Keppel advances monetisation of non-core business through landmark telco sector consolidation between M1 and StarHub

Media & Analysts Briefing Transcript

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Question & Answer session

Questions from Mervin Song, JP Morgan

Congratulations, Chin Hua and team on the transaction. Just to understand the pro forma value of $1.50 per share. Is there a secret formula that we should be aware of? And can I presume you think it will do much better than $1.50 over time? Thanks.

LCH: I think this is probably covered in greater detail at the StarHub briefing. The pro forma value of $1.50 includes synergies of about $1.1 billion, and this is off a run-rate of about $110 million in operational synergies. It does not include any revenue uplift, which we would expect. So yes, we think that the potential upside could be even greater.

Any particular reason why an all-scrip deal rather than cash and scrip, which was probably my initial expectation?

LCH: Mervin, if you look at the transaction from Keppel's point of view, and more importantly also from the combined entity's point of view, conserving cash for the combined entity was an important consideration because there is a lot of potential value-accretive initiatives that can be pursued by the combined entity. On the other hand, if we take cash, it is better in the short term, but in the medium to long term, taking shares at this point where their share price is trading at $1.01, we see a lot of potential for synergies and revenue growth. We think that that could work out better in the medium to long term.

Final question for me – I think this year has been quite impressive, massive FUM growth, non-core sales done fantastically well, but share price seems to have been rather weak lately. Should we reconsider restarting your share buyback? I presume you too think the stock is undervalued, if I am allowed to ask that question.

LCH: If you ask management, management always thinks the stock is not fully valued. We will review this, but at the present time, there are no plans for any stock buyback. I think when we do stock buyback, it is not just about what we believe the current value of the stock to represent, but also what we intend to use the treasury shares for. But this is something that we will always look at because we do have potential M&As. We also have a second tranche for Aermont that is due for payment – half by shares – by 2028.

Congrats again. It felt like this transaction was a slight overhang in terms of uncertainty over the enterprise value. But congrats again. Very excited for Keppel's future going forward.

Questions from Lim Siew Khee, CGS International

I will just have three questions. Firstly, this is a two-stage divestment plan. So, assuming that you definitely have to do the second stage orderly, how would you do that? What sort of exit plans do you have?

LCH: It is a bit early to say. Of course, we have to factor in that we have quite a major stake at 23%, and we don't want to really create an overhang. It does not help any of the shareholders, including ourselves. I think there are a few possibilities. Of course, one possibility would be we can sell shares in a very orderly manner after 12 months post completion. So that could be one way. We dripped out the 5% we had of Seatrium that way over time, but of course this is much bigger.

The other possibility could be that we could do a distribution *in specie* to our shareholders. That's another way.

And the third way would be doing a block trade. When we were looking to market M1 in the past year or so, there were quite a number of interested parties, but they did not want to come into a four-telco market. So, with a consolidation taking place, I expect that there would be renewed interest in the telco sector in Singapore. So, there is a possibility that we can also do block trades, whether to strategic (partners) or to investors.

My second question is how did you derive the synergies that they have and how do you achieve that?

LCH: Maybe I'll ask Manjot to address this point.

MSM: Yes, Siew Khee. So, on the cost side, there are a few elements that have been considered for synergies going forward. The first and foremost is on the network side, where we feel that while we have been deploying the 5G network through Antina, our joint venture with StarHub, I think the 4G network is something that we could look at rationalising going forward, which would form a significant part of our network synergies and overall synergies, including things like in-building coverages and so on. So on the network side, there is a significant amount of synergy.

Secondly, on the technology stack, which is our digital platform, there is again significant value that we derived from synergies, considering that both our stacks have enough capacity to take the combined subscriber base of StarHub and M1. Now, whether that will be StarHub's stack or ours, I think that has to be evaluated. But we do feel that considering M1's digital platform, with the recent platform upgrades that we had done over the last five to six years, is something that can become very useful for the combined entity.

Third, I think rightsizing of the organisation is also something that the combined entity will look at, considering that there could be roles and there could be rightsizing of different functions. We will have to work very closely with the StarHub team to see how we can get the best man for the job irrespective of whether they are StarHub or M1, but getting the best blended team is something

that we will have to work on with StarHub. So these are three large buckets of synergies that we think can deliver the $110 million that has been spoken about.

LCH: Just to add, I think this is quite a transformative deal for the industry. Here we are talking more about the financials, but if you look at the bigger picture, I think the coming together of StarHub and M1, we have the opportunity to create a very competitive, fit-for-purpose entity that can serve the customers, serve the market better and more efficiently, more effectively. So I think it's something that we are very excited about together with our partner StarHub.

MSM: Can I just add? Also, I think in the future there will be quite a significant amount of investments that might be required for cybersecurity, for innovative products and services that you might want to deliver. So I think combining the two entities gives us the opportunity also to serve our customers with innovative products and network, which is probably going to be Singapore's best network going forward.

Okay, thanks. My last question is maybe you can refresh us on your dividend payout policy again? Are you going to increase payout or maintain? How do we look at it?

LCH: Well, you are very consistent, Siew Khee. I think if you look at this, M1 is currently classified as a non-core asset, and after this transaction, the shares that we receive will stay as non-core. So, the ordinary dividends will not be impacted at all by any accounting treatment for this transaction.

But for the special dividend, as we mentioned, the deconsolidated debt will be added to the monetisation for the year, when the deal is completed. This will be in 2027. It won't be this year. So, we will pay 10% to 15% special dividends from that. For the shares that we hold, if we were to monetise them in the future through sale, etc., then whatever is received will also be added to monetisation for the purpose of calculating special dividends.

Questions from James Druce, CLSA

Thank you for taking my questions. You were touching on this just before – looking at the potential cost synergies of around $110 million, I understand that is in addition to the $40 million that was talked about before and the $70 million that StarHub talked about as well. But of the $110 million, what is genuinely duplicated cost versus procurement savings or productivity improvement?

LCH: I will get Mann to address this.

MSM: So, the duplicated costs would be in the areas of network, like I said, where they could be deduplicated in terms of the network layout and planning that we are getting into, or we would get into eventually. The other could be in terms of the retail presence. I think that there is an opportunity to deduplicate the retail presence in Singapore. Like I said on the technology stack or the platform, I think that's probably the largest piece of deduplication because we do think that there is no need to run two separate digital platforms or tech stacks, operational support systems and business support systems for the combined base that we would operate. So a large part, to be honest, is going to be on the deduplication of costs, and then of course to add to that, like Chin Hua mentioned, there are potential upsides from revenue and market share gain, which can be built on top of the cost synergies that we are planning for.

That is not included as part of the $110 million because we do feel that with the best network in Singapore, the best retail presence in Singapore, the best brands combined in terms of premium, digital, along with Circles.Life and other brands that we have in the portfolio, as well as our budget brands, the brand portfolio is quite complete. So, considering these, all parts of the business that will start firing as a combined entity, we do feel that there is a revenue and market share upside as well.

That was sort of my second question. So, without talking about future pricing, the revenue opportunities across cross-sell, churn reduction, bundling and digital services, you probably have an internal number as to where you think that can get to. Where do you think the big muscle movement, the easy wins or the low-hanging fruit can be across those revenue items?

LCH: James, we believe that the potential for revenue uplift is significant, but we cannot really go into the details at this point in time.

Okay, I will leave it there. Thank you.

Questions from Rachael Tan, UBS

Three questions from me. If you multiply 546.5 million shares with $1.50, you get $820 million, plus deconsolidation of $324 million net debt, then you get roughly to about $1.15 billion. Is this how we should see the value of the company?

LCH: I think the enterprise value is $1.36 billion using $1.50 per share. That is the enterprise value.

Okay, thanks for the clarification. So, my second question is you mentioned previously that you have no real intention to remain in the consumer telco business. On the other hand, you are highlighting the upside potential for future consolidation. Does this mean that you are willing to continue to retain stakes in your Non-Core Portfolio for Divestment for potential upside? How should we see the future monetisation then?

LCH: Well, the way we look at this is that firstly, we are trading a private company. We are trading it for deconsolidating debt, and then we will end up with 23% of a listed entity, and it's a minority stake, which lends itself to more avenues for monetisation going forward, including as I shared earlier potential distribution *in specie*. It would have been impossible to do that with a privately owned company, which is what M1 is currently. It still remains non-core, so that does not change because we do not see that business as core to what Keppel is today as an asset manager and operator.

We do see potential upside. Even when we do some of the sales of our non-core assets, the key is to get the sales completed within the timeframe of 2030, if not sooner. That is really the key consideration. But in the process, if we can get a better price, then it helps in terms of adding to the potential monetisation, which gives us more firepower for doing new acquisitions under the New Keppel, and also of course it also helps in terms of the special dividends that we will pay out to shareholders, so there is no conflict in how we see this.

Thanks for clarifying that this will remain in Keppel's Non-Core Portfolio for Divestment. How should we see Keppel's involvement in the combined entity going forward? Because it sounds like, based on what you and Manjot commented, you are willing to play kind of like a bigger role in helping to drive synergies, especially if it is StarHub potentially porting over to M1's system. Could you elaborate on that?

LCH: Sure. Well, StarHub is a listed entity. It has a management team, as what Manjot alluded to, I think we will get the best of the best in terms of the management team of the combined entity. The board is very capable. It is an independent board. It is a listed company. We will get one board seat, and we will put someone there because especially during this initial phase, we need to help in terms of how we synergise between the two companies, so that is kind of how we look at it.

But as I said, StarHub has a very competent board, and we are very comfortable coming into a deal where this board will clearly run it. We will have a representative on that board.

Okay, this is very clear. Thank you so much for your clarification.

Questions from Mervin Song, JP Morgan

On the bonds for the network assets that Keppel DC REIT owns, should we expect that to be redeemed? And also who actually makes the final decision? Is it StarHub or Keppel?

LCH: This is an existing contract, and it is not part of the transaction that has been announced. So it will continue. The decision, when completion is done, will be between StarHub and of course Keppel DC REIT.

Ok, so StarHub will finally make the decision if they want to redeem.

LCH: It's a contract, so you need two parties to agree if there were to be any changes.

In terms of accounting, let's say the transaction is completed and you receive the StarHub scrips, I presume they will be on your books at $1.50. Would that be correct?

LCH: No, it will be on the books at the traded price at that time.

Okay, so you wouldn't have a situation where it was trading at $1.30 and no mark-to-market loss from $1.50.

LCH: It will be at the traded price on the day of completion. It is similar to the deal that we did when we merged Keppel Offshore & Marine with Sembcorp Marine.

So obviously you are taking a view on how much StarHub should be worth in the medium term, including cost synergies and revenue synergies potentially. What do you think is the right earnings multiple for a telecommunications company in Singapore in a consolidating market?

LCH: I think the point right now is that the telco market in Singapore, currently a four-telco market, is under quite a lot of financial duress, so the multiple is probably not reflective of what a healthier market should be. So I think there is a chance, there is an opportunity that as we do the

combination, we will derive these synergies, the cost synergies, and also possibly revenue expansion. There will be opportunities for re-rating as well, so the multiples could be re-rated once the market mends itself, repairs itself, and we start to see growth again, which we believe will come. So I think the upside potential is fairly significant in our view.

Is there an EV/EBITDA multiple for this transaction that you can share with us? I think it was 7.3x for Simba.

LCH: Yes, I think it's currently at just a shade under 9x, based on the 12 months to June of this year.

Just two final questions from me. Do you want to make any comments on the impact of the tighter US chip supply into Southeast Asia? Some people are pushing the narrative of oversupply in the Singapore power market – I don't know whether you want to make any comments on that.

LCH: Not germane to our discussion today, so we'll address that in a separate forum.

Questions from Mayank Maheshwari, Morgan Stanley

In terms of cash flow savings going forward, how much do you think will be the impact to cash flows at the Keppel consolidated level?

LCH: Maybe Kevin, do you want to address this?

KC: As far as M1's contribution goes, we have accounted for that in our earnings presentation. From a cash flow perspective, I do not think there is going to be a significant impact. You have always been asking us about capex requirements and all that, so with this going forward, I think there will be a positive impact on the way we look at overall Keppel cash flows because the capex will essentially be part of the combined entity now.

So on a net basis, including the capex, you think there will be savings at the Keppel consolidated level now going forward?

KC: Yes.

LCH: Mayank, to give you an example. For the 700 MHz spectrum, there are some payments of around $56 million due in the next few years. So, the responsibility for that payment, with this transaction, will go to the combined entity. So you are saving from the capex, as per what Kevin was saying.

Got it, so that becomes pretty clear. Just on this point, Chin Hua, in terms of the combined entity basis, can you just give us a bit of clarity of what percentage of the Singapore spectrum will the combined entity own? And what percentage of the fibre network? And in terms of equipment, is there a synergy on the wireless equipment side as well between the two networks?

LCH: Okay, Mann?

MSM: Sure. Mayank, on the spectrum holding, it is difficult for us to comment at this point in time because this is still subject to regulatory approval on the business' market share and so on, so forth. What is declared is that we will have a significant combined market share, in mobile and in broadband, but eventually, I think we will still wait for regulatory approvals before we declare the final spectrum holdings as well as the combined market share of the entity.

But would you be able to comment on the equipment side? Whether you are kind of using similar equipment, both on the wireless side as well as on the back-end side?

MSM: Yeah, I think on the radio side, we have different vendors at this point in time. At M1, we have two vendors and they have a single vendor, so we will have to find ways to consolidate that. The good part is that both networks are coming up for a refresh, so we could take a fresh look at how we consolidate the networks, and that is why we have assumed significant network synergies because it is quite coincidental that our networks are coming for refresh together.

On the technology stack, I am not completely aware of StarHub's full technology stack, but whatever I am aware of, I think they are different in construct. We have a different set of vendors, and they have some common vendors but a different way of looking at the technology stack. But given the fact that the combined base can be on one of the two, this gives us the opportunity of actually harmonising the technology stack going forward.

Okay, so most of the refresh on the backhaul as well as on the radio side will now be StarHub's responsibility and not M1's anymore. Correct?

MSM: Yes, of the combined entity. That is correct.

So from an M1 perspective, we have to think about it as Chin Hua was earlier mentioning, that the capex does not sit with M1 going forward now.

LCH: Mayank, the way you think about it is, we are trading – together with Cuscaden, we currently own 100% of M1 which is a private entity and a subsidiary of Keppel – to one where Keppel owns a 23% stake in a combined entity that is listed, where we are a major minority shareholder. It would be classified as an associate, carried at fair value.

Okay, very clear. Thank you.

Questions from Foo Zhiwei, Macquarie

Congrats on the divestment and thanks for the opportunity. As of 1H 2026, you had about $13.7 billion of Non-Core Portfolio for Divestment. Slightly under half of that was related to O&M (offshore & marine) as well as the investments, M1 Telco and others. Now, rigs are mostly done. You have finally gotten M1 across. So, can you help me bridge the gap on your divestment targets for the next one to two years, considering the fact that what is left inside your property portfolio does seem a little bit challenging to monetise quickly at the right price that you want. Thank you.

LCH: Good question. Just to be clear, the $13.7 billion still includes the rigs that we have because the deal on the offshore fund with Apollo, we would expect it to be closed very shortly, and when that happens, only six of the rigs go across. So, even though we announced it, it has not closed, so it still sits in our Non-Core Portfolio. Similarly, for Keppel South Central, it still sits in there, but

there is a path forward as we have said, there is a definitive agreement, which is only subject to the EGM by Keppel REIT. Similarly for this, even though it is announced and signed, if the deal is not closed at year-end, it will still remain 100% on us. And after it is closed, the shares still remain in the Non-Core Portfolio. So actually, the $13.7 billion of the Non-Core Portfolio, quite a bit of that is already spoken for in that sense. That means they either have a definitive agreement or they have a pathway to divestments.

So, what we have remaining are some real estate investment properties, and also some landbank, and we also have some part of the RigCo, which will still remain there because we have another four rigs for which there is a pathway to monetisation, but we have to complete the four rigs first.

To answer your question, all hands on deck. We are always looking to find a way to see how we can accelerate monetisation. We have said this many times. It is very important for Keppel to be able to monetise this, and you can see that with this latest divestment of M1 announced, not closed, we will have about $4.1 billion announced in the year to date. So, we will do our best to try and accelerate the rest.

Understood. Thanks for the clarification and the strong monetisation you have achieved thus far. Maybe you could just enlighten me a little bit on your plans for what you can possibly sell in the property segment within the next 12 months?

LCH: That is commercially sensitive. We cannot do that.

Okay, thank you.

Questions from Lim Siew Khee, CGS International

Just wanted to clarify the numbers. In StarHub's announcement, M1's losses in 1H 2026 were approximately $9.2 million, and then in our pro forma comparison, it is $69 million. So, what were M1's standalone losses and M1's losses in Keppel's book in 1H 2026?

KC: Siew Khee, maybe just to clarify, in 2025, if you recall when we had the deal, we classified it as Discontinued Operations. When the deal fell through, there was a bit of a catch-up for things that we have not booked under Discontinued Operations that is now taken into the Non-Core Portfolio, that is why you see the update for 1H 2026.

LCH: For the purpose of this transaction, as part of Chapter 10, we have actually shown if this deal was done on 1 January 2025, what is the impact with and without the accounting divestment loss. Without the accounting divestment loss, the impact is actually positive for 2025.

[Note: The $9.2 million refers to M1's standalone net loss, while the $69 million was the loss before tax and non-controlling interests at Keppel's level which includes group level adjustments such as amortisation of intangibles arising from privatisation of M1 in 2019 and the release of previously suspended 2025 depreciation and amortisation expenses due to the classification of M1 as discontinued operations in 2025.]

The reason why I asked is to see how much should I be taking out from the Keppel side because there were some non-recurring things in that $69 million. Right, Kevin? That is what you meant.

KC: Yes.

Questions from Ho Pei Hwa, DBS

I just have one follow-up question on the monetisation of the StarHub shares. Given that the lock-up period is only 12 months, and we know that the synergy creation in cost and revenue would take a few years to fully crystallise, so I wanted to get management's thought process and get more clarity on how we should expect that. Also the NPV illustrated that StarHub should be worth about $1.50 at least if these cost savings materialise. So should we also look at it as – we would only monetise only if StarHub's share price is closer to or above this $1.50.

LCH: I think currently we do believe that if you look at where StarHub's price was when it was a three-telco market to what it is today, where arguably the market is probably at its worst in terms of competitive pressures, and what this transaction will do in terms of consolidating the market, and then the synergies plus the revenue uplift potentially, we think that there is upside from today's share price of StarHub. But obviously, it is a theoretical discussion because there is a lock-up period of 12 months, which we were quite happy to agree to because we think that it may take a while before the share price fully re-rates, and I think we will then take a decision at that point in time. So the shares that we hold will be marked to market. So in that sense, any variation in value will be reflected in our books. So, that is how we look at it.

You mentioned about 2030. So, should we think that it should be all monetised by 2030 in terms of encashing the StarHub shares?

LCH: Well, we will be looking to divest all the non-core assets, including the shares, by 2030. It does not mean that we will have to wait until 2030. Really, as we said, we try to do it a bit faster. But of course, whenever we do transactions, we always do a hold-sell analysis. Meaning, if we were to hold it, then the question is**:** Do we expect that we will get a much better outcome, and whether that better outcome compensates us for holding on to it, and then of course, what is the opportunity cost because if you can monetise it, maybe you can redeploy it into something else that can produce a better return.

Questions from James Druce, CLSA

One follow-up question, if I may. There looks to be no control premium for this transaction. Why weren't you able to extract any and how much of the $1.1 billion synergies do you need to achieve to make this different from just a conventional sale?

LCH: Well, I think it is a very theoretical question, James. Very difficult for me to address but let me try. I think first and foremost, the transaction is done at a multiple of just a shade under 9x. Recent transactions in the market have been around 7x. So is there a premium? Maybe arguably there is already a premium.

But more importantly, it is not about what we transact at, it is more important what the combined entity can be worth going forward, because ultimately, as I said, the real determinant of what is the final economic value we get from this divestment will depend on the share price when we exit at that point in time. I think you should look at it that way.

And then lastly, of course, when we were looking to divest, we talked to a lot of people. It was not just the incumbents here in Singapore, and I think broadly, most of the people we talk to, including both investors as well as strategic partners, they are loath to come into a four-telco market. So, we actually tried, and we came to the conclusion that the best outcome for us is to do the combination first, deconsolidate the debt, be patient for a while to wait for the market to improve and re-rate, and when we finally monetise the shares, we would then be able to also reap the benefits of this market consolidation.

Question from Jason Low, Bloomberg Intelligence

The combined mobile revenue market share of StarHub and M1 will likely exceed the 40% threshold for competition review. Given this, how confident are you that the merger will receive approval, and what specific remedies, such as spectrum relinquishment or retail price commitments, are you prepared to offer proactively to facilitate regulatory clearance?

LCH: I think it is very speculative. It is subject to regulatory approval, so we cannot comment on that.

Questions from Joel Siew, DBS

Good morning, Chin Hua and team. I have two questions. The first is regarding your M1 ICT (information and communications technology) business. Is this included or excluded from the deal because previously for the Simba deal, I think it was excluded.

LCH: It is excluded. When the deal with Simba was first announced, we had already stripped out the ICT business. Today, it sits on our Keppel business as Keppel Technology Solutions (KTS).

My next question is regarding I think your announcement on page 4. Understand there are certain restrictive covenants that were mentioned. Just wondering if you could share some of that. Does it affect your connectivity or data centre business?

LCH: It is a normal non-compete, which any transaction of this nature will have. It does not directly impact us. We are not likely to go start or buy another telco in Singapore, so it should not affect us.

Questions from Mervin Song, JP Morgan

Just wondering what is the best-guess timeline for this deal to be completed by? I presume you need regulatory approval, then StarHub's shareholder approval? Are those the two major steps?

LCH: I think the EGMs will be held in the first quarter. It is too late to hold it this year, so hopefully, it will be the early part of the first quarter of next year. Of course, regulatory approval has to take its natural course, but we have been in very advanced discussions with StarHub on the submission, so hopefully we can get that submitted soon, and the regulators can start doing their work.

But to be conservative, can we say it will be completed by the end of next year, or maybe not next year?

LCH: No, it will be in the first half next year. It will not go past first half.

On KTS, is there a possibility of that being sold to this new enlarged StarHub business eventually?

LCH: No, it is core to us. So KTS is actually a core part of our business. It is naturally very aligned with our data centre business and the EBITDA growth, as we shared at the October business update, has been very impressive. We are getting very good traction. So this is something that we see as part of the New Keppel.

In terms of the cost synergies, does that include any interest cost savings due to tighter credit spreads given the combined entity business is probably on a much stronger footing? I do not know whether DBS is giving you cheaper rates on that basis.

LCH: Suffice to say that I think there is quite a bit of synergy because there is a lot of duplication from where we can actually achieve savings. There are some low-hanging fruits, and then on top of that, I think the important point is that we have not really factored in the revenue uplift.

In terms of the cash balances and the debt that you will transfer, is there any adjustment for upfront expenses that you need to provide?

LCH: In terms of the capex, I mentioned earlier that there is some capex from the 700 MHz spectrum. Part of that would be transferred over, so that would be factored into the net debt that is transferred over.

But you do not need to share the cost?

LCH: No. The key here is that, going forward, when the deal is done, it becomes an associate and we will account for the dividends, and we will mark it to market. So we won't take our share of the earnings of the combined entity.

So there is no associate or joint venture that goes through, only dividends.

LCH: So actually, that is a significant point because one of the challenges of owning M1 is that there is depreciation. So, once the deal is done, we treat it as an associate, we only factor in the dividends that we received plus mark-to-market changes. We do not take our share of net profits. It is easier for you to predict, and then we also do not have capex to worry about.

We were in the StarHub call earlier. They said that Keppel is waiving the 6 cents dividend for 2027. What is the rationale behind that?

LCH: We need to clarify because I think maybe it is related to this – there is an understanding that for their distribution of any Ensign dividends, we will not participate in it. So maybe that is the 6 cents they are referring to. I am not sure. I was not on that call, so I cannot comment.

Oh yeah, there is something about Ensign.

LCH: Yes, so Ensign is possible because we did agree that if there were things that happened before we came in, which would include the divestment of their remaining share in Ensign, if there is any distribution from that, then we will not be entitled to it. That part is true.

Okay, that makes sense. Okay, alright, superb negotiations I would say again, Chin Hua, you really know how to do the art of the deal.

LCH: Thanks, Mervin. It is a team effort.

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Unless explicitly indicated otherwise, all monetary values denoted as '$' within this document are to be interpreted as referring to Singapore dollars.