Keppel Corporation

# Annual General Meeting

Presentation by

Mr Loh Chin Hua, CEO

23 April 2021

# 2020 Financial Performance

Net profit/(loss)

**S$(506)m**
*Mainly due to impairments in the O&M business*

**S$446m**
*Excl. impairments*

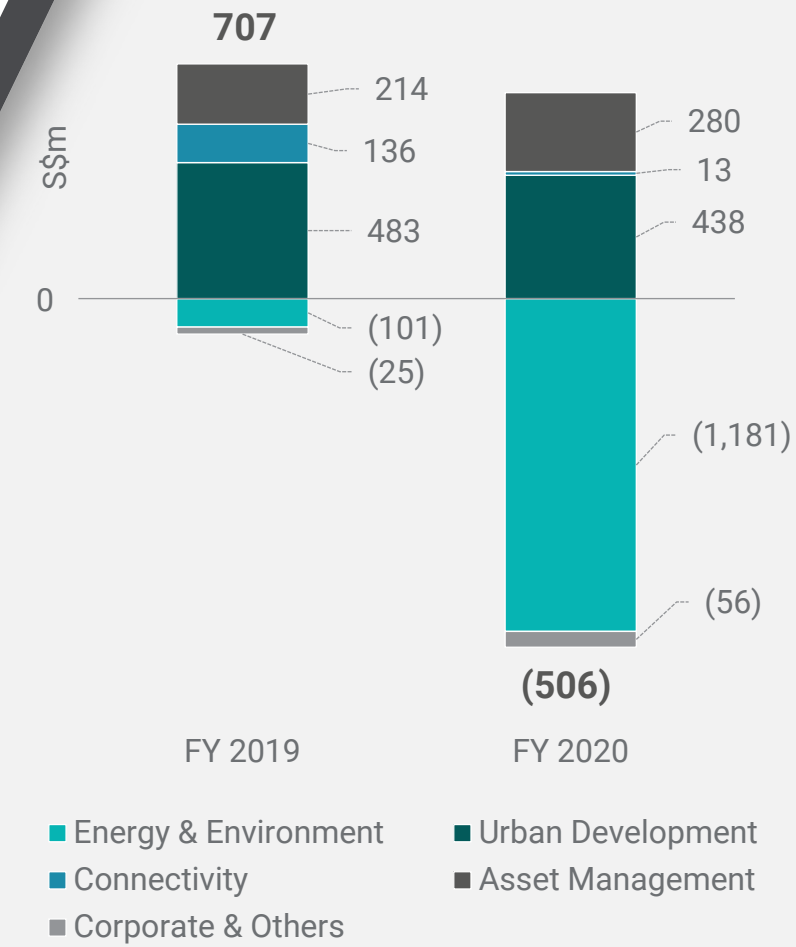
Revenue
**S$6.6b**

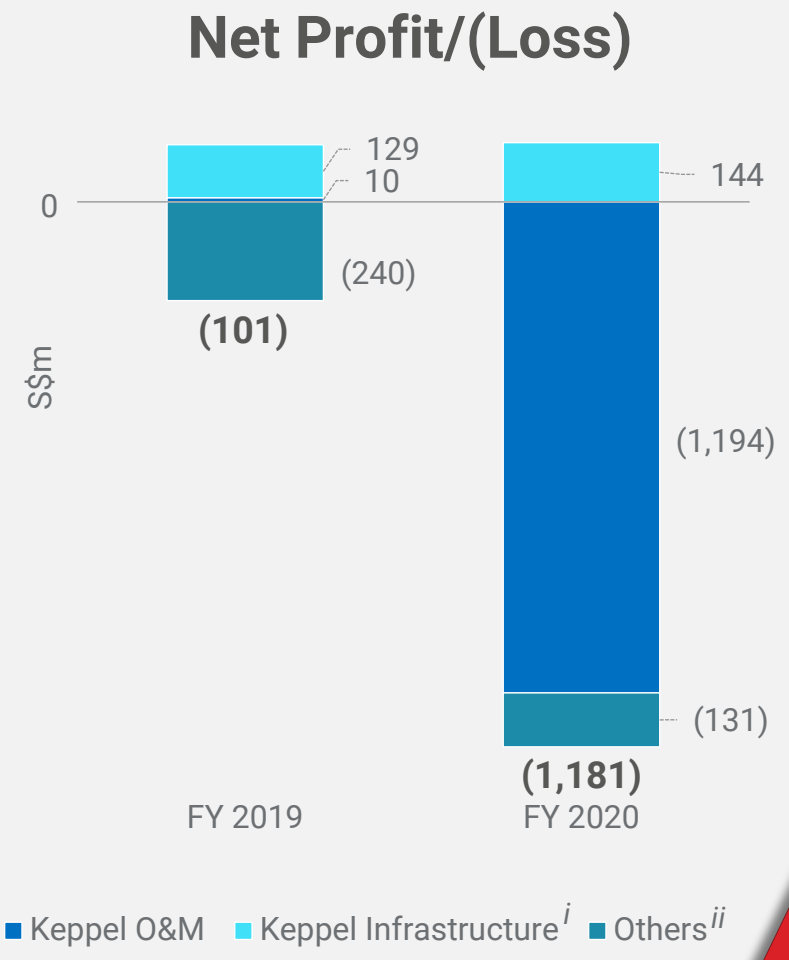
Recurring income
**S$220m**

Total cash dividend per share
**10 cts**

Free cash inflow
**S$497m**

## Net Profit/(Loss)





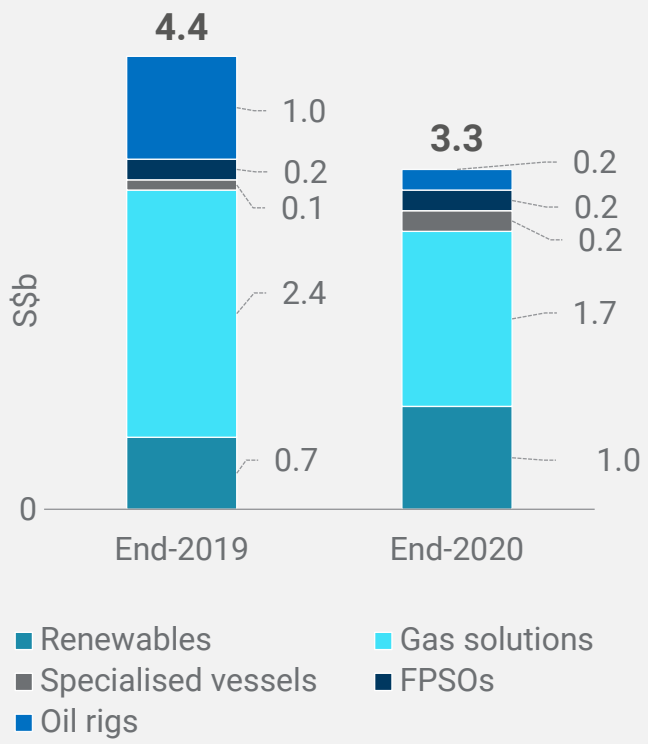

# Energy & Environment

- The segment's net loss for FY 2020 was mainly due to losses in the O&M business
- Keppel O&M's net loss was S$1,194m for FY 2020, due mainly to significant impairments recorded in 2Q 2020, reduced top line from COVID-19 related disruptions which severely impacted yard activities, and a higher share of losses from associates
- Work has resumed at all our yards by end-2020; Working to catch up on projects which had been delayed due to COVID-19
- Keppel O&M's performance improved in 1Q 2021 and it is EBITDA positive

[i] *Does not include contribution from business trust*
[ii] *Includes contributions from KrisEnergy, Keppel Renewable Energy, Keppel Prince Engineering, financing cost, impairment of an associated company and other group adjustments*

# Energy & Environment

## Net Orderbook [i]




- Pivot to renewables and cleaner fossil fuels has borne fruit
- Secured new order wins of about S$1.0b in FY 2020, with offshore renewables and LNG solutions making up 65% of new orders
- Net orderbook stood at S$3.3b as at end-2020, over 80% of which comprised renewables and gas solutions

[i] *Excludes semis for Sete*



*Keppel Marina East Desalination Plant*

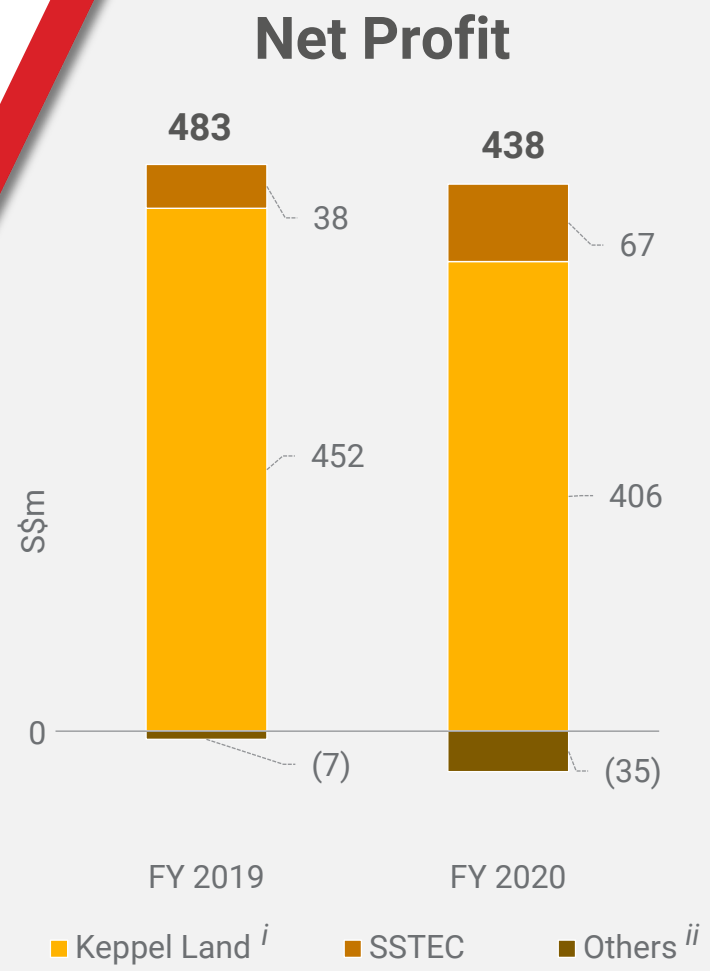
# Energy & Environment

- Keppel Infrastructure continued to grow as a steady contributor to the Group
  - Net profit[i] improved to S$144m for FY 2020, from S$129m for FY 2019
- Keppel Infrastructure secured S$2.1b[ii] worth of WTE and district cooling contracts across Singapore, India and Thailand
- Keppel Marina East Desalination Plant commenced commercial operations in June 2020
- Keppel Renewable Energy announced its first solar farm project in Australia

[i] *Does not include contribution from business trust*
[ii] *Based on gross contract values*

# Urban Development

- The segment recorded net profit of S$438m for FY 2020
- Keppel Land's contribution[i] of S$406m for FY 2020 was 10% lower yoy mainly due to absence of tax write-backs
- Keppel Land announced asset divestments of ~S$1.3b in 2020
- Acquired a stake in a co-living solutions provider as well as new projects in China and India

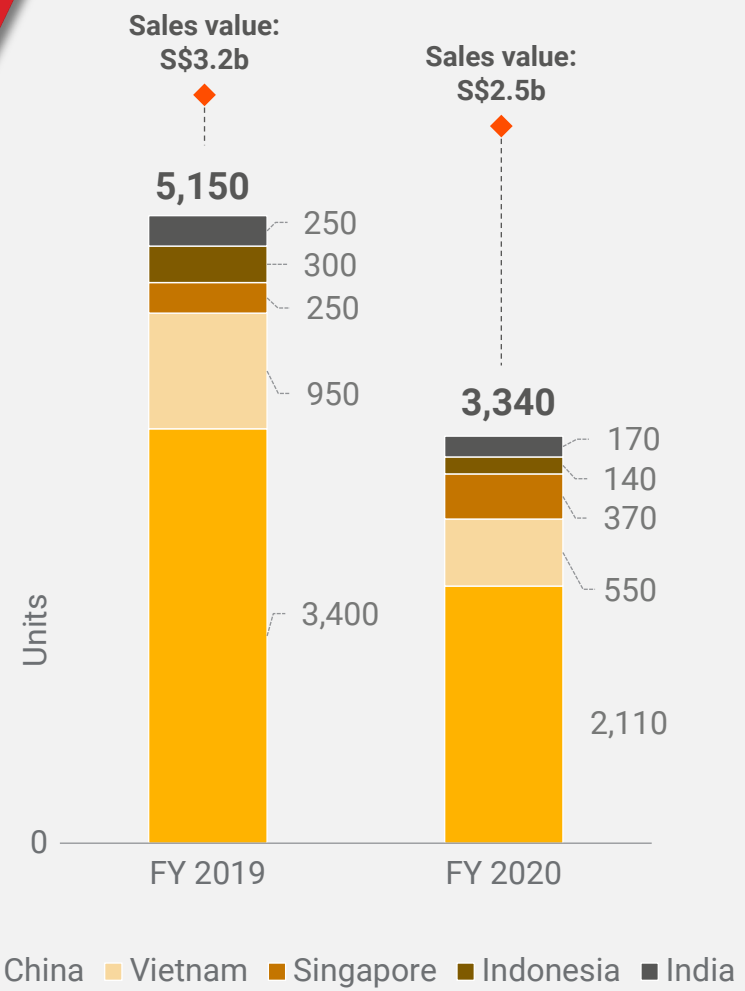



[i] *Does not include contributions from REITs and private funds*
[ii] *Includes contributions from Keppel Urbana Solutions and other group adjustments*

# Urban Development

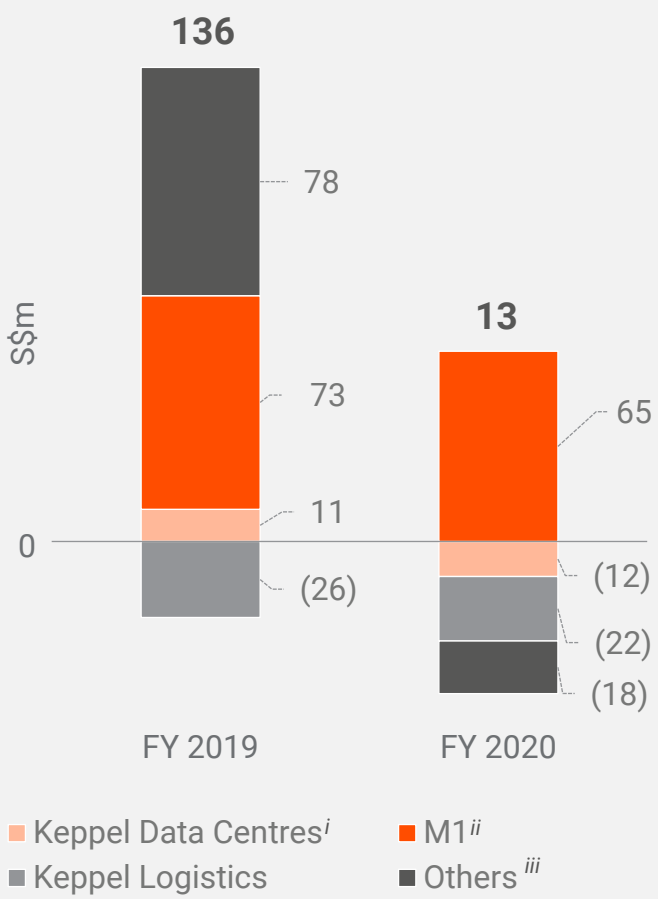
- Keppel Land's home sales in FY 2020 were lower mainly due to lower home sales in China and Vietnam
- In 1Q 2021, home sales tripled yoy, mainly due to stronger performance across China, Vietnam and Singapore
- In FY 2020, Keppel Land announced divestments of stakes in 4 residential projects, equivalent to ~8,200 units sold en-bloc
- As at end-2020, property portfolio comprised residential landbank of ~54,000 units, and commercial space of ~1.7 million sm GFA about half of which is under development
- SSTEC continued to grow steadily, contributing S$67m net profit to the Group in FY 2020

## Home Sales [i]




[i] *Refers to Keppel Land's home sales*

## Net Profit




# Connectivity

- The segment recorded a net profit of S$13m for FY 2020
- Data Centres is a growth business for the Group
  - In FY 2020, S$74m in contributions from the data centre REIT and private fund was segmentalised to Asset Management
- Keppel Data Centres added two new data centre development projects in Singapore and China

[i] *Does not include contributions from REITs and private funds*
[ii] *Prior to Mar 2019, M1 relates to the share of associated companies' results*
[iii] *Includes amortisation of intangibles, financing cost and other group adjustments*



*M1's shopfront*

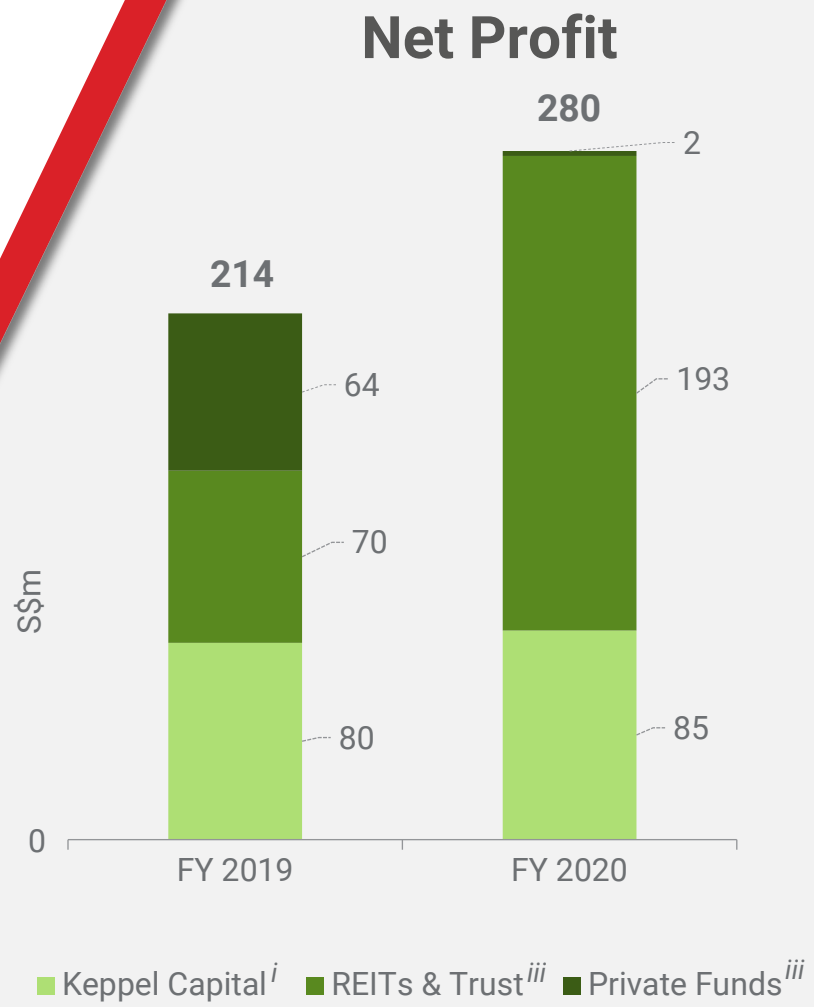
# Connectivity

- M1's contribution[i] of S$65m was 11% lower yoy due to COVID-19 impact on roaming and prepaid revenue, while EBITDA was relatively resilient at S$264m for FY 2020
- As at end-2020, M1 had the second largest postpaid customer base and postpaid revenue in Singapore
- M1's transformation progressing well:
  - M1 continues to roll out 5G network, collaborating with industry leaders to conduct trials of 5G use cases
  - Refreshed brand identity and launched new digital connectivity platform, which will significantly improve customer experience

[i] *Prior to Mar 2019, M1 relates to the share of associated companies' results*

# Asset Management

- The segment's net profit grew 31% yoy to S$280m for FY 2020
- Keppel Capital's contribution[i] grew 6% yoy to S$85m for FY 2020 mainly due to gains from divestments
- Asset management fees[ii] were S$165m for FY 2020, vs S$149m for FY 2019
- REITs & Trust's contribution was S$193m, higher yoy mainly due to gain from reclassification of Keppel Infrastructure Trust
- Private funds' contribution was lower yoy mainly due to holdings in fewer funds




[i] *Includes 100% contribution from the manager of Keppel DC REIT*

[ii] *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*

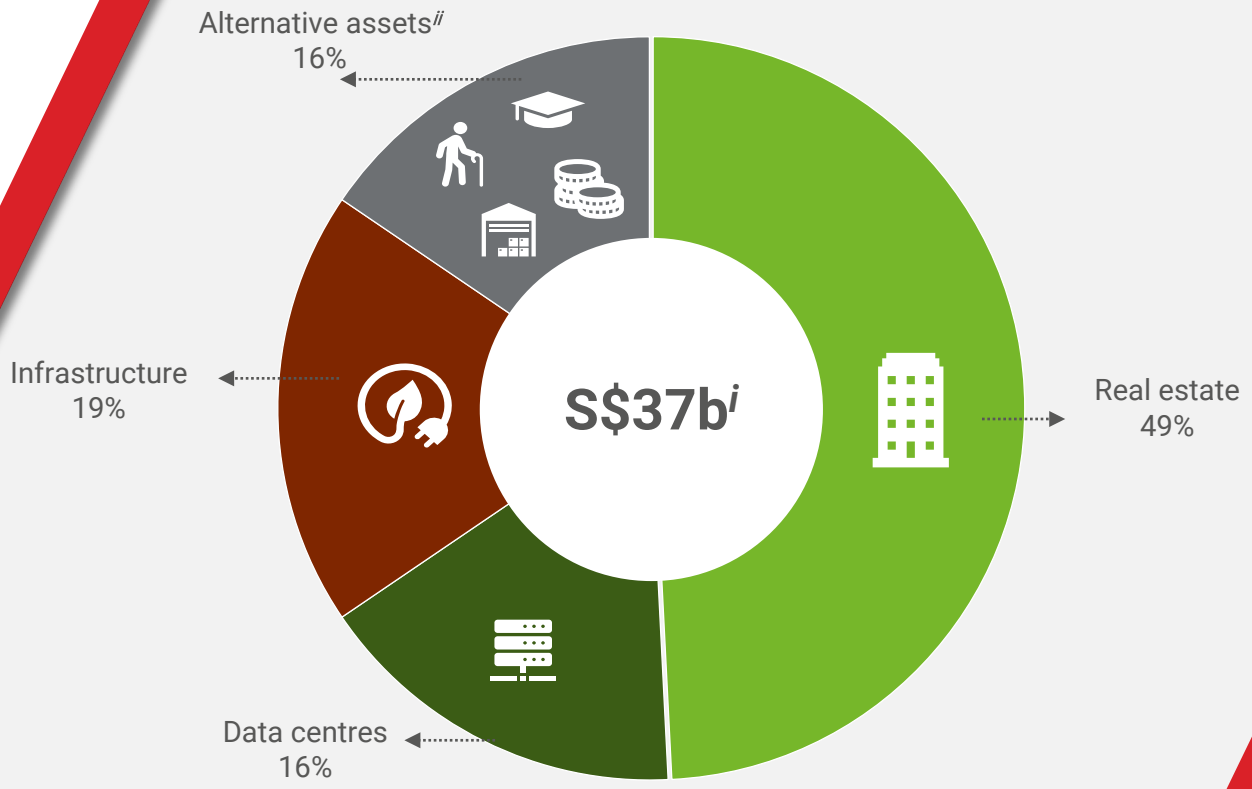
[iii] *Share of results and contributions from associates and investments apart from those held under Keppel Capital*

Keppel Corporation

# Asset Management

- Keppel Capital grew its AUM by 12% to reach S$37b[i] as at end-2020
- Despite COVID-19 related restrictions, Keppel Capital-managed funds raised total equity of ~S$4.5b in 2020
- Launched and achieved first close for several funds for real estate assets, data centres, infrastructure, education, logistics and a mezzanine debt platform

## AUM as at End-2020




[i] *Gross asset value of investments and uninvested capital commitments on leveraged basis to project fully-invested AUM*

[ii] *Includes senior living, education and logistics assets, as well as private credit fund*



# Key Questions from Shareholders

1. Keppel's Vision 2030
2. Transformation of Keppel O&M
3. Update on KrisEnergy
4. Sustainability
5. Directors' fees
6. Dividends

Keppel Corporation

# Can you share more about Keppel's Vision 2030?

- From a conglomerate of largely unrelated parts, we are working towards becoming one integrated business, providing solutions for sustainable urbanisation, with an asset management arm to tap third party funds for growth and provide a platform for capital recycling.

- Deepening intra-company collaboration and adopting a *OneKeppel* approach to harness the synergies of the Group and capture new profit pools that might not be available to individual business entities.

*Four focus segments*

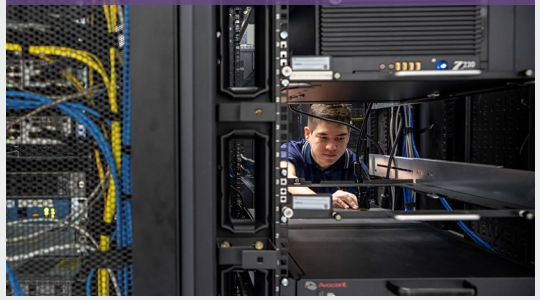
ENERGY & ENVIRONMENT



URBAN DEVELOPMENT



CONNECTIVITY



ASSET MANAGEMENT



# Can you share more about Keppel's Vision 2030?

*(Continued)*

- Established Transformation Office, with a comprehensive agenda covering six workstreams: (1) growth initiatives across four business segments (2) asset monetisation & portfolio optimisation (3) cost & cash management (4) sustainability (5) technology & innovation (6) people & organisation.
- Launched 100-day plan, from end-Sep 2020 to early-Jan 2021, to expedite progress.
- Executing Vision 2030
    - Plans to monetise S$3–5b of identified assets over three years; funds unlocked will help to reduce net gearing and fund growth initiatives. Announced S$1.2b of divestments between Oct and Dec 2020.
    - Plans to transform Keppel O&M and divest logistics business.
    - New growth initiatives including onshore and offshore renewables projects, and a collaboration with Facebook and Telin to develop the Bifrost Cable System.
- Pursuing further waves of initiatives to keep up the momentum.

# Can you share your plans for Keppel O&M? Will you divest the business?

- Transforming Keppel O&M to be more relevant and competitive amidst the global energy transition.
  - Exit offshore rigbuilding business after completing its existing uncompleted rigs; progressively exit low value-adding repairs and other activities with low bottom-line contribution.
  - Transit to being a developer and integrator of offshore energy and infrastructure assets, focusing on work with higher value capture.
  - Established a Rig Co and a Dev Co as transient entities to hold the ~S$2.9b worth of completed and uncompleted rig assets as we work towards resolving this legacy issue.
  - Undistracted by the legacy assets, Op Co, comprising the rest of Keppel O&M, can focus on transforming the company.
- Confident that over time, Keppel O&M will be a nimble industry leader, well-positioned for the global energy transition and a strong contributor to the Group's target ROE of 15%.
- Making good progress with organic transformation. Keppel O&M is carefully managing costs while seizing new opportunities, and also engaging in discussions with potential buyers and charterers of its rig assets.
- Also exploring inorganic options. However, there is no assurance that any transaction will materialise.

# Can you provide an update on KrisEnergy?

- Keppel has supported KrisEnergy to safeguard our investment in the company, including during the consensual restructuring exercise which commenced in 2019. In each step that we took, we have exercised caution to manage Keppel's risks.

- KrisEnergy recently announced that due to the significant underperformance of Cambodia Block A (CBA), contrary to earlier projections, the consensual restructuring was no longer viable. KrisEnergy's ability to continue as a going concern was premised on successful CBA development and successful completion of the consensual restructuring.

- The carrying values of KCL's investment, contract asset and loan receivable, as well as the amount outstanding under the RCF, amount to ~S$423m.

- We are unable to accurately determine the financial impact on Keppel at this stage, as the situation requires further analysis. Our current holding values are predicated on KrisEnergy remaining as a going concern. In a situation where KrisEnergy can no longer continue as a going concern, there will be significant negative impact on these values.

- We will work expediently with our advisors to estimate the financial impact on Keppel, and advise the market as soon as we can. We will ensure that Keppel's interests and investments in KrisEnergy are protected.

# What is Keppel doing in the area of sustainability?

- Placed sustainability at the core of our strategy.
- Introduced a shadow carbon price in the evaluation of all major investments; set measurable targets to reduce carbon emissions, water and waste intensity, and increase portfolio of renewable energy assets.
- Included environmental sustainability in the scorecards of senior management across the Group.
- Making sustainability our business by helping enterprises and communities become more sustainable through the solutions provided by the Group.

# Why is there an increase in proposed directors' fees for FY 2021?

- The proposed directors' fees of up to S$2,491,000 for FY 2021 is close to the sum of up to S$2,480,000 approved by shareholders for FY 2020.

- Directors' fees eventually amounted to S$2,028,071 for FY 2020 due to the following voluntary contributions and fee reductions undertaken by Directors:

    1. All non-executive directors contributed 8% of total fees to support Keppel's COVID-19 package to help the Singapore community weather the pandemic.

    2. The non-executive directors of Keppel Corporation and Keppel O&M volunteered for an additional 10% reduction in their FY 2020 annual fees, as a gesture of solidarity with the CEO and senior executive management of Keppel Corporation and management of Keppel O&M who had volunteered to take a base salary reduction of between 5% and 10% with effect from 1 September 2020 in view of the required rightsizing of Keppel O&M.

# What are Keppel's plans for dividends moving forward?

- We recognise that dividends are important to our shareholders.
- Keppel does not have an explicit dividend policy but has been paying out 40–50% of annual net profit as dividends in most years.
- Funds unlocked from the monetisation of assets will initially go toward reducing net gearing, as well as funding growth initiatives. As we continue to progress in our asset-light model, gains from the monetisation of assets would add to the pool of profits which we would take into account in future declarations of dividends.
- We will explore how best to create value with the surplus funds unlocked, which could include returning some capital to shareholders over time.

# Thank You