

MITA No. 010/06/2008

23 April 2009

Keppel Land Limited

Maintain

HOLD

Previous Rating: HOLD

\$S\$1.76

Fair Value: \$S\$1.76

Stock Code:

Reuters: KLAN.SI

ISIN Code: K17

Bloomberg: KPLD SP

Event:

Results

General Data

Issued Capital (m)	721
Mkt Cap (\$m/US\$m)	1,270/842
Major Shareholder	KeppCorp (53.28%)
Free Float (%)	46
NTA per share (\$)	2.34
Daily Vol 3-mth ('000)	7,351
52Wk High (\$)	6.116
52Wk Low (\$)	0.985

Results below expectations

Results below expectations. Keppel Land (KepLand) turned in a set of 1Q09 results that was below our expectations. Revenue fell 46.6% YoY and 26.2% QoQ to S\$145.7m largely due to the completion of trading projects in Singapore and overseas in FY08. Operating profit fell by a larger 55.1% YoY and 43.7% QoQ due to higher staff costs and forex loss. There was also a write-back of costs amounting to S\$5.3m that boosted operating profit in 1Q08. However, the decline in its bottom-line was mitigated by the increase in contributions from associates, mainly from Marina Bay Residences and Reflections at Keppel Bay. As such, net profit fell 38.8% YoY and 46.2% QoQ to S\$36.5m.

Lagging behind in recent home sale frenzy. Buying sentiment in the property market improved in 1Q09 but KepLand was unable to fully capitalise on it as its unsold inventories and landbank are catered towards the mid-high end housing segments. Nevertheless, sales were still better than 4Q08 as KepLand managed to sell 15 units in Park Infinia at ~S\$1,200psf and 15 units in The Tresor at ~S\$1,300psf. Average selling price for the remaining units of these 2 projects had exceeded our forecasts of S\$1,100 psf (Park Infinia) and S\$1,000 psf (The Tresor). No new projects were launched in 1Q09 as we believe that the conservation of resources for its office developments is now the key priority.

Availability of funding sources eases fund raising concerns. Net gearing ratio remains stable at 0.52x at end 1Q09 (end 4Q08: 0.52x). Cash balance remains healthy at S\$627m, with outstanding borrowings of S\$2.2bn. There is no near term refinancing risk as only 7% of total borrowings (~S\$160m) is due for refinancing in FY09. On top of its cash holding, unutilised credit facilities of S\$1.8bn (MTN Programme: S\$909m, Bank facilities: S\$925m) should provide sufficient buffer to fund its development projects over the mid term.

Maintain HOLD. We are now lowering our FY09 revenue and shareholders' profit forecasts to S\$720.3m (previously S\$843.6m) and S\$222.7m (previously S\$241.4m) respectively, after lowering our take-up rate assumptions for its development projects as we do not foresee a sustainable recovery in demand for properties. Our RNAV estimate of KepLand has now been lowered to S\$3.62 (previously S\$3.70) and fair value has also been lowered to S\$1.76 (previously S\$1.79). We maintain our **HOLD** recommendation on KepLand.

Foo Sze Ming

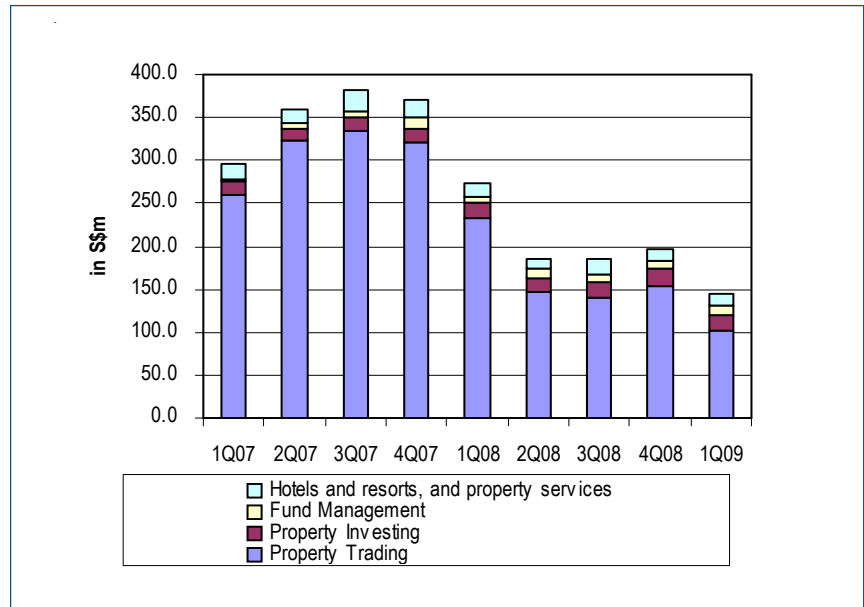
(65) 6531 9810

e-mail: FooSzeMing@ocbc-research.com

Year to 31 Dec	Turnover (\$m)	Gross Profit (\$m)	PATMI (\$m)	EPS (cents)	NAV (\$)	Price/NAV (x)	Div Yield (%)
FY 07	1,407.9	429.0	779.7	108.3	3.2	0.6	11.4
FY 08	842.2	322.1	227.7	31.6	3.4	0.5	4.5
FY 09F	720.3	258.7	222.7	30.9	3.7	0.5	4.5
FY 10F	905.0	284.1	276.6	38.3	4.0	0.4	4.5

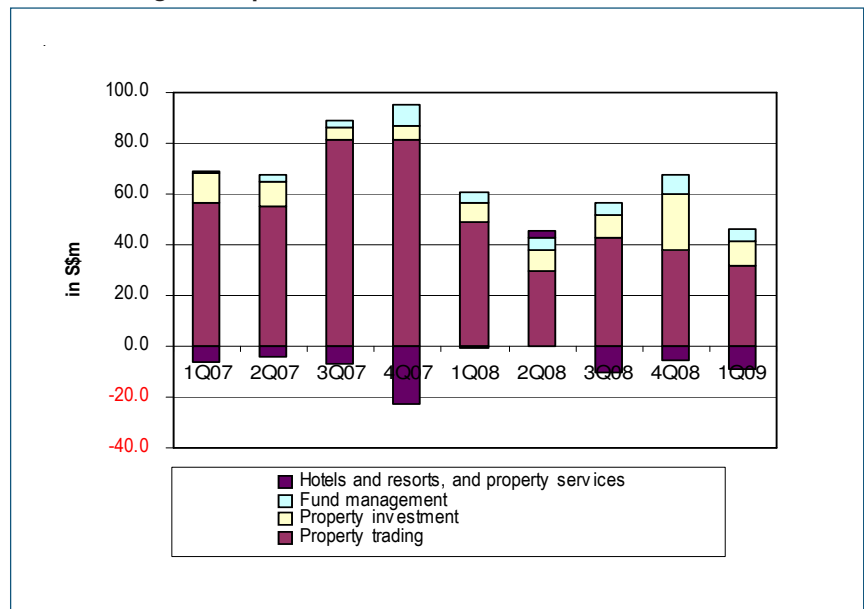
Please refer to the important disclosures at the back of this document.

Exhibit 1: Revenue trend and breakdown



Source: Company

Exhibit 2: Segmental profit trend and breakdown



Source: Company

Exhibit 3: FY09 RNAV estimates

	in S\$m
NPV of development profits	
- Singapore	570.9
- Overseas	420.8
	991.8
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	2,613.0
Outstanding share base (m)	721.3
RNAV per share	\$3.62
Fair value (Investment and development properties at 60% discount to valuation, no discount on listed investments)	\$1.76

Source: OIR estimates

Keppel Land's Key Financial Data

Keppel Land Results Year Ended 31 Dec (S\$ m)	1Q08 (S\$m)	1Q09 (S\$m)	% Chg (YoY)	4Q08 (S\$m)	% Chg (QoQ)
Sales	273.1	145.7	-46.6%	197.4	-26.2%
Cost of sales	-184.3	-87.6	-52.4%	-121.6	-27.9%
Gross profit	88.8	58.1	-34.6%	75.8	-23.4%
Distribution costs	-1.6	-1.3	-14.7%	-2.0	-32.4%
Admin and other expenses	-16.1	-24.8	53.6%	-31.6	-21.5%
Operating profit	71.1	31.9	-55.1%	56.7	-43.7%
Finance costs	-12.1	-13.0	7.1%	-12.4	4.2%
Share of results of associated companies	13.1	29.3	123.5%	28.1	4.2%
Others	10.9	7.4	-32.1%	18.2	-59.5%
Profit before taxation	83.0	55.7	-32.9%	90.6	-38.6%
Taxation	-14.5	-9.9	-31.4%	-13.9	-28.6%
After-tax profit before revaluation	68.5	45.7	-33.2%	76.7	-40.4%
Profit after taxation	68.5	45.7	-33.2%	81.2	-43.6%
Attributable to:					
Shareholders	60.3	36.9	-38.8%	68.5	-46.2%
Minority interests	8.2	8.9	7.9%	12.6	-29.9%

EARNINGS FORECAST

Year Ended 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Sales	1,407.9	842.2	720.3	905.0
Cost of sales	-978.9	-520.0	-461.6	-621.0
Gross profit	429.0	322.1	258.7	284.1
Distribution costs	-7.6	-7.1	-4.3	-4.5
Admin and other expenses	-109.1	-97.8	-108.0	-99.6
Other income	0.0	14.5	0.0	0.0
Operating profit	312.3	231.7	146.3	180.0
Finance costs	-79.2	-51.4	-47.4	-44.5
Share of results of associated companies	93.9	68.1	147.2	186.1
Others	204.8	61.1	47.9	50.2
Profit before taxation	531.7	309.6	294.0	371.9
Taxation	-83.0	-44.7	-44.1	-55.8
After-tax profit before revaluation	448.7	264.9	249.9	316.1
Net appreciation on revaluation of investment properties	388.2	4.5	0.0	0.0
Profit after taxation	836.9	269.4	249.9	316.1
Attributable to:				
Shareholders	779.7	227.7	222.7	276.6
Minority interests	57.2	41.7	27.2	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	257.3	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	374.7	489.2
Total current assets	3,693.5	2,507.3	2,306.4	2,440.7
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	6,151.7	6,517.6
Current liabilities				
Creditors	862.7	798.6	577.0	776.2
Net tax provision	121.6	106.2	111.5	117.1
Short-term borrowings	318.9	184.1	307.6	325.9
Amounts owing to holding and related parties	81.8	72.1	64.9	58.4
Total current liabilities	1,385.0	1,160.9	1,061.0	1,277.6
Non-current liabilities				
Long term borrowings	1,955.9	1,937.8	1,845.5	1,694.6
Deferred taxation	130.7	126.5	126.5	126.5
Total non-current liabilities	2,086.6	2,064.2	1,972.0	1,821.0
Share capital	1,185.3	1,188.5	1,190.9	1,193.2
Reserves	1,105.9	1,254.1	1,446.3	1,704.7
Share capital and reserves	2,291.2	2,442.6	2,637.1	2,897.9
Minority interests	352.5	454.4	481.6	521.1
Total equity	2,643.7	2,896.9	3,118.7	3,419.0
Total liabilities and equity	6,115.3	6,122.1	6,151.7	6,517.6

CASH FLOW

Year Ended 31 Dec (S\$ m)

FY07

FY08

FY09F

FY10F

Operating activities

Operating profit	312.3	231.7	146.3	180.0
Adjustments	-93.9	-19.1	-11.4	-12.9
Working capital changes	267.3	-48.0	-269.2	182.7
Others	-48.1	-60.8	-43.6	-50.0
Net cashflows from operating activities	437.5	103.8	-177.9	299.7
Net cashflows used in investing activities	418.6	-357.9	-164.3	-159.5
Net cashflows from financing activities	-244.9	-330.4	70.1	-89.0
Net change in cash	611.2	-584.4	-272.1	51.2
Adjustments	-4.9	23.5	20.4	63.4
Cash at beginning of period	581.0	1,187.3	626.4	374.7
Cash at end of period	1,187.3	626.4	374.7	489.2

Key Ratios

PER (x)	1.6	5.6	5.7	4.6
P/NAV (x)	0.6	0.5	0.5	0.4
Gross profit margin (%)	30.5	38.3	35.9	31.4
Net profit margin (%)	59.4	32.0	34.7	34.9
Net gearing (x)	0.4	0.5	0.6	0.4
Dividend yield (%)	11.4	4.5	4.5	4.5
ROE (%)	31.7	9.3	8.0	9.2
ROA (%)	13.7	4.4	4.1	4.8

Source: Company data, OIR estimates

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The analyst/analysts who wrote this report holds NIL shares in the above security.

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Carmen Lee
Head of Research

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