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### KEY HIGHLIGHTS

#### Results

**Keppel Pacific Oak US REIT (KORE SP/BUY/US\$0.205/Target: US\$0.56)** Page 2  
3Q23: Outperforming through higher portfolio occupancy.

#### Update

**Keppel (KEP SP/BUY/S\$6.25/Target: S\$9.09)** Page 5  
9M23 business update was generally positive. Looking forward to asset monetisation and rig sales within Asset Co in the near to medium term.

#### TRADERS' CORNER

**AEM Holdings (AEM SP):** Trading BUY

**Delfi (DELFI SP):** Trading SELL

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33542.1	(0.4)	(0.3)	(2.8)	1.2
S&P 500	4336.0	0.5	(0.3)	(2.4)	12.9
FTSE 100	7499.5	(1.2)	(1.9)	(2.1)	0.6
AS30	7172.7	(1.3)	(1.6)	(2.6)	(0.7)
CSI 300	3533.5	(2.1)	(4.6)	(4.6)	(8.7)
FSSTI	3099.6	(1.2)	(3.7)	(4.4)	(4.7)
HSCEI	5924.2	(2.5)	(5.5)	(4.2)	(11.6)
HSI	17295.9	(2.5)	(5.2)	(3.3)	(12.6)
JCI	6846.4	(1.2)	(1.3)	(2.4)	(0.1)
KLCI	1442.7	(0.3)	(0.1)	(0.6)	(3.5)
KOSPI	2415.8	(1.9)	(2.6)	(5.6)	8.0
Nikkei 225	31430.6	(1.9)	(3.3)	(4.8)	20.4
SET	1423.0	(1.0)	(2.3)	(5.6)	(14.7)
TWSE	16452.7	0.1	(2.2)	(0.5)	16.4
BDI	2071	(1.6)	7.0	35.7	36.7
CPO (RM/mt)	3747	0.7	5.2	1.4	(7.4)
Brent Crude (US\$/bbl)	92	0.4	6.8	(2.7)	6.9

Source: Bloomberg

### TOP TRADING TURNOVER

Company	Price (S\$)	Chg (%)	5-day ADT (\$m)
DBS Group Holdings	33.17	(0.5)	83.5
United Overseas Bank	27.88	(0.8)	81.1
Yangzijiang Shipbuilding	1.45	(4.6)	57.4
Oversea-Chinese Banking Corp	12.83	(0.9)	53.7
Singapore Airlines	6.05	(2.3)	41.8

### TOP GAINERS

Company	Price (S\$)	Chg (%)	5-day ADT (\$m)
AEM Holdings	3.58	1.7	3.8
Suntec REIT	1.14	0.9	3.5
First Resources	1.46	0.7	1.0
Wing Tai Holdings	1.46	0.7	0.7
Venture Corp	11.69	0.1	13.3

### TOP LOSERS

Company	Price (S\$)	Chg (%)	5-day ADT (\$m)
Nio Inc	7.82	(7.9)	1.5
Yangzijiang Financial Holding	0.33	(7.0)	2.5
Digital Core REIT Management	0.53	(5.4)	1.8
Yangzijiang Shipbuilding	1.45	(4.6)	57.4
Mandarin Oriental	1.52	(3.8)	0.0

\*ADT: Average daily turnover

### KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

## COMPANY RESULTS

### Keppel Pacific Oak US REIT (KORE SP)

3Q23: Outperforming Through Higher Portfolio Occupancy

KORE's portfolio occupancy improved 0.6ppt qoq to 91.4% while physical occupancy improved 2ppt qoq to 67% in 3Q23. Adjusted NPI grew 5% yoy due to positive rental reversion of 3.8% and built-in rental escalation of 2.5% from its existing properties. KORE has consistently outperformed its peers due to its focus on growth cities and constant investment in amenities. KORE trades at an attractive 2024 distribution yield of 23.6% and P/NAV of 0.25x (75% discount to NAV). Maintain BUY. Target price: US\$0.56.

#### 3Q23 RESULTS

Year to 31 Dec (US\$m)	3Q23	yoy % Chg	Remarks
Gross Revenue	38.4	+3.3	Positive impact from built-in average rental escalation of 2.5% per year.
Net Property Income (NPI)	22.1	+3.7	
Adjusted NPI	22.7	+5.0	Exclude non-cash straight-line rent and lease incentives.
Distributable Income	13.1	-10.7	Higher financing costs due to higher interest rates.

Source: KORE, UOB Kay Hian

#### RESULTS

- Outperforming through focus on growth cities.** Keppel Pacific Oak US REIT (KORE) reported 3Q23 distributable income of US\$13.1m (-10.7% yoy), which is in line with our expectation. Adjusted NPI increased 5.0% yoy in 3Q23 due to better performance from its existing properties. Distributable income declined 10.7% yoy to US\$13.1m due higher borrowing costs as a result of rising interest rates.
- Outperforming through higher portfolio occupancy.** Portfolio occupancy improved slightly by 0.6ppt qoq to 91.4% in 3Q23. Eastside Seattle – Bellevue/Redmond, which accounted for 45.2% of portfolio NPI, saw continued positive leasing momentum and higher occupancies across The Plaza Buildings (+1.2ppt qoq to 89.0%), Bellevue Technology Center (+2.2ppt qoq to 91.2%) and The Westpark Portfolio (+1.1ppt qoq to 96.1%). Serviced office provider Regus renewed lease for 45,000sf at Bellevue Technology Center. Occupancy for Maitland Promenade in Orlando improved 2.2ppt qoq to 87.7% after securing infrastructure specialist Burns & McDonnell as a new tenant for 48,000sf. Management targets to maintain portfolio occupancy above 90% by end-23.
- Sustaining organic growth.** KORE has signed leases for 250,122sf of office space and achieved positive rental reversion of 3.8% in 3Q23. Management targets positive rental reversion at low single digits for 2023. In-place passing rent remains 0.6% below asking rents. The portfolio has built-in average rental escalation of 2.5% per year.

#### KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	141	148	144	145	146
EBITDA	74	74	78	79	79
Operating profit	74	74	78	79	79
Net profit (rep./act.)	77	48	(26)	53	52
Net profit (adj.)	46	56	55	53	52
EPU (US\$ cent)	4.8	5.4	5.2	5.1	5.0
DPU (US\$ cent)	6.3	5.8	5.0	4.8	4.8
PE (x)	4.3	3.8	3.9	4.0	4.1
P/B (x)	0.3	0.3	0.3	0.3	0.3
DPU Yld (%)	30.9	28.3	24.4	23.6	23.3
Net margin (%)	54.8	32.8	(18.4)	36.6	35.7
Net debt/(cash) to equity (%)	59.8	60.8	70.8	74.2	77.5
Interest cover (x)	5.1	4.0	3.3	3.0	2.9
ROE (%)	9.5	5.7	n.a.	6.9	6.8
Consensus DPU (US\$ cent)	n.a.	n.a.	5.0	4.5	4.5
UOBKH/Consensus (x)	-	-	1.00	1.08	1.06

Source: Keppel Pacific Oak US REIT, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	US\$0.205
Target Price	US\$0.560
Upside	+173.2%
(Previous TP)	US\$0.500

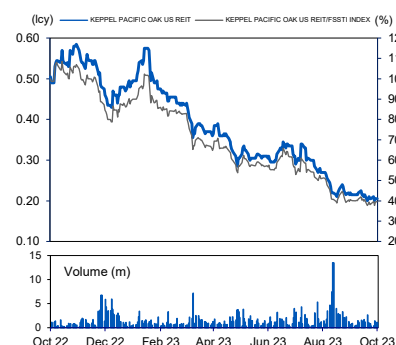
#### COMPANY DESCRIPTION

KORE invests in a diversified portfolio of income-producing office real estate in growth cities driven by innovation and technology. It owns 13 freehold office buildings and business campuses in eight markets, namely Seattle – Bellevue/Redmond, Austin, Denver, Nashville, Houston, Dallas, Orlando and Sacramento.

#### STOCK DATA

GICS sector	Real Estate			
Bloomberg ticker:	KORE SP			
Shares issued (m):	1,044.5			
Market cap (US\$m):	214.1			
Market cap (US\$m):	214.1			
3-mth avg daily t'over (US\$m):	0.5			
Price Performance (%)				
52-week high/low US\$0.585/US\$0.200				
1mth	3mth	6mth	1yr	YTD
(6.8)	(34.9)	(43.8)	(60.6)	(55.4)
Major Shareholders				%
Temasek Hldgs				11.1
Hillsboro Capital				8.7
FY23 NAV/Share (US\$)				0.74
FY23 Net Debt/Share (US\$)				0.52

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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- **Prudent capital management.** Aggregate leverage remained stable at 39.1% as of Sep 23. Interest coverage ratio was healthy at 3.3x. About 76% of its borrowings were hedged to fixed rates. There are no debt refinancing requirements until 4Q24. Weighted average term to maturity is healthy at 2.9 years. KORE's all-in average cost of debt was 4.19% in 3Q23 (1H23: 3.89%). We estimate cost of debt at 4.25% for 2024.

#### STOCK IMPACT

- **Growth from growth cities.** KORE benefits from the migration of Americans in massive numbers to large Sun Belt metro areas and fast-growing suburban cities. They are particularly attracted to states with zero personal income taxes, such as Florida, Texas, Tennessee and Washington, which accounted for 82.1% of NPI. Companies are also exiting gateway cities, such as San Francisco, Los Angeles and Chicago, and relocating to the states of Florida, Texas and Tennessee, where state corporate income tax is low at 5.5%, 6.5% and 0.0% respectively. State corporate income tax averages 1.6% for KORE's growth markets vs 8.7% for gateway cities.
- **Companies tightening hybrid work arrangements.** Amazon required employees to return to office three days per week since 1 May 23. Many employees were also asked to relocate to main hubs, such as Seattle and New York, where their teams are located. Meta Platforms shifted to a more structured hybrid schedule and mandated working three days in office a week with effect from 5 Sep 23. CEO Mark Zuckerberg has encouraged staff to "find more opportunities to work with colleagues in person". Google requires working in the office three days a week and has informed employees that office attendance would be included in performance reviews.
- **Proponents of remote work also emphasising in-person collaborations.** Even videoconferencing software specialist Zoom has asked employees who live near its offices (within 50 miles) to work on-site to interact with their teams two days a week with effect from Aug 23. Other companies that tightened hybrid work arrangements include Walt Disney, General Motors, Walmart, Starbucks and Vanguard Group.

- **Resiliency from higher physical occupancy.** On a portfolio-wide basis, KORE's physical occupancy has improved 2ppt qoq to 67% in 3Q23. According to Kastle Systems, nationwide average for physical occupancy is 49.8% for the US as of Oct 23.

#### EARNINGS REVISION/RISK

- **Revaluation losses to be manageable.** We estimated fair value of KORE's investment properties to drop 5.7%, or US\$80.9m, to US\$1,342.5m as at end-23 after factoring cap rate expansion for KORE's portfolio of 50bp and built-in rental escalation of 2.5%. Thus, we expect aggregate leverage to creep up 2.7ppt to 40.9% at end-23.
- **Organic growth moderates magnitude of revaluation losses.** We forecast DPU of 5.0 US cents for 2023 and 4.8 US cents for 2024. We no longer factor in any equity fund raising as KORE's aggregate leverage is substantially lower compared with peers Manulife US REIT (56.7%) and Prime US REIT (42.8%).

#### VALUATION/RECOMMENDATION

- **Deeply discounted gem that outperforms peers.** We like KORE for its exposure to suburban office and Sun Belt states. KORE provides an attractive 2024 distribution yield of 23.6%. The stock trades at P/NAV of 0.25x (75% discount to NAV per unit).
- **Maintain BUY.** We raised our target price to US\$0.56 is based on DDM (cost of equity: 9.5% (previous: 9.0%), terminal growth: 1.0%).

#### SHARE PRICE CATALYST

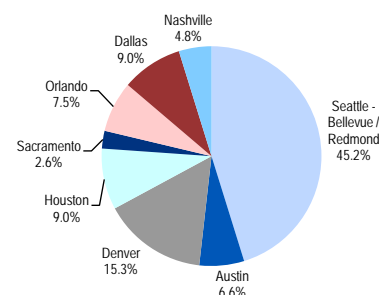
- Growth from Supernovas, Super Sun Belt and 18-hour cities driven by in-migration.
- Growth from continued positive rental reversion and built-in annual rental escalation.

#### KEY OPERATING MATRICES

Key Metrics	3Q22	4Q22	1Q23	2Q23	3Q23	yoy % chg	qoq % chg
DPU (US cents)	n.a.	2.78	n.a.	2.50	n.a.	n.a.	n.a.
Occupancy	92.5%	92.6%	98.5%	90.8%	91.4%	-1.1ppt	0.6ppt
Aggregate Leverage	37.5%	38.2%	38.7%	38.4%	39.1%	1.6ppt	0.7ppt
Average Cost of Debt	2.88%	3.02%	3.86%	3.89%	3.95%	1.07ppt	0.06ppt
WALE by NLA (years)	4.5	4.7	3.3	3.5	3.4	0yrs	-0.1yrs
Weighted Average Debt Maturity (years)	3.9	3.6	3.4	3.1	2.9	-1yrs	-0.2yrs
Rental Reversions	5.3%	3.8%	-6.5%	2.6%	3.8%	-1.5%	1.2%

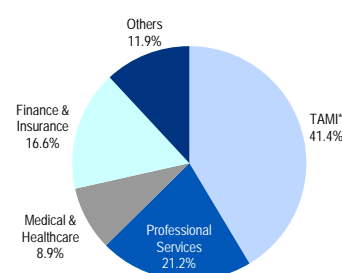
Source: KORE

#### GEOGRAPHICAL DIVERSIFICATION BY NPI (SEP 23)



Source: KORE

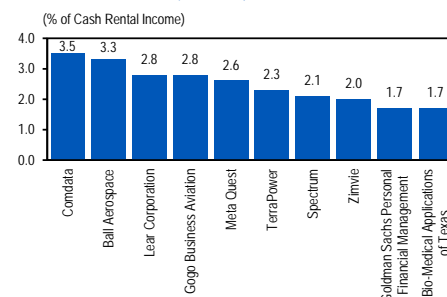
#### INDUSTRY DIVERSIFICATION BY NLA (SEP 23)



\* Technology, Advertising, Media & Information

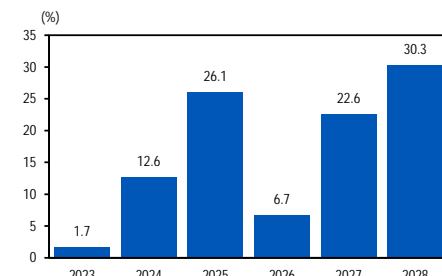
Source: KORE

#### TOP 10 TENANTS (SEP 23)



Source: KORE

#### DEBT MATURITY PROFILE (SEP 23)



Source: KORE

**PROFIT & LOSS**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	148.0	143.5	144.6	146.2
EBITDA	74.2	78.0	78.8	79.4
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	74.2	78.0	78.8	79.4
Net interest income/(expense)	(18.5)	(23.5)	(25.9)	(27.2)
Pre-tax profit	48.0	(26.4)	52.9	52.2
Tax	0.5	0.0	0.0	0.0
Net profit	48.5	(26.4)	52.9	52.2
Net profit (adj.)	56.2	54.5	52.9	52.2

**CASH FLOW**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	79.4	76.6	79.0	79.8
Pre-tax profit	48.0	(26.4)	52.9	52.2
Working capital changes	2.4	(1.6)	0.2	0.4
Non-cash items	9.5	80.9	0.0	0.0
Other operating cashflows	19.4	23.7	25.9	27.2
Investing	(7.6)	(30.0)	(30.0)	(30.0)
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(43.6)	(30.0)	(30.0)	(30.0)
Proceeds from sale of assets	35.9	0.0	0.0	0.0
Others	0.2	0.0	0.0	0.0
Financing	(59.3)	(58.2)	(46.5)	(47.1)
Distribution to unitholders	(58.0)	(52.2)	(50.6)	(49.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	16.8	17.5	30.0	30.0
Others/interest paid	(18.2)	(23.5)	(25.9)	(27.2)
Net cash inflow (outflow)	12.5	(11.6)	2.5	2.7
Beginning cash & cash equivalent	51.0	63.4	51.9	54.4
Ending cash & cash equivalent	63.4	51.9	54.4	57.1

**BALANCE SHEET**

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	1,423.4	1,372.5	1,402.5	1,432.5
Other LT assets	28.4	28.4	28.4	28.4
Cash/ST investment	63.4	51.9	54.4	57.1
Other current assets	4.3	4.1	4.2	4.2
Total assets	1,519.5	1,456.8	1,489.4	1,522.1
ST debt	10.2	10.2	10.2	10.2
Other current liabilities	34.8	32.6	32.9	33.2
LT debt	567.5	585.0	615.0	645.0
Other LT liabilities	60.9	61.5	61.5	61.6
Shareholders' equity	846.1	767.5	769.8	772.1
Total liabilities & equity	1,519.5	1,456.8	1,489.4	1,522.1

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Growth</b>				
Turnover	4.8	(3.0)	0.7	1.1
EBITDA	0.4	5.1	1.0	0.8
Pre-tax profit	(46.8)	(154.9)	n.a.	(1.2)
Net profit	(37.3)	(154.4)	n.a.	(1.2)
Net profit (adj.)	21.2	(2.9)	(3.1)	(1.2)
EPU	13.3	(3.0)	(3.1)	(1.2)
<b>Profitability</b>				
EBITDA margin	50.2	54.3	54.5	54.3
Pre-tax margin	32.5	(18.4)	36.6	35.7
Net margin	32.8	(18.4)	36.6	35.7
ROA	3.2	n.a.	3.6	3.5
ROE	5.7	n.a.	6.9	6.8
<b>Leverage</b>				
Debt to total capital	40.6	43.7	44.8	45.9
Debt to equity	68.3	77.6	81.2	84.9
Net debt/(cash) to equity	60.8	70.8	74.2	77.5
Interest cover (x)	4.0	3.3	3.0	2.9

**COMPANY UPDATE**
**Keppel (KEP SP)**

A Generally Positive Business Update With Asset Sales To Look Forward To

**KEP's 9M23 business update was in line and generally positive although China real estate was the key drag as expected. In the near to medium term, asset monetisation as well as the potential sale of rigs within the Asset Co could be key share price drivers. In our view, KEP's valuations are very attractive with 2024F PE of 11.7x and P/B of 0.9x. Maintain BUY. Target price: S\$9.09.**

**WHAT'S NEW**

- Some hits, some misses.** Keppel (KEP) reported an in-line 9M23 business update with revenue from continuing operations rising by 5% yoy to S\$5.3b (or 75% of our full-year revenue estimates), bolstered by the infrastructure and connectivity segments. While a net profit number was not disclosed, KEP stated that its 9M23 net profit grew "significantly" while 3Q23 net profit was also higher yoy. In the near to medium term, it would appear that potential rig sales by Asset Co, and thus early repayment of credit notes, may be a share price catalyst. As has been the case for the past few years, it was the company's real estate segment in China that appears to be a drag on overall performance with a 30% qoq decline in home sales.
- Gearing rises on a sequential basis.** At end-3Q23, KEP's net gearing rose to 0.89x vs 0.86x at end-1H23. On the results call, the company stated that it is currently not worried given that this increase is, in part, due to the slower-than-expected pace of its asset monetization. However, management highlighted that it has met these targets. In the medium term, it will not allow its gearing to go beyond 1.0x and will look to lower its current gearing. Management also pointed out that as the fee-income business gains more traction, it will focus increasingly on net debt/EBITDA instead. KEP also reiterated that it will stick to strategy of delivering returns to its shareholders with total distributions in 2023 amounting to S\$2.70/share comprising cash dividends and the distribution in-specie of Keppel REIT.
- Infrastructure continues to perform well.** For 9M23, revenue at KEP's infrastructure segment rose 11% yoy to S\$3.6b with the management commenting during its results call that its integrated power business outperformed owing to a combination of the age of its generation assets (one of the youngest in Singapore) as well as its efficient operations which led to higher margins. In addition, it stated that the volatility seen in the in Uniform Singapore Electricity Price (USEP) this year has allowed the infrastructure segment to capture additional margins within its contracted capacity.

**KEY FINANCIALS**

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	6,611	6,620	7,061	7,465	7,894
EBITDA	1,536	807	972	1,052	1,134
Operating profit	1,129	565	680	711	743
Net profit (rep./act.)	1,010	933	958	982	1,007
Net profit (adj.)	1,010	933	958	982	1,007
EPS (S\$ cent)	55.2	51.9	52.1	53.4	54.8
PE (x)	11.3	12.0	12.0	11.7	11.4
P/B (x)	0.9	1.0	0.9	0.9	0.9
EV/EBITDA (x)	13.0	24.8	20.6	19.0	17.7
Dividend yield (%)	5.3	5.3	3.4	3.5	3.6
Net margin (%)	15.3	14.1	13.6	13.2	12.8
Net debt/(cash) to equity (%)	65.0	78.1	71.5	71.1	70.9
Interest cover (x)	n.a.	128.2	154.3	167.0	180.1
ROE (%)	8.9	7.9	8.1	7.9	7.7
Consensus net profit	-	-	1,411	985	1,068
UOBKH/Consensus (x)	-	-	0.68	1.00	0.94

Source: Keppel, Bloomberg, UOB Kay Hian

**BUY**

(Maintained)

Share Price	S\$6.25
Target Price	S\$9.09
Upside	+45.4%

**COMPANY DESCRIPTION**

Keppel is a conglomerate with four core businesses: energy & environment, urban development, connectivity and asset management.

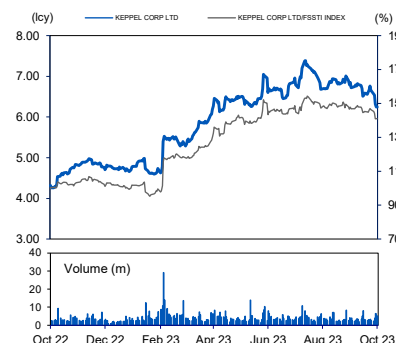
**STOCK DATA**

GICS sector	Industrials
Bloomberg ticker:	KEP SP
Shares issued (m):	1,762.2
Market cap (S\$m):	11,014.0
Market cap (US\$m):	8,016.6
3-mth avg daily t'over (US\$m):	18.5
<b>Price Performance (%)</b>	

52-week high/low S\$7.39/S\$4.26

1mth	3mth	6mth	1yr	YTD
(8.0)	(8.9)	1.0	44.9	32.1

<b>Major Shareholders</b>	%
Temasek Hldgs	21.0
FY23 NAV/Share (S\$)	6.68
FY23 Net Debt/Share (S\$)	4.77

**PRICE CHART**


Source: Bloomberg

**ANALYST(S)**

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## STOCK IMPACT

- Growing its infrastructure portfolio.** To date, KEP has signed S\$1.3b of new energy-as-a-service contracts across Singapore, Thailand and Vietnam while supply and services contracts with S\$4.1b in revenue over the next 10-15 years will underpin the company's long-term recurring income. We expect the company to continue to grow this part of the business as outlined in its strategy out to 2030. In its home market of Singapore, its integrated power business, as well as regional electricity imports, are backed by the Energy Market Authority's forecast for higher energy consumption in the medium to longer term as a result of demand from data centres and manufacturing. KEP also noted that there is material demand for 'low carbon power' from customers who want greener electricity.
- China real estate still a drag.** Given the market's and our expectations for a 2H24 recovery in China's real estate sector, this segment could remain a drag on KEP's earnings in the medium term. As a result, management commented that it has recently refreshed its China real estate strategy to focus on: a) sustainability-related solutions, b) integrated senior living solutions (which KEP will also roll out across the Asia-Pacific region), and c) segments that benefit from Chinese government policy support. Interestingly, KEP also stated that it has seen more interest in its funds from its Chinese Limited Partners.
- Connectivity continues to perform well with 9M23 revenue up 8.3% yoy.** M1's plans to migrate its consumers to a new cloud native digital plan is on track for completion by end-23. Importantly, its enterprise revenue continues to grow well having doubled since 2019, and now comprises nearly two-fifths of M1's revenue at S\$343m for 9M23 (2022: S\$387m). On the data centre front, KEP stated that it has a robust pipeline of projects in new markets with its latest Huailai Data Centre in Greater Beijing having reached 100% utilisation by end-3Q23, and another two in Shanghai and Guangzhou being developed.
- Share buyback ruled out.** During the results call, management ruled out the likelihood of a share buyback. It pointed out that its previous S\$500m share buyback had been undertaken to accumulate shares as currency in the event of a potential M&A, however given that the M&A environment has slowed significantly, it does not foresee a need for further buybacks.

## EARNINGS REVISION/RISK

- None.

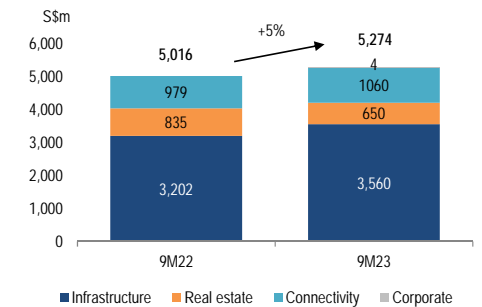
## VALUATION/RECOMMENDATION

- We retain our BUY rating on KEP and maintain our SOTP-based target price of S\$9.09.** After the KOM divestment, the company should gradually become one that is more asset-light with a solid recurring earnings stream, and eventually achieve its 15% ROE target vs 8.3% in 1H23. KEP currently trades at 2024F PE of 11.7x and P/B of 0.9x which we view as far from being egregious, especially considering the company's more stable earnings stream given the divestment of its offshore marine business.
- Asset monetisation and sale of rigs.** In the near term, we believe that the market will focus on KEP's asset monetisation announcements as this could bolster earnings in the near to medium term, as well as the potential sale of rigs within the Asset Co. We point out that the offshore marine is in an upcycle with both shallow and deepwater rig dayrates and utilisation rates hitting multi-year highs in 2023 (with forward contracts in 2024 likely to be 10-20% higher), and thus we view the latter as being highly likely in the next six months.

## SHARE PRICE CATALYSTS

- Successful sale of rigs within the Asset Co and earlier-than-expected return of credit notes; continued growth in AUM of its asset management business; earnings-accretive investments and contract wins in its infrastructure segment.

## REVENUE BY SEGMENT



Note: Energy & environment excludes contribution from discontinued operations  
Source: KEP

## FIVE-YEAR P/B CHART



Source: Bloomberg

## KEPPEL LAND'S HOME SALES

	1Q23	2Q23	3Q23	qoq chg
China	830	370	260	-29.7%
Singapore	20	20	0	-100.0%
Vietnam	0	0	0	NM
India	800	70	160	128.6%
Indonesia	20	40	30	-25.0%
<b>Total</b>	<b>1,670</b>	<b>500</b>	<b>450</b>	<b>-10.0%</b>

Source: UOB Kay Hian

## SOTP VALUATION

Segment	S\$m	S\$/share
Infrastructure & others	376	0.21
Urban Development	3,911	2.23
Connectivity	1,040	0.59
Asset Management	4,665	2.66
Tianjin Eco-City	471	0.27
KREIT	797	0.46
Keppel DC REIT	587	0.33
Others	860	0.49
Asset Co valuation	4,979	2.84
Less 10% holdco discount		-1.01
<b>Total EV</b>		<b>9.09</b>

Source: UOB Kay Hian

## PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	6,620	7,061	7,465	7,894
EBITDA	807	972	1,052	1,134
Deprec. & amort.	242	292	341	391
EBIT	565	680	711	743
Total other non-operating income	0	0	0	0
Associate contributions	536	536	536	536
Net interest income/(expense)	(6)	(6)	(6)	(6)
<b>Pre-tax profit</b>	<b>1,095</b>	<b>1,210</b>	<b>1,240</b>	<b>1,273</b>
Tax	(245)	(271)	(278)	(285)
Minorities	17	19	19	20
Preferred dividends	0	0	0	0
<b>Net profit</b>	<b>933</b>	<b>958</b>	<b>982</b>	<b>1,007</b>
Net profit (adj.)	933	958	982	1,007

## CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>181</b>	<b>4,191</b>	<b>200</b>	<b>374</b>
Pre-tax profit	1,095	1,210	1,240	1,273
Tax	(388)	(244)	(270)	(277)
Deprec. & amort.	242	292	341	391
Associates	0	0	0	0
Working capital changes	426	3,469	(575)	(477)
Non-cash items	0	0	0	0
Other operating cashflows	(1,194)	(536)	(536)	(536)
<b>Investing</b>	<b>(589)</b>	<b>(876)</b>	<b>(876)</b>	<b>(876)</b>
Capex (growth)	(696)	(696)	(696)	(696)
Capex (maintenance)	0	0	0	0
Investments	(544)	(200)	(200)	(200)
Proceeds from sale of assets	83	20	20	20
Others	568	0	0	0
<b>Financing</b>	<b>(1,522)</b>	<b>1,407</b>	<b>1,398</b>	<b>1,387</b>
Dividend payments	(688)	(384)	(393)	(404)
Issue of shares	(500)	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(336)	0	0	0
Others/interest paid	3	1,791	1,791	1,791
<b>Net cash inflow (outflow)</b>	<b>(1,929)</b>	<b>4,722</b>	<b>722</b>	<b>885</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>4,753</b>	<b>2,823</b>	<b>7,546</b>	<b>8,268</b>
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>2,823</b>	<b>7,546</b>	<b>8,268</b>	<b>9,152</b>

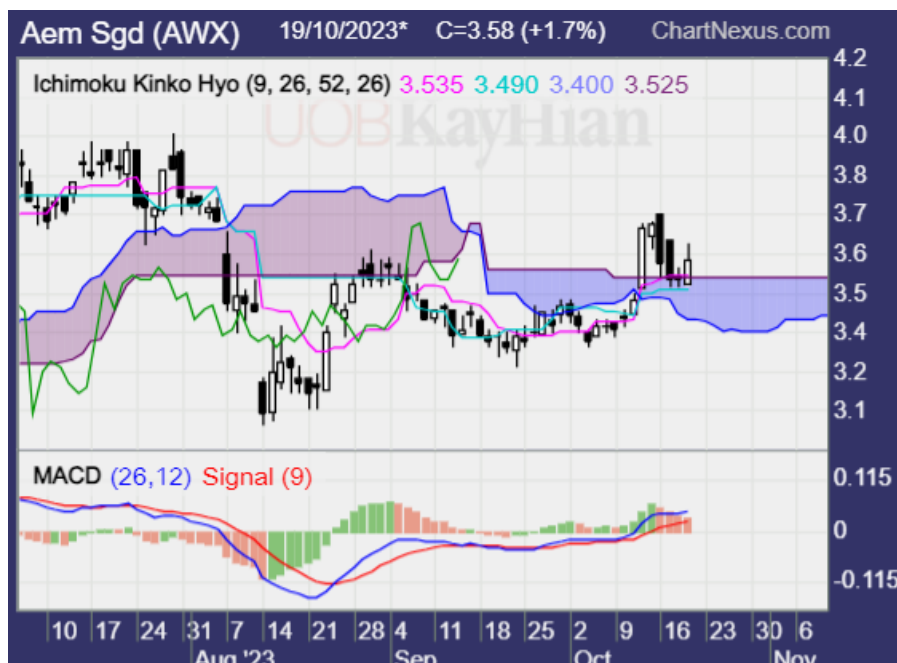
## BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	977	1,361	1,696	1,981
Other LT assets	15,078	18,396	18,432	18,668
Cash/ST investment	1,142	1,491	1,122	715
Other current assets	13,738	5,752	6,499	7,159
<b>Total assets</b>	<b>30,935</b>	<b>27,000</b>	<b>27,749</b>	<b>28,524</b>
ST debt	3,578	3,578	3,578	3,578
Other current liabilities	7,783	3,293	3,472	3,663
LT debt	6,603	6,603	6,603	6,603
Other LT liabilities	1,058	1,058	1,058	1,058
Shareholders' equity	11,580	12,153	12,742	13,346
Minority interest	334	315	295	276
<b>Total liabilities &amp; equity</b>	<b>30,935</b>	<b>27,000</b>	<b>27,749</b>	<b>28,524</b>

## KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	12.2	13.8	14.1	14.4
Pre-tax margin	16.5	17.1	16.6	16.1
Net margin	14.1	13.6	13.2	12.8
ROA	2.9	3.3	3.6	3.6
ROE	7.9	8.1	7.9	7.7
<b>Growth</b>				
Turnover	0.1	6.7	5.7	5.7
EBITDA	(47.4)	20.4	8.3	7.8
Pre-tax profit	(32.0)	10.5	2.5	2.6
Net profit	(7.6)	2.7	2.5	2.6
Net profit (adj.)	(7.6)	2.7	2.5	2.6
EPS	(5.8)	0.3	2.5	2.6
<b>Leverage</b>				
Debt to total capital	46.1	45.0	43.8	42.8
Debt to equity	87.9	83.8	79.9	76.3
Net debt/(cash) to equity	78.1	71.5	71.1	70.9
Interest cover (x)	128.2	154.3	167.0	180.1

### TRADERS' CORNER



### AEM Holdings (AEM SP)

Trading Buy Range: S\$3.56-3.57

Last price: S\$3.58

Target price: S\$4.00

Protective stop: S\$3.45

Price rebounded from the cloud support, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover that hints at potential upside ahead. MACD is bullish and is rising. These could increase chances of the stock price moving higher.

The potential upside target is S\$4.00. Stop-loss could be placed at S\$3.45.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$3.65.



### Delfi (DELFI SP)

Trading Sell Range: S\$1.18-1.19

Last price: S\$1.15

Target price: S\$1.03

Protective stop: S\$1.24

The chart outlook is bearish as price is trading below the cloud. Conversion and base lines are moving lower after having a bearish crossover. MACD is bearish and is moving lower. These could increase chances of the stock price moving lower.

The potential downside target is S\$1.03. Stop-loss could be placed at S\$1.24.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$1.83.

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