Keppel Ltd. 1H 2025 Financial Results Webcast

Transcript of the Question & Answer Session

31 July 2025, 10.00am, Keppel Bay Tower

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CT	Christina Tan, CEO, Fund Management and Chief Investment Officer
KC	Kevin Chng, CFO
LL	Louis Lim, CEO, Real Estate
CL	Cindy Lim, CEO, Infrastructure
MSM	Manjot Singh Mann, CEO, Connectivity and CEO, M1

Questions from Joy Wang, HSBC

On ROE, you previously spoke about a 15% ROE target, on a group basis. Now that you have separated Keppel into new and old, and your New Keppel is already above 15%, what do you think is actually an optimal ROE for the New Keppel?

LCH: The ROE for the New Keppel – it is not surprising to us - that it is already at 15%, because it is a very asset-light model. Particularly, a lot of these businesses are built organically, including our asset management business, so we would expect the ROE to be quite high.

I think the key focus is not to set another new target for ROE, but to see how we can achieve a higher ROE over time as we monetise the old Keppel, or the non-core assets. Because with that, we will be able to also fund new growth. At the same time, we can also reduce our debt. ROE going up by itself is not important; it is the fact that it is accompanied by a reduction of leverage over time. And of course, part of the ROE improving over time would be driven by reducing the denominator, as we return capital to our shareholders. It is recurring earnings going up, reducing debt, and reducing shareholders' equity, as we return capital to shareholders.

On old Keppel, or the non-core segment, the NAV is about $4.7 billion. How sustainable is that NAV? Or how realisable is that NAV, and once realised, how should we think about returns to shareholders for that $4.7 billion?

LCH: Yes, the NAV is $4.7 billion. But I think significantly, as we over time monetise this $14.4 billion, which includes about $2.9 billion of cash and receivables that are already embedded, that means that we do not have to sell $14.4 billion - we just need to unlock $14.4 billion minus the $2.9 billion, before the embedded cash and receivables are released. We will be looking to also reduce debt over time, because as we sell, it is not just releasing the $4.7 billion in NAV, but reducing the debt significantly.

Questions from Brandon Lee, Citigroup

On the share buyback, how do you intend to execute this $500 million? I think the last time you did it in FY22, you did it on a very consistent day-by-day basis, and back then, the stock was trading below NAV. But I think today, the stock is at $8.73, already way above the NAV of $5.63. Is this going to be a consistent day-by-day thing again, or is it going to be when you think that the stock is cheap? Why not a higher interim dividend, or why not lower gearing, but a share buyback instead, given where the stock is already trading?

LCH: On the share buyback, the way to think about it is that we are not only thinking about returning capital, but in this instance, this share buyback will also be used to fulfil the equity share plan that we have for employees, and also used as currency for our future M&A.

Immediately, there is Phase II of the Aermont acquisition, which would be partly funded, like Phase I, by shares, and this is due in 2028. This is something that we are very mindful of, and we can see, for the first tranche of 50% last year, we tendered the shares to Aermont at $7.16, whereas the cost was actually $5.80. As we continue to set Keppel on this new trajectory, we expect Keppel to be re-rated, and then as we are able to monetise the non-core over time, we expect the share price to perform.

In terms of the timing of the share buyback, we are not going to be so transparent, but I think it is a need, so it is not just a strategy. We do need these shares, and we prefer not to issue new shares because that would be dilutive, especially where Keppel is going.

Will you be swaying more towards buying it on a less chronic, less frequent basis, or is it basically going to be similar to the last time around?

LCH: I think the circumstances would depend on the market. All I can say is that this is a need for Keppel, because we do need these shares, and we prefer to buy from the market rather than to issue new shares. We will execute it over time, but it is very clear that we do need these shares.

If you were to look at the 31% jump in Aermont's net profit, how much would your EV/EBITDA be on your acquisition price, and would it impact the acquisition price for the remaining 50%? Thanks.

LCH: I will ask Chris to address the question.

CT: Hi Brandon. On Aermont, because of the 31% increase in net profit, compared to what we have underwritten, in terms of the multiple, it would be about 11x EV/EBITDA, compared to where you see most global managers buying other such platforms, ranging from 20x to 30x. I would say that because we have done our homework well, we have actually set a cap as well for the pricing, both for the first tranche as well as the second tranche. I think we have done quite a good job in terms of this acquisition.

<u>Questions from Lim Siew Khee, CGS</u>

Just wanted to check on your $500 million asset monetisation plan in discussion. You said there are $500 million of real estate and connectivity assets. What are the connectivity assets, and why is it only $500 million?

LCH: The connectivity assets are not the ones that are being developed, so it would not include the floating data centre, as an example. One would be an asset in Europe that is held on the balance sheet; it is not a very big asset. Then we also have China logistics.

MSM: It also includes a China logistics non-core asset that we have held for a long time, that would be monetised very soon.

Thank you. Just curious that in your $14 billion non-core portfolio, you did not include any connectivity assets?

LCH: I will ask Kevin to address this.

KC: The connectivity assets are mostly in New Keppel, not in the non-core portfolio.

Thank you. Just wanted to check on updates on connectivity, specifically the fibre pairs, and whether you have made any traction in promoting or selling the next few pairs, and how much is it? Because we only have the numbers that are floated around, and it would be good, now that you have better visibility, if you can tell us the construction cost and profit for what you can sell - for the first two pairs, at least.

LCH: We look at it not just as individual pairs, we look at the overall project, and what we have indicated is that we expect the IRR to be about 30%. Can I invite Mann to give you a sense of where the market is now for fibre pairs?

MSM: To your question, the RFS (ready for service), like Chin Hua mentioned, will be completed by September this year. On the sale of further fibre pairs, there is a certain amount of premium that we are expecting, because these are one-of-its-kind fibre pairs that connect from Singapore to the US, and we are in advanced talks with multiple OTT operators or telecom operators, who are showing keen interest in these fibre pairs. As I said, it is one-of-its-kind that does not touch the South China Sea. So we should be able to monetise this very quickly. I cannot give you the numbers, unfortunately, but the reality is that this will demand, and command, a premium over other fibre pairs that are available in the market.

LCH: Thank you, Mann.

Thank you, just one last question. On the fair value gain, on the remeasurement of the remaining interest in a JV of $138 million, I know that arose from the non-core portfolio. What is that and is that why overall as a group, core and non-core, even though you have actually monetised about $900 million of assets, your total gains from all these assets is only giving you about $140 million in gains? Is that $138 million actually offsetting the gain?

LCH: Just to emphasise the point that both Kevin and I made during our remarks: the non-core portfolio is on the basis that it does not fit our business model of the New Keppel. Many of these non-core assets are actually profitable. Our landbank is still held at historical costs. The gain from this revaluation arises from a project in Tianjin, where we announced a sale of 30% interest. We made a gain from the sale, but because it is still a joint venture, there is still a revaluation of the other 70%. It shows that even though the market in China is quite challenging… this landbank was probably – let me ask Louis, this was something we owned from how many years ago?

LL: Over twenty years ago. It has been there for a long time.

LCH: It is very old land that we held at cost. Despite the challenging market environment in China today, we are still able to book a gain on the partial sale, and also the revaluation gain.

<u>Questions from Tan Xuan, Goldman Sachs</u>

First question is on acquisitions. If I look at your cash flow for investing, that has also increased. Can you share more about what these are? And also going forward, as you

monetise, what are the kinds of acquisitions that you will look to make on your balance sheet?

LCH: I will ask Kevin to address this.

KC: Hi Xuan. The investments in the UK were generally from, if you recall, we bought over Global Marine Group, a large part of that cash outflow was pertaining to that investment.

LCH: Over time, we will continue to grow the New Keppel, and this will be in the form of co-investments in funds. We are not going to buy something a hundred percent on our balance sheet. That means that the cash flow is likely to be outflow for the New Keppel. At the same time, on the non-core, as we monetise, you will see that the cash inflow will become more positive. In a way, the non-core will be used to fund the growth in the New Keppel. Of course, we would expect that there will be the possibility to reduce debt overall, and also to reward shareholders as we monetise the non-core.

Can you help us to break down the $14 billion if you divest it fully? How would you allocate between acquisitions, shareholder returns and debt repayment? Can you give a rough sense?

LCH: As we monetise, we are doing it in a very disciplined way. The key for us is to be laser-focused on monetising this $14.4 billion, then that would give us the opportunity to pay down debt, return capital and fund growth. I think that is key, so we have got to get that part done correctly and done right.

Last question – M1 is under New Keppel, are you still open to divesting this business?

LCH: M1 is under New Keppel, and we are still open.

<u>Questions from Foo Zhiwei, Macquarie</u>

Thank you for the presentation today. For M1, could we just understand what is your strategy for the business here? First of all, if you look at this semi-annual number, the consumer numbers are still on the decline. And then when you acquired the 700 MHz spectrum, you did two things. First you took only one band, which seems a little bit inefficient. The second one is that you actually paid in a deferred payment scheme using IMDA's deferred payment option, which charges interest of 4.2%. I think Keppel's cost of financing is lower, and Keppel could have just lent monies to M1 to invest. Could you help us understand what is the long-term strategy for the M1 consumer business? Do you intend to continue investing in it? The value seems to keep deteriorating over time.

LCH: We all know the telco market in Singapore is under a lot of competitive pressure. I will invite Mann to give a very broad overview of what we are doing, and how we have been able to maintain the EBIDTA.

MSM: Clearly the market is under severe competitive pressure. With four operators and close to seven surviving MVNOs, it is an overcrowded market. We are seeing a lot of SIM-only plans replacing contract plans, and that is why there is a bit of ARPU dilution as well. We have been able to hold ARPUs to a certain extent, but clearly the market is seeing a decline in ARPU levels.

The mobile business is on a decline for all operators, not just us. Having said that, I think the good parts that we have done are twofold. One, we have been able to pivot our business towards the enterprise business. Our growth is significant. Today, almost 50% of our overall revenue comes from enterprise and this is not just Singapore. Singapore is growing, Malaysia is growing. We have just acquired a company in Vietnam as well. We do plan to have a very strong presence in the ICT business in Singapore and in the region. That contributes to our EBITDA as well.

The second thing that we are doing is in terms of cost management. Running a business at the ARPU levels that exist today, and are expected in the next few years, the cost base that we have been running the business at for many years is not sustainable. So clearly, we are working on the cost base, and putting that together with our enterprise business, we have been able to hold, in fact, not just hold, we have grown the EBITDA by about 3%. Our EBITDA is steady; our profits are steady.

Now, coming back to your 700 MHz question, I think it is not entirely inefficient to take one lot. Because as technology evolves, you can do carrier aggregation as well, so there is an opportunity for us to use the 700 MHz. Why did we take only one lot? There is Antina, a joint venture that we have with StarHub, so we do see an opportunity of us rolling out together and aggregating our spectrums. So there is the penalty that we paid to return one lot, about $14 million, as you would know. It is not just our one lot that we look at. We look at the combined availability of spectrums.

The other thing is that Singapore, is pretty well-covered from a 4G and 5G perspective. The 700 MHz came a little bit too late in Singapore for us to be able to deploy. In this period, we have gone on and deployed a significant amount of in-building coverage with our 2,100 MHz spectrum. Both the umbrella coverage of 5G, as well as indoor coverage of 5G, is pretty well taken care of, so we do not see 700 MHz being that significantly different at this point in time for coverage in Singapore.

Therefore, I do not think we are being inefficient. I think we are being very prudent in the ways that we have, to deploy our capital, considering how the market is. Because ultimately, we can invest only as much as we are able to earn. I think the market is looking competitive, so we have to make sure that we are prudent in the way we invest our capital. So therefore, we decided to have only one lot instead of the two lots.

LCH: Just to supplement what Mann said in response to your question, as what Mann said, we are taking a very prudent way of looking at this. We believe that market consolidation is good. It will happen. I believe it is good for the market, good for consumers; not just for the telcos, but good for consumers. We also have to be mindful that when it will happen, we do not know, so I think we do need to make sure that we have enough spectrum to meet our requirements and our obligations. If we are looking at the possibility of some divestment in the future, then taking up this so-called progressive payment offered by IMDA, we believe it is quite smart. It is a good way to look at this, to position ourselves that eventually, there is a possibility that it could be monetised. You do not really want to pay for all of it upfront, that is how we look at it.

Question from Alvin Chua, Khai Huat Trading

Congratulations on delivering an outstanding set of results this half with strong earnings growth, improving ROE, and significant progress in monetisation. Does the Board intend to reward shareholders beyond the current payout? Perhaps through higher full-year dividends or special dividends in the near term?

LCH: Well Alvin, this is just an interim dividend.

For the full year, the final dividend will be decided at the end of the year. The Board is well aware that dividends are important to many of our shareholders. We have to balance all of that: what our shareholders are looking for, at the same time, the capital needs of Keppel going forward, we will bear all this in mind. Thank you for your question.

Questions from Derek Tan, DBS

Congrats on winning the global accolades. In your commentary, Mr Loh, you mentioned $39 billion in deal flow. How much of that can be converted to FUM and in which sectors – infrastructure? Data centres?

LCH: I will ask Chris to address this question first.

CT: Hi Derek. In terms of the $39 billion of deal flow that we are looking at, we have a very strong deal flow pipeline in infrastructure, especially in digital infrastructure and data centres, where Keppel's strong operating capabilities are.

You would probably see at least $15 billion for each, whether it is in infrastructure and digital infrastructure for data centres as well. Real estate contributes at least another $9 billion in terms of deal flow pipeline. We are seeing very strong deal flow pipeline in the market, and this is looking good for us.

In terms of asset recycling and growth, what is the group's transitioning of Keppel South Central into a listed platform?

LCH: First and foremost, the building that we are in currently, Keppel Bay Tower, was actually on our balance sheet. But a few years ago, it was sold to Keppel REIT, so it is now part of our FUM. Could this also happen with Keppel South Central? Of course, that is a possibility. But we need to stabilise the leasing first. I will ask Louis to give a quick update on the progress there.

LL: We have been getting very good interest in Keppel South Central. We have leased, and are in active discussions, with about 50% occupancy. We really look forward to filling up that space soon.

How about possible platform acquisitions of REITs and fund managers in Asia to grow your reach?

CT: I think we are always open to looking at more M&A activities, especially after the experience with Aermont, where actually, I think we bought well, and the group integrated really well. And we can see that Aermont, through their specialisation in terms of real estate PE acquisitions, they have done really well, and investors like them. Actually, they are able to do quite active acquisitions in Europe as well as thinking of starting a new fund, Fund VI for Aermont.

We are always open to looking at platform acquisitions, whether it is REITs or fund managers. We are not just limited to Asia, we are also open to looking at different platforms in Europe as well. Thank you.

LCH: Thank you, Chris and Louis.

Questions from Joel Siew, DBS

Are there plans to refinance or redeem the $400 million perpetuals?

LCH: I will ask Kevin to address this question.

KC: Thanks, Joel. Yes, that is something that we are closely monitoring, but maybe just to add on to that, we continue to get very good support for our funding sources, particularly in Singapore.

That is something that we are watching very closely, as it relates to when the time for the perpetuals becomes due, because of the optionality that we have.

Could you provide more details on Real Estate's $100 million of operating profit and $66 million of Associate/JV, while revenue for real estate sales are $94 million?

LCH: I will ask Kevin to address this question.

KC: On your question on Real Estate and breakdown, just to clarify, the operating profit for Real Estate also includes fair value and divestment gains. The associates that you have identified of $66 million, that includes Aermont, Keppel REIT, and SSTEC, that are all included in that balance.

How soon do you think your non-core portfolio can be divested, understanding that there is significant level of debt relating to these assets.

LCH: As I have said earlier, our focus really must be on divesting or monetising this non-core portfolio. And we do expect that by 2030, this non-core portfolio should be substantially monetised.

Questions from Rachael Tan, UBS

Management has talked about the share price re-rating. Just to ask, who are the comparables that we should be looking at for both Keppel and non-Keppel, as it pertains to the different businesses?

LCH: The way we think the market should look at us is, as we continue on this path in growing ourselves into a leading global asset manager and operator, you have to be looking at some of the global peers in the asset management space. We are a bit unique, we have not just asset management, we also have very strong operations as well.

Whether it is groups like Brookfield, KKR, Blackstone, or BlackRock, this would be the group of peers that perhaps the market should look at. For the non-core, there really is no comparable to look at, because this will be a portfolio that we will be looking to monetise over time. So, it is really about how soon we can monetise, and whether we can get good outcomes in terms of the price that we monetise at. That is how we should look at it.

Thank you. On the connectivity side, do you look at M1 as a monolith? Because on one hand, you said that you are open to divestment. But on the other hand, you talk about focusing on enterprise and in previous briefings, you have talked about value adding and synergies with the data centre portfolio. So, how should we look at reconciling all of this?

LCH: You have heard from Mann. The ICT side is an area that we have continued to grow, and we believe that there are a lot of synergies with our data centre business. When we talk about

potentially monetising, we are really looking at the consumer mobile side. Mann, do you want to talk a bit about the synergies?

MSM: Sure. So one of course, is running a business. We have to grow the business, that is our objective. As much as the mobile business is under pressure, we are still trying and fighting hard in that business, we are not giving up, clearly.

On the enterprise side, this is where we see opportunities. A lot of our management's attention, our investments, are also going into creating this enterprise business. But apart from just doing management network business, or Device-as-a-Service business, in the ICT space, a lot of solutions that we are doing today in the ICT space is on cloud solutioning, creating hybrid cloud solutions for enterprise, data centre modernisation work, and we do see that there is a huge amount of synergy that we can derive. At this point in time, all the solutions that we create for enterprises, they need a host. They need a home for their data centre operations, so we do see that over a period of time, some capacity that we create in our data centres, can be monetised through enterprise co-locations that our own enterprise business brings to Keppel's data centres.

So that is the synergy, that is the pipeline that we are creating. Because today, we do see a lot of organisations digitalising their businesses and looking for either hybrid cloud or multi-cloud solutions. So, that is where we do see synergy between our enterprise business and our data centre business.

LCH: Thank you.

The $14.4 billion that you talked about, is it based on what you deem to be the fair value of these assets versus the NAV of $4.7 billion? Because you talked about holding them at cost?

LCH: Kevin can take this question.

KC: The $14.4 billion is the carrying value of the assets that we have, i.e. the total assets. It is a mixture, as Chin Hua has alluded to. Some of these are still carried at cost. The $14.4 billion, as we have said also in our address earlier on, has several components that I have broken down, including the $2.9 billion that Chin Hua has also highlighted in terms of cash and receivables.

Question from Mayank Maheshwari, Morgan Stanley

Keppel, ex-non core asset, was still FCF (Free Cashflow) negative. Can you help share the path to positive FCF and debt reduction. Also, can you help us understand the annual investment target for 2025?

LCH: I have covered this earlier, and the way we think about it is that the New Keppel is still growing. So, over time, we would expect investments to continue to be made there; but of course, this has to be funded from the monetisation of the non-core.

And when we monetise the non-core, it will be used to reduce our overall debt, fund growth in the New Keppel, and also, to reward our shareholders. That is how we look at it. And in a way, it comes back to the first point that we made, that the critical part is really about focusing on the monetisation, and we have already achieved $7.8 billion from the target that we have set before. If you look at whether it is our Project Lean, about shaving off our overhead costs on a run rate

basis, or it is monetisation, or it is FUM targets, I think we have been quite forthright in terms of setting targets that we share with the market.

So far, we have been able to hit those targets, or we are on our way to hitting those targets. This is something that we believe will help the market understand us and also understand the path that we are taking. It is a path that requires - if you think about it a few years ago - quite a big change. I think it is important to set not just long-term targets, but also to set interim milestones, which we have done, so that the market can then judge for themselves how well we have done, are we on track. Monetisation is perhaps more important in terms of the timing, rather than trying to maximise the profit from the non-core. The key is really how quickly we are able to monetise this non-core.

Question from Goola Warden, The Edge Singapore

In terms of annualised Fee-to-FUM, is there an optimal ratio? For the REITs and private funds, what is the optimal stake that Keppel plans to have? Is there a particular percentage of listed funds versus private funds for your $200 billion target? In terms of sectors, asset management fees versus operating services, how would the $200 billion look like in percentage?

LCH: Chris, can you answer this?

CT: Hi, Goola. In terms of our annualised Fee-to-FUM, if you look at global managers, you would see a range from 40bps to 50bps. For our modeling, we used 50bps in terms of a $200 billion FUM target, resulting in asset management fees of about $1 billion.

In terms of the percentage of listed versus private funds, right now, if you see our composition, it is about two-thirds private funds, one-third listed funds. Going forward, would we have the same percentage? I think about 60-40 would be quite a good number to have.

In terms of our asset management fees versus operating services, how would the $200 billion look like, in percentage, I think you are talking more about the segments, and the allocation.

We have said before we do not really allocate across segments. But right now, you would see that the books are heavier on the real estate side as we started real estate fund management a bit earlier. But going forward, we would see that essential services - infrastructure, digital infrastructure, data centres - is one of the hottest sectors and Keppel is really good in this. So we would see allocation is probably a third each (i.e. real estate, infrastructure and connectivity).

LCH: I would try to address this question (about asset management fees verses operating services) in a slightly different way. We do not look at them as competing, because actually, they are self-reinforcing. For instance, on infrastructure, if we have more FUM, it means that we can build more power plants, we can build more waste-to-energy plants. We can do more things, we can own and operate more assets, and as a result, the operating O&M fees, the operating income will also go up.

So, it is actually not one or the other, it is actually reinforced. As the asset management fees go up with the FUM, we would also expect the O&M fees and the operating income from our operating division to go up. Whether it is an infrastructure asset, or it is a waste-to-energy asset, power asset, or it is a digital fibre system that we are building, we can actually generate a flywheel from that.

Question from Sharanya Pillai, The Business Times

It is mentioned that Keppel expects another potential 300-500 MW of renewable imports from 2028. Could you share more on which markets Keppel will be focusing on for renewable import projects? What opportunities does Keppel see in the broader development of the ASEAN power grid?

LCH: I will ask Cindy to address this.

CL: Thank you, Mr Loh. With regards to the importation of renewables, we are targeting Indonesia. You would have seen from our earlier media release that we are awarded a conditional license to import 300 MW of renewables from Indonesia.

Beyond that, we also have conditional approval of up to 1 GW from another ASEAN generation resource.

To highlight, this 300 MW import will actually translate to an upstream generation capacity of nearly 2-2.5 GW of PVs, as well as approximately 5 GWh of battery energy storage. So, these are very large-scale renewable generation projects that we have unlocked.

The opportunities for an ASEAN power grid are very promising. You would have heard from our Energy Minister that about 30% of Singapore's energy mix by 2030 will be made up of renewables importation. We see Keppel as a front-runner in this regard, and we will be playing our part to work with regulatory authorities across ASEAN, as well as with agencies in Singapore, to make this happen.

More importantly, is enabling demand for off-takers. As you have heard earlier throughout the conversation, there is a lot of synergy for us to bring low carbon and renewable power to capture the connectivity space, specifically, the high demand for AI data centres. Thank you.

LCH: Thank you, Cindy.

Questions from Tan Xuan, Goldman Sachs

My first question is on infrastructure. So, as capacity comes on stream in 2026, do you expect further pressure in terms of your spark spreads? If that is the case, will the decarbonisation and also Sakra Cogen's contribution help to offset the pressure on the operating profit level?

LCH: Thank you. Cindy?

CL: Thank you, Xuan. When the Keppel Sakra Cogen comes on stream in the first half of 2026, which by the way, the project team is working very hard to accelerate the commercial operation, so we hope to give a positive surprise if the power plant can come onstream earlier. Now, this will expand our generation capacity by nearly 50% from 1.3 GW to 1.9 GW.

While you are right that there might be a softening of the spreads in the local market - the extraordinary high spreads in 2022 have more or less normalised in the past one to two years. But this will be offset firstly, by our volume expansion. And number two, we have been diligently improving the efficiency of our existing fleets. We have completed the high efficiency upgrade of both of our F-class turbines in Keppel Merlimau Cogen. So, on a blended basis, I think our

generation efficiency and our market share will allow us to continue to deliver strong, predictable and growing earnings from our integrated power business.

On the cost savings, if I look at your corporate costs, it is unchanged at $70 million. Where are the cost savings flowing through?

LCH: Kevin, you can take the question.

KC: Thanks Xuan. So, on the cost savings, just to explain "corporate activities": it is actually quite a wide range of expenses that we have, so it is not just on staff costs per se. As it relates to Project Lean and what Chin Hua has guided, the $88 million savings essentially stem from an exercise that we have done in terms of looking at efficiencies in the organisation. It is being tracked in terms of the headcount and resources that we no longer need when we came together as One Keppel. In the second phase, now that we have come together, we look into the future, at what are some of the enhancements that we put in place in terms of automation, digitalisation; so that is in relation to how we would track those cost savings from the cost perspective.

One way to think about the $70 million that you are comparing is if we had not done these savings, the number that you will be seeing today would be a lot higher than what we are reporting from a cost perspective.

LCH: The other point is that some of these cost savings are on a run rate basis, so there might be a lag because let us say if there are some costs that we incur to achieve those savings, that actually shows up first. But the point is that this is more recurring going forward. And to Kevin's point, some of these are also reinvested into things like data, AI, etc.

On real estate, in terms of the new real estate business, what is actually classified here and how should we think about this business in three years' time?

LCH: Louis?

LL: On the real estate front, we have actually re-organised ourselves in line with this concept of the New Keppel. So, the real estate team is essentially split into three areas where we focus on.

The first is what we describe as supporting our existing funds, particularly for KSURF, as well as for the education fund and the activities here span from providing technical solutions, sustainability solutions, but also supporting the underwriting, the asset management, including leasing. So, we have a team that really focuses on supporting the funds.

Then we have teams that work on incubating businesses that can be future funds. So, there is SUR; but beyond SUR, we also have an urban solutions business. So, there is a team for urban solutions, together with sustainable urban renewal.

Senior living is an area that we have invested in. As you know, we have acquired the remaining 50% of Watermark in the US and there are a lot of tailwinds in that business, given the demand supply dynamics. In Asia as well, we have the Nanjing project which is filling up nicely. We have about 100 residents now and we are also looking at contracts in China with the likes of Ping An, where we have signed an agreement.

We also have a very strong retail business in Vietnam. And so, on the back of that, we are looking at creating a Vietnam retail fund as well, building on Saigon Centre, Estella Place, and Hanoi Centre soon. So that is the second group.

Then the third group would be people who are managing the non-core portfolio, both in terms of monetisation, but also optimisation. For example, Sean Pang is here. He is leading a project called Springtime for our Spring City project in China which is really to drive up revenues and manage costs. So, we have teams that really focus on the existing portfolio which we now call non-core, to get the most value out of it and that leads to a lot of these cost savings that we are talking about.

So, I think the Real Estate Division has contributed a lot to that $88 million and that is by exiting from projects. For example, the Myanmar hotel that we sold a few years ago, that had a lot of headcount that we were able to separate from. We also more recently got out of the Philippines, so just culling the portfolio will help us generate value as well savings.

Questions from Ho Pei Hwa, DBS

I have two questions. First one is on infrastructure, also on the Sakra Cogen Power Plant. Just wanted to understand how much of the current capacity has been contracted? What is the strategy in terms of this contracting?

LCH: Cindy, you can take the first question on Sakra.

CL: Sakra Cogen will be the most efficient state-of-the-art turbine technology that will be planted in Singapore to-date. Suffice to say, for our entire generation capacity of1.9 GW by 2026, we have already substantially contracted the portfolio, extending beyond the next three years.

My second question is on dividend payout policy. You used to mention that we intend to pay out maybe 50 or 60% of our core profit. With the New Keppel, how does that affect our payout going forward?

LCH: On the dividend policy, as we will always tell you, we do not have a dividend policy. But we know dividends are important to our shareholders and we have been paying somewhere around 50-60%. In fact, I think we have been drifting more towards 60% and above. This is really also as we get more visibility on our earnings, as they become more recurring versus what it was five to six years ago, when a large portion of our earnings were actually very trading oriented, a bit more volatile. We are able to then take a view on how much of the profit we can pay out in dividends. We know that dividends are important, so all I can say is that we will always put that in mind.

But I think the other part is that as we grow the New Keppel, I hope that investors will also see that there is value in the growth of Keppel. Ultimately, it is total shareholder returns, so we are very focused on total shareholder returns which include both dividends and share performance.

Questions from Dexter Low, Bloomberg

Congratulations on your results. Can I ask one technical question first, on your non-core assets, do you actually have a breakdown of exactly what those assets are?

LCH: We know these assets, obviously, otherwise there would not be a portfolio. But I think you understand that there is some commercial sensitivity in terms of what we can share. We have given you some broad outlines.

So, in that respect then, I see on page 41, obviously, you did give a general breakdown. But most of your residential landbank, for example, is in China. So, is it fair to assume that most of the exposure in terms of this $14.4 billion would be in China?

LCH: No, that is not the right assumption, because the landbank in China has been reduced significantly. We started divesting our landbank since 2017. I think at that time, we probably had about, in China, over $3.2 billion?

LL: $3.1 billion. That is just the residential landbank. We have reduced that to $1.1 billion.

So in that case, is there a sense of what is the geographical exposure of that landbank that is going to be divested?

LCH: Again, I think you know that we have landbanks in China, in Vietnam, and a little bit left in Singapore.

Okay. Then just a few quick questions for Louis. I think that you guys saw some further losses in senior living, just wanted to check, can you give some colour or numbers on that?

LCH: Louis?

LL: Thank you for the questions. So, as you know, we are incubating the business in Asia, so we are pushing that to get to profitability. We were trending nicely in terms of the occupancy, so we look forward to that becoming profitable soon. But the extended losses were also because we completed the acquisition of the Watermark business in the US and we have now installed a new leadership team who are really fixing the sales and marketing initiatives. We are seeing very good traction, so we expect that to return to profitability quite soon.

On Singapore's residential market, do you have a sense of the interest in luxury residentials?

LL: As for Singapore, we are pleased to announce that we are completely sold out of Keppel Bay, so we do not have any units left there and we are almost 90% sold for 19 Nassim. Those are existing projects. So, the market continues to be very buoyant. A lot of people tell me that "Singaporeans have a lot of money", so we are glad for that, and we hope for that to continue to be true because we look to launch Plot 6 beginning next year. It will be high-end residential with incredible fengshui, with the water in front and the hill behind you, and I am sure there will be loads of buyers out there going after the 84 units. It is a very scarce luxury product!

You mentioned your aspiration to be more like Blackstone, Brookfield and asset managers. I am curious as they usually publish figures on IRR for example. Is that something you would aspire to publish or be more transparent about in the future?

LCH: I think just to be accurate, someone asked me which companies would be appropriate as peers, and I mentioned some of those names. We do believe that what Keppel brings is quite

unique, because we are not just an asset manager, but we are very strong in operations. And operating income is a very large part of our earnings.

On IRR, over time, we are always looking at how we can provide more information. But I think it is more relevant that, for instance, when Christina raises new funds, you would expect that the LPs will actually do very thorough due diligence on the funds that we have and the track record. That is probably more critical for us, to make sure that the LPs are comfortable with our track record and so far, we have been getting good traction. We have been able to raise money. I think that is probably more important.

Question from Brandon Lee, Citigroup

Can you let us know, in the non-core portfolio, you mentioned that there is some selected property development projects and investment properties as well. So, are these assets which you intend to divest into the funds? More details on that please? You also mentioned that most of the assets are profitable. When you say profitable, does it mean from an operating standpoint, or more including divestment gains as well?

LCH: First, "profitable" meaning that if you look at when Keppel first bought into those assets, the historical costs, we could be sitting on some gains already. So, it is not a collection of non-performing assets, just to be clear. I think one key point I want to make is that this non-core portfolio is a bit like a "locked box". It means that this is it. We are going to divest. There is only one direction – the non-core portfolio will be dwindled down over time. That is quite important. In terms of whether there is a possibility that they could be divested into a fund or REIT, it is possible. If you look at this asset here, Keppel Bay Tower (KBT), I think if KBT was with us today and it is 100% owned by us on the balance sheet, then it would be part of the non-core. And then you know the progress of KBT: we sold it to Keppel REIT, as I mentioned earlier, so then it moved from non-core into our REIT, which is our core business.

Questions from Lim Siew Khee, CGS

On connectivity, how much is the MVNO or wholesale in your consumer business in terms of EBITDA?

LCH: Mann?

MSM: I do not think I can share that number.

Knowing that you are looking at the New Keppel, we have been asking what is remaining in real estate. So we can assume that because you removed the development column in your horizontal reporting in real estate, so meaning any more losses or whatever will go into non-core. But the operating is just zero for this half, although we had extended losses in senior living. Give us a bit more details? It is not going to be zero. It is a bit lumpy going up and down, so quite hard to actually look into that cell.

LCH: The value of the non-core, we have told you what it was, it has a whole carrying value and our goal is to monetise it.

KC: So maybe just to add on, it is similar to a question that was asked earlier on. The operating side continues to have contributions from the assets that we have in the New Keppel. With some of the senior living assets and engine twos as well, it just so happens that you are looking at zero

because what we have for this particular half offsets the numbers that we have, which is why the operating column is zero. There are a few questions around what is non-core. For us, in terms of the numbers that you see in the New Keppel now, it is squarely aligned with the strategy that we have in each of these segments. Real estate is no different to the others.

Closing remarks by Loh Chin Hua, CEO of Keppel Ltd.

Thank you very much for your time and for attending this briefing. Thank you to those online, as well as to those who turned up in person.

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