N/A	N/A
EBIT margin (%)	0.1%	7.3%	9.7%	11.2%

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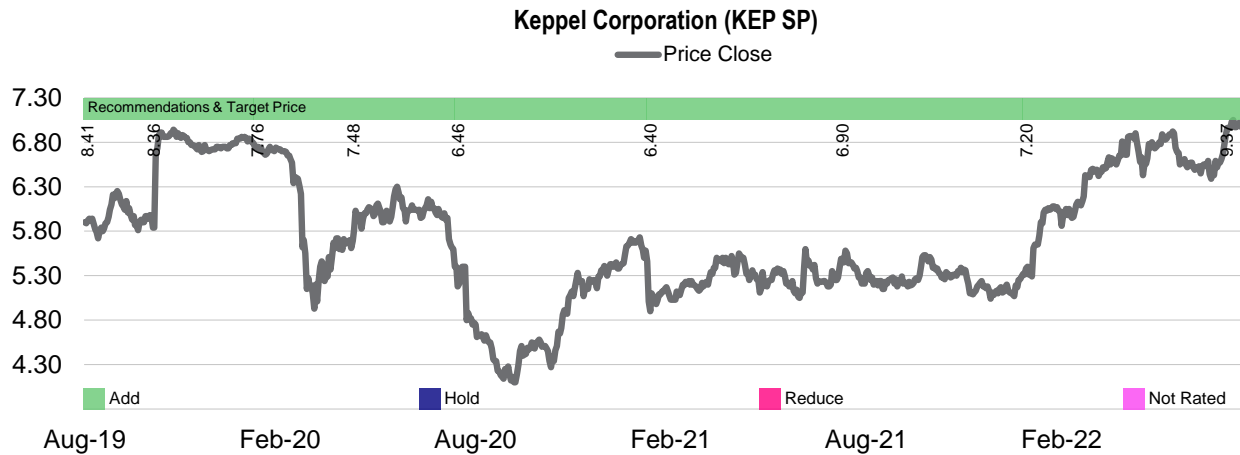
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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.