

Keppel Land Ltd

Spectacular report card

Bloomberg | Reuters | POEMS
KPLD SP | KLAN.SI | KEL.SG
Industry: Property

Phillip Securities Research Pte Ltd

20 January 2012

Report type: Full Year Results

Company Overview

Keppel Land is a prime office, residential and township developer in Asia, with current focus on Singapore, China, India, Vietnam and Indonesia. It has a strategic focus on two core businesses of property development and property fund management.

- Record PATMI of S\$1.37 bn boosted by reval and divestment gains, declared 20cents dividends
- Residential property sales affected by cooling measures
- Acquire prime commercial site in Beijing
- Downgrade from Buy to Hold with fair value lowered to S\$2.79

What is the news?

Keppel Land reported another set of spectacular results with revenue of \$949mn (38.5% y-y), and record PATMI of \$1.37bn (29.7% y-y). Bottom line was boosted by a divestment gain of \$508mn from the disposal of Ocean Financial Centre (OFC) to K-Reit Asia (KRA) and reval gain on investment property of \$591.3mn. Excluding the reval gain, adj. PATMI would be \$815.8mn, or 26% y-y. As anticipated, the management also declared a final cum special dividend of 20 cents in total, higher than the 18 cents paid in FY10. That works out to 7.8% yield based on the last closing price.

Fig 1: Results summary

Statement	4Q11	4Q10	Y-Y(%)	FY11	FY10	Y-Y(%)
(S\$ 'mn)						
Revenue	375.2	131.0	186.3%	949.0	685.4	38.5%
EBIT	679.1	420.8	61.4%	947.4	789.2	20.0%
Fair value gain.	591.3	425.8	38.9%	591.3	425.8	38.9%
Adj. PATMI	-	-	-	815.8	647.8	25.9%
PATMI	1173.9	796.8	47.3%	1365.6	1052.9	29.7%

Source: Company, PSR

How do we view this?

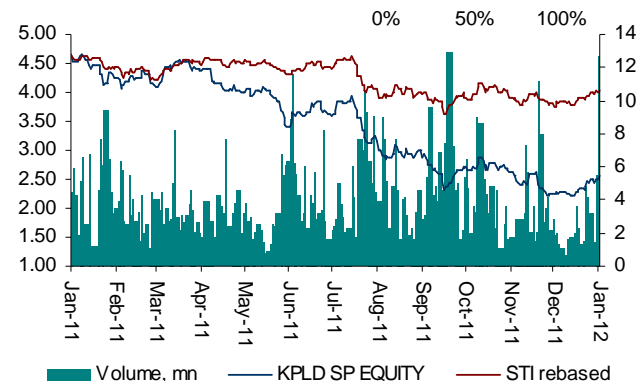
The results came in better than our expectations, especially in a harsh market condition with the various property cooling measures in place in both China and Singapore. Higher revenues were seen across all business segments in FY11. While completion of MBFC Ph2 in this year may provide another significant reval gain in FY12, we believe the downtrend of physical property price may keep its stock price check.

Investment Actions?

We roll over our RNAV estimate to FY12 at \$5.08 per share, but ascribing a steeper discount of 45% (previously 35%) to reflect the increased downsides of residential price and office rental. Fair value is thus lowered from \$3.20 to \$2.79. We downgrade from Buy to Hold.

Keppel Land Ltd

Rating	3.00	Neutral
- Previous Rating	1.00	Buy
Target Price (SGD)	2.79	
- Previous Target Price (SGD)	3.2	
Closing Price (SGD)	2.57	
Expected Capital Gains (%)	8.6%	
Expected Dividend Yield (%)	3.1%	
Expected Total Return (%)	11.7%	
Raw Beta (Past 2yrs weekly data)	1.56	
Market Cap. (USD mn)	3,007	
Enterprise Value (USD mn)	4,819	
3M Average Daily T/O (mn)	3.4	
52 week range (SGD)	2.17 - 4.6214	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Keppel Corp Ltd	53.3
2. Schroder Investment Mgt	2.3
3. Matthews International Capital	1.3

Key Financial Summary

FYE	12/11	12/12F	12/13F	12/14F
Revenue (SGD mn)	949	1326	935	1369
Net Profit, adj. (SGD mn)	816	416	318	496
EPS, adj. (SGD)	0.55	0.28	0.21	0.33
P/E (X),adj.	4.7	9.2	12.0	7.7
BVPS (SGD)	3.34	3.65	3.78	4.03
P/B (X)	0.8	0.7	0.7	0.6
DPS (SGD)	0.20	0.08	0.08	0.08
Div. Yield (%)	7.8%	3.1%	3.1%	3.1%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

RNAV

Analyst

Bryan Go

gock@phillip.com.sg

+65 6531 1792

Residential property sales affected by cooling measures

Completion of several projects/phases in FY11 contributed significantly to the turnover. However, sales were significantly slower in FY11 with 480 units sold in Singapore, compared to ~650 units in FY10. In China, over 1,400 units were sold in the year, compared to 4,100 units sold in the preceding year. Going forward, we expect the sale progress continue to be slow in 2012, especially for the high-end residential segment. Nonetheless, earnings will still be underpinned by the several overseas projects completions and progressive recognition from projects in Singapore in FY12.

Fig 2: Expected completion of development projects (in unit)

Projects	2012	2013	2014
China			
The Botanica, Chengdu		1,248	2084
Central Park City, Wuxi	750	264	1,056
The Springdale, Shanghai	1068	946	383
Seasons Park, Tianjin Eco-City	1,105	1047	1640
Stamford City, Jiangyin		389	392
The Seasons, Shenyang	510	300	976
Hill Cres Residence, Kunming	133	113	135
Vietnam			
The Estella	719		
Riviera Cove	61		
India			
Elita Garden Vista	688		
Indonesia			
Jakarta Garden City	205	199	131
Total units	5,239	4,506	6,797

Source: Company

Property investment

Rental income was higher in the year largely due to contribution from OFC which was completed in April 2011, as well as higher contributions from KRA. Management guided that occupancy at MBFC ph 2 remains at >60% pre-leased, implies relatively no improvement since 3Q11.

Fund management

The fund management unit showed 19.8% higher revenue in FY11, mainly due to higher acquisition and management fees reported by K-Reit Asia Management and Alpha. Acquisitions done by KRA include additional 4 floors of Prudential Tower, 8 Chifley Square in Sydney, as well as OFC.

Acquire prime commercial site in Beijing

In just 3 months after the OFC divestment, Keppel Land announced that it has acquired 51% interest into a 2.6-ha commercial site located in CBD of Chaoyang district, Beijing, at the cost of about S\$193.6mn. The site has been planned to build 3 office blocks and retail premises, with total GFA of about 100,000sm to be completed in 2014. Management guided that initial yield is in between 6 to 7%.

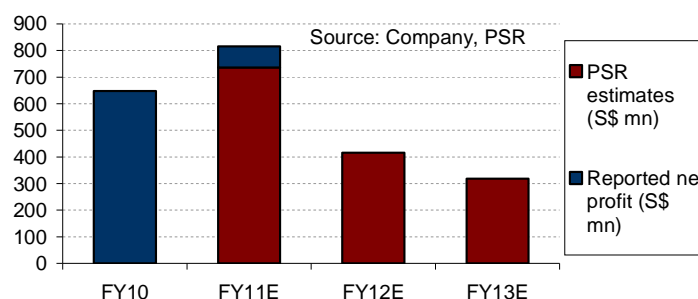
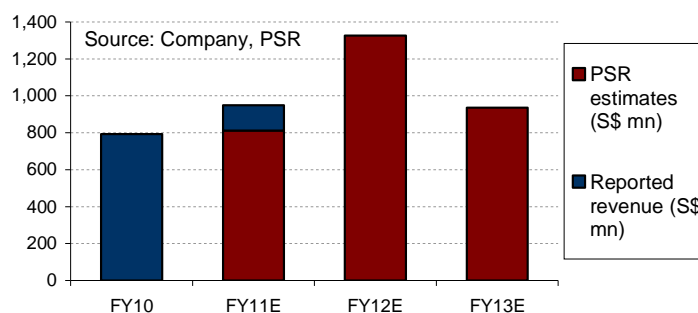
Exploring opportunities in Myanmar

With the political scene in Myanmar turning positive, the management indicates that it is actively exploring opportunities for property development in the country. The market is not totally new to Keppel Land as it has already owned 2 established hotels there – Sedona Hotel Yangon and Mandalay.

Stella performance unlikely to be repeated in 2012

With 2 major divestments, MBFC Ph 1 and OFC, in the last 2 consecutive years, Keppel Land has no doubt proven its ability in capital recycling and creating value for shareholders. Looking forward, the completion of MBFC Ph 2 in 2012 will at least enable Keppel Land to recognize another sizeable reval gain in this year, if market condition is unfavorable for another divestment of prime office development.

Fig 3: FY11 Revenue and adj. PATMI (ex. reval gain) were 17% and 11% higher than our estimates.



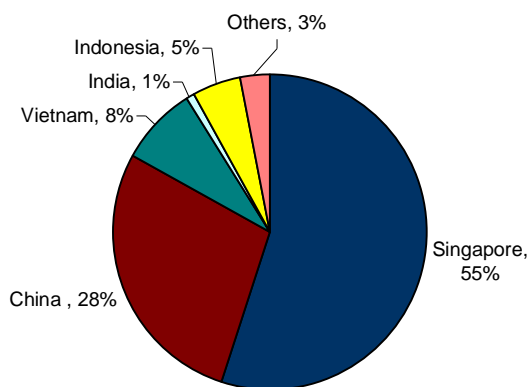
Downgrade from Buy to Hold with fair value lowered to \$2.79

We had in the last quarter gave Keppel Land a Buy call in anticipation of its good FY11 earnings and potential special dividends, however, the stock was hit when the government announce a new set of cooling measures on 7 Dec 2011, before rebounding in the last week. Given the unfavorable market sentiments with residential price and office rental are under pressure, we see little catalysts for the stock to outperform in the near term. We do note that it is in good position for opportunistic acquisitions in market down cycle, given its low gearing of 10.4%. We roll over our RNAV estimate to FY12 at \$5.08 per share, but ascribing a steeper discount of 45% (previously 35%) to reflect the increased downsides of residential price and office rental. Fair value is thus lowered from \$3.20 to \$2.79. We downgrade our recommendation from Buy to Hold. Upside risks include the

government of China and Singapore easing on cooling measures on the residential property markets.

Fig 4: Asset allocation by geographical location (31 Dec 2011)

Keppel Land RNAV (S\$' mn)	
Investment Properties	
Singapore	1886
Overseas Offices and retails	306
Overseas Hotels and Svc Apts	36
Sub total	2227
Booked value of investment properties	1093
Surplus/(deficit) from investment properties	1134
NPV of cashflow from properties under development	2042
Surplus/(deficit) from K Reit Asia	-379
NAV as at end of FY11	5419
RNAV	8216
Total shares issued to date ('mil shares)	1490
RNAV per share (S\$)	5.51
Dilutives	
Shares of convertible bonds @ \$5.58 ('mil shares)	54
Shares of convertible bonds @ \$6.72 ('mil shares)	74
Diluted RNAV per share (S\$)	5.08
Discount to RNAV	45%
Fair value per share (S\$)	2.79



Source: Company

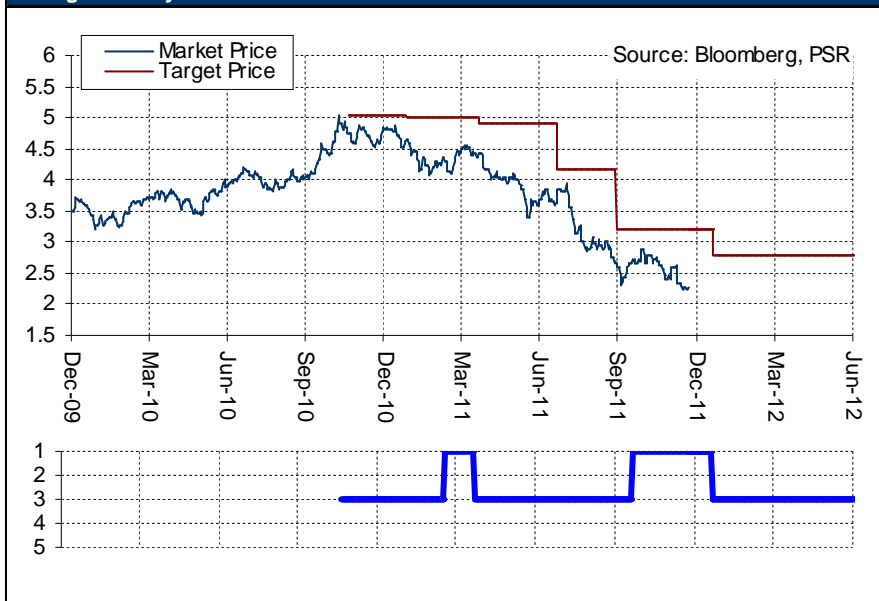
FYEMar	FY10	FY11	FY12F	FY13F	FY14F
Valuation Ratios					
P/E (X), adj.	5.7	4.7	9.2	12.0	7.7
P/B (X)	0.9	0.8	0.7	0.7	0.6
EV/EBITDA (X), adj.	31.1	35.6	23.0	52.9	17.2
Dividend Yield (%)	7.0%	7.8%	3.1%	3.1%	3.1%
Per share data (SGD)					
EPS, reported	0.73	0.92	0.28	0.21	0.33
EPS, adj.	0.45	0.55	0.28	0.21	0.33
DPS	0.18	0.20	0.08	0.08	0.08
BVPS	2.85	3.34	3.65	3.78	4.03
Growth & Margins (%)					
Growth					
Revenue	-25.8%	38.5%	39.7%	-29.4%	46.3%
EBITDA	-5.8%	-12.7%	54.6%	-56.5%	207.9%
EBIT	-5.9%	-13.1%	57.3%	-58.6%	226.1%
Net Income, adj.	147.9%	25.9%	-49.0%	-23.7%	56.2%
Margins					
EBITDA margin	29.0%	18.3%	20.3%	12.5%	26.3%
EBIT margin	27.7%	17.4%	19.6%	11.5%	25.6%
Net Profit Margin	154.4%	147.1%	36.4%	36.4%	40.5%
Key Ratios					
ROE (%)	28.4%	28.6%	7.7%	5.7%	8.5%
ROA (%)	14.5%	15.6%	4.5%	3.7%	5.7%
Net Debt/(Cash)	927	595	519	428	72
Net Gearing (X)	20.9%	10.4%	9.0%	7.2%	1.1%
Income Statement (SGD mn)					
Revenue	685	949	1326	935	1369
EBITDA	199	174	269	117	360
Depreciation & Amortisation	9	9	9	9	10
EBIT	190	165	260	107	350
Net Finance (Expense)/Income	(38)	(35)	(62)	(44)	(37)
Other items	400	604	71	71	71
Associates & JVs	200	179	251	233	212
Profit Before Tax	1177	1504	520	367	597
Taxation	(119)	(108)	(37)	(26)	(43)
Profit After Tax	1058	1396	482	341	554
Non-controlling Interest	5	30	66	23	58
Net Income, reported	1053	1366	416	318	496
Net Income, adj.	648	816	416	318	496

Source: PSR

FYEMar	FY10	FY11	FY12F	FY13F	FY14F
Balance Sheet (SGD mn)					
PPE	207	204	208	206	207
Intangibles	0	0	0	0	0
Associates & JVs	1,440	2,118	2,369	2,602	2,814
Investment/Dev Property	1,700	634	706	777	849
Others	446	543	543	543	543
Total non-current assets	3,793	3,499	3,825	4,127	4,412
Inventories	3	4	4	4	4
Accounts Receivables	587	623	424	299	437
Property held for sale	1,977	3,149	2,912	2,662	2,410
Cash	1,589	1,942	1,659	869	1,958
Others	135	158	158	158	158
Total current assets	4,292	5,875	5,156	3,991	4,967
Total Assets	8,084	9,374	8,982	8,119	9,379
Short term loans	317	201	381	67	881
Accounts Payables	894	1,051	887	702	840
Others	140	130	130	130	130
Total current liabilities	1,351	1,383	1,398	899	1,851
Long term loans	2,200	2,336	1,797	1,231	1,150
Others	103	45	45	45	45
Total non-current liabilities	2,302	2,381	1,842	1,275	1,195
Non-controlling interest	302	294	308	312	324
Shareholder Equity	4,129	5,419	5,434	5,632	6,010
Cashflow Statements (SGD mn)					
CFO					
PBT	430	372	227	254	306
Adjustments	(978)	(1,295)	(251)	(250)	(237)
Cash from ops before WC changes	199	208	269	117	360
WC changes	(1,286)	(1,101)	271	190	252
Cash generated from ops	(1,087)	(892)	540	307	612
Taxes paid, net	(57)	(52)	(37)	(26)	(43)
Interest paid	(8)	6	(10)	8	15
Cashflow from ops	(1,152)	(938)	493	288	584
CFI					
CAPEX, net	(9)	(13)	(13)	(7)	(11)
Dividends from associates & JVs	205	79	0	0	0
Dividends/Interest from Investments	5	19	19	19	19
Purchase/sale of investments	585	(118)	(72)	(72)	(72)
Investments in subs & associates	(100)	1,047	0	0	0
Others	0	0	0	0	0
Cashflow from investments	686	1,014	(66)	(60)	(63)
CFF					
Share issuance	3	3	0	0	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	1,336	311	(359)	(881)	733
Dividends to minority interests	(2)	38	(53)	(18)	(46)
Dividends to shareholders & capital reduction	(44)	(107)	(298)	(119)	(119)
Others	(114)	25	0	0	0
Cashflow from financing	1,179	270	(710)	(1,018)	568
Net change in cash	714	347	(283)	(790)	1,089
Effects of exchange rates	(17)	6	0	0	0
CCE, end	1,589	1,942	1,659	869	1,958

Source: PSR

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
> -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation.

Important Information

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the

preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this publication.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.

Contact Information (Singapore Research Team)

Chan Wai Chee
CEO, Research
Special Opportunities
+65 6531 1231
yebo@phillip.com.sg

Magdalene Choong
Investment Analyst
SG & US Financials, Gaming
+65 6531 1791
magdalenechoongss@phillip.com.sg

Nicholas Low, CFA
Investment Analyst
Commodities, Offshore & Marine
+65 6531 1535
nicholaslowkc@phillip.com.sg

Lee Kok Joo, CFA
Head of Research
S-Chips, Strategy
+65 6531 1685
leekj@phillip.com.sg

Go Choon Koay, Bryan
Investment Analyst
Property
+65 6531 1792
gock@phillip.com.sg

Travis Seah
Investment Analyst
REITS
+65 6531 1229
travisseahhk@phillip.com.sg

Joshua Tan
Strategist
+65 6531 1249
joshuatan@phillip.com.sg

Derrick Heng
Investment Analyst
Transportation, Telecom.
+65 6531 1221
derrickhengch@phillip.com.sg

Peter Lee
Research Assistant
General Enquiries
+65 6531 1240 (Phone)
+65 6336 7607 (Fax)
research@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel : (65) 6533 6001
Fax : (65) 6535 6631
Website: www.poems.com.sg

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel (852) 22776600
Fax (852) 28685307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel (62-21) 57900800
Fax (62-21) 57900809
Website: www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel (66-2) 6351700 / 22680999
Fax (66-2) 22680921
Website www.phillip.co.th

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel (44-20) 7426 5950
Fax (44-20) 7626 1757
Website: www.kingandshaxson.com

AUSTRALIA

PhillipCapital Australia
Level 37, 530 Collins Street,
Melbourne, Victoria 3000, Australia
Tel (613) 96298380
Fax (613) 96148309
Website: www.phillipcapital.com.au

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel (603) 21628841
Fax (603) 21665099
Website: www.poems.com.my

JAPAN

PhillipCapital Japan K.K.
Nagata-cho Bldg.,
8F, 2-4-3 Nagata-cho,
Chiyoda-ku, Tokyo 100-0014
Tel (81-3) 35953631
Fax (81-3) 35953630
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel (86-21) 51699200
Fax (86-21) 63512940
Website: www.phillip.com.cn

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel (33-1) 45633100
Fax (33-1) 45636017
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1.312.356.9000
Fax +1.312.356.9005