

Singapore Company Guide

Keppel Corporation

Version 21 | Bloomberg: KEP SP | Reuters: KPLM.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Aug 2020

HOLD (Downgrade from BUY)

Last Traded Price (7 Aug 2020): S\$5.40 (STI : 2,545.51)

Price Target 12-mth: S\$5.50 (2% upside) (Prev S\$6.40)

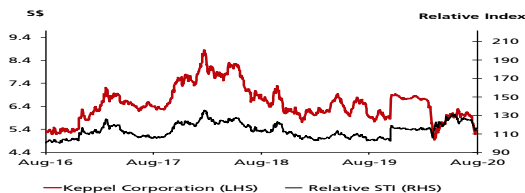
Analyst

Pei Hwa HO +65 6682 3714 peihwa@db.com

What's New

- Share price pressure to persist as Temasek invoked MAC pre-conditions and pulled the partial offer
- Potential restructuring of Keppel Corp remains evolving and fluid at this juncture
- Await catalysts and evidence on business turnaround and ROE enhancement
- Downgrade to HOLD; TP reduced to S\$5.50

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2018A	2019A	2020F	2021F
Revenue	5,965	7,580	8,329	8,530
EBITDA	1,456	1,464	741	1,794
Pre-tax Profit	1,240	953	149	1,094
Net Profit	944	707	(171)	827
Net Pft (Pre Ex.)	944	707	(171)	827
Net Pft Gth (Pre-ex) (%)	15.8	(25.1)	nm	nm
EPS (\$ cts)	51.9	38.9	(9.4)	45.5
EPS Pre Ex. (\$ cts)	51.9	38.9	(9.4)	45.5
EPS Gth Pre Ex (%)	16	(25)	nm	nm
Diluted EPS (\$ cts)	51.7	38.8	(9.4)	45.4
Net DPS (\$ cts)	30.0	20.0	11.0	18.0
BV Per Share (\$ cts)	620	617	587	622
PE (X)	10.4	13.9	nm	11.9
PE Pre Ex. (X)	10.4	13.9	nm	11.9
P/Cash Flow (X)	78.7	nm	nm	5.3
EV/EBITDA (X)	10.7	13.3	27.4	10.6
Net Div Yield (%)	5.6	3.7	2.0	3.3
P/Book Value (X)	0.9	0.9	0.9	0.9
Net Debt/Equity (X)	0.5	0.8	0.9	0.7
ROAE (%)	8.4	6.3	(1.6)	7.5
Earnings Rev (%)			0	0
Consensus EPS (\$ cts):			40.2	45.8
Other Broker Recs:	B: 11	S: 3	H: 0	

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

Temasek withdrew partial offer

Downgrade to HOLD; TP revised down to S\$5.50, after lowering property valuation from 1.0x to 0.9x P/BV, in tandem with our property analyst's recent downgrade on sector valuation and O&M from 1.5x to 1.0x P/BV. While we remain sanguine on Keppel's longer-term prospects, near term upside could be capped by operational headwinds. Temasek's withdrawal of the partial offer removes an imminent catalyst. The stock is trading at 0.9x P/BV (c.1SD below mean). Our TP implies ~1.0x FY20 P/BV, which seems fair against ~8% ROE with ~3% dividend yield in 2021. Further re-rating requires more evidence of macro turnaround and ROE enhancement towards the group's target of 15%.

Temasek pulls partial offer; potential restructuring remains fluid. Temasek officially withdrew its partial offer for Keppel on 10 Aug following the trigger of "Material Adverse Change" (MAC) precondition. While another offer for Keppel by Temasek over the next 12-months might be less likely, requiring Securities Industry Council of Singapore's consent under the Takeover Code, we can't rule out other potential plans on restructuring of Keppel.

Where we differ: Positive on Tianjin Eco-city. Keppel's huge land bank of ~5m sqm is held at low cost. Half of the land bank is under development, progressively unlocking its RNAV over the next 3-5 years. Of the remaining undeveloped land bank, 30% is for projects in Tianjin Eco-city. The land was acquired in 2009 at less than one-tenth of the current land price and yet to be reflected in our RNAV.

Valuation:

Our TP of S\$ 5.50 (implied ~1.0x FY20 P/BV) is based on SOTP valuation: (1) property segment at 35% discount to RNAV or approx.0.9x P/BV, similar to Capitaland; (2) Tianjin Eco-city land sales using DCF assuming 10% WACC, (3) O&M segment valued at 1.0x impaired book, (4) Infrastructure at 15x PE on FY20F earnings, and (5) Investment (Keppel Capital) at 15x FY20F earnings.

Key Risks to Our View:

Lower-than-expected en-bloc sales; O&M orders disappoint. En-bloc sales, which are lumpy by nature, accounted for more than half of property profit in 2018 but only 10% in 2019. We forecast annual revenues from Keppel O&M to fall to the ~\$2-3bn level p.a. in FY20-21, versus \$7-8bn in FY12-14. If en-bloc sales and O&M contract flows do not come through as expected, these could pose downside risks to our forecast.

At A Glance

Issued Capital (m shrs)	1,821
Mkt. Cap (\$m/US\$m)	9,831 / 7,162
Major Shareholders (%)	
Temasek Holdings	21.4
Free Float (%)	78.6
3m Avg. Daily Val (US\$m)	16.6
GIC Industry : Industrials / Capital Goods	



Live more, Bank less

WHAT'S NEW

Temasek not proceeding with partial offer

Temasek partial offer is off... On 10 Aug, Temasek announced that it would not proceed with the partial offer for Keppel following its breach of MAC preconditions.

As a recap, Keppel reported massive impairment of S\$919m in 2Q20, which led to the non-fulfilment of the MAC clause, that required Keppel to report not more than 20% decline in 12-month Trailing Profit After Tax (12M Trailing PAT) or approx. S\$557m. With the latest set of results, Keppel's 12M Trailing PAT stands at a loss of S\$165m.

.... Under Takeover Code, Securities Industry Council of Singapore (SIC)'s consent is required for another offer within 12 months from the previous unsuccessful attempt.

16.7 Council's consent for subsequent offers. Any person who intends to make a partial offer for the same offeree company within 12 months from the date of the close of a previous partial offer (whether successful or not) must seek the Council's prior consent. The Council will not normally grant its consent unless the subsequent partial offer is, as would be normally required, recommended by the board of the offeree company and proposed to be made by a person not acting in concert with the previous offeror. All such subsequent partial offers must comply with all the requirements in this Rule.

No partial offer; but how about restructuring? While it seems a little grey if the abovementioned Takeover code is applicable to Keppel's case as Temasek's partial offer had yet to be officially launched and was pulled due to the non-fulfilment of MAC precondition, we are not putting high hopes on another offer by Temasek soon. Nevertheless, we are also not ruling out any other contingency plans relating to the restructuring of Keppel. It remains evolving and fluid in our view.

Keppel to focus on implementing its Vision 2030: A sustainable Future.

At the end of May 2020, Keppel unveiled Vision 2030 to chart its growth path in the next decade. Building on its current transformation plan, Keppel is taking a bigger step to refocus its portfolio towards sustainable urban solutions and connectivity as well as enhance collaboration across divisions. It will continue to execute the plans while engaging its largest shareholder Temasek to explore opportunities on strategic collaboration.

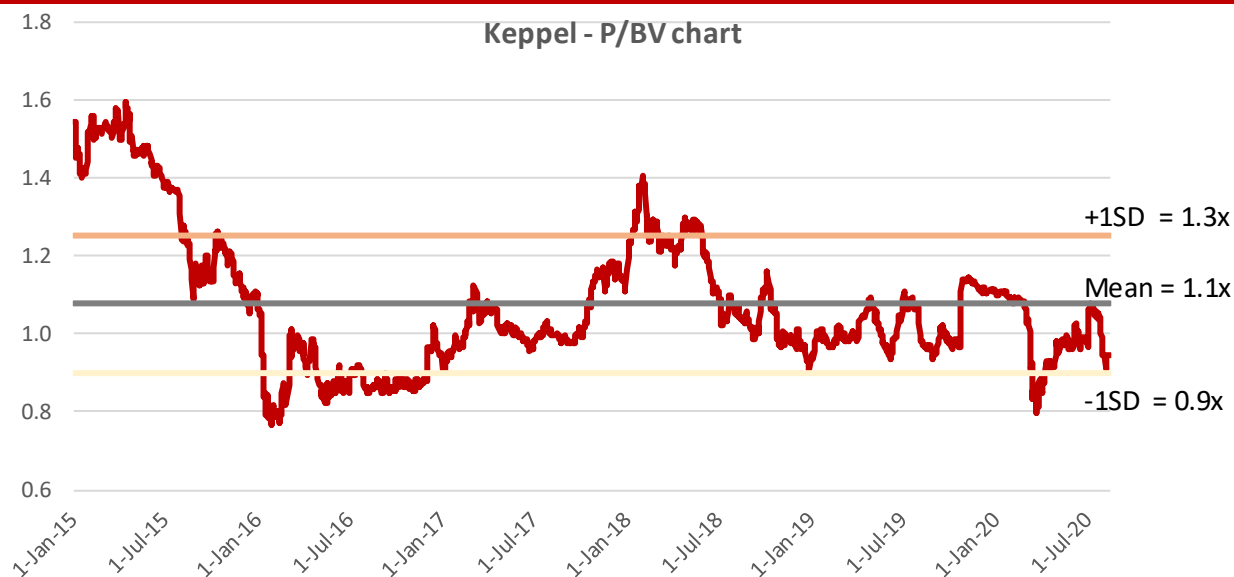
Longer-term prospects intact but near-term catalysts seem lacking.

We believe in the long-term value of Keppel, with its sound strategies in place to deliver 15% ROE target with good dividends and strong growth trajectory. But, share price performance in the short term might be overshadowed by weak outlook on its property and O&M divisions.

More indicators of operational improvement. We will monitor positive indicators such as property launches, home sales and land sales, O&M contract wins, write-back of 2Q O&M impairment which may call for a re-rating of Keppel.

What could be the good entry points? Keppel dropped to **S\$5.18** post reporting weak 2Q20 results. It hit a recent low of **S\$4.93** in Mar-2020 during market sell-off amid COVID-19 pandemic fears. During the last oil crisis, the P/BV trough was around 0.8x in 2016, which translates to **~S\$4.70** (based on estimated BVPS of S\$5.87 for FY20)

Keppel's P/BV trend



Source: Company, Bloomberg Finance L.P., DBS Bank

Sensitivity of Fair Value vs P/BV

P/BV	0.7x	0.8x	0.9x	1.0x	1.1x	1.2x	1.3x
Fair Value (\$)	4.11	4.70	5.28	5.87	6.46	7.04	7.63

Source: Company, Bloomberg Finance L.P., DBS Bank

SOTP valuation for Keppel

	Value (\$ m)	Metrics
Surplus - Property (1)	(765)	35% discount to RNAV or 0.9x P/BV, less book value; Tianjin Eco-city land sale
Surplus - Tianjin Eco-city (2)	969	DCF (10% WACC)
Surplus - Offshore/Marine (3)	0	1.0x P/BV, less book value
Surplus - Infrastructure (4)	(433)	15x FY20 net profit, less book value
Surplus - Keppel Capital (5)	1,125	15x FY20 net profit, less book value
Net Surplus (1+2+3+4+5)	897	
Add: Book value (less minorities) as of 4Q19	9,186	
RNAV	10,082	
RNAV per share (\$)	5.50	

Source: Company, Bloomberg Finance L.P., DBS Bank

CRITICAL DATA POINTS TO WATCH

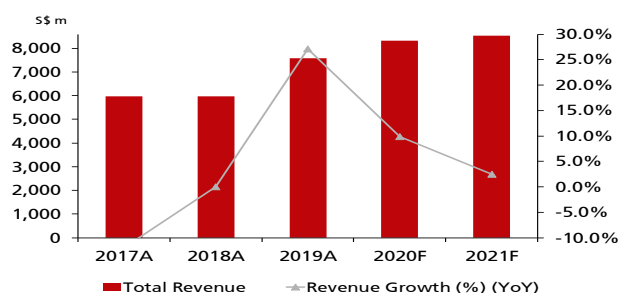
Critical Factors

Residential property sales in China and Vietnam are main drivers of Keppel Land's revenue and earnings. In China, demand remains strong especially in first- and second-tier cities where inventories are low. Keppel is well positioned to seize opportunities when the market picks up. Vietnam is another emerging market for Keppel, accounting for ~25-30% of its home sales.

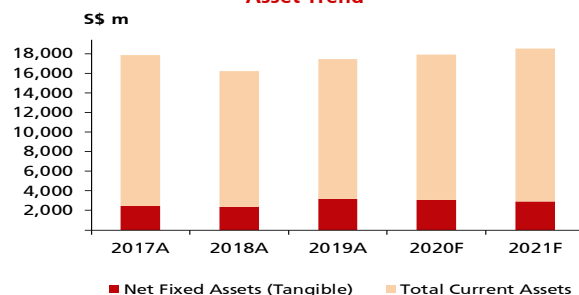
Tianjin Eco-city a key contributor. The 45%-owned JV, Sino-Singapore Tianjin Eco-city Investment and Development Co Ltd (SSTEC), started to break even in 2017 and recorded decent profit of over S\$100m / S\$50m / S\$50m (Keppel's share) in 2017/2018/2019. We expect land sales to accelerate over the next three years given the rising acceptance of Tianjin Eco-city and a promising property market in Tianjin. The development should be fully sold by 2028.

Orderbook the key driver of Keppel O&M's earnings; FLNG, production facilities and renewables to fill the gap. The pace of recovery for Keppel O&M could be slowed down by recent oil majors' capex cuts amid low oil prices. Keppel O&M has seen a gradual uptrend in order wins in the past 4 years, clinching S\$2.1bn in FY19 up from S\$1.7bn / S\$1.2bn / S\$500m of new orders in FY18 / FY17 / FY16. The momentum is expected to decelerate in 2020, with lower order win expectation of S\$1.5bn. We believe demand for O&G production-related facilities and FLNG vessels will eventually pick up as O&G market recovers in the next 2-3 years. This would eventually drive contract wins closer to the norm of S\$4-5bn p.a. Orderbook stood at S\$3.5bn as of end Jun-2020. In terms of growth potential, Keppel's first-mover advantage in the FLNG conversion market could provide earnings upside; customer Golar has already awarded Keppel a third FLNG project.

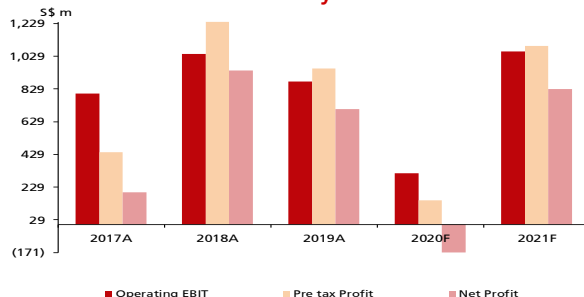
Sales Trend



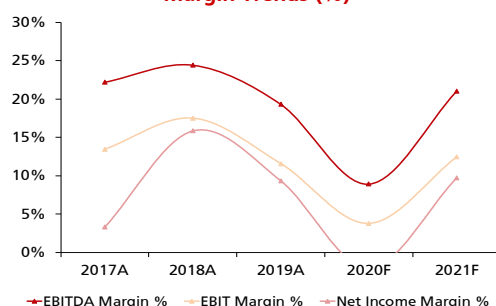
Asset Trend



Profitability Trend



Margin Trends (%)



Source: Company, DBS Bank

Balance Sheet:

Net gearing rose to 1.0x as of end Jun-2020, from 0.9x as of end Mar-2020 and 0.75x as of end Jun 2019. This is because of higher working capital requirement and financing for the acquisition of M1 in 1Q19 as well as inclusion of lease liabilities due to the adoption of the new accounting standard on leases. Management intends to keep the ratio below 1x and will continue to actively recycle capital.

Share Price Drivers:

Property sales in China and Singapore. Property accounts for 70% of Keppel's valuation; of which ~50% is derived from China and 20% from Singapore.

Key Risks:

Competition from foreign yards. Keener competition from Chinese yards – which are usually aggressive in their pricing and lax with payment terms – as well as Korean peers may affect order wins and profitability, especially if Keppel starts to offer concessions to protect market share.

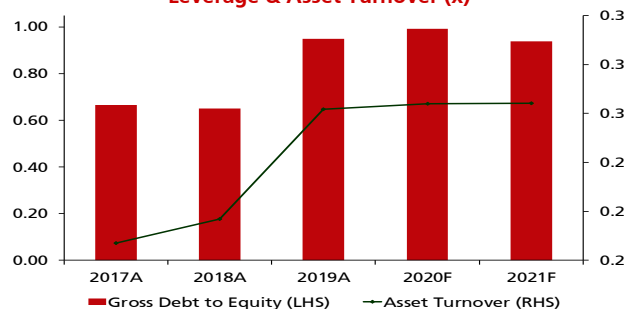
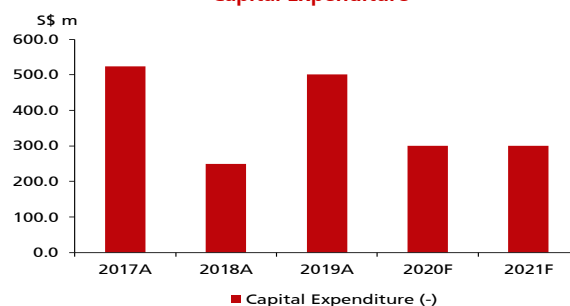
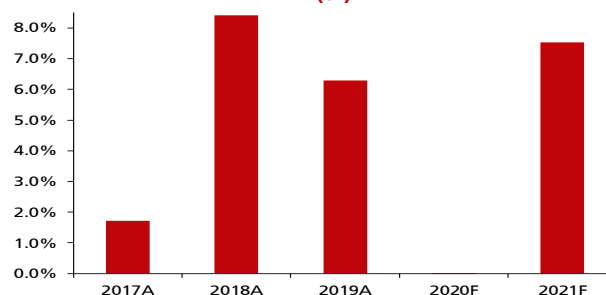
Slow land sales in Tianjin. Tianjin Eco-city is expected to be a strong earnings contributor in the next few years, accounting for ~10% of bottom line. It accounts for ~7% of our RNAV.

Environment, Social, Governance:

Keppel is highly regarded for its commitment in the international community's sustainable development agenda with numerous awards and accolades including listing on the Global 100 Most Sustainable Corporations in the World 2016. Its sustainability framework comprises Sustaining Growth, Empowering Lives and Nurturing Communities.

Company Background

Keppel is a diversified conglomerate with its core businesses in property investments and development, offshore marine (O&M), and infrastructure-based activities in Singapore and the region. Property is the largest segment, contributing to bulk of its profits and more than half of its RNAV, followed by O&M. It possesses strong market leadership positions as a property developer in Singapore, China, Vietnam, Indonesia and India; and as a shipyard in offshore solutions particularly newbuilding rigs, FPSO conversion, FLNG conversion, renewable facilities as well as repair and construction of high-end specialised vessels.

Leverage & Asset Turnover (x)**Capital Expenditure****ROE (%)****PB Band (x)**

Source: Company, DBS Bank

Key Assumptions

FY Dec	2017A	2018A	2019A	2020F	2021F
O&M order wins (\$ m)	1,097	1,730	2,067	1,500	2,500

Segmental Breakdown

FY Dec	2017A	2018A	2019A	2020F	2021F
Revenues (\$m)					
Offshore and Marine	1,801	1,875	2,219	2,575	2,567
Property	1,782	1,340	1,336	1,744	1,831
Infrastructure	2,207	2,629	2,927	2,666	2,720
Investments	173	121	1,097	1,345	1,412
Total	5,964	5,965	7,580	8,329	8,530
EBIT (\$m)					
Offshore and Marine	(167)	(73.4)	60.0	(500)	137
Property	668	1,032	508	573	674
Infrastructure	125	105	114	133	136
Investments	175	(23.0)	195	108	113
Total	801	1,043	876	313	1,060
EBIT Margins (%)					
Offshore and Marine	(9.3)	(3.9)	2.7	(19.4)	5.3
Property	37.5	77.0	38.0	32.9	36.8
Infrastructure	5.7	4.0	3.9	5.0	5.0
Investments	101.3	(19.0)	17.8	8.0	8.0
Total	13.4	17.5	11.6	3.8	12.4

Income Statement (\$m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Revenue	5,964	5,965	7,580	8,329	8,530
Cost of Goods Sold	(3,957)	(4,188)	(5,267)	(5,908)	(5,892)
Gross Profit	2,006	1,777	2,313	2,421	2,638
Other Opng (Exp)/Inc	(1,205)	(735)	(1,437)	(2,107)	(1,578)
Operating Profit	801	1,043	877	313	1,060
Other Non Opg (Exp)/Inc	19.9	9.99	64.6	16.7	17.1
Associates & JV Inc	291	222	147	(5.4)	290
Net Interest (Exp)/Inc	(51.3)	(34.2)	(135)	(176)	(274)
Exceptional Gain/(Loss)	(619)	0.0	0.0	0.0	0.0
Pre-tax Profit	441	1,240	953	149	1,094
Tax	(244)	(284)	(192)	(297)	(241)
Minority Interest	(1.4)	(12.3)	(54.2)	(22.3)	(25.6)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	196	944	707	(171)	827
Net Profit before Except.	815	944	707	(171)	827
EBITDA	1,324	1,456	1,464	741	1,794
Growth					
Revenue Gth (%)	(11.9)	0.0	27.1	9.9	2.4
EBITDA Gth (%)	(4.9)	10.0	0.5	(49.4)	142.0
Opg Profit Gth (%)	0.7	30.2	(15.9)	(64.2)	238.2
Net Profit Gth (Pre-ex) (%)	3.9	15.8	(25.1)	nm	nm
Margins & Ratio					
Gross Margins (%)	33.6	29.8	30.5	29.1	30.9
Opg Profit Margin (%)	13.4	17.5	11.6	3.8	12.4
Net Profit Margin (%)	3.3	15.8	9.3	(2.1)	9.7
ROAE (%)	1.7	8.4	6.3	(1.6)	7.5
ROA (%)	0.7	3.4	2.4	(0.5)	2.6
ROCE (%)	1.7	4.0	3.2	(1.3)	3.5
Div Payout Ratio (%)	204.1	57.8	51.4	N/A	39.6
Net Interest Cover (x)	15.6	30.5	6.5	1.8	3.9

Source: Company, DBS Bank

Quarterly / Interim Income Statement (\$5m)

FY Dec	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Revenue	1,785	2,067	2,197	1,857	1,325
Cost of Goods Sold	(1,225)	(1,487)	(1,532)	(1,331)	(876)
Gross Profit	560	581	666	527	449
Other Oper. (Exp)/Inc	(400)	(397)	(454)	(253)	(872)
Operating Profit	160	184	211	274	(423)
Other Non Opg (Exp)/Inc	35.7	8.85	15.6	2.12	10.3
Associates & JV Inc	50.1	77.8	35.2	(6.4)	(162)
Net Interest (Exp)/Inc	(39.6)	(43.3)	(24.6)	(22.4)	(29.3)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	206	227	238	247	(604)
Tax	(53.1)	(62.0)	(31.1)	(84.1)	(94.7)
Minority Interest	0.25	(5.8)	(15.0)	(2.3)	1.26
Net Profit	153	159	191	160	(698)
Net profit bef Except.	153	159	191	160	(698)
EBITDA	348	375	363	370	(474)

Growth

Revenue Gth (%)	16.6	15.8	6.3	(15.5)	(28.7)
EBITDA Gth (%)	(7.9)	7.9	(3.4)	2.0	nm
Opg Profit Gth (%)	(50.2)	14.7	15.1	29.5	(254.6)
Net Profit Gth (Pre-ex) (%)	(24.4)	3.8	20.2	(16.2)	(534.7)

Margins

Gross Margins (%)	31.4	28.1	30.3	28.3	33.9
Opg Profit Margins (%)	9.0	8.9	9.6	14.7	(31.9)
Net Profit Margins (%)	8.6	7.7	8.7	8.6	(52.6)

Balance Sheet (\$5m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Net Fixed Assets	2,433	2,373	3,166	3,050	2,923
Invt in Associates & JVs	5,915	6,239	6,351	6,395	6,736
Other LT Assets	4,615	4,109	7,506	7,506	7,506
Cash & ST Invt	2,477	2,108	1,899	1,032	2,332
Inventory	9,369	8,709	9,040	10,193	9,564
Debtors	3,063	2,702	2,748	3,020	3,093
Other Current Assets	524	347	611	611	611
Total Assets	28,395	26,588	31,322	31,807	32,766
ST Debt	1,714	1,481	4,555	4,555	4,555
Creditor	5,720	4,391	4,605	5,374	5,687
Other Current Liab	2,578	2,521	2,787	3,016	3,008
LT Debt	6,079	6,068	6,504	6,504	6,504
Other LT Liabilities	612	550	1,224	1,224	1,224
Shareholder's Equity	11,162	11,268	11,211	10,676	11,304
Minority Interests	530	309	435	457	483
Total Cap. & Liab.	28,395	26,588	31,322	31,807	32,766
Non-Cash Wkg. Capital	4,657	4,846	5,008	5,434	4,573
Net Cash/(Debt)	(5,316)	(5,440)	(9,161)	(10,027)	(8,727)
Debtors Turn (avg days)	199.3	176.4	131.2	126.4	130.8
Creditors Turn (avg days)	510.4	460.7	335.6	331.6	369.3
Inventory Turn (avg days)	945.1	823.7	662.2	639.1	659.7
Asset Turnover (x)	0.2	0.2	0.3	0.3	0.3
Current Ratio (x)	1.5	1.7	1.2	1.1	1.2
Quick Ratio (x)	0.6	0.6	0.4	0.3	0.4
Net Debt/Equity (X)	0.5	0.5	0.8	0.9	0.7
Net Debt/Equity ex MI (X)	0.5	0.5	0.8	0.9	0.8
Capex to Debt (%)	(6.7)	3.3	4.5	2.7	2.7
Z-Score (X)	1.3	1.6	1.3	1.3	1.3

Source: Company, DBS Bank

Cash Flow Statement (\$5m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Pre-Tax Profit	441	1,240	953	149	1,094
Dep. & Amort.	212	182	375	416	427
Tax Paid	(363)	(196)	(264)	(248)	(297)
Assoc. & JV Inc/(loss)	(291)	(222)	(147)	5.39	(290)
Chg in Wkg.Cap.	1,101	(196)	(1,437)	(475)	917
Other Operating CF	102	(684)	(306)	0.0	0.0
Net Operating CF	1,203	125	(825)	(153)	1,850
Capital Exp.(net)	523	(249)	(501)	(300)	(300)
Other Invt.(net)	0.0	1,048	(1,116)	0.0	0.0
Invt in Assoc. & JV	(237)	(403)	(450)	(250)	(250)
Div from Assoc & JV	270	281	378	200	200
Other Investing CF	0.0	0.0	0.0	0.0	0.0
Net Investing CF	557	677	(1,688)	(350)	(350)
Div Paid	(390)	(546)	(430)	(364)	(200)
Chg in Gross Debt	(1,007)	(390)	3,050	0.0	0.0
Capital Issues	4.29	5.74	0.14	0.0	0.0
Other Financing CF	(122)	(117)	(274)	0.0	0.0
Net Financing CF	(1,515)	(1,048)	2,346	(364)	(200)
Currency Adjustments	(58.2)	(46.4)	(27.3)	0.0	0.0
Chg in Cash	187	(292)	(195)	(867)	1,300
Opg CFPS (\$ cts)	5.61	17.6	33.6	17.7	51.3
Free CFPS (\$ cts)	94.9	(6.8)	(72.9)	(24.9)	85.2

Source: Company, DBS Bank

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	18 Oct 19	5.84	7.50	BUY
2:	24 Jan 20	6.75	7.50	BUY
3:	30 Apr 20	5.98	6.80	BUY
4:	29 May 20	5.91	6.80	BUY
5:	03 Aug 20	5.18	6.40	BUY

Source: DBS Bank

Analyst: Pei Hwa HO

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 11 Aug 2020 07:20:18 (SGT)

Dissemination Date: 11 Aug 2020 09:00:01 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have a proprietary position in Keppel Corporation recommended in this report as of 31 Jul 2020.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

Compensation for investment banking services:

3. DBS Bank Ltd, DBS HK, DBSVS their subsidiaries and/or other affiliates of DBSVUSA have received compensation, within the past 12 months for investment banking services from Keppel Corporation as of 31 Jul 2020.
4. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have managed or co-managed a public offering of securities for Keppel Corporation in the past 12 months, as of 31 Jul 2020.
5. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

Directorship/trustee interests:

6. Tham Sai Choy, a member of DBS Group Holdings Board of Directors, is a Director of Keppel Corporation as of 30 Jun 2020.


¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

Disclosure of previous investment recommendation produced:

7. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	<p>This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.</p> <p>For any query regarding the materials herein, please contact Carol Wu (Reg No. AH8283) at dbsvhk@dbs.com</p>
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBRS"). Recipients of this report, received from ADBRS are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBRS (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">  Wong Ming Tek, Executive Director, ADBRS </p>

Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608 - 610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E