

# Singapore Company Update Keppel Corporation

Bloomberg: KEP SP | Reuters: KPLM.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

30 Sep 2020

**BUY** (Upgrade from HOLD)

Last Traded Price (29 Sep 2020): S\$4.30 (STI : 2,471.61)

Price Target 12-mth: S\$5.50 (28% upside)

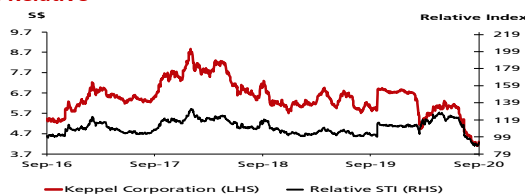
**Analyst**

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

## What's New

- Upgrade to BUY; S\$5.50 TP implies 28% upside with 3-4% dividend yield
- Stock has corrected c.20% post Temasek's partial offer withdrawal, trades at 0.7x P/BV or 2SD below 5-year mean
- Reaffirmation of capital recycling and launch of strategic review on O&M could restore confidence
- Improving property sentiment is another catalyst

## Price Relative



## Forecasts and Valuation

FY Dec (\$m)	2018A	2019A	2020F	2021F
Revenue	5,965	7,580	8,329	8,597
EBITDA	1,456	1,464	741	1,801
Pre-tax Profit	1,240	953	149	1,097
Net Profit	944	707	(171)	830
Net Pft (Pre Ex.)	944	707	(171)	830
Net Pft Gth (Pre-ex) (%)	15.8	(25.1)	nm	nm
EPS (S cts)	51.9	38.9	(9.4)	45.7
EPS Pre Ex. (S cts)	51.9	38.9	(9.4)	45.7
EPS Gth Pre Ex (%)	16	(25)	nm	nm
Diluted EPS (S cts)	51.7	38.8	(9.4)	45.5
Net DPS (S cts)	30.0	20.0	11.0	18.0
BV Per Share (S cts)	620	617	587	622
PE (X)	8.3	11.1	nm	9.4
PE Pre Ex. (X)	8.3	11.1	nm	9.4
P/Cash Flow (X)	62.7	nm	nm	4.3
EV/EBITDA (X)	9.3	11.9	24.7	9.5
Net Div Yield (%)	7.0	4.7	2.6	4.2
P/Book Value (X)	0.7	0.7	0.7	0.7
Net Debt/Equity (X)	0.5	0.8	0.9	0.7
ROAE (%)	8.4	6.3	(1.6)	7.6
Earnings Rev (%):			0	0
Consensus EPS (S cts):			6.80	40.8
Other Broker Recs:		B: 7	S: 4	H: 2

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



## Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

## Correction presents opportunity

### Investment Thesis:

Upgrade to BUY; unchanged S\$5.50 TP implies 28% upside and 3-4% dividend yield. Recent price correction of c.20% has dragged its valuation to near trough of 0.73x P/BV or 2SD below its 5-year mean (1.1x P/BV).

**Set on recovery path.** Property sales is improving especially in China and Singapore while O&M activity is picking up. **Clearer V2030 roadmap and reaffirmation of capital recycling** to unlock S\$3-5bn from identified assets over the next 3 years should restore confidence.

**Strategic review of O&M** shines some light at the end of tunnel. Yard restructuring is much needed in this prolonged downturn.

### Valuation:

**SOTP-based S\$5.50 TP (0.9x FY20F P/BV):** (1) Property at 35% discount to RNAV or 0.9x P/BV, similar to Capitaland; (2) Tianjin Eco-city using DCF assuming 10% WACC, (3) O&M at 1.0x impaired book, (4) Infrastructure/Investment at 15x FY20F PE.

### Where we differ:

**Positive on Tianjin Eco-city.** Keppel's huge land bank of ~5m sqm is held at low cost. Half 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, which is not reflected in our RNAV.

### Key Risks to Our View:

**Lower-than-expected en-bloc sales and O&M orders pose downside risks to forecast.** En-bloc sales are lumpy by nature, accounting for more than half of property profit in 2018 but only 10% in 2019. O&M revenue is expected to fall to the ~\$2-3bn level p.a. in FY20-21, versus \$7-8bn in FY12-14.

### At A Glance

Issued Capital (m shrs)	1,817
Mkt. Cap (\$m/US\$m)	7,815 / 5,709
Major Shareholders (%)	
Temasek Holdings	21.0
Free Float (%)	79.0
3m Avg. Daily Val (US\$m)	17.8
GIC Industry : Industrials / Capital Goods	



Live more, Bank less

## WHAT'S NEW

## Back to fundamentals; Restoring confidence through V2030

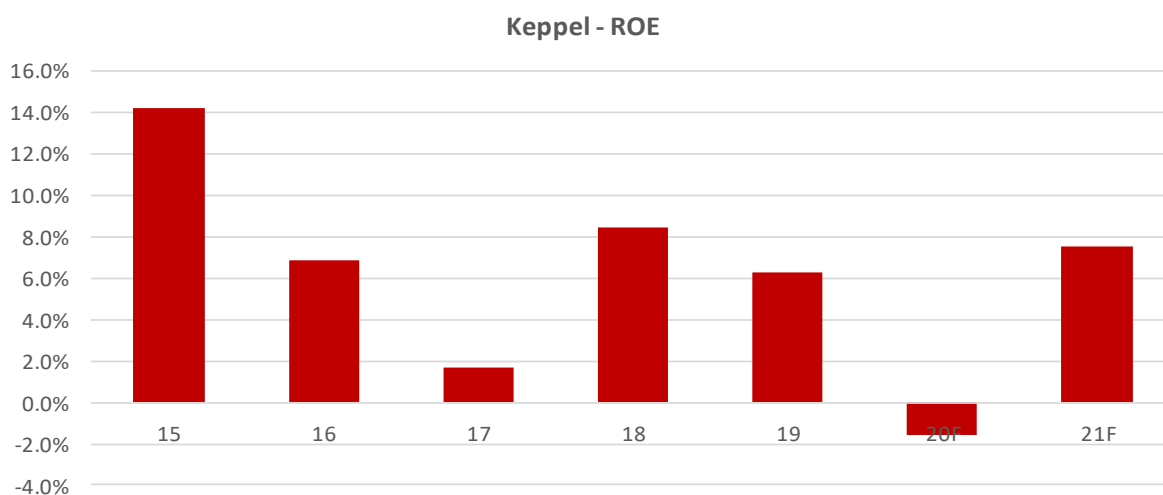
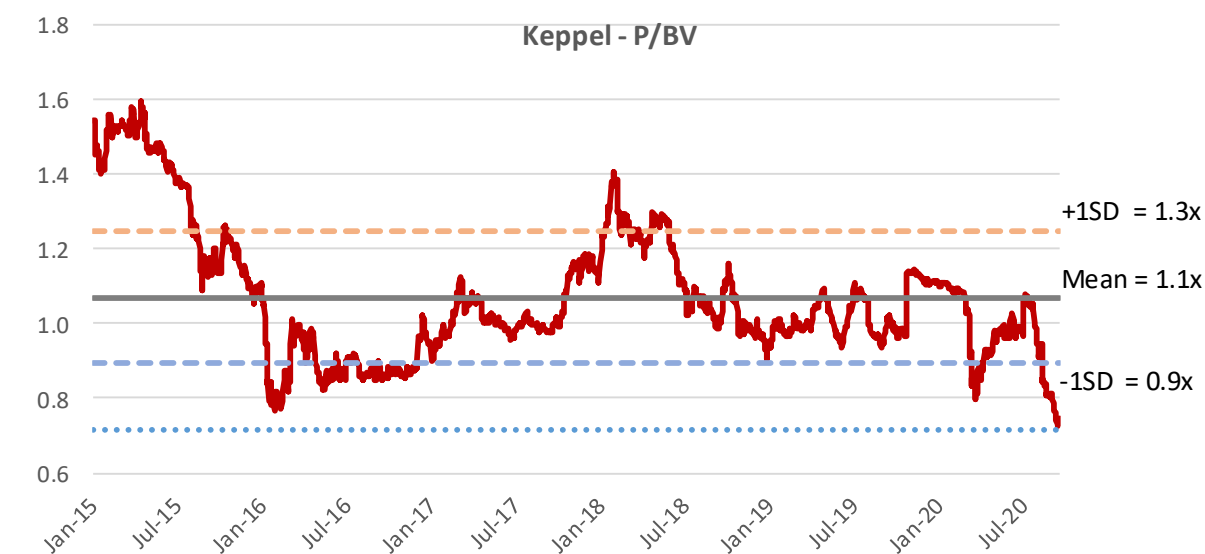
## Sharp correction in share price

Share price corrected c.20% post Temasek's withdrawal of partial offer on 10 Aug, following Keppel's non-fulfilment of Material Adverse Change (MAC) pre-conditions in its 2Q20 results due to massive impairment of S\$919m largely for the O&M segment.

Please click our recent reports on 1H20 results ([Keppel Corporation: Deal or no deal?](#)) and downgrade ([Keppel Corporation: Temasek withdrew partial offer](#))

Valuation drops to undemanding level of 0.73x P/BV or 2SD below 5-year mean (1.1x P/BV). This is below GFC and 2016 troughs of 1.21x and 0.77x P/BV respectively, reflecting weak earnings, particularly O&M, which swung into losses.

## Keppel's P/BV vs ROE



Source: Bloomberg Finance L.P., DBS Bank

### Set on recovery path

After the kitchen sinking 1H20, we believe the worst is now behind Keppel, operational improvements ahead should drive valuation rerating towards 1SD below mean with ROE inching up to estimated 7-8% next year. Recent press release on Vision 2030 (V2030) roadmap with strategic review on O&M alleviates concerns and restores confidence.

**Property sales to pick up.** While the battle against COVID-19 might be here to stay for some time with clinical trials of vaccines underway, the global economy is gradually opening, particularly in several of Keppel's core markets – China and Singapore.

In China, residential sales growth surged 29% y-o-y in Aug 2020 on the back of a 15% increase in residential GFA sold and 13% higher ASP. Despite tightening policy, our China property team expects physical market to conclude the year with 0-5% growth in both residential GFA and ASP.

In Singapore, responses to recent new launches have been encouraging. It is worth noting that sales of Penrose hit >60% in its first weekend launch, marking one of the most successful weekend launches post lifting of certain circuit breaker restrictions. Keppel is likely to launch two new residential developments this year - Nassim project, which was soft-launched prior to Circuit Breaker, and Coral plot 4 by the end of the year.

**O&M remains challenging but sequential improvements possible.** Keppel O&M Singapore was only operating for essential ship repair services with only ~1,200 workers during the circuit breaker in 2Q20. Yard operations have progressively resumed with ~5,000 workers post Phase 2 re-opening in July and further increasing to ~10,000 as of end Sept. Hopefully, we can see yard activity back to pre-COVID levels with all 24,000 workers back by 4Q20.

### Restoring confidence with V2030 roadmap; Strategic Review of O&M

Subsequent to unveiling of V2030 at end May-2020 ([Keppel Corporation: Vision 2030: A Sustainable Future](#)), Keppel hosted another briefing to share more details about the roadmap.

**Plans to unlock value from S\$3-5bn of assets in the next 3 years.** Shedding more light on its asset-light model and proactive capital recycling plans, Keppel has identified assets with a total carrying value of approximately S\$17.5bn (based on its balance sheet as at 30 June 2020) that can potentially be monetised, yielding S\$3-5bn net of debt. This can be partially channeled towards growth initiatives.

Assets to be monetised	Carrying Value S\$ bn
Landbank / Projects under development	7.0
Assets for monetisation through REITs / Trust or for sale	4.8
Non-core assets (incl Keppel O&M's rigs)	3.9
Funds / Investments that can be liquidated over time	1.8
<b>Total carrying value</b>	<b>17.5</b>

Source: Keppel, DBS Bank

**Commencing a Strategic Review of O&M business**, amid the sector's challenging environment, exploring both organic and inorganic options. Organic options include reviewing the strategy and business model of Keppel O&M, assessing its current capacity and global network of yards and restructuring to seek opportunities as a developer of renewable energy assets. While inorganic options would range from strategic mergers to disposal. Market will likely welcome the proactive move to tackle the industry challenges, alleviating a key concern.

### Yard restructuring options?

**Management stressed that the strategic review is imminent and expects it to conclude in a few months' time.** In our opinion, key options could include:

- 1) **Further rightsizing of O&M operations** includes closure of some of the global network of yards to optimise yard operations given the lower activity level. This is a strategy that Keppel has highlighted in recent results.
- 2) **Yard merger with Singapore peer**, Sembcorp Marine (SMM). While another offer for Keppel by Temasek over the next 12 months from the withdrawal of partial offer on 10 Aug 2020 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 O&M (KOM) and SMM.

We believe the merger of KOM and SMM would combine their core competencies and world-class facilities, thus strengthening their franchise and creating room for further cost rationalisation. Keppel could continue to own a stake in the combined entity or dispose KOM completely. The latter could be deemed more favourable, freeing it from the O&M drag.

3) **Game-changing cross-border partnership with global peers** in Korea / China. Thinking out of the box, inorganic options could be extended to cross border partnerships especially with Korean peers in the battle to fight against lower cost Chinese peers. Some synergies could be created as well, for instance, Korean yards could tap on KOM's global network of yards while KOM leverages on Korean's lower steel cost to build hulls. This will be a game changer for the shipbuilding industry, if global shipyards decide to collaborate rather than compete.

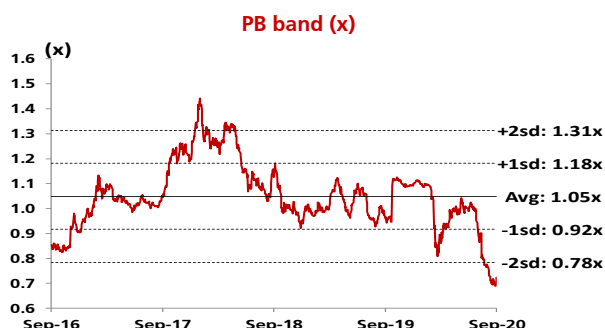
We opine that the possibility of a disposal of KOM to global peers like Chinese SOE yards is low given the technical know-how protection and Singapore's trading hub status.

In any case, the restructuring of yards is much needed in view of the prolonged structural downturn, and should bring some cheer to the market that has lost patience waiting for a recovery.

### 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.

### Historical PB band



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

### SOTP valuation of Keppel

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

Source: Keppel, 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
<b>Revenues (\$\$m)</b>					
Offshore and Marine	1,801	1,875	2,219	2,575	2,634
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
Others	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>5,964</b>	<b>5,965</b>	<b>7,580</b>	<b>8,329</b>	<b>8,597</b>
<b>EBIT (\$\$m)</b>					
Offshore and Marine	(167)	(73.4)	60.0	(500)	140
Property	668	1,032	508	573	674
Infrastructure	125	105	114	133	136
Investments	175	(23.0)	195	108	113
Others	0.10	1.83	0.0	0.0	0.0
<b>Total</b>	<b>801</b>	<b>1,043</b>	<b>876</b>	<b>313</b>	<b>1,064</b>
<b>EBIT Margins (%)</b>					
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
Others	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>13.4</b>	<b>17.5</b>	<b>11.6</b>	<b>3.8</b>	<b>12.4</b>

**Income Statement (\$\$m)**

FY Dec	2017A	2018A	2019A	2020F	2021F
Revenue	5,964	5,965	7,580	8,329	8,597
Cost of Goods Sold	(3,957)	(4,188)	(5,267)	(5,908)	(5,943)
<b>Gross Profit</b>	<b>2,006</b>	<b>1,777</b>	<b>2,313</b>	<b>2,421</b>	<b>2,654</b>
Other Opng (Exp)/Inc	(1,205)	(735)	(1,437)	(2,107)	(1,590)
<b>Operating Profit</b>	<b>801</b>	<b>1,043</b>	<b>877</b>	<b>313</b>	<b>1,064</b>
Other Non Opg (Exp)/Inc	19.9	9.99	64.6	16.7	17.2
Associates & JV Inc	291	222	147	(5.4)	291
Net Interest (Exp)/Inc	(51.3)	(34.2)	(135)	(176)	(274)
Exceptional Gain/(Loss)	(619)	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>441</b>	<b>1,240</b>	<b>953</b>	<b>149</b>	<b>1,097</b>
Tax	(244)	(284)	(192)	(297)	(241)
Minority Interest	(1.4)	(12.3)	(54.2)	(22.3)	(25.7)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>196</b>	<b>944</b>	<b>707</b>	<b>(171)</b>	<b>830</b>
Net Profit before Except.	815	944	707	(171)	830
EBITDA	1,324	1,456	1,464	741	1,801
<b>Growth</b>					
Revenue Gth (%)	(11.9)	0.0	27.1	9.9	3.2
EBITDA Gth (%)	(4.9)	10.0	0.5	(49.4)	143.0
Opg Profit Gth (%)	0.7	30.2	(15.9)	(64.2)	239.3
Net Profit Gth (Pre-ex) (%)	3.9	15.8	(25.1)	nm	nm
<b>Margins &amp; Ratio</b>					
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)	7.6
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	39.4
Net Interest Cover (x)	15.6	30.5	6.5	1.8	3.9

Source: Company, DBS Bank

## Quarterly Income Statement (\$\$m)

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)
<b>Gross Profit</b>	<b>560</b>	<b>581</b>	<b>666</b>	<b>527</b>	<b>449</b>
Other Oper. (Exp)/Inc	(400)	(397)	(454)	(253)	(872)
<b>Operating Profit</b>	<b>160</b>	<b>184</b>	<b>211</b>	<b>274</b>	<b>(423)</b>
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
<b>Pre-tax Profit</b>	<b>206</b>	<b>227</b>	<b>238</b>	<b>247</b>	<b>(604)</b>
Tax	(53.1)	(62.0)	(31.1)	(84.1)	(94.7)
Minority Interest	0.25	(5.8)	(15.0)	(2.3)	1.26
<b>Net Profit</b>	<b>153</b>	<b>159</b>	<b>191</b>	<b>160</b>	<b>(698)</b>
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 (\$\$m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Net Fixed Assets	2,433	2,373	3,166	3,050	2,920
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	2,301
Inventory	9,369	8,709	9,040	10,193	9,639
Debtors	3,063	2,702	2,748	3,020	3,117
Other Current Assets	524	347	611	611	611
<b>Total Assets</b>	<b>28,395</b>	<b>26,588</b>	<b>31,322</b>	<b>31,807</b>	<b>32,830</b>
ST Debt	1,714	1,481	4,555	4,555	4,555
Creditor	5,720	4,391	4,605	5,374	5,731
Other Current Liab	2,578	2,521	2,787	3,016	3,025
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	11,307
Minority Interests	530	309	435	457	483
<b>Total Cap. &amp; Liab.</b>	<b>28,395</b>	<b>26,588</b>	<b>31,322</b>	<b>31,807</b>	<b>32,830</b>
Non-Cash Wkg. Capital	4,657	4,846	5,008	5,434	4,611
Net Cash/(Debt)	(5,316)	(5,440)	(9,161)	(10,027)	(8,759)
Debtors Turn (avg days)	199.3	176.4	131.2	126.4	130.3
Creditors Turn (avg days)	510.4	460.7	335.6	331.6	367.6
Inventory Turn (avg days)	945.1	823.7	662.2	639.1	656.5
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)	1.4	1.5	1.2	1.1	1.2

Source: Company, DBS Bank

## Cash Flow Statement (\$m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Pre-Tax Profit	441	1,240	953	149	1,097
Dep. & Amort.	212	182	375	416	430
Tax Paid	(363)	(196)	(264)	(248)	(297)
Assoc. & JV Inc/(loss)	(291)	(222)	(147)	5.39	(291)
Chg in Wkg.Cap.	1,101	(196)	(1,437)	(475)	879
Other Operating CF	102	(684)	(306)	0.0	0.0
<b>Net Operating CF</b>	<b>1,203</b>	<b>125</b>	<b>(825)</b>	<b>(153)</b>	<b>1,818</b>
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
<b>Net Investing CF</b>	<b>557</b>	<b>677</b>	<b>(1,688)</b>	<b>(350)</b>	<b>(350)</b>
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
<b>Net Financing CF</b>	<b>(1,515)</b>	<b>(1,048)</b>	<b>2,346</b>	<b>(364)</b>	<b>(200)</b>
Currency Adjustments	(58.2)	(46.4)	(27.3)	0.0	0.0
Chg in Cash	187	(292)	(195)	(867)	1,268
Opg CFPS (\$ cts)	5.61	17.6	33.6	17.7	51.7
Free CFPS (\$ cts)	94.9	(6.8)	(72.9)	(24.9)	83.5

Source: Company, DBS Bank

## Target Price &amp; Ratings History



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
6:	11 Aug 20	4.80	5.50	HOLD

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

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: 30 Sep 2020 08:39:08 (SGT)

Dissemination Date: 30 Sep 2020 08:53:48 (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 associate<sup>1</sup> 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 interests<sup>2</sup> 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, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have a proprietary position in Keppel Corporation, Sembcorp Marine, recommended in this report as of 31 Aug 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 Aug 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 Aug 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.


#### 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.

<sup>1</sup> 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.

<sup>2</sup> 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.

## RESTRICTIONS ON DISTRIBUTION

<b>General</b>	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.
<b>Australia</b>	<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>
<b>Hong Kong</b>	<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>
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
<b>Malaysia</b>	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR 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 ADBSR (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, ADBSR </p>
<b>Singapore</b>	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.
<b>Thailand</b>	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.

<b>United Kingdom</b>	<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>
<b>Dubai International Financial Centre</b>	<p>This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608 - 610, 6<sup>th</sup> 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.</p>
<b>United Arab Emirates</b>	<p>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.</p>
<b>United States</b>	<p>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.</p>
<b>Other jurisdictions</b>	<p>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.</p>

---

**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

**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

**SINGAPORE**

**DBS Bank Ltd**

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

**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

**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