Briefing to analysts covering Keppel Corp.

03-May-23



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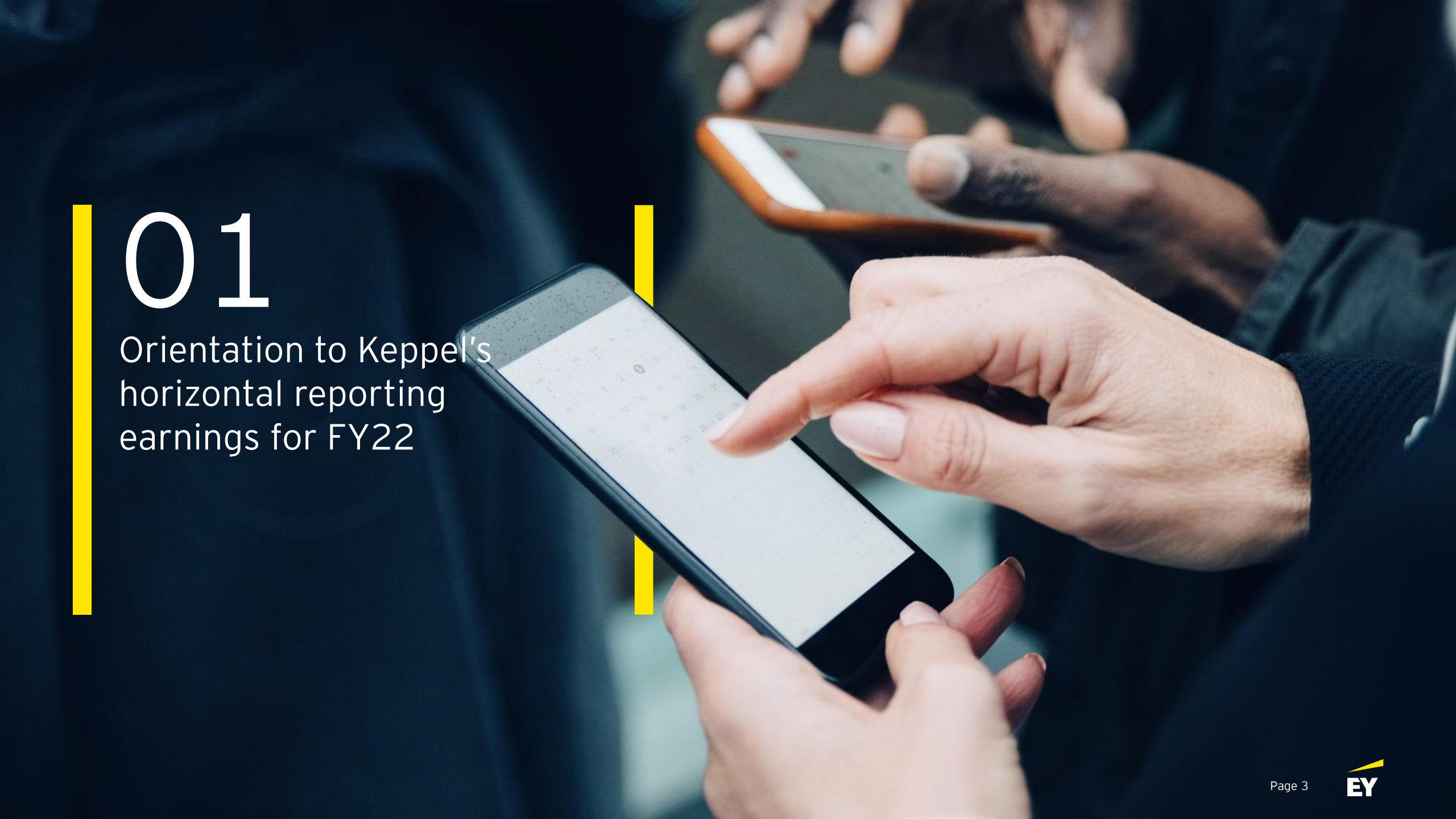
Agenda

01 Orientation to Keppel's horizontal reporting earnings for FY22

02 Walkthrough of valuation methodology incorporating horizontal reporting

03 Q&A session





01

Orientation to Keppel's horizontal reporting earnings for FY22

Context on different types of earnings across asset lifecycle

Net profit from:	Asset Management Fee Fees earned from managing listed and private funds	Operating income Recurring income from asset operations & mgmt.	Valuation items Gains / losses from revaluation of assets	EPC / Development Profits from asset development & EPC services	Capital recycling Profits derived from ongoing asset monetization
one Infrastructure	▸ Asset management fees ▸ Performance fees ▸ Transaction fees from acquisition / divestment	▸ Sale of electricity, utilities, gas and renewable energy ▸ Rental income / Property management fee ▸ Project & facility fees ▸ Communication services	▸ Revaluation of investment properties ▸ Mark – to – market gains / losses on investments	▸ EPC contracts ▸ Profits from property trading ▸ Development profits	▸ Disposal gains / losses from sale of assets ▸ Gains from en-bloc sales (e.g. sale of residential projects)
one Real Estate					
one Connectivity					

Differentiate types of earnings across value chain

Emphasize scale & growth in recurring income

Track progress towards asset-light model

Source: Keppel media release; EY analysis

Horizontal reporting structure showing Keppel's FY22 Net Profit by type of earnings across asset lifecycle

All figures in S$m

FY22 Net Profit[1]	**Asset Mgmt. fees**	**Operating income**	**Valuation items**	**EPC / Development**	**Capital Recycling**	**Total**
	▸ *Mgmt. fees* ▸ *Performance fees* ▸ *Transaction fees (acquisition & divestment)*	▸ *Sale of gas, electricity, utilities* ▸ *Leasing inc.* ▸ *Operations & Maintenance* ▸ *Facility mgmt.* ▸ *Property mgmt.* ▸ *Investment inc.*	▸ *Property revaluation* ▸ *MTM gains / loss*	▸ *EPC* ▸ *Development profits*	▸ *Disposal gains / loss* ▸ *Gains from en bloc sales*	
one Infrastructure	**32** *(3%)*	**335** *(36%)*	**-9** *(-1%)*	**-21** *(-2%)*	**-40** *(-4%)*	**297** *(32%)*
one Real Estate	**41** *(5%)*	**3** *(0%)*	**227** *(24%)*	**177** *(19%)*	**16** *(2%)*	**464** *(50%)*
one Connectivity	**18** *(2%)*	**74** *(8%)*	**7** *(1%)*	**-**	**-1** *(0%)*	**98** *(11%)*
Discontinued operations						**88** *(9%)*
Corporate activities[2]						**-20** *(-2%)*
oneKeppel	**91** *(10%)*	**412** *(44%)*	**225** *(24%)*	**156** *(17%)*	**-25** *(-2%)*	**927** *(100%)*

Additional horizontal reporting disclosures

- **Operating income** includes **stakes in listed and private funds**
  - **OneInfra**: S$35m (Listed funds) and -S$1m (Private funds)
  - **OneRE**: S$53m (Listed funds) and S$2m (Private funds)
  - **OneConn.**: S$28 (Listed funds), -S$4m (Private funds)
- **M1 operating income is S$74m**
- **Corporate activities** include S$83m net gain from MTM and other investments
- **Other investments** (excluding Floatel/DynaMac[3]) have carrying value of S$566m

Notes: (1) Net Profit excludes NCI and perpetual securities; (2) Includes contributions from investments held at corporate level, and overheads and financing costs which have not been attributed to segments; (3) Floatel and DynaMac's carrying value amounts to S$300M.
Source: Keppel media release

02

Walkthrough of valuation methodology incorporating horizontal reporting



Valuation principles and methodology incorporating horizontal reporting elements

1 Completeness of valuation components

- **Incorporate all types of earnings** into **valuation of 3 segments**
- **Include balance sheet items:** cash, receivables and other assets from Hold Co[1], Asset Co[2] and other investments

2 Appropriate methodology to value each component

- **P/E multiples** for valuation components where value is derived from **income-generating** business
- **RNAV or P/B multiples or carrying value** for valuation components where value is based on **holding & worth of assets**
- **Quoted market price** to value listed funds

3 Differentiated multiples based on nature of business

- **Differentiated P/E multiples** for **Operating income vis-à-vis EPC / Development** (recurring vis-à-vis 'lumpy' profits)
- **Differentiated P/E multiples** for **Asset Management fees for each platform**

Note: (1) Hold Co = Keppel Corporation Limited Company; (2) Asset Co is new and separate entity that holds the legacy rigs and associated receivable arising from KOM transaction.
Source: EY Analysis

Valuation principles and methodology: Completeness of valuation components

1 **Completeness of valuation components**

2 Appropriate methodology to value each component

3 Differentiated multiples based on nature of business

FY22 Net Profit	A Asset Mgmt. fees	Operating income	Valuation items	EPC / Development	Capital Recycling	Total
one Infrastructure	32 *(3%)*	335 *(36%)*	-9 *(-1%)*	-21 *(-2%)*	-40 *(-4%)*	297 *(32%)*
one Real Estate	41 *(5%)*	3 *(0%)*	227 *(24%)*	177 *(19%)*	16 *(2%)*	464 *(50%)*
one Connectivity	18 *(2%)*	*74 (8%)*	7 *(1%)*	-	-1 *(0%)*	98 *(11%)*
Discontinued operations						88 *(9%)*
Corporate activities						B -20 *(-2%)*
oneKeppel	91 *(10%)*	412 *(44%)*	225 *(24%)*	156 *(17%)*	-25 *(-2%)*	927 *(100%)*

A Include value of all types of earnings across 3 segments

- **AM fees, Op income & EPC/Dev** to be **valued individually**
- **Valuation items & capital recycling** not directly valued, but can **influence valuation assumptions**
- **Listed & private funds** to be **valued separately;** earnings to be stripped out

B Corporate activities to be included in valuation

- Other investments to be valued separately, earnings to be stripped out

C Include B/S Items into valuation

Notes: (1) Net Profit excludes NCI and perpetual securities.
Source: EY Analysis

Valuation principles and methodology: Appropriate methodology to value each component

1 **Completeness of valuation components**

2 **Appropriate methodology to value each component**

3 **Differentiated multiples based on nature of business**

		Examples
A	**P/E multiples for valuation components where value is derived from incoming generating ability of business** ▸ Asset Management fees for all 3 segments ▸ Op income & EPC/Dev for Infrastructure & Connectivity (M1 – Op income)	▸ *Asset Management fees from managing KIT* ▸ *Sale of electricity & gas (operating income)*
B	**RNAV or P/B multiples or B/S carrying value for valuation components where value is derived from holding & worth of assets** ▸ Real Estate segment ▸ Private funds & other investments ▸ Balance sheet items ▸ Keppel Telecommunications & Transportation (Connectivity)	▸ *Keppel's investment in SSTEC* ▸ *Keppel residential land bank portfolio*
C	**Observable quoted market price for publicly traded components** ▸ Listed funds & investment stake in combined entity (CE)	▸ *Keppel's investment in listed funds & trusts*

Source: EY Analysis

Valuation principles and methodology: Differentiated multiples based on nature of business

1. Completeness of valuation components
2. Appropriate methodology to value each component
3. **Differentiated multiples based on nature of business**

A Higher multiple for Op Income (v/s EPC/Development)

- **Predictability & stability:** Operating income is generally based on **steady** cash flows with **high likelihood of renewal** from customers.
- **Growth areas:** Keppel focus on growing recurring operating income in line with Vision 2030

B Differentiated AM fees multiples for each segment

- **Distinct underlying industry drivers across segments:**
  - **Infra:** driven by macrotrends in sustainability & decarbonisation
  - **RE:** driven by demographic & urbanization trends (e.g. sustainable urban solutions & senior living facilities)
  - **Connectivity (DC):** driven by increasing demand for digital infra
- **Differentiated Keppel mandate & capabilities across segments**

Examples

- *Operations & Maintenance services (operating income) v/s Power plant EPC profits (EPC/Dev)*
- *AM fees derived from infrastructure v/s real estate v/s data center*

Source: EY Analysis

Proposed valuation methodology post horizontal reporting disclosures

Segment	Components	Methodology
Infrastructure	Operating income	P/E
	EPC / Development	P/E
	AM fees	P/E
Real Estate	Keppel Land Limited (KLL)	RNAV
	Sino-Singapore Tianjin Eco-City (SSTEC)	P/B
	AM fees	P/E
Connectivity	Keppel Telecommunications & Transportation (KTT)	Carrying value or P/E
	AM fees	P/E
	Operating income (M1)	P/E
Listed funds	KREIT, KDCREIT, KIT, KORE, PRIME	Market cap x % stake
Private funds	Infra, Real estate, Conn., Alt	Carrying value
KCL Company level P&L	Corporate activities	Blended P/E multiple
KCL Company level Balance Sheet	Cash to be received (KOM)	Carrying value
	Amounts due from subsidiaries	Carrying value
	External debt net of cash	Carrying value
	Other B/S items	Carrying value
	Vendor notes, Perps, 10% in Asset Co (KOM)	Carrying value
	Investment stake of Combined Entity (KOM)	Market value
Investments	Other investments	Carrying value
	Floatel / DynaMac (KOM)	Carrying value

Source: EY Analysis

Key takeaways

Key benefits of horizontal reporting

- **Differentiate multiple types of earnings across value chain**
- **Emphasize scale & growth in recurring income**
- **Track progress towards asset-light model**

Valuation principles and methodology incorporating horizontal reporting elements

1. **Completeness of valuation components**
   - Incorporate all types of earnings into valuation of 3 segments (incl. listed & private funds)
   - Include balance sheet items: cash, receivables and other assets from HoldCo, Asset Co and other investments

2. **Appropriate methodology to value each component**
   - P/E multiples applied to income – generating components
   - RNAV or P/B multiples or B/S carrying value applied to components whose value is based on holding & worth of assets
   - Quoted market price to value listed funds

3. **Differentiated multiples based on nature of business**
   - Differentiated P/E multiples for Operating income vis-à-vis EPC / Development (recurring vis-à-vis 'lumpy' profits)
   - Differentiated P/E multiples for Asset Management fees for each segment

Source: EY Analysis

03

Q&A



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As part of Keppel Corporation Limited ("Keppel") Transformation program ("Transformation"), Keppel is introducing a new horizontal reporting framework ("Reporting Framework") illustrated in section 1 of this presentation: "Orientation to Horizontal Reporting Earnings for FY22".

EY Corporate Advisors Pte. Ltd ("We" or "EY") has been engaged as an advisor by Keppel to perform an outside-in valuation analysis of Keppel based on the new Reporting Framework (the "Analysis"). The Analysis is performed based on business and financial information as at 31 December 2022 and it is based on publicly available information.

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The scope of our engagement does not require us to express, and we do not express a view on the future prospects of Keppel. We are therefore not expressing any view on the future trading share price of the shares or the financial condition of Keppel upon completion of the Transformation. The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations.

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For the purpose of our valuation analysis, this presentation does not take account of events or circumstances arising after the valuation date of 31 December 2022, except for the proposed acquisition of Keppel O&M by Sembcorp Marine, and we have no responsibility to update this presentation for such events or circumstances after 31 December 2022.

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