

Keppel Land Ltd

Strong 4Q12 lifts earnings

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Industry: Property

Phillip Securities Research Pte Ltd

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Report type: FY12 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.

- Credible set of 4Q12 results in a challenging year with turnover of \$471.9mn, +26% y-y
- PATMI \$527.6mn, -55% y-y due to absence of divestment gain
- China residential sales is improving but we believe the optimism has been priced in
- Maintain Neutral with higher target price of \$4.24

What is the news?

Keppel Land reported a credible set of 4Q12 results in a challenging year. Turnover came in at \$471.9mn, 26% y-y higher due to higher sales recognized from China projects. Contribution from assoc co. improved 6% y-y to \$98mn in the quarter. PATMI was lower by 55% to \$527.6mn due to absence of gain from the disposal of OFC as well as lower revaluation gain as compared to 4Q11. For the whole FY12, net profit would have been 61.4% y-y higher if the divestment and reval gains were excluded. The management proposed a final dividend of 12 S cents, higher than our expectation of 8 S cents.

Fig 1: Results summary

Income Statement	4Q12	4Q11	Y-Y(%)	FY12	FY11	Y-Y(%)
(S\$ 'mn)						
Revenue	471.9	375.2	26%	938.9	949.0	-1%
Share results of assoc co.	98.0	92.2	6%	373.8	175.0	114%
Fair value gain.	373.5	591.3	-37%	373.5	591.3	-37%
Corp restructure		480.3	-		480.3	-
Adj. PATMI	166.1	597.1	-72%	476.9	788.9	-40%
PATMI	527.6	1182.9	-55%	838.4	1374.7	-39%

Source: Company, PSR

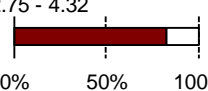
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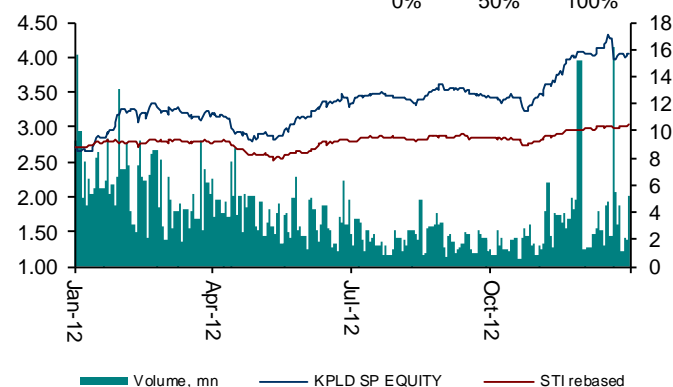
Overall results met our expectations with adj PATMI exceeding our estimate by 7%. China residential sales were notably improved in 4Q12 but we believe the optimism has been priced in at the current share price.

Investment Actions?

We factor in the higher valuations for its investment properties and K-REIT, and raise the RNAV from \$5.05 to \$5.30. We also lower the discount to RNAV from 35% to 20% following the improvement in China residential property market, and increase our target price to \$4.24. Maintain Neutral. Upside catalyst will come from stronger than expected residential sales in China and Singapore.

Keppel Land Ltd

Rating	3	Neutral
- Previous Rating	3	Neutral
Target Price (SGD)	4.24	
- Previous Target Price (SGD)	3.28	
Closing Price (SGD)	4.05	
Expected Capital Gains (%)	4.7%	
Expected Dividend Yield (%)	2.0%	
Expected Total Return (%)	6.7%	
Raw Beta (Past 2yrs w weekly data)	1.71	
Market Cap. (USD mn / SGD mn)	5097 / 6255	
Enterprise Value (USD mn / SGD mn)	6688 / 8199	
3M Average Daily T/O (mn)	2.9	
52 week range (SGD)	2.75 - 4.32	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Keppel Corp Ltd	54.6
2. Matthews International Capital	2.4
3. Schroder Investment Mgt	2.3

Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (SGD mn)	949	939	966	1462
Net Profit, adj. (SGD mn)	789	477	311	476
EPS, adj. (SGD)	0.54	0.31	0.20	0.31
P/E (X), adj.	7.5	13.1	20.1	13.1
BVPS (SGD)	3.44	3.80	3.88	4.10
P/B (X)	1.2	1.1	1.0	1.0
DPS (SGD)	0.20	0.12	0.08	0.11
Div. Yield (%)	4.9%	3.0%	2.0%	2.7%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

RNAV

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Residential property sales

Overseas revenue constituted 79.5% of its 4Q12 revenue compared to 66.6% in 4Q11. Sales momentum in China improved with about 670 units sold in 4Q12, bringing total sales in 2012 to 1,650 units, compared to 1,400 units in the previous year and 4,100 units in 2010. Strong take-up was seen at The Botanica Ph7, The Springdale and Central Park City. It has allocated about 5,500 units to be launched in 2013 in China. In Singapore, about 110 units were sold in 4Q12, bringing the total sales to 430 units for the year. Following the latest cooling measures implemented by the government, the management said it will review the launches of its existing landbank, including Keppel Bay plot 3 and the residential site near Tanah Merah MRT Station. The company has residential landbank of about 2,200 units in Singapore and 42,800 units in China.

Fig 2: Sales progress of key projects in Singapore

Project	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Singapore								
Lakefront Residences	68	58	18	12	9			
Reflections @ Keppel Bay	8	19	19	14	7	10	17	14
Marina Bay Suites	0	4	5	7	0	16	14	9
The Luxurie			216	84	22	74	92	90
Total	76	81	258	117	38	100	123	113

Source: Company, PSR

Property investment and fund management

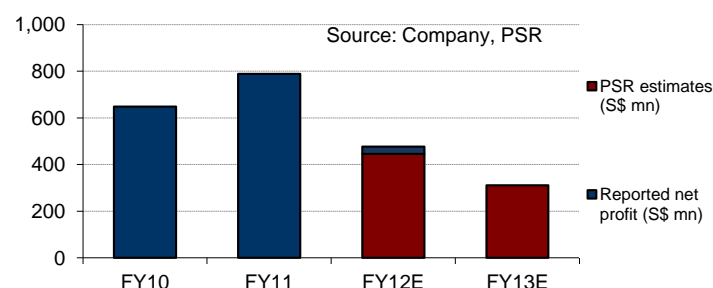
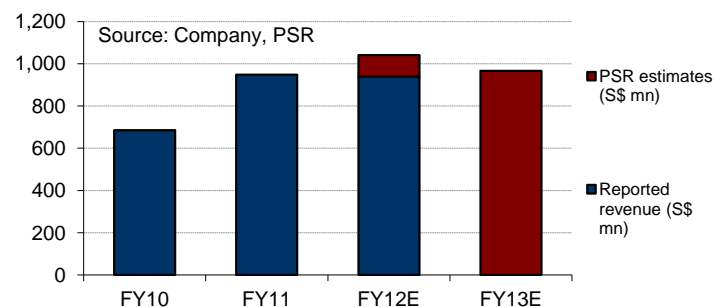
Rental income in the quarter was lower due to lower contribution from Saigon Centre in HCMC as well as cessation of rental income from OFC. Leasing of space at MBFC Tower 2 improved slightly to 79% in the quarter from the 76% committed in 3Q12.

Fig 3: Segmental results

Segments	4Q12	4Q11	%	FY12	FY11	%
Revenue						
Property Trading	413.2	292.6	41%	724.4	708.1	2%
Property Investment	14.1	26.8	-47%	56.2	80.1	-30%
Fund Management	21.9	29.8	-27%	86.1	82.3	5%
Hotel & property services	18.5	15.9	16%	63.9	55.2	16%
Others	4.2	10.1	-58%	8.2	23.3	-65%
Total	471.9	375.2	26%	938.8	949.0	-1%
Net Profit/(Loss)						
Property Trading	93.2	80.4	16%	323.9	192.2	69%
Property Investment	23.7	24.1	-2%	82.0	69.6	18%
Fund Management	12.8	23.1	-45%	50.4	58.6	-14%
Hotel & property services	0.1	5.7	-98%	8.3	5.7	46%
Others	27.3	-21.0	-230%	-13.1	-46.4	-72%
Other gains	370.2	1070.6	-65%	386.9	1095.0	-65%
Total	527.3	1182.9	-55%	838.4	1374.7	-39%

Source: Company

Fig 4 & 5: Reported revenue forms 90% of our estimate but adj. PATMI was 7% higher than our estimate.



Source: Company, PSR estimates

Improvement in China priced in

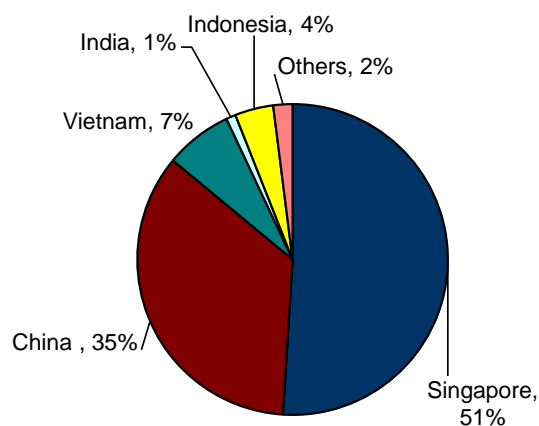
We believe the improved sales momentum in China has been priced in at the current price. Due to the new cooling measures introduced by the Singapore government, launches of its Singapore projects have become less certain now. We factor in higher valuation for its investment properties and K-REIT, and raise the RNAV from \$5.05 to \$5.30. We also lower the discount to RNAV from 35% to 20% following the improvement in China residential property market, and increase our target price to \$4.24. Maintain Neutral. Upside catalysts would be stronger than expected residential sales in China and Singapore.

Fig 6: RNAV estimate

Keppel Land RNAV (S\$' mn)	
Investment Properties	
Singapore	1906
Overseas Offices and retails	393
Overseas Hotels and Svc Apts	312
Sub total	2611
Booked value of investment properties	1925
Surplus/(deficit) from investment properties	686
NPV of cashflow from properties under development	1963
Surplus/(deficit) from K Reit Asia	52
NAV as at end of FY12	6169
RNAV	8871
Total shares issued to date ('mil shares)	1544
RNAV per share (S\$)	5.74
Dilutives	
Shares of convertible bonds @ \$5.58 ('mil shares)	54
Shares of convertible bonds @ \$6.72 ('mil shares)	74
Dilluted RNAV per share (S\$)	5.30
Discount to RNAV	20%
Fair value per share (S\$)	4.24

Source: PSR

Fig 7: Asset allocation by geographical location (31 Dec 2012)



Source: Company

FYE Dec	FY11 [^]	FY12	FY13F	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.	7.5	13.1	20.1	13.1	11.4
P/B (X)	1.2	1.1	1.0	1.0	0.9
EV/EBITDA (X), adj.	47.2	42.9	62.2	20.4	16.9
Dividend Yield (%)	4.9%	3.0%	2.0%	2.7%	3.0%
Per share data (SGD)					
EPS, reported	0.94	0.54	0.20	0.31	0.36
EPS, adj.	0.54	0.31	0.20	0.31	0.36
DPS	0.20	0.12	0.08	0.11	0.12
BVPS	3.44	3.80	3.88	4.10	4.54
Growth & Margins (%)					
Growth					
Revenue	38.5%	-1.1%	2.9%	51.3%	31.1%
EBITDA	-12.7%	10.0%	-31.0%	204.9%	20.3%
EBIT	-13.1%	9.2%	-33.1%	224.1%	20.8%
Net Income, adj.	21.8%	-39.6%	-34.8%	53.0%	15.4%
Margins					
EBITDA margin	18.3%	20.4%	13.7%	27.5%	25.3%
EBIT margin	17.4%	19.2%	12.5%	26.7%	24.6%
Net Profit Margin	148.2%	92.1%	35.4%	36.4%	31.6%
Key Ratios					
ROE (%)	27.9%	14.3%	5.0%	7.4%	8.0%
ROA (%)	15.1%	7.8%	2.8%	4.1%	4.6%
Net Debt/(Cash)	595	1467	2187	2311	2131
Net Gearing (X)	0.10	0.22	0.32	0.32	0.28
Income Statement (SGD mn)					
Revenue	949	939	966	1462	1916
EBITDA	174	191	132	402	484
Depreciation & Amortisation	9	11	11	11	12
EBIT	165	180	121	391	472
Net Finance (Expense)/Income	(35)	(40)	(44)	(37)	(37)
Other items	580	100	75	75	75
Associates & JVs	175	374	239	179	181
Profit Before Tax	1477	987	390	607	690
Taxation	(71)	(122)	(48)	(75)	(85)
Profit After Tax	1406	865	342	532	605
Non-controlling Interest	31	27	31	56	56
Net Income, reported	1375	838	311	476	549
Net Income, adj.	789	477	311	476	549

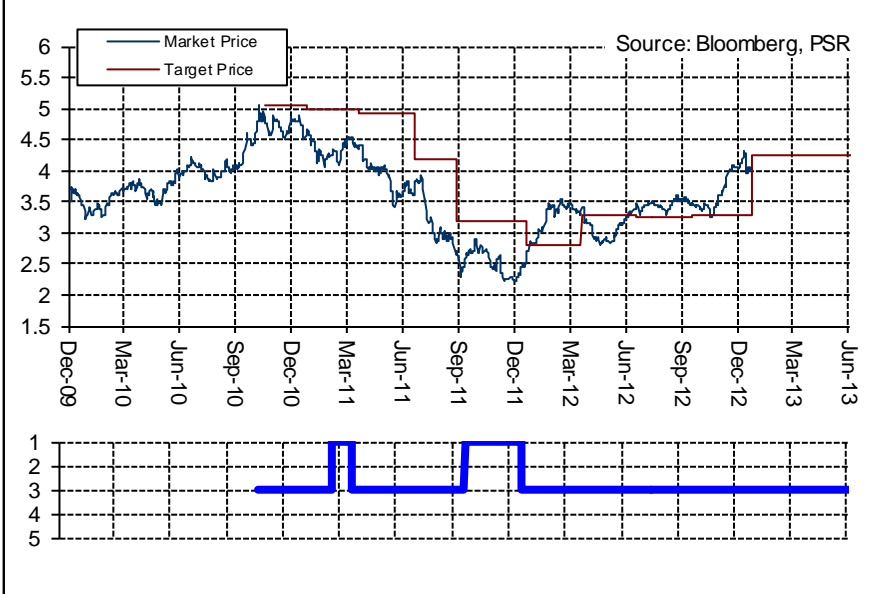
[^]Restated for The Amendments to FRS 12

Source: PSR

FYE Dec	FY11 [^]	FY12	FY13F	FY14F	FY15F
Balance Sheet (SGD mn)					
PPE	204	289	291	300	315
Intangibles	0	0	0	0	0
Associates & JVs	2,264	2,709	2,974	3,177	3,383
Investment/Dev Property	634	1,302	1,478	1,655	1,831
Others	646	680	680	680	680
Total non-current assets	3,748	4,980	5,423	5,812	6,209
Inventories	4	4	4	4	4
Accounts Receivables	623	580	591	804	958
Property held for sale	3,535	4,159	4,538	4,570	4,437
Cash	1,942	1,597	436	545	373
Others	158	141	141	141	141
Total current assets	6,262	6,481	5,709	6,064	5,913
Total Assets	10,009	11,461	11,133	11,876	12,122
Short term loans	201	715	66	851	30
Accounts Payables	1,438	1,459	1,439	1,586	1,793
Others	130	142	142	142	142
Total current liabilities	1,770	2,315	1,648	2,579	1,964
Long term loans	2,336	2,349	2,556	2,005	2,475
Others	33	151	151	151	151
Total non-current liabilities	2,369	2,499	2,707	2,155	2,625
Non-controlling interest	296	477	483	495	506
Shareholder Equity	5,575	6,169	6,295	6,647	7,027
Cashflow Statements (SGD mn)					
CFO					
PBT	1,477	987	390	607	690
Adjustments	(1,269)	(768)	(258)	(205)	(206)
Cash from ops before WC changes	208	219	132	402	484
WC changes	(1,101)	(831)	(409)	(99)	186
Cash generated from ops	(892)	(612)	(277)	304	670
Taxes paid, net	(52)	(46)	(48)	(75)	(85)
Interest paid	6	11	26	34	34
Cashflow from ops	(938)	(647)	(300)	262	618
CFI					
CAPEX, net	(13)	(23)	(13)	(20)	(27)
Dividends from associates & JVs	79	293	0	0	0
Dividends/Interest from Investments	19	4	4	4	4
Purchase/sale of investments	(118)	(33)	(177)	(177)	(177)
Investments in subs & associates	1,047	(291)	(25)	(25)	(25)
Others	0	0	0	0	0
Cashflow from investments	1,014	(50)	(211)	(218)	(224)
CFF					
Share issuance	3	2	0	0	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	521	590	(441)	234	(351)
Dividends to minority interests	38	(5)	(25)	(45)	(45)
Dividends to shareholders & capital reduction	(107)	(129)	(185)	(124)	(170)
Others	(185)	(80)	0	0	0
Cashflow from financing	270	377	(651)	65	(566)
Net change in cash	347	(320)	(1,161)	109	(172)
Effects of exchange rates	6	(25)	0	0	0
CCE, end	1,942	1,597	436	545	373

[^]Restated for The Amendments to FRS 12
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

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