Keppel Corporation 1H 2023 Results Webcast

Transcript of the Question & Answer Session

27 July 2023, 5.30pm, Keppel Bay Tower

LCH	Loh Chin Hua, CEO of Keppel Corporation
CHC	Chan Hon Chew, CFO of Keppel Corporation
CT	Christina Tan, CEO, Fund Management and Chief Investment Officer
LL	Louis Lim, CEO, Real Estate Division
CL	Cindy Lim, CEO, Infrastructure Division
TP	Thomas Pang, CEO, Data Centres and Networks Division
MSM	Manjot Singh Mann, CEO, M1

Questions from Foo Zhiwei, Macquarie

Capital recycling seems to have slowed down in the second quarter. You did about S$500 million in the year to date. I am keen to hear how you plan to keep your capital recycling momentum in the next 12 months. Out of the initial S$17.5 billion of assets you highlighted which was available for monetisation, how much is left? Which buckets should we expect future capital recycling to come from?

LCH: On capital recycling, indeed it has slowed. I have alluded to the fact that even on the investment side, we have been a bit more cautious in terms of our acquisition activities for the funds in 1H 2023. But we are still working on quite a number of monetisation opportunities, and we believe that the pace will pick up. We still are looking to hit the S$10-S$12 billion target by 2026.

We do not disclose the buckets. But suffice to say, and I think I've explained this before, we have a programme. So, every six months, we look over two to three years and consider what are some of the assets that we could potentially monetise. Over time, some markets will probably not allow us to monetise assets, but there will be some assets that we can move forward. As I explained before, it is like planes taking off. We have a control tower. Over time, if there is slowdown in a particular flight, we will see whether we can move forward any of these projects that we have targeted for monetisation in later quarters or six months down.

We don't give a breakdown of what the different buckets are. But generally, we expect to see this pick up in the second half.

I note from your horizontal reporting that Infrastructure did very well in 1H 2023, and there was a surprising operating loss in your Real Estate Division. What drove that loss in your Real Estate operating income? As for your Infrastructure operating income of S$303 million, how sustainable are those earnings, and what was driving the margin expansion in the first place?

CHC: I will highlight some of the points that contributed to the net operating loss in Real Estate. This is mainly because this year, there was an increase in net interest expense. There is also an increase in some expenditures on new initiatives, and at the same time, I also mentioned about lower returns from some of the sponsors' stakes, and this includes for example, our interest in Keppel REIT. You have seen the results announcement from Keppel REIT.

You also asked about Infrastructure. They did very well this year. We have a recurring business. We also operate a power plant. So there is recurring income coming from those businesses. Of course, there would still be market movements, like electricity prices, but we do lock in some of the retail contracts, which are locked in for one to two years.

At the same time, we also hedge our gas prices. So as a result, we do have contracted spreads that are sustainable. But of course, you are still exposed to market movements beyond a certain period.

So the short answer is, yes, it is a recurring business.

LCH: Cindy, do you want to add anything?

CL: The Infrastructure Division runs an integrated power business, as well as a decarbonisation & sustainability solutions business. Our margin contribution comes from the way we contract our gas, the way we run our generator, in this case, the four units of combined cycle gas turbines, and the way we secure electricity retail contracts – the contracting strategy, the gas purchase strategy and the ability to run our generator at high efficiency and high reliability all contribute to a healthy spread.

Under our recurring business for decarbonisation & sustainability solutions, we have long-term O&M contracts. The ability to improve efficiency in terms of how we run such critical assets becomes our secret sauce, because of how we reduce OPEX, how we improve uptime, whether in a district cooling plant, waste-to-energy plant, or water plant.

So all these add up and what we see is a promising learning curve efficiency that translates directly to the bottom line.

LCH: You would have also noted that I mentioned the total quantum of EaaS and O&M contracts that Cindy mentioned is about S$4.1 billion and this number is growing.

There is some volatility but in the end, it is a recurring business and we are also changing the business model to allow us to have longer-term contracts that will improve the quality of the earnings.

<u>Questions from Brandon Lee, Citi Research</u>

On this additional S$12.4 billion that you put out as part of the AUM, can you share with us the speed at which they can be converted into FUM? It seems that about S$8 billion of this are in real estate, and the remaining S$5 billion is Infrastructure, do correct me if I'm wrong.

LCH: On the S$12.4 billion, there are various real assets in there. These are assets that we have also identified in our monetisation plan.

So if you work it out: we cited S$17.5 billion as a target in 2020. We have also now announced about S$5 billion of monetisation. So, the numbers tally quite closely. It does not match exactly but they tally quite closely. Some of this would be our landbank. But some of it would also be the credit notes, which are quite a significant part of that.

In terms of the pace, I think this would be along the same lines of what we have said, that we expect to get between S$10-S$12 billion (of cumulative asset monetisation) by 2026. So we have to do between S$5-S$7 billion over the next three and a half years. That is roughly the pace.

On the S$13 billion deal pipeline, can you share with us the chances of converting them into actual business or FUM so to speak?

LCH: Maybe I will ask Christina to answer this.

CT: Sure, on the S$13 billion deal pipeline, we are seeing a lot of deals now: in infrastructure, in real estate as well as connectivity segments. In real estate, we have recently closed a deal in Korea. We are seeing more deals because of the illiquidity in the market. Now is a more interesting time to look for deals in the market, given that there is a bit more stress in the system. So you will see cap rate expansion, which is more to the benefit of the buyers. So for people with dry powder, it is actually the best time to look for deals now.

We are looking at deals across key markets, such as Japan, Korea and Australia, some of these key markets that we are focused on. In infrastructure, we are also seeing a lot of interesting deals. We always focus on deals that provide essential services, that generate good long-term cash flows for investors.

So, for some of these, we will be also looking at leveraging on Keppel's key capabilities. So whether it is in digitalisation, subsea cables, or the energy transition. These are some of the key focus areas.

Are you able to share the rate of conversion of this S$13 billion?

CT: Actually, for quite a lot of deals, we are in negotiations, we are in discussions with the potential sellers right now. We are looking forward to converting quite a number of these deals in the third quarter as well as in the fourth quarter of this year.

For the dividend in-specie (DIS) of Keppel REIT units, can you share with us the ROE impact of that and the rationale behind divesting 9% and why not 15% or 20% and why now?

LCH: Maybe Hon Chew can answer this question.

CHC: Sure, we have a separate announcement that actually depicts the financial impact. So I will explain using the pro forma that is included there.

There will be a one-time impact on net profit. On a pro forma basis, using 2022 numbers, assuming the DIS was done on 1 January 2022, net profit will be impacted by S$135 million because the Keppel REIT units are still trading below net asset value.

That is one component. But of course, if the DIS is done at the beginning of the year, the equity share of profit from Keppel REIT also comes down. So there are two elements of the impact.

Going forward, the DIS reduces retained earnings, but it will help to enhance our ROE.

LCH: Why this particular amount? First and foremost, I would say that Keppel REIT is a very important REIT for the group and we remain fully committed to Keppel REIT.

But as part of our capital management exercise, we have looked at how we can monetise some of the assets that we have. So this would – if approved – become part of the monetisation. But instead of selling it, we felt that it actually represents quite good value. The yield, I believe, is about 6% to 6.5%.

So we thought it would be better that we distribute it in-specie to our shareholders. And I hope that many of our shareholders will continue to hold this very good REIT, which is very well-managed by a strong management team and board. And of course, the assets are best-in-class in Singapore, in Australia.

And of course, as I said earlier, this would also go towards improving the free float for Keppel REIT. So it is for all these reasons.

But I think we are quite sure that this (i.e. Keppel REIT) is what we want to hold at this point. So, as to your next question, if there is anything planned after that? The short answer is no. Nothing is planned. We are quite comfortable with this number.

Questions from Lim Siew Khee, CSG-CIMB Research

Can I just check on Infrastructure Division. I do understand that you mentioned there is market movement and you also mentioned that your contracts are actually contracted for one to two years. Is this from 2022 or 2023?

And I understand that you hedge your gas, because gas has been quite alright in terms of the pricing year to date. And do you have gas sales in this division? That is why it actually caused the jump up, or is it purely because of repricing of electricity prices with the retail customers, which includes industrial, I suppose?

We just want to ascertain whether the S$319 million operating profit for Infrastructure will be sustained. Because in there, you have O&M of plants, you have power sales and probably some EPC recognition somewhere.

LCH: I'll ask Cindy to address it.

CL: The electricity contracts of one to two years that we disclosed is starting from January this year. Having said that, we are also actively executing our contracting strategy for next year, but I cannot reveal what is the percentage now. Earlier, I mentioned our integrated power business. You are right. We also selectively retail gas. I think the important point here about managing the spread is also how we diversify and manage our gas supply, be it piped natural gas, or LNG; and depending on the market situation, we may also opportunistically do spot cargo.

As to whether there are margins from gas sales in 1H 2023, we do not break down the contribution. Because that is our secret sauce to running our integrated power business, to provide resiliency and minimise volatility in this recurring business.

Just to clarify that the spot cargo gas sales is included as operating and recurring?

CL: When we do spot cargo gas, if it happens, it will be used for our generator.

Okay, so you do not do gas sales?

CL: We do sell some excess gas.

Also, I understand you are growing your EaaS business, and in terms of revenue, it is quite high. How should we look at the profit margins on that? I know they are long-term contracts but is the profit material? And when will it be material?

LCH: I do not think we can share that with you. You are asking us for the margin right?

CL: I think the way to look at it is, and on one of the slides we did show the contribution of our integrated power business as well as the contribution from the decarbonisation & sustainability solutions business. The key is to show the growing contributions of our EaaS and O&M business. One thing to note is that the new contract we announced has not translated into contribution because this is newly secured in 1H 2023. As we execute the project, the topline will translate to the bottom line in the months to come.

I have two more questions. I'm sure the property analysts will ask more detailed questions on this, but I wanted to hear your view on China as home sales dropped significantly in 2Q 2023, and whether you think the recent meeting with the government actually gives you a bit more hope in the sector in China?

LL: I think Siew Khee, very consistent with what you said, we mentioned we did see some green shoots in the first quarter, but in the second quarter it continues to be challenging.

So, I think we just see an uncertain market ahead even though we are always cautiously optimistic. We are prepared to navigate the market just as I think the other players are. As we do this, we are still looking for opportunities, where we can invest with co-investors, through funds, into the China market, where appropriate.

At the same time, we are also investing in areas like our Engine 2 products. So, we are launching our senior living business at the end of the year and also looking at sustainable urban renewal.

LCH: Generally, as you have read, it is quite challenging at the moment in China. But I think in the medium to long term, as we said in the speech, for those cities that we are looking at and also for those solutions we are providing in sustainability, we still see a lot of good traction in the long term.

Where is the coupon for Asset Co parked under?

CHC: So, the interest income on vendor notes is under the "other operating income line" under "Corporate Activities".

I have one last question. I know that you actually had two plots of land sales in Tianjin Eco City. Are you able to share the profits for the second plot?

CHC: The first one was S$14 million. The second plot is not yet recognised.

Questions from Joy Wang, HSBC

First of all, just to follow up on Asset Co. You've done some impairments prior to divesting. Is there any room for potential writebacks, and will that affect your earnings going forward?

LCH: On Asset Co, we cannot speculate on writebacks. All I can say is that the credit notes are backed by the rigs and the rig market has improved. We are starting to see utilisation rates for jackups rising to, I believe, 83%, and as high as 97% for new-generation drillships. We are starting to see, once the utilisation rates go up this high, that dayrates are also improving. So, we are obviously watching this very closely – to see whether we can move forward the monetisation of these, and how that will have a positive impact on our P&L.

Secondly, on fund management, could you share a little bit more on the current loan-to-value (LTV) for the existing funds? And you also mentioned the new funds being marketed – what are the typical fund sizes that you're looking at given the fundraising market? Could you share more colour on LPs and required returns?

CT: For the private funds, the typical LTVs are not more than 60% on a portfolio basis. In terms of the kind of fund sizes that we are looking at, basically, for Keppel Sustainable Urban Renewal Fund (KSURF), Keppel Core Infrastructure Fund (KCIF), and the Keppel Asia Infrastructure Fund II (KAIF II), we are probably looking at around US$2 billion each.

But most of these funds have different kinds of returns. So KSURF is more core-plus whereas KAIF II is more like a value-add fund. And KCIF is more focused on yield, with a single-digit total return, and that's more of an evergreen fund in nature.

On your stakes in these funds, would it be in line with your traditional stakes?

CT: I think you know Keppel would typically put in our traditional stake. But when we see very interesting opportunities, Keppel would look to put more into the funds as well. But right now, we typically follow what we would do, which is to put a sponsor stake into each of the funds.

Could you share what is your sponsor stake with your existing S$50 billion FUM?

CT: I think about S$3.6 billion out of S$50 billion.

Questions from Derek Tan, DBS

Management spoke about better opportunities in 2H 2023. What kind of further discounts to valuations are you anticipating and in which markets and types of asset classes?

LCH: I think that is something that has already been addressed. Anything else you would like to add, Christina?

CT: Derek, the opportunities are really in all three sectors that Keppel is good at. Whether it is in real estate, infrastructure or connectivity. And we are seeing that the market is coming closer towards us. So, in real estate, we are seeing cap rate expansion, anywhere between 50-100 basis points or even upwards of that. All depending on the seller's position.

For infrastructure, as we said, we always look at essential services. Assets with good cash flows. We do not look at cap rate expansion but we always like infrastructure as an asset class given that it is CPI-indexed as well. So that matches the income liabilities really well for our investor base.

For connectivity, given the capabilities that we have in-house on data centres, subsea cables, etc., we have more deals generated by ourselves, by our respective data centre teams.

What is management's view about setting up a credit fund?

CT: I am not sure if you are aware, we actually have a 50% stake in a joint venture with Clifford Capital. It is called Keppel-Pierfront Private Credit Fund. It has raised about US$700 million about a year ago. The fund has been very successful, very well deployed, so we are probably going to look at starting a new fund, Credit Fund II, soon.

LCH: Actually, private credit is one of the growth areas for asset management.

What are your capital partners in your private equity funds saying in terms of deployment strategies? Do they prefer to wait and see or do they want to deploy now?

CT: I think we are fortunate that we have some of the smartest investors in the world with us. These are sovereign wealth funds and pension funds and they know how to seize opportunities. So whenever we showcase a deal that is interesting, whether in terms of stability of cash flows, or whether it is in terms of value-adding strategies where they will make good returns, I think that's where they want to join us in terms of partnering us, coming into the fund as well as co-investing alongside us.

LCH: I guess one of the key differentiators for Keppel is that we have very strong operating capabilities. So, our operating platform is able to add value through their very deep industry knowledge and operating capabilities.

The other thing I want to add is that this week, GIC announced its results. Very good results, under the very difficult circumstances. They also mentioned how to make their portfolio more resilient, and amongst various things, they are looking at real assets including infrastructure and real estate. These are areas that Keppel is very focused on because we are an alternative real asset manager and operator, and our operating capabilities are what makes a difference when LPs look at us.

<u>Question from Paul Chew, Phillip Securities</u>

Are you expecting the electricity reserve margins in Singapore to decline further over the next few years and will the decline benefit your electricity margins?

CL: The Singapore electricity market is a fully liberalised one. It is a mature market and in the past few years, the market had overcapacity thanks to the optimism from generation companies. But based on projection, by 2025, the electricity market will reach its minimum required reserve margin.

As an operating platform player, we must know our market competitive landscape very well. So, this is why we reached final investment decision on the advanced hydrogen-ready combined cycle gas turbine last year. In a collaboration with the Keppel Asia Infrastructure Fund, we reached

financial close early next year. And last week we had the ground-breaking. This 600MW plant will commerce commercial operations by 2026, right in time.

Questions from Mayank Maheshwari, Morgan Stanley

What will be the margin for EaaS contributions once they contribute in 15 months' time? What will be the rough per unit or percentage margin in EaaS?

CL: I would like to clarify that. In the 1Q 2023 business update, we mentioned that we secured about S$320 million in contracted revenue and in 1H 2023, we contracted S$1.2 billion, so it would be less than 15 months as some would start contributing in the next couple of months. In terms of margins, suffice to say, they are healthy, but it is competitive. What is key to note is that for EaaS, our contracts are inflation-resilient as they are indexed to inflation.

Questions from David Lum, Daiwa

The government awarded four data centres recently and Keppel was not one of the names, so I was a little surprised, but should we read too much into this? What is your view?

LCH: We chose not to participate, but I will let Thomas shed more light on this.

TP: As Chin Hua mentioned, we did not participate in this round. We chose to focus on the opportunities that we were already been working on, including a floating data centre module and the largest-scale Datapark+ campus, as well as the Genting Lane project where we have potentially more capacity that we can bring to the market.

It is not that the market is not attractive. We still have very high demand. You heard from Chin Hua's earlier presentation that the AI demand is adding on to the demand that is already very strong in this part of the world and probably globally as well. So, we chose to focus on what we have been working on for quite a while now. Let's see whether we will make announcements on more capacity in the second half of the year.

So, you are saying that you have so many exciting projects on the plate that you could give this a miss, and you will still have more opportunities going forward?

TP: I would say we have lower-hanging fruit.

Questions from Ho Pei Hwa, DBS

Congrats on the strong AUM growth. Could management shed more colour on the bright spots and new pipeline given that we have S$10 billion in dry powder? Secondly, on real estate, while we have seen strong pickup in China property sales, what is the outlook for en bloc divestment?

LL: Thank you Pei Hwa for the question. Although we saw better sales for us in the first half, which more than doubled to over 2,100 units, we do see some softness in the market. That being said, in China, it is not a uniform market. There are micro markets that people are more interested in, and for us, we have been having conversations on a number of our projects. We will be announcing these when the SPAs have been signed.

Question from Chen Lin, Thomson Reuters

Are there any plans for any spin-offs or selldowns in data centres for the second half or the near future?

LCH: We have mentioned that for our Genting Lane data centre campus, the first two buildings are already fully committed. The first building is already completed and the second building is still under construction. There could be opportunities for us to do something, but we have nothing to announce at the moment.

Question from Mervin Song, JP Morgan

The government has threatened to build their own power plant if the private sector does not respond. Should we be worried about regulatory response for your power business in Singapore, if there is a perception that you are making super normal profits?

CL: The Singapore power market is a very competitive one. It is a function of supply and demand. In terms of regulatory risks, the incumbent players are always in very close dialogue with the regulators. I think our interests are aligned, which is to ensure that the power electricity market in Singapore remains resilient in order to support the economy. Nobody, including the regulators, would like a shock to the system.

The key is also how we future-proof our generation assets, improving the efficiency and reducing the carbon footprint. For example, we disclosed that one of our units embarked on a power train upgrade in order to improve the heat rate and energy efficiency. So I think these are roles and responsibilities that generation companies should play in order to ensure regulators support the growth of a vibrant electricity market.

Questions from Adrian Loh, UOB Kay Hian

Would it be possible for you to disclose Keppel's remaining stake in Seatrium?

CHC: It is disclosed in the interim financial statements, you can find that information in Note 4. The number of retained consideration shares is actually 3.4 billion, of which about 1.5 billion has really been sold. So, the remaining stake is about 1.8 billion shares. The exact numbers are in Note 4.

Regarding your new 600MW Sakra Cogen plant, is the gas feedstock from LNG or pipeline? For the hydrogen component, is Keppel working on the supply chain for that presently?

LCH: I think Cindy can take these two questions.

CL: Earlier, I talked about the supply and demand. There is one point that I would like to add. The Energy Market Authority has announced that future planting of generating assets will be done via a centralised RFP (request for proposal). So, for a market player like us, we are satisfied with this because this will avoid a repeat of an earlier situation where there was overoptimism from excessive planting in 2016.

Regarding gas, whether it is LNG, pipeline or spot gas, gas is gas. So, I would not reveal whether the gas is from feedstock or pipeline. Suffice to say, we have actually raised a good portion of the

600MW of gas molecules in order to ensure that our marginal cost for running the generator to produce the electricity is healthy.

For the hydrogen component, I think we have been a forerunner in this space. In the last few years, we have been actively sourcing, evaluating and assessing locations where we can produce or procure competitive, low-carbon molecules. The key is also how we can ship or transport hydrogen into Singapore. And again, this is not unfamiliar to the sector.

We have announced that we are working with big and reputable partners. For example, in Queensland, we are part of the Central Queensland hydrogen project, joining an esteemed Japanese consortium and Australian state-owned players. We could also work with another esteemed player, ExxonMobil, on one of their projects in Texas.

Questions from Tan Choon Kiat, Retail Investor

Just to clarify, did you mention just now that Asset Co notes are also earmarked for part of the remaining S$12 billion to be monetised?

LCH: Yes, I can confirm that it is included and the goal will be to monetise it over time.

Could you also shed some light on the exposure in terms of value that Keppel has in China, such as office, residential projects and landbank? Will some of these be monetised into the AUM?

LCH: The short answer is yes, we will be looking to monetise this into the AUM. We do not disclose our exact exposure, but I think we mentioned earlier that we have monetised about S$3 billion worth of real estate assets in China since 2017, and booking a profit of about S$1 billion. I think this is all part of our business model change.

As you might know, in the past, we had quite a large exposure buying land and developing residential projects for sale in China. But a few years ago, we changed, as part of our Vision 2030 and our focus on recurring income. We started to shift away from lumpy profits and development for sale was one of them. So, besides this monetisation, we have also shifted in that period, about S$5 billion worth of RMB out of China. Again, this is just a business strategy. It has nothing to do with the outlook for the market. But with all of these, you can see that our current exposure in China is much reduced.

Of course, we still see opportunities there as per what you have heard from Louis. We are continuing to look for opportunities there. Using our asset-light model now, we are also looking to partner with Chinese funds to invest into some of these opportunities.

Question from Mervin Song, JP Morgan

Just trying to get your thoughts on the Vietnamese property market. Are you expecting primary sales to recover in the second half or is it more 2024? Any updates in terms of monetising your Saigon Sports City?

LL: I think the market still continues to have quite a bit of demand. So, when people are able to launch their projects, they get taken up quite well, even in not very central districts. So, for us, and for the market as a whole, the issue is getting the construction and sales permits to get the

projects going. So, we have been working closely with the government to progress on these and we look forward to announcing projects in future.

Questions from Felicia Tan, The Edge Singapore

This is actually a REIT question. So, the group is looking to focus on AUM growth and fee income. We just wanted to know if there is any chance that the group will continue to support your listed REITs and Trust in the event that they need financial support?

LCH: The short answer is absolutely. I think as sponsors, we stand behind the REITs and Trust that we are sponsors of and that we manage.

One more question specifically on Keppel Pacific Oak US REIT. It is currently trading at a yield of 16.6% and about 0.37x its NAV. Would you be able to shed some light on what you think would narrow the discount to NAV?

LCH: I think that is something you have to pose to the REIT. That is a more appropriate place to ask the question.

Question from Foo Zhiwei, Macquarie

I have a question on M1. Curious to understand how the operating profit for the business actually performed? You stated that your revenues are up 12% and you said there is higher operating income at M1, but if I'm reading correctly, the operating income has increased by only 3%. So, I am wondering if there is any offsetting element that would have otherwise ensured a better performance from M1?

MSM: Both our operating income and operating profit have grown year-on-year and quarter-on-quarter, primarily driven by our enterprise business, which is the non-mobile enterprise business, like IT solutions and digital transformation solutions. We have two subsidiaries, AsiaPac and Glocomp – one in Singapore and one in Malaysia. Both have grown quite significantly. Our mobile business has also grown based on the strong subscriber growth that we had and roaming revenues are coming back somewhat. They are still not at the level of pre-COVID days, but they are growing. So, our incomes have grown as well.

(Post-briefing note: After further clarification, the analyst was referring to Connectivity's (and not M1's) Operating Income increasing 3% year-on-year from S$34 million to S$35 million under horizontal reporting.)

Questions from Tan Choon Kiat, Retail Investor

We recently heard Indonesian officials commenting about the Batam Green Corridor and solar energy being exported to Singapore. Any comments?

LCH: I will ask Cindy to respond.

CL: This is, I think, part of the ASEAN power grid ambition. It is quite commonly known that amongst the ASEAN member states, there has been an aspiration to form an ASEAN power grid. In fact, to this end, Keppel is a forerunner. We have successfully imported hydropower from Laos via the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project or LTMS-PIP. We have

successfully crossed a full year anniversary importing about 260GWh of hydropower across ASEAN borders. So, I think this Batam Green Corridor is also a potential for renewable energy from Indonesia to be imported into Singapore. I think this will help accelerate renewable adoption across the region and more importantly, enhance the resiliency of the power grid in the region.

Keppel Sakra Cogen Plant will be hydrogen-ready. But will this plant be ammonia-ready given that ammonia is an easier gas to be transported than hydrogen, and as ammonia is commercially available from your partner Incitec Pivot?

CL: Besides our Keppel Sakra Cogen Power Plant, which is hydrogen-ready, I must add that last year we performed a power train upgrade in one of the units of our power generation assets. In fact, that unit is also hydrogen-ready with a bit of modification.

The part on ammonia is correct. Ammonia is one of the means to transport hydrogen because hydrogen as a gas is very difficult to transport and store. Ammonia is a source or a form of vector to carry hydrogen. To this end, again, we started feasibility studies of developing and producing ammonia with Incitec Pivot and Temasek back in late 2021, which we have also announced. Our feasibility studies have demonstrated high commercial and technical feasibility of importing hydrogen via ammonia as a vector.

As to whether Keppel Sakra Cogen Plant is ammonia-ready, there could be a potential for us to crack, or shall I say, release hydrogen from the ammonia in order to feed it into the Sakra Cogen Plant. But I don't think that is what we would like to do because it will be energy-inefficient. We are actually in the process of developing ammonia-fired power plants. So, in this case, ammonia as a fuel can be used directly. Ammonia can also be used as a fuel for other uses, such as maritime transportation or decarbonisation in terms of bunker fuel, or chemical feedstock in our entire Jurong Island energy and chemical hub. So, the key is to find vectors with a lot of diversified uses and complementary demand.

Questions from Seow Ming Liang, Retail Investor

Is the distribution of Keppel REIT units considered part of the asset monetisation programme?

LCH: Yes, it is part of the asset monetisation programme. We have also said that asset monetisation is a very important part of our growth strategy because we need to release some balance sheet space so that we can grow our FUM and we can invest into new growth areas that we see; and of course, also to reward our shareholders. This DIS of Keppel REIT units would not just be a monetisation programme, it will actually go towards rewarding our shareholders directly.

What is the timeline of the distribution of Keppel REIT units to shareholders?

LCH: We would need to go through an EGM for it to be approved first. The announcements will come up shortly. We expect that this will be done in the course of the next few months.

Questions from Brandon Lee, Citi Research

Going back to the Keppel REIT units, given that this was not factored in as part of the 15 cents DPS, should we consider this as part of it or just a bonus?

LCH: It is a special dividend, so we will not include that when we look at the payout ratio.

What are your thoughts on share buybacks?

LCH: Well, you would have known that not too long ago, we ran a share buyback of about S$500 million. So, right now, we have these treasury shares – part of it is for our staff, but part of it would also be for when we do M&As, particularly for asset management platforms, in order to align interests with the employees of the acquired platform. These shares will come in handy as a currency. So, when you see us doing some M&A, then you know that we might think about the next share buyback.

You mentioned that you would save some of your best assets for your dedicated vehicles and I understand that a 50% stake of Keppel South Central has been put out in the market. Does it mean that if it doesn't get transacted, then it would be 'given' to some of your private funds or REITs?

LCH: We are obviously always looking at opportunities to monetise. So there is a possibility that we could, we could sell it to the REIT but it has to make sense for both the REIT and for Keppel.

Question from Lim Siew Khee, CGS-CIMB Research

Just to check on the likelihood of the Keppel Marina East Desalination Plant transaction being concluded because it has been more than a year – whether there is a chance of it not getting its approval? We also noted that in May, you actually cancelled the Flemmington transaction. So just wondering whether you know, is this safe?

LCH: We believe so. It is in process.

Question from Peggy Mak, Phillip Securities

Just an accounting question. After the DIS of Keppel REIT units, for your remaining stake, do you have to mark to market the valuation on your balance sheet?

CHC: No, we will continue to equity account**.** That does not change.

LCH: If there are no further questions, thank you all for attending this and for your very robust questions. And for those of you who are here, please join us for the refreshments, as the management will be around to answer any additional questions later.

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