

Media Release

Keppel's performance improves in 9M 2022, continues progress towards Vision 2030 goals

- Revenue grew 24% yoy to S\$6.8 billion¹ in 9M 2022; net profit improved over same period.
- Asset monetisation announced reached close to S\$4.4 billion; well on track to exceed S\$5 billion target before end-2023.
- Signed revised agreements that simplify implementation, provide greater deal certainty and accelerate completion of proposed Offshore & Marine transactions.

Singapore, 27 October 2022 – Keppel Corporation Limited (Keppel) has released its voluntary business update for 3Q & 9M 2022. For the first nine months of 2022, net profit improved year on year (yoy), underpinned by stronger performance from the Energy & Environment and Asset Management segments. Net profit for 3Q 2022 was lower yoy mainly due to the absence of the gain from the enbloc sale of a project in China in the equivalent period a year ago.

The Group's revenue¹ grew 24% to S\$6,836 million in 9M 2022, from S\$5,510 million in 9M 2021, underpinned by higher revenue contributions from Keppel Infrastructure, Keppel Offshore & Marine (Keppel O&M), M1 and Keppel Capital. The Group's net gearing increased to 0.79x as at 30 September 2022, from 0.68x as at 30 June 2022, mainly due to the payment of 2022's interim dividend and the repurchase of shares as part of Keppel's Share Buyback Programme. The Group continued to strengthen its business resilience amidst inflation and rising interest rates, as at end-September 2022, about 70% of the Group's borrowings were on fixed rates, with an average interest cost of 2.88% and weighted tenor of about 3 years.

Since the launch of Keppel's asset monetisation programme in September 2020, the Group has achieved close to S\$4.4 billion out of its three-year target of S\$3–S\$5 billion. Of this, about S\$1.4 billion of asset monetisation was announced in the year to date.

Keppel also announced today that it had signed revised agreements in connection with the proposed Offshore & Marine (O&M) transactions. The revised terms simplify implementation, provide greater deal certainty and expedite the completion of the proposed combination of Keppel O&M and Sembcorp Marine, allowing Keppel to further accelerate the execution of its Vision 2030 strategy. In addition, Keppel has secured improved terms in the Asset Co transaction, which allows Keppel to press forward with its plans to resolve the legacy rigs and associated receivables, regardless of the proposed combination.

¹ Revenue includes contributions from Discontinued Operations. Excluding Discontinued Operations, revenue from Continuing Operations in 9M 2022 was S\$5,016 million, up 15% from S\$4,348 million for 9M 2021.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, “Keppel delivered resilient performance against a very volatile environment, and has made good progress towards our Vision 2030 goals. We are well ahead of our three-year asset monetisation target, having announced close to S\$4.4 billion to date, and are confident of exceeding the S\$5 billion mark before the end of 2023. We are also growing our business in line with our asset-light model, announcing about S\$2.4 billion of investments in 3Q 2022 jointly made by Keppel, alongside our private funds and business trust to seize opportunities in energy & environmental solutions.

“The encouraging progress that we have achieved on the O&M transactions brings us closer to our goal of transitioning Keppel to become a global asset manager and operator with strong development and operating capabilities in energy & environment, urban development and connectivity solutions, all part of a continuous value chain to provide solutions for a sustainable world.”

In the Asset Management segment, Keppel Capital registered stronger operating results with asset management fees growing by about 11% yoy to S\$186 million in 9M 2022. Keppel Capital is on track to achieving its S\$50 billion assets under management target by end-2022. It is currently working towards launching its new flagship funds, the Keppel Core Infrastructure Fund and the Keppel Sustainable Urban Renewal Fund.

In the Energy & Environment segment, Keppel Infrastructure’s revenue for 9M 2022 rose 51% yoy to S\$3,150 million, driven by higher electricity and gas sales, as well as higher recognition from the Hong Kong Integrated Waste Management Facility. This has also contributed to Keppel Infrastructure’s net profit increasing significantly yoy. Meanwhile, Keppel continues to proactively expand in the areas of renewables, clean energy, decarbonisation and environmental solutions. Since July this year, Keppel has announced about S\$2.4 billion worth of energy & environment-related investments jointly undertaken by the Group and its managed funds and business trust. Keppel’s renewable energy portfolio² has also grown to about 2.6GW to date.

On the back of higher activity levels in 9M 2022, Keppel O&M grew its revenue by 56% yoy to S\$1,820 million and was EBITDA positive for the period. In 9M 2022, Keppel O&M secured S\$7.9 billion of new orders, bringing its net orderbook³ to S\$11.6 billion as at end-September 2022, which is at the highest level since 2007. Keppel O&M has also made good progress de-risking its legacy rig assets. All KFELS B Class jackups have been contracted to owners and charterers to date, while Keppel O&M continues to receive active enquiries for its remaining legacy rigs.

In the Urban Development segment, Keppel Land’s profit was lower yoy with reduced contributions from China trading projects and in the absence of enbloc sales in 9M 2022. Looking ahead, Keppel Land will continue pivoting towards real estate-as-a-service with a focus on growing recurring income and seizing opportunities in areas such sustainable urban renewal and senior living.

In the Connectivity segment, the Group completed the acquisitions of three data centres in 3Q 2022, bringing its portfolio to 32 data centres across Asia Pacific and Europe. Meanwhile, Keppel Data Centre’s latest asset at Genting Lane achieved the BCA Green Mark Platinum Award, the highest accolade conferred by Singapore’s Building and Construction Authority for new data centre developments.

² On a gross basis and includes projects under development.

³ Excludes semis for Sete Brasil.

M1 recorded a higher yoy net profit, while its revenue grew 9% yoy to S\$854 million, underpinned by higher service revenues and contributions from the region. Notably, revenue from the enterprise business grew 34% yoy to S\$265 million in 9M 2022. As at end-September 2022, M1 achieved more than 90% outdoor 5G coverage in Singapore, while its postpaid customer base grew 12% yoy to over 1.8 million subscribers.

More details on the updates for the business segments for 3Q & 9M 2022 can be found in the addendum to this media release.

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Addendum

Asset Management

Keppel Capital's 9M 2022 revenue was 15% higher yoy at S\$142 million, underpinned by stronger operating performance. Net profit for 9M 2022 however fell yoy, mainly due to unrealised mark-to-market losses from investments. Asset management fees⁴ were 11% higher yoy at S\$186 million, underpinned by higher management fees from the completion of new acquisitions and new funds raised, as well as higher acquisition fees. In the year to date, Keppel Capital has completed S\$4.0 billion worth of acquisitions and divestments and is on track to achieving its S\$50 billion assets under management target by end-2022.

Energy & Environment

Keppel Infrastructure's revenue for 9M 2022 rose 51% yoy to S\$3,150 million, driven by higher electricity and gas sales, as well as higher revenue recognition from the Hong Kong Integrated Waste Management Facility. Its 9M 2022 net profit also rose significantly yoy.

Keppel Infrastructure continued to expand its presence and seize growth opportunities in renewables, clean energy and decarbonisation solutions. In September 2022, the company formed a consortium with Air Liquide, Chevron and PetroChina to explore the development of large-scale carbon capture, utilisation and sequestration solutions and integrated infrastructure in Singapore. More recently in October, Keppel Infrastructure signed a Memorandum of Understanding (MOU) with Greenko, one of India's leading renewable energy companies, to explore the feasibility of jointly developing a green ammonia production facility powered by carbon-free energy. It has also signed exclusive and binding agreements with Royal Group Power and PSG Corporation to explore renewable energy opportunities including the importation of green energy into Singapore, respectively from Cambodia and Lao PDR, thus accelerating the ASEAN power grid vision of multilateral electricity trading.

Meanwhile, the Keppel Infrastructure @ Changi building, Singapore's first Green Mark Platinum Positive Energy building under the new scheme, was officially opened. Serving as an operations nerve centre, the building provides real-time surveillance of Keppel Infrastructure's operations across Singapore, starting with its district cooling plants.

Keppel O&M recorded a 56% yoy growth in revenue to S\$1,820 million for 9M 2022, underpinned by higher levels of activity, and was EBITDA positive. Op Co⁵ was profitable in 9M 2022.

During the quarter, Keppel O&M secured S\$7.9 billion of new orders, including two FPSO contracts from Petrobras which are cashflow positive and earnings accretive. Keppel O&M also entered into an Amended and Restated Framework deed with Borr Drilling to accelerate the delivery of three of the five undelivered jackup rigs to between October 2022 and July 2023, with full payments upon delivery amounting to at least US\$352 million. Keppel O&M also secured four bareboat charter contracts in Saudi Arabia totalling S\$255 million in the year to date.

⁴ Includes 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on shareholding stake in associate with which Keppel has strategic alliance.

⁵ Op Co comprises Keppel O&M excluding the legacy completed and uncompleted rigs and associated receivables and its interests in Floatel and Dyna-Mac.

Urban Development

Keppel Land registered lower yoy net profit for 9M 2022, due to lower contributions from China trading projects and the absence of enbloc sales. Keppel Land sold 1,690 homes in 9M 2022, lower than the 3,460 homes sold in 9M 2021, mainly due to slower home sales in China, which was affected by COVID-19 lockdowns that also had an impact on new launches. Nevertheless, the Chinese authorities are rolling out property easing measures such as easier homeownership qualification and mortgage approval that would help to stabilise the residential market.

In October 2022, Keppel Land announced the monetisation of Sheshan Riviera in Shanghai, China for about S\$196 million. To further advance its transformation into an asset-light urban solutions provider, Keppel Land is working to substantially monetise its landbank in China and Vietnam over the next 1-2 years, including through Keppel-managed private funds. The company is also pivoting towards offering real estate-as-a-service with focus on growing recurring income, as well as seizing opportunities in sustainable urban renewal and senior living solutions.

Connectivity

Keppel Data Centres recorded a lower yoy net profit for 9M 2022, mainly due to the absence of fair value and disposal gains from the Frankfurt data centre, which was divested in September 2021.

M1's net profit for 9M 2022 was higher yoy, underpinned by M1's continued execution of its transformation plans, which have resulted in higher service revenues and contributions from the region, growth in the enterprise business, as well as lower depreciation following the monetisation of M1's network assets at end-2021. M1 made good progress on its 5G standalone network rollout, achieving over 90% outdoor coverage as at end-September 2022. M1 is also unlocking new metaverse opportunities in the entertainment, MICE and tourism, and cloud gaming industries. A recent example was the signing of an MOU with Gardens by the Bay and Electronic Sports to provide 5G-powered metaverse experiences in Gardens by the Bay's indoor venues.