Keppel Ltd

Asset gathering and earnings growth intact

27 April 2026

BUY (Maintained)

LAST CLOSE PRICE	SGD 11.55
FORECAST DIV	SGD 0.370
TARGET PRICE	SGD 13.80
TOTAL RETURN	22.7%

SINGAPORE | CONGLOMERATE | 1Q26 UPDATE

- Key financial highlights disclosed were 1) New Keppel - slightly lower net profit YoY (due to lower real estate); 2) Overall net profit - lower YoY due to absence of fair value gains and lower asset monetisation gains.
- Asset management fees grew 13% YoY in 1Q26 (FY25 +14.5%) to S$108mn, with S$2bn commitments being finalised, especially in digital infrastructure. There was no notable impact in fundraising activities from the Middle East conflict. Asian dedicated infrastructure funds continue to gather interest from investors.
- Our SOTP-derived TP of S$13.80 and BUY recommendation are maintained. The Middle East conflict has lifted electricity margins, particularly for longer-dated contracts. We expect customers to place a premium and will look to secure longer-term electricity contracts. 2H26 earnings will be anchored by the commencement of 600MW Keppel Sakra, an increase in funds under management, the sale of Bifrost cables, and the completion of DSS projects. The assets monetisation target in FY26 is S$2-3bn (FY25 S$2.8bn), which will support special dividends. Middle East conflict has essentially lifted electricity spreads and improved the attractiveness of AssetCo rigs.

The Positive

+ Recovery in electricity spreads. Electricity (spark) spreads have climbed significantly since the Middle East conflict. The company mentioned that blended spark spreads were declining around S$10 YoY, but post the Middle East conflict, they have been up more than S$20.

+ Better outlook for the S$4.3bn Assetco rigs. The long-dated oil curve has trended up. It has resulted in very strong inquiries for Assetco's jackups and rigs. Day rates are also 10-15% higher upon renewal. There are 13 vessels in Assetco, of which six jackups are completed, and another seven are at various stages of completion.

The Negative

- Small disruption to gas supply so far. The force majeure on LNG supply due to the Middle East conflict has impacted a very small percentage of Keppel's gas supply. The replacement gas will then be sourced from GasCo at spot JKM rather than the typical Brent-indexed price. The company did add that blended cost with replacement gas has normalised. We believe GasCo has a Brent-based LNG long-term contract that can increase its offtake.

Outlook

The outlook remains positive for Keppel. Infrastructure operations will benefit from a 50% jump in capacity in the middle of 2026 with the commencement of the Keppel Sakra Cogen plant. It has been fully contracted for FY26/27. DSS earnings will rise with the completion of the Hong Kong and Tuas plants in 2026. The current orderbook of S$7.6bn will be boosted by the S$15bn pipeline of active opportunities. Of the S$2-3bn target for monetising non-core assets, S$347mn has so far been realised. The strength is that the oil price will support Keppel's ability to dispose of individual rigs or a stake in the AssetCo portfolio of rigs. In connectivity, there are advanced negotiations for the remaining two Bifrost fibre pairs, with contracts targeted for signing in 1H26. The sale of M1 is pending approval with a long-stop date on 21st May.

Maintain BUY unchanged TP of S$13.80

Our valuations are based on the sum-of-the-parts (SOTP) approach. We use the P/E ratio for operating divisions and the book or market value for assets. Net debt is prorated across divisions based on their interest expense contributions.

COMPANY DATA

BLOOMBERG CODE:	KEP SP
O/S SHARES (MN) :	1,813
MARKET CAP (USD mn / SGD mn) :	16386 / 20935
52 - WK HI/LO (SGD) :	13.25 / 6.42
3M Average Daily T/O (mn) :	5.38

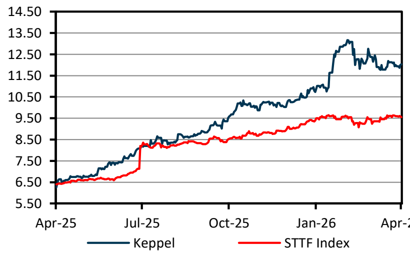
MAJOR SHAREHOLDER

TEMASEK HOLDINGS	21.3%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(4.4)	5.4	12.3
STTF	3.4	2.3	7.7

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (S$ mn)	FY24	FY25	FY26e	FY27e
Revenue	5,784	5,983	6,625	7,287
EBIT	1,146	1,123	1,068	1,277
NPAT	949	746	785	974
Dividend yield	2.9%	4.0%	3.2%	3.4%
P/NAV (x)	1.9	1.9	1.9	1.8
P/E (x)	21.4	27.1	25.8	20.8
ROE	7.0%	9.0%	7.0%	8.4%

Source: Company, PSR

VALUATION METHOD

SOTP valuation

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Financials

Income Statement

Y/E Dec, ($'mn)	FY23	FY24	FY25	FY26e	FY27e
Revenue	**6,966**	**5,784**	**5,983**	**6,625**	**7,287**
Materials and Subcontract costs	(4,998)	(4,305)	(4,237)	(4,684)	(5,137)
Staff costs	(704)	(593)	(629)	(576)	(583)
Depreciation and amortisation	(221)	(85)	(170)	(201)	(210)
Other items	34	344	177	(95)	(80)
EBIT	**1,076**	**1,146**	**1,123**	**1,068**	**1,277**
Investment income	78	61	41	65	65
Net finance expenses	(263)	(320)	(303)	(283)	(261)
Share of results of associates	322	159	458	230	245
Profit before tax	**1,214**	**1,044**	**1,317**	**1,080**	**1,326**
Taxation	(290)	(231)	(306)	(248)	(305)
Minority interests	(27)	(14)	16	(35)	(35)
Perpetual securities holders	-12	-12	-12	-12	-12
Net profit continuing	**885**	**788**	**1,016**	**785**	**974**
Discontinued operations/FV	3,181	161	(270)	-	-
Profit attributable to owners	**4,067**	**949**	**746**	**785**	**974**

Per share data (S$)

Y/E Dec	FY23	FY24	FY25	FY26e	FY27e
BVPS	5.85	6.12	5.97	6.07	6.26
DPS	0.34	0.34	0.47	0.37	0.39
EPS	2.31	0.54	0.43	0.45	0.56

Cash Flow

Y/E Dec, ($'mn)	FY23	FY24	FY25	FY26e	FY27e
CFO					
Pretax profit	**1,214**	**1,323**	**865**	**1,080**	**1,326**
Adjustments	(347)	(226)	100	190	161
Working capital changes	(398)	(253)	282	(198)	(140)
Cash generated from ops	**469**	**844**	**1,247**	**1,072**	**1,346**
Others	(410)	(644)	(586)	(461)	(444)
Cashflow from ops	**58**	**200**	**662**	**610**	**902**
CFI					
CAPEX, net	(921)	(611)	(514)	(380)	(380)
Others	(21)	1,312	228	350	350
Cashflow from investments	**(942)**	**701**	**(286)**	**(30)**	**(30)**
CFF					
Dividend paid	(582)	(608)	(617)	(631)	(648)
Proceeds from borrowings, net	1,336	703	222	-	-
Proceeds from equity issuance	(14)	-	(116)	-	-
Others	(17)	42	185	-	-
Cashflow from financing	723	137	(326)	(631)	(648)
Net change in cash	(161)	1,038	49	(50)	224
Cash at the start of the period	1,445	1,265	2,291	2,309	2,259
Currency translation	(18)	(12)	(23)	-	-
Others	-	-	-	-	-
Ending cash	**1,266**	**2,291**	**2,317**	**2,259**	**2,483**

Source: Company, PSR estimates

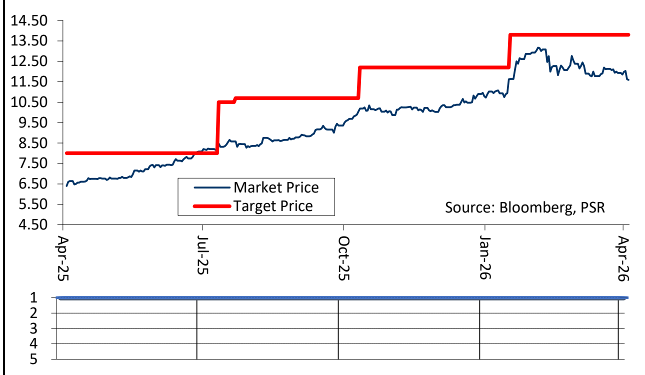
Balance Sheet

Y/E Dec, ($'mn)	FY23	FY24	FY25	FY26e	FY27e
ASSETS					
PPE & Investment Properties	5,781	9,784	8,722	8,901	9,071
Others	14,691	11,256	10,603	10,483	10,378
Total non-current assets	**20,472**	**21,039**	**19,325**	**19,384**	**19,449**
Cash and cash equivalents	1,266	2,302	2,309	2,259	2,483
Stocks	2,110	1,924	1,099	1,446	1,647
Receivables	1,694	1,625	1,473	1,452	1,597
Others	573	769	(1,243)	(1,243)	(1,243)
Total current assets	**6,004**	**6,619**	**5,701**	**5,976**	**6,546**
Assets - held for sale	362	-	2,062	2,062	2,062
Total Assets	**26,838**	**27,658**	**27,088**	**27,422**	**28,057**
LIABILITIES					
Trade and other payables	2,586	2,730	2,384	2,512	2,717
ST borrowings	2,422	1,389	1,906	1,906	1,906
Others	1,131	652	1,488	1,494	1,550
Total current liabilities	**6,139**	**4,771**	**5,779**	**5,912**	**6,174**
LT borrowings	8,538	10,509	9,409	9,409	9,409
Others	531	953	(923)	(923)	(923)
Total non-current liabilities	**9,376**	**11,462**	**9,304**	**9,304**	**9,304**
Liabilities - held for sale	**307**	**-**	**819**	**819**	**819**
Total liabilities	**15,821**	**16,233**	**15,902**	**16,035**	**16,297**
EQUITY					
Share Capital	1,306	1,306	1,306	1,306	1,306
Treasury shares	-387	-96	-154	-154	-154
Retained profits	9,389	9,545	9,311	9,476	9,814
	10,307	10,754	10,463	10,628	10,966
Others	709	671	724	759	794
Total equity	**11,017**	**11,426**	**11,186**	**11,387**	**11,760**
Total equity and liabilities	**26,838**	**27,658**	**27,088**	**27,422**	**28,057**

Valuation Ratios

Y/E Dec	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	5.0	21.4	27.1	25.8	20.8
P/B (x)	2.0	1.9	1.9	1.9	1.8
EV/EBITDA (x)	23.2	24.3	22.6	23.1	19.6
Dividend yield	2.9%	2.9%	4.0%	3.2%	3.4%
Growth & Margins					
Growth					
Revenue	5.2%	-17.0%	3.4%	10.7%	10.0%
EBITDA	68.1%	-5.1%	5.0%	-1.8%	17.1%
EBIT	90.4%	6.5%	-2.0%	-4.8%	19.5%
PBT	336.0%	-76.7%	-21.3%	5.2%	24.1%
Margins					
EBITDA margin	18.6%	21.3%	21.6%	19.2%	20.4%
EBIT margin	15.4%	19.8%	18.8%	16.1%	17.5%
Net profit margin	12.7%	13.6%	17.0%	11.8%	13.4%
Key Ratios					
ROE	7.7%	7.0%	9.0%	7.0%	8.4%
ROA	3.1%	2.9%	3.7%	2.9%	3.5%
Net Gearing	88.0%	84.0%	80.5%	79.5%	75.1%

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

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