

Media Release

Keppel secures control of legacy rigs to accelerate asset monetisation plans

- *Rigs and cash of S\$843 million in Asset Co will be directly controlled by Keppel to facilitate completion of rigs and monetisation.*
- *Planned creation of new Keppel-run private fund for Asset Co's rigs and Floatel stake that can attract third party capital with optionality for monetisation through future securitisation.*
- *No intention to re-enter the offshore market. This is part of a plan to accelerate monetisation of rigs.*

Singapore, 19 November 2024 – Keppel Ltd. (Keppel), on the back of improving conditions in the offshore rig market, will secure control over the 13 legacy rigs held by Rigco Holding Pte. Ltd. (Asset Co) following a selective capital reduction (SCR) exercise to be completed by Asset Co.

Keppel currently holds a 10% equity stake in Asset Co, S\$139 million in perpetual securities and approximately S\$4.3 billion in vendor notes issued by Asset Co. When the SCR exercise is successfully completed by end-2024, the shares in the capital of Asset Co not held by Keppel will be cancelled, resulting in Asset Co becoming a wholly-owned subsidiary of Keppel. Asset Co will be housed within a newly created private fund to be managed by Keppel.

With control over Asset Co, Keppel will be able to effectively manage when and how the legacy assets are monetised, with the goal of achieving the best risk-adjusted returns. Keppel will also have control of S\$843 million of cash in Asset Co as at end September 2024, which it can utilise to complete the unfinished rigs. Keppel has no intention of re-entering the offshore and marine business. However, as the largest economic interest holder in Asset Co, Keppel remains focused on the monetisation of the legacy assets. As part of the existing master services agreement, Seatrium Limited will continue to provide construction, maintenance, and other associated services for the legacy rigs for an initial period of 10 years after the combination of Keppel Offshore & Marine Ltd (now known as Seatrium Offshore & Marine Ltd) and Sembcorp Marine Ltd (now known as Seatrium Limited).

In line with its asset-light business model, Keppel plans to establish a new and dedicated private fund, the Keppel Offshore Infrastructure Fund, to own and manage the legacy rigs and its 49% stake in Floatel as well as attract third party capital from limited partners and co-investors. This will provide Keppel with greater strategic flexibility to respond to market opportunities via directly managing the rig assets through the Fund, while potentially earning asset management fees as a General Partner of the Fund. The Fund would also have the optionality of selling the rigs or exiting through a securitisation route in future.

Mr Loh Chin Hua, CEO of Keppel, said, "Asset Co has one of the most advanced rig fleets available in the market today, where about half of these rigs are contracted and generating stable cashflows. Amidst the improving conditions in the offshore rig market, with some segments benefitting from utilisation rates of about 90% and improving day rates, securing control over the management and monetisation of our legacy rigs will enable us to reduce our risks as a substantial creditor to Asset Co, and better realise the potential of its assets.

"A successful selective capital reduction exercise by Asset Co will put us in the driver's seat to exert better control of the cash in Asset Co, and accelerate rig monetisation which will unlock funds that can be used to reduce debt, reinvest for growth and reward shareholders. The planned establishment of a private fund to manage Asset Co's rigs will further complement this goal, allowing us to turn these legacy assets into fee-bearing funds under management in line with our asset light model."

The global drilling fleet is aging rapidly, compounded by years of underinvestment in new supply. This trend is especially evident in the jackup market, where a shortage of premium rigs is projected in the coming years.

The increasing shortage of advanced drilling rigs, along with the high costs and long lead time associated with constructing new ones, is likely to create attractive opportunities for undelivered rigs from the previous construction cycle and the remaining idle rigs that can be reactivated. This trend presents a prime opportunity for Keppel as an asset manager to unlock the potential of its legacy rigs by offering operators a more cost-effective and quicker means of securing additional rigs for their near-term drilling requirements.

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About Keppel Ltd.

Keppel Ltd. (SGX:BN4) is a global asset manager and operator with strong expertise in sustainability-related solutions spanning the areas of infrastructure, real estate and connectivity. Headquartered in Singapore, Keppel operates in more than 20 countries worldwide, providing critical infrastructure and services for renewables, clean energy, decarbonisation, sustainable urban renewal and digital connectivity. Keppel creates value for investors and stakeholders through its quality investment platforms and diverse asset portfolios, including private funds and listed real estate and business trusts.