

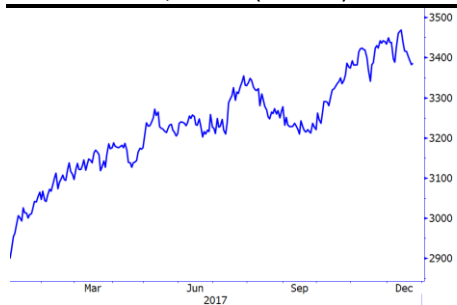
## Market Indicators

	20-Dec	21-Dec	22-Dec
Mkt. T/O (S\$ mil)	1,015.4	780.9	725.5
Stock Advances	154	192	198
Stock Declines	243	205	174

## Major Indices

	20-Dec	21-Dec	22-Dec
DJ Ind Avg	24,726.7	24,782.3	24,754.1
S & P 500	2,679.3	2,684.6	2,683.3
Nasdaq Comp	6,961.0	6,965.4	6,960.0
Hang Seng	29,234.1	29,367.1	29,578.0

**STI Index** 3,385.71 (+0.09%)



Source: Bloomberg

## Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,274.40	-
Oil (NYMEX CWT1) US\$ / bbl	58.61	0.21%
Baltic Dry Index	1366	-4.48%

## Exchange Rates



Source: Bloomberg

## Interest Rates

3-mth Sibar	1.249%
SGS (10 yr)	2.012%

KGI Securities Research Team

## Market Colour

The lack of short-term upside catalysts and lower trading volumes may keep activity among Singapore equities focused on rotational and situational plays. Among shares that continued to be in focus included ThaiBev, Allied Technology, Cosco Shipping and Olam International. With the passage of the comprehensive US tax-reform bill that will take effect at the start of 2018, there may be more focus in 2018 on US companies that are expected to be among the biggest beneficiaries.

## Company Update

- **Keppel Corporation (KEP SP; BUY; TP: S\$8.040):** Resolution of Brazil corruption probe - Page 2

## News

**Keppel Corp:** Keppel Land, subsidiary of Keppel Corp, acquired a prime piece of land in the city of Wuxi, China, to develop residential properties for RMB2.533b (S\$517m) in a government land tender. Keppel Land plans to develop the site into a residential project comprising 2,053 high-rise, 456 mid-rise and 246 low-rise units.

**Sembcorp Marine:** Sold the semi-submersible rig West Rigel for US\$500m (S\$672m), taking a S\$24m loss after the original customer filed for bankruptcy protection. The rig was originally contracted to a subsidiary of North Atlantic Drilling and Seadrill, both of which have applied for Chapter 11 restructuring in the United States, said Sembcorp Marine, one of the world's largest rig builders. The new sale agreement, which is still subject to negotiations, is expected to improve its liquidity position but result in a loss of S\$24m. **We currently have HOLD recommendation and a fair value of S\$2.05. Its share price may face selling pressure due Keppel Corp's US\$422m (S\$570m) fines related to the Sete Brasil projects, which may set precedent for Sembcorp Marine.**

**Frasers Centrepoint (FCL):** FCL and its subsidiaries are acquiring six cross-dock facilities of €257m (S\$409m) totalling 75,478 sqm of lettable area on 426,439 sqm of land in Germany. Management expects the acquisition to strengthen its platform in Europe by growing its portfolio of recurring income assets in Germany as well as reinforce FCL's "network effect". The acquisition will also allow FCL to benefit rising rental and occupancy rates due to strong e-commerce demand and limited supply. **Consensus has a fair value estimate of S\$2.18, implying a 4.3% upside.**

*Business Times / Bloomberg / Straits Times / The Edge Markets / SGX*

## Commentaries From The Trading Desk

- 6/12 [Spiking SIBOR could play a dampener on high flying property names](#)
- 4/12 [What Tencent giveth, Tencent can also take back!](#)
- 8/11 [A narrative of a stock entering its 'blow-off' phase](#)

Note: The comments and views in this section are those of the Trading Desk team and do not necessarily coincide with the views of the Fundamental Equities Research team.

# Keppel Corporation Ltd

(KEP SP/KPLM.SI)

**BUY - Maintain**

Price as of 22 Dec 2017	7.47
12M target price (S\$)	8.04
Previous target price (S\$)	8.67
Upside, incl div (%)	10.4

**Trading data**

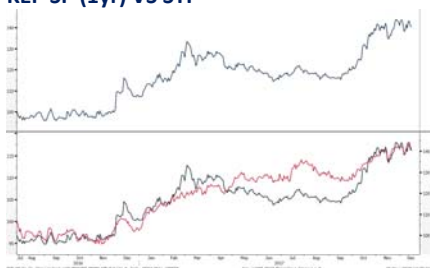
Mkt Cap (S\$m) / (US\$m)	13,545 / 10,079
Issued Shares (m)	1,813.3
Ave Daily Traded (3-Month) Vol / Val	4.5m / \$32.9m
52 week lo / hi	\$5.73 / \$7.83
Free Float	99.9%

**Major Shareholders**

Temasek	20.7%
Blackrock	5.9%

**Previous Recommendations**

Date	Rating	Share Price (S\$)	Target Price (S\$)
15-Dec-17	BUY	7.59	8.67
24-Jul-17	BUY	6.53	7.61
24-Apr-17	BUY	6.53	7.02
1-Jan-17	HOLD	6.27	6.50
31-Oct-16	BUY	5.29	5.93

**KEP SP (1yr) VS STI**


Source: Bloomberg

Joel Ng  
65 6202 1192  
joel.ng@kgi.com

See the last page for important disclosures.

## Resolution of Brazil corruption probe

**Event**

KEP's offshore & marine unit (KOM) will be paying fines totalling US\$422m (S\$570m) to criminal authorities in the US, Brazil and Singapore. These fines are related to improper payments that were made to Brazilian government officials between 2001 and 2014 for projects with Petrobras and Sete Brasil.

**Impact**

**Fines manageable.** The fines are expected to result in a 10% increase in KEP's net gearing ratio to 0.55x from 0.50x as at end of 3Q17, which is still conservative compared to SMM's 1.0x net gearing. Net profit for the full year 2017 may take a 70-75% hit but we expect the group to remain profitable.

**Impact on dividends.** KEP had indicated in its announcement that it will ring-fence the financial penalties when considering the final dividend for the current year. We thus maintain our original full-year dividend estimates of 18 SG cents (8 interim + 10 final) based on a 40% payout ratio of core-earnings compared to the 20 SG cents it paid out in FY16.

**Bigger impact on Sembcorp Marine (SMM).** KOM's resolution with authorities may be a precedent for what to expect for SMM. We estimate that given a similar amount of fine to be paid to authorities, the result could potentially increase SMM's net gearing by 20% to ~1.3x.

**Valuation & Action**

**Long-term story still intact; opportunity to accumulate on any short-term weakness.** We reiterate our BUY call despite the latest setback as we believe 1) downside may be limited on the back of its 15-year historical low valuations and 2) KEP has a compelling growth story that leverages on synergies between its various businesses. However, we adjust our SOTP valuation to take into account the impact of the fine on KOM's NAV. As a result, our fair value declines 7% from our previous estimates to S\$8.04.

**Risks**

Longer period of low oil prices and a property market slowdown in China.

**Financials & Key Operating Statistics**

YE Dec (S\$ m)	2015	2016	2017F	2018F	2019F
Revenue	10296.5	6767.3	6078.9	6182.1	6855.4
PATMI	1524.6	783.9	247.7	885.4	963.3
Core PATMI	1509.7	768.8	817.7	885.4	963.3
Core EPS	83.0	42.3	45.0	48.7	53.0
Core EPS grth (%)	-20.0	-49.1	6.4	8.3	8.8
Core P/E (x)	8.9	17.3	54.8	15.3	14.1
DPS (SG cents)	34.0	20.0	18.0	22.0	22.0
Div Yield (%)	4.6	2.7	2.4	2.9	2.9
Net Margin (%)	14.8	11.6	4.1	14.3	14.1
Gearing (%)	51.5	54.3	66.3	59.8	56.9
Price / Book (x)	1.2	1.2	1.2	1.1	1.1
ROE (%)	12.8	6.4	2.0	6.9	7.1

Source: Company Data, KGI Securities

**STI Components and Key Metrics**

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY16 (%)	Div Yield FY17 (%)
<b>FINANCIALS</b>								
DBS SP	DBS	24.72	63,225	0.7%	46.9%	0.6%	2.7%	3.0%
OCBC SP	OCBC	12.29	51,455	0.4%	42.4%	(0.1%)	3.0%	3.3%
UOB SP	UOB	25.73	42,790	(0.5%)	30.0%	(1.2%)	2.9%	3.1%
SGX SP	SGX	7.43	7,958	0.0%	7.7%	(1.2%)	4.1%	4.4%
<b>PROPERTIES</b>								
AREIT SP	Ascendas REIT	2.68	7,739	(0.7%)	25.5%	0.0%	6.0%	6.2%
CAPL SP	CapitaLand	3.51	14,907	(0.3%)	19.4%	0.3%	2.9%	3.0%
CCT SP	CapitaLand Comm Trust	1.91	6,892	0.5%	40.6%	2.1%	4.6%	4.6%
CT SP	CapitaLand Mall Trust	2.12	7,518	(0.5%)	18.9%	0.0%	5.2%	5.2%
CIT SP	City Development	12.23	11,121	(0.3%)	49.9%	0.7%	1.3%	1.3%
GLP SP	Global Logistic	3.36	15,783	0.0%	55.5%	0.0%	1.8%	1.9%
HKL SP	Hongkong Land USD	7.02	22,207	0.1%	13.9%	(2.5%)	2.8%	3.0%
UOL SP	UOL	8.63	7,264	(0.7%)	47.1%	1.1%	1.7%	1.7%
<b>TELECOMMUNICATIONS</b>								
ST SP	SingTel	3.59	58,622	0.6%	3.8%	(1.7%)	5.8%	5.1%
STH SP	StarHub	2.88	4,980	(0.3%)	9.0%	(1.4%)	5.6%	5.4%
<b>CONSUMER SERVICES AND GOODS</b>								
JCNC SP	Jardine C&C	40.43	15,979	0.4%	0.4%	(1.2%)	2.7%	2.8%
JM SP	Jardine Matheson USD	61.19	59,749	0.2%	13.4%	(2.9%)	2.6%	2.7%
GENS SP	Genting Singapore	1.31	15,753	(0.8%)	48.6%	(2.2%)	2.3%	2.4%
SPH SP	SPH	2.66	4,252	0.8%	(20.7%)	2.7%	5.2%	5.1%
THBEV SP	ThaiBev	0.91	22,850	(2.7%)	10.1%	(6.2%)	3.2%	3.4%
<b>TRANSPORT</b>								
SIA SP	Singapore Airlines	10.65	12,594	0.4%	12.3%	1.3%	2.5%	2.3%
CD SP	ComfortDelGro	1.93	4,175	1.0%	(18.5%)	1.0%	5.4%	5.5%
<b>COMMODITIES</b>								
GGR SP	Golden Agri	0.38	4,776	0.0%	(9.6%)	(1.3%)	1.8%	2.5%
WIL SP	Wilmar	3.09	19,545	0.0%	(12.1%)	(1.0%)	2.4%	2.9%
<b>OFFSHORE &amp; MARINE/INDUSTRIALS</b>								
KEP SP	Keppel Corp	7.47	13,545	0.3%	33.0%	(0.8%)	2.9%	3.3%
SCI SP	Sembcorp Industries	3.04	5,425	1.0%	9.1%	0.7%	2.5%	3.2%
YZJSGD SP	Yangzijiang SGD	1.50	5,953	0.0%	90.1%	0.0%	3.1%	3.0%
SATS SP	SATS	5.22	5,842	0.4%	11.3%	(0.6%)	3.4%	3.5%
SIE SP	SIA Engineering	3.13	3,500	1.0%	(2.6%)	0.6%	4.3%	4.5%
STE SP	ST Engineering	3.21	10,001	0.0%	3.4%	0.6%	4.6%	4.8%
HPHT SP	HPH Trust USD	0.41	4,802	1.2%	2.1%	1.2%	6.4%	6.6%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.  
Source: Bloomberg

**STI Reserve List (by market cap) - STI next review date: March 2018**

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY16 (%)	Div Yield FY17 (%)
VMS SP	Venture Corp	20.10	5,720	(1.0%)	111.5%	(0.6%)	3.1%	3.1%
SUN SP	Suntec REIT	2.12	5,623	0.5%	35.7%	0.0%	4.7%	4.7%
MCT SP	Mapletree Commercial	1.62	4,664	0.6%	23.0%	(0.6%)	5.5%	5.5%
KREIT SP	Keppel REIT	1.25	4,213	(0.8%)	29.1%	0.0%	4.8%	4.8%
SMM SP	Semcorp Marine	1.94	4,052	0.0%	42.3%	1.6%	1.0%	1.2%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.  
Source: Bloomberg

**Appendix 1: Corporate Action**

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 22 Dec 17	Yield (%)
AIMS Property Securities Fund - Cash Dividend Distribution			<b>AUD</b> 0.004926	<b>27-Dec-17</b>	29-Dec-17	16-Mar-18	SGD 1.730	0.3
JB Foods Ltd	13-Nov-17	3Q17	SGD 0.0200	<b>24-Jan-18</b>	26-Jan-18	1-Mar-18	SGD 0.510	3.9
Fraser and Neave	8-Nov-17	FY17	SGD 0.03000	<b>31-Jan-18</b>	2-Feb-18	14-Feb-17	SGD 2.580	1.2
Frasers Centrepoint	10-Nov-17	FY17	SGD 0.06200	<b>31-Jan-18</b>	2-Feb-18	14-Feb-18	SGD 2.090	3.0
Thai Beverage PCL	23-Nov-17	FY17	<b>Baht</b> 0.4700	<b>8-Feb-18</b>	12-Feb-18	28-Feb-18	SGD 0.910	2.1

**Latest Rights Issue Announcement**

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
Maxi-Cash Financial Services Corp	1 Rts Share @ S\$0.160 for each Rts share for every 10 existing ord shares held	12-Dec-17	14-Dec-17	<b>19-Dec-17</b>	<b>28-Dec-17</b>

Source: SGX Announcement

**Latest Listing Issue Announcement**

Company	Offer Price	Closing Date	Offeror
Cogent Holdings Ltd	SGD 1.02 Cash	5.30 p.m. on 5 Jan 2018	COSCO Shipping Int'l (Singapore) Co., Ltd.
Global Logistic Properties Ltd	SGD 3.38 Cash	5.00 p.m. on 9 Jan 2018	Nesta Investment Hldgs Ltd

Source: SGX Announcement

**Appendix 2: Financial Calendar**

Monday		Tuesday		Wednesday		Thursday		Friday	
	25-Dec		26-Dec		27-Dec		28-Dec		29-Dec
		<b>SG (Nov 2017):</b> Index of Industrial Production CPI Overall index and sub-indices		Q1: Second Chance Properties				Q4: No Signboard Hldgs (Release on Sat, 30-Dec) / Triyards Hldgs	
	<b>1-Jan-18</b>		2-Jan		3-Jan		4-Jan		5-Jan
								*Q1: Triyards Hldgs	
	8-Jan		9-Jan		10-Jan		11-Jan		12-Jan
	15-Jan		16-Jan		17-Jan		18-Jan		19-Jan
						SG: 4Q17 Advance GDP Estimates (Not later than 12 Jan)		Q2: Spore Exchange	
	22-Jan		23-Jan		24-Jan		25-Jan		26-Jan
		<b>SG (Dec 2017):</b> CPI Overall index and sub-indices				<b>SG (4Q17):</b> Industrial Properties		<b>SG (Dec 2017):</b> Index of Industrial Production Unemployment Rate & Employment <b>SG (4Q17):</b> Private Residential, Retail and Office Properties	

\* Tentative

Source: Bloomberg

---

**Disclaimer** This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities's total revenues, a portion of which are generated from KGI Securities's business of dealing in securities.

Copyright 2017. KGI Securities (Singapore) Pte. Ltd. All rights reserved.