

COMPANY UPDATE

Keppel (KEP SP)

Profits Up, Monetisation Gains Traction And Infrastructure Delivers Stability

KEP announced a positive 1Q25 business update with net profit up 25% yoy and nearly S\$350m in asset monetisation ytd. Key share price catalysts in the near term include newsflow for its asset monetisation programme such as a further S\$550m in real estate deals, the sale of its legacy rigs, a partial distribution of the proceeds of the segregated account, and potential investments in long-distance fibre optic projects. Maintain BUY. Target price: S\$9.25.

WHAT'S NEW

- **A strong business update.** Keppel (KEP) announced that its 1Q25 net profit had increased 25% yoy; however, given that this was a business update, full financial statements were not provided. The company stated that its robust result was attributable to steady infrastructure earnings, stronger asset management results (with a full quarter's contribution from Aermont Capital) as well as better performance from its real estate segment.
- **Asset monetisation efforts paying off.** One of the key highlights of the 1Q25 update was KEP's asset monetisation programme which saw nearly S\$350m in transactions ytd, mostly from its Chinese and Vietnamese real estate segments. Importantly, it is in the process of negotiating another S\$550m in potential real estate deals that management expects to finalise "in the next few months".
- **Assets released.** In early-Apr 25, KEP announced that the segregated account that was established pursuant to the combination of KOM and Seatrium (STM SP/BUY/Target: S\$2.96) has been terminated. As a result, this released S\$291m in cash and 63.36m in STM shares. Using yesterday's closing price for STM of S\$1.93, this equates to a total value of S\$0.23/share attributable to KEP which could foreseeably be paid out as a special dividend, assuming that the shares are monetised. However, we highlight management's comments that it would look to balance shareholders' desire for income vs the company's growth and asset recycling strategy.
- **Impact of US tariffs.** With the US government recalling tradition and implementing 18th century tariff policies, management were at pains to explain that it, like most companies globally, are still attempting to grapple with the policy impact on its various businesses. That said, the CEO struck a positive note highlighting that the company is not directly impacted by the tariffs but instead provides essential services, has exposure to alternative assets and does not have any manufacturing or export-oriented businesses.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	6,966	6,601	6,975	7,389	7,829
EBITDA	1,297	1,423	1,533	1,637	1,702
Operating profit	1,076	1,215	1,282	1,342	1,363
Net profit (rep./act.)	4,144	940	1,049	994	1,010
Net profit (adj.)	4,144	940	1,049	994	1,010
EPS (S\$ cent)	229.8	51.1	57.0	54.0	54.9
PE (x)	2.9	12.9	11.6	12.2	12.0
P/B (x)	1.1	1.1	1.0	1.0	1.0
EV/EBITDA (x)	16.1	14.7	13.6	12.8	12.3
Dividend yield (%)	5.2	5.2	5.7	5.4	5.5
Net margin (%)	59.5	14.2	15.0	13.5	12.9
Net debt/(cash) to equity (%)	90.9	86.0	75.1	70.0	66.5
Interest cover (x)	7.0	5.3	8.6	9.2	9.6
ROE (%)	37.2	8.6	9.3	8.5	8.4
Consensus net profit	-	-	914	979	1,252
UOBKH/Consensus (x)	-	-	1.15	1.01	0.93

Source: Keppel, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$6.59
Target Price	S\$9.25
Upside	+40.4%

COMPANY DESCRIPTION

Keppel is an asset manager and operator with four core businesses: energy & environment, urban development, connectivity and asset management.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	KEP SP
Shares issued (m):	1,814.8
Market cap (S\$m):	11,959.8
Market cap (US\$m):	9,115.7
3-mth avg daily t'over (US\$m):	21.2

Price Performance (%)

52-week high/low S\$7.15/S\$5.61

1mth	3mth	6mth	1yr	YTD
(4.1)	(2.1)	3.3	(6.3)	(3.7)

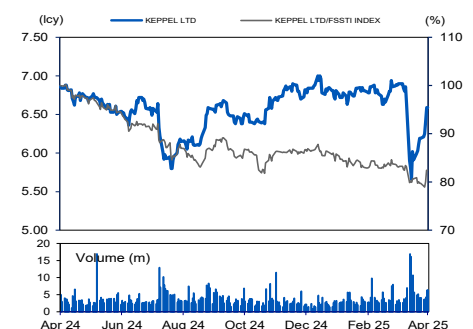
Major Shareholders

	%
Temasek Hldgs	21.2
-	-
-	-

FY25 NAV/Share (S\$) 6.33

FY25 Net Debt/Share (S\$) 4.75

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Sale of Tianjin real estate.** On 23 Apr 25, KEP announced that it had sold a 30% stake in its wholly-owned Tianjin Fulong Property Development Co to Tianjin Shunhua for Rmb503.3m (S\$92.8m). This asset monetisation is part of Keppel's asset monetisation programme and strategy to collaborate with an experienced real estate partner for the development of such large-scale projects. Both companies will look to jointly develop 19 plots of land located in Tianjin Eco-City's Northern District. As a result of the sale, KEP disclosed that on a pro forma basis and if the divestment had been completed by 31 Dec 24, its NTA would have risen 1.6% to S\$5.20 while its 2024 EPS would have increased by 16.7% to S\$0.602.
- **Infrastructure – lower wholesale electricity prices not indicative of its business performance.** KEP attributed part of its strong 1Q performance to its infrastructure business which overcame softer wholesale electricity prices (-20% yoy) via higher generation and better cost optimisation. In addition, KEP disclosed that all of the output from its new 600MW Sakra Cogeneration Plant (on track to commence commercial operations in 1H26) has been contracted under long-term power purchase agreements, as has the gas input.
- **Connectivity continues to deliver.** Although M1 continues to see declines in pre-paid, post-paid and fibre subscribers (see table on RHS), a testament to the intense churn and competition in the Singapore market, management stated that M1's 1Q25 EBITDA nevertheless increased due to growth in enterprise revenue as well as good cost control. On the network front, cable-laying operations for Bifrost were 92% complete as at end-1Q25 and remains on target to be ready for service in 2H25. Management commented that demand to acquire its remaining five fibre pairs in the Bifrost project remains high and it will look to reinvest any sale proceeds, adding that it is considering investment into another two cable systems connecting Southeast Asia to the rest of Asia and beyond.

EARNINGS REVISION/RISK

- **Changes to 2025 earnings forecast.** We have raised our 2025 net profit estimate by 10.5% to account for the divestment and remeasurement gain arising from the Tianjin asset monetisation.

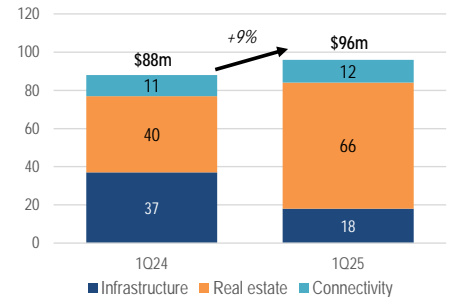
VALUATION/RECOMMENDATION

- **We maintain our BUY rating on KEP.** Our SOTP-based target price remains at S\$9.25. KEP currently trades at 2025F PE of 11.6x and P/B of 1.1x while delivering a prospective yield of 5.7%. We view these investment metrics as inexpensive, especially considering the company's more stable earnings stream given the divestment of its offshore marine business. In 1Q25, more than 80% of the company's net profit came from recurring income (excluding legacy offshore & marine assets).

SHARE PRICE CATALYSTS

- Delivery of the floating DC park in 2025.
- Sale of its legacy rigs, which have now been brought under KEP's control, potentially leading to an earlier-than-expected capital return to the company and shareholders.
- Continued growth in AUM of its asset management business towards its end-26 target of S\$100b.
- Progress towards its goal of monetising S\$10b-12b of its assets by end-26.

ASSET MANAGEMENT FEES (\$m)



Source: KEP

DATA CENTRE PORTFOLIO

Data centre portfolio	Owned by Keppel DC REIT	Owned/ developed by KEP & private funds
Geographic presence	Asia Pacific, Europe	Asia Pacific, Europe
No. of assets	24	10
Attributable net area (million sq. ft)	2.642	1.623
Valuation (\$Sb)	4.9	1.1

Source: KEP

M1 SUBSCRIBER PERFORMANCE

Customer segment	End-1Q24	End-1Q25	Change
Postpaid	1,943	1,815	-6.6%
Prepaid	326	261	-19.9%
Fibre broadband	241	224	-7.1%
Total	2,510	2,300	-8.4%

Source: KEP

ASSET MONETISATION IN 2025 YTD

Asset/stake sold	Country	Value (\$m)
Saigon Centre Phase 3 (22.6%)	Vietnam	98
Palm City (42.0%)	Vietnam	141
Keppel Philippines (29.52%)	Philippines	11
Tianjin Fulong (30.0%)	China	93
Others	N.a.	4
Total in 2025 ytd		347

Source: KEP

SOTP VALUATION

Segment	S\$m	S\$/share
Infrastructure & others	4,893	2.71
Property	3,432	1.90
Connectivity	2,550	1.41
Asset Management	2,100	1.16
Sino-Singapore Tianjin Eco-City	458	0.25
KREIT	1,522	0.84
Keppel DC REIT	880	0.49
Others	1,276	0.71
Asset Co	4,979	2.76
Less net debt		-2.99
Total EV		9.25

Source: UOB Kay Hian

CHANGES TO EARNINGS FORECASTS

S\$m	2025E	2026E	2027E
Net profit - was	949	994	1,010
Net profit - is	1,049	994	1,010
Change	10.5%	0.0%	0.0%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	6,601	6,975	7,389	7,829
EBITDA	1,423	1,533	1,637	1,702
Deprec. & amort.	208	251	295	339
EBIT	1,215	1,282	1,342	1,363
Total other non-operating income	108	100	0	0
Associate contributions	162	162	162	162
Net interest income/(expense)	(267)	(177)	(177)	(177)
Pre-tax profit	1,218	1,366	1,326	1,347
Tax	(244)	(278)	(292)	(296)
Minorities	(34)	(39)	(41)	(41)
Net profit	940	1,049	994	1,010
Net profit (adj.)	940	1,049	994	1,010

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	4,236	4,576	4,873	5,126
Other LT assets	16,803	15,654	15,615	15,577
Cash/ST investment	2,302	3,248	3,584	3,774
Other current assets	4,318	4,490	4,476	4,684
Total assets	27,658	27,967	28,549	29,161
ST debt	1,389	1,389	1,389	1,389
Other current liabilities	3,382	3,286	3,480	3,698
LT debt	10,509	10,509	10,509	10,509
Other LT liabilities	953	953	953	953
Shareholders' equity	11,156	11,522	11,868	12,221
Minority interest	270	309	349	391
Total liabilities & equity	27,658	27,967	28,549	29,161

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	200	808	1,376	1,238
Pre-tax profit	1,110	1,266	1,326	1,347
Tax	(316)	(241)	(277)	(291)
Deprec. & amort.	208	251	295	339
Associates	0	0	0	0
Working capital changes	(267)	(306)	194	5
Non-cash items	0	0	0	0
Other operating cashflows	(535)	(162)	(162)	(162)
Investing	701	(391)	(391)	(391)
Capex (growth)	(611)	(611)	(611)	(611)
Investment	(112)	200	200	200
Proceeds from sale of assets	129	20	20	20
Others	1,295	0	0	0
Financing	137	384	418	409
Dividend payments	(646)	(682)	(648)	(657)
Proceeds from borrowings	743	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	40	1,066	1,066	1,066
Net cash inflow (outflow)	1,038	801	1,403	1,255
Beginning cash & cash equivalent	2,662	3,700	4,500	5,903
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	3,700	4,500	5,903	7,159

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	21.6	22.0	22.2	21.7
Pre-tax margin	18.5	19.6	17.9	17.2
Net margin	14.2	15.0	13.5	12.9
ROA	3.5	3.8	3.5	3.5
ROE	8.6	9.3	8.5	8.4
Growth				
Turnover	(5.2)	5.7	5.9	6.0
EBITDA	9.7	7.8	6.8	4.0
Pre-tax profit	(72.3)	12.1	(2.9)	1.6
Net profit	(77.3)	11.6	(5.2)	1.6
Net profit (adj.)	(77.3)	11.6	(5.2)	1.6
EPS	(77.8)	11.7	(5.2)	1.6
Leverage				
Debt to total capital	51.0	50.1	49.3	48.5
Debt to equity	106.7	103.3	100.3	97.4
Net debt/(cash) to equity	86.0	75.1	70.0	66.5
Interest cover (x)	5.3	8.6	9.2	9.6

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