MITA No. 010/06/2008

8 April 2009

Keppel Land Limited

Downgrade to
HOLD
Previous Rating: BUY

S$1.64

Fair Value: S$1.79

Stock Code:

Reuters:	KLAN.SI
ISIN Code	K17
Bloomberg:	KPLD SP
Event:	Update

General Data

Issued Capital (m)	721
Mkt Cap (Sm/USm)	1,183/782
Major Shareholder	KepCorp (53.28%)
Free Float (%)	46
NTA per share (S$)	2.34
Daily Vol 3-mth ('000)	6,784
52Wk High (S$)	6.116
52Wk Low (S$)	0.985

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Risk fairly reflected in current market value

Top share price performer among large-cap developers. Among the large-cap developers, Keppel Land (KepLand) was the best performer in terms of share price performance during the recent market rally, rising 43.9% from its closing price on 9th March. It outperformed the 23.7% gain in the STI and the average gain of 24.5% for the large-cap developers during the same period. Prior to the market rally, KepLand's share price had underperformed its peers and we believe that the outperformance in KepLand's shares could be driven by oversold buying.

Slow sales expected for FY09. Property sale for KepLand is expected to remain slow in 2009 as its unsold properties and landbank are catered more towards the high-end segment. In light of the weak demand for high-end properties, we believe that KepLand will continue to hold back its new launches and allocate the resources to its two ongoing office developments - Marina Bay Financial Centre and Ocean Financial Centre. Nevertheless, earnings in the property development segment will continue to be driven by the progressive profit recognition of sold projects in Singapore (Marina Bay Residences, The Sixth Avenue Residences, The Suites at Central and Reflections at Keppel Bay) and overseas. Risk of write-down in landbank is minimal as the carrying value of KepLand's landbank is low and it had not acquired during the property upcycle.

Downgrading to HOLD on valuations; Fair value of S$1.79. To reflect the increase in market valuation of K-REIT and Evergro, our RNAV estimate of KepLand has now been raised marginally to S$3.70 (previously S$3.67). At current share price of S$1.64, KepLand is trading at price/book of 0.48x and price/RNAV of 0.44x. Risk for KepLand is relatively higher than its peers, given its higher RNAV exposure (~38% of RNAV, inclusive of K-REIT) to the Singapore office sector that faces significant headwind going forward, and the limited scale of diversification in its operations in comparison to peers. To reflect its higher risk profile, we have pegged a 60% discount to our valuation of KepLand's development profits and investment properties and no discount has been ascribed to its listed investments. Our fair value of KepLand has now been raised to S$1.79. We believe that current market value fairly reflects the risk of KepLand. With a limited upside potential of 9.2%, we are now downgrading KepLand to **HOLD.**

Year to 31 Dec	Turnover (S$m)	Gross Profit (S$m)	PATMI (S$m)	EPS (cents)	NAV (S$)	Price/NAV (x)	Div Yield (%)
FY 07	1,407.9	429.0	779.7	108.3	3.2	0.5	12.2
FY 08	842.2	322.1	227.7	31.6	3.4	0.5	4.9
FY 09F	843.6	261.6	241.4	33.5	3.7	0.4	4.9
FY 10F	905.0	291.4	296.2	41.1	4.1	0.4	4.9

Please refer to the important disclosures at the back of this document.

Exhibit 1: KepLand's FY09 RNAV estimates

	in S$m
NPV of development profits	
- Singapore	622.4
- Overseas	422.1
	1,044.5
Surplus on office properties	-665.2
Surplus on industrial and retail properties	2.1
	-663.1
Valuation of fund management business	298.8
Stakes in listed entities	376.2
Less:	
- Book value of listed entities	-833.2
Surplus on listed entities	-457.0
Net Asset (end FY08)	2,442.6
RNAV	2,665.8
Outstanding share base (m)	721.3
RNAV per share	**$3.70**
Fair value (Investment and development properties at 60% discount to valuation, no discount on listed investments)	**$1.79**

Source: OIR estimates

Keppel Land's Key Financial Data

EARNINGS FORECAST Year Ended 31 Dec (S$ m)	FY07	FY08	FY09F	FY10F
Sales	1,407.9	842.2	843.6	905.0
Cost of sales	-978.9	-520.0	-582.0	-613.7
Gross profit	429.0	322.1	261.6	291.4
Distribution costs	-7.6	-7.1	-5.1	-4.5
Admin and other expenses	-109.1	-97.8	-92.8	-99.6
Other income	0.0	14.5	0.0	0.0
Operating profit	312.3	231.7	163.7	187.3
Finance costs	-79.2	-51.4	-49.5	-44.8
Share of results of associated companies	93.9	68.1	159.3	202.2
Others	204.8	61.1	47.9	50.2
Profit before taxation	531.7	309.6	321.4	394.9
Taxation	-83.0	-44.7	-48.2	-59.2
After-tax profit before revaluation	448.7	264.9	273.2	335.7
Net appreciation on revaluation of investment properties	388.2	4.5	0.0	0.0
Profit after taxation	836.9	269.4	273.2	335.7
Attributable to:				
Shareholders	779.7	227.7	241.4	296.2
Minority interests	57.2	41.7	31.8	39.5

BALANCE SHEET As at 31 Dec (S$ m)	FY07	FY08	FY09F	FY10F
Current assets				
Properties held for sale	1,421.7	1,474.6	1,518.8	1,534.0
Stocks	3.6	3.6	3.8	4.0
Debtors	196.3	253.8	301.3	258.6
Amounts owing by holding and related parties	884.7	148.9	151.9	154.9
Fixed deposits, bank balances and cash	1,187.3	626.4	605.0	544.8
Total current assets	3,693.5	2,507.3	2,580.8	2,496.3
Non-current assets				
Fixed assets	148.4	173.9	182.6	191.7
Investment properties	1,378.3	1,433.0	1,518.9	1,594.9
Properties held for development	172.7	174.8	178.3	181.8
Long-term receivable	0.0	812.8	894.1	983.5
Investments				
- Associated companies	665.4	959.4	1,007.4	1,057.8
- Long-term investments	56.9	60.9	64.0	67.2
Total non-current assets	2,421.8	3,614.8	3,845.3	4,076.9
Total assets	6,115.3	6,122.1	6,426.1	6,573.2
Current liabilities				
Creditors	862.7	798.6	727.5	767.1
Net tax provision	121.6	106.2	111.5	117.1
Short-term borrowings	318.9	184.1	321.3	328.7
Amounts owing to holding and related parties	81.8	72.1	64.9	58.4
Total current liabilities	1,385.0	1,160.9	1,225.2	1,271.2
Non-current liabilities				
Long term borrowings	1,955.9	1,937.8	1,927.8	1,709.0
Deferred taxation	130.7	126.5	126.5	126.5
Total non-current liabilities	2,086.6	2,064.2	2,054.3	1,835.5
Share capital	1,185.3	1,188.5	1,190.9	1,193.2
Reserves	1,105.9	1,254.1	1,469.6	1,747.6
Share capital and reserves	2,291.2	2,442.6	2,660.4	2,940.8
Minority interests	352.5	454.4	486.2	525.7
Total equity	2,643.7	2,896.9	3,146.6	3,466.5
Total liabilities and equity	6,115.3	6,122.1	6,426.1	6,573.2

CASH FLOW Year Ended 31 Dec (S$ m)	FY07	FY08	FY09F	FY10F
Operating activities				
Operating profit	312.3	231.7	163.7	187.3
Adjustments	-93.9	-19.1	-11.4	-12.9
Working capital changes	267.3	-48.0	-162.8	67.1
Others	-48.1	-60.8	-49.8	-53.8
Net cashflows from operating activities	437.5	103.8	-60.3	187.6
Net cashflows used in investing activities	418.6	-357.9	-164.3	-159.5
Net cashflows from financing activities	-244.9	-330.4	166.1	-167.8
Net change in cash	611.2	-584.4	-58.4	-139.8
Adjustments	-4.9	23.5	37.1	79.5
Cash at beginning of period	581.0	1,187.3	626.4	605.0
Cash at end of period	1,187.3	626.4	605.0	544.8
Key Ratios				
PER (x)	1.5	5.2	4.9	4.0
P/NAV (x)	0.5	0.5	0.4	0.4
Gross profit margin (%)	30.5	38.3	31.0	32.2
Net profit margin (%)	59.4	32.0	32.4	37.1
Net gearing (x)	0.4	0.5	0.5	0.4
Dividend yield (%)	12.2	4.9	4.9	4.9
ROE (%)	31.7	9.3	8.7	9.7
ROA (%)	13.7	4.4	4.3	5.1

Source: Company data, OIR estimates

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