Keppel Corporation

# Accelerating growth through Vision 2030

SIAS-Keppel Retail Shareholders Briefing

25 August 2021

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Slide 20 of this presentation should be read in conjunction with the joint announcement released by Singapore Press Holdings Limited ("SPH") and Keppel Pegasus Pte. Ltd. ("Offeror") on 2 August 2021 in relation to the proposed acquisition by the Offeror of all of the issued and paid-up ordinary shares (excluding the treasury shares) in SPH by way of a scheme of arrangement (the "Joint Announcement" and such acquisition, the "Proposed Transaction") and the announcement released by Keppel on 2 August 2021 in relation to the Proposed Transaction (the "Keppel Announcement"). Copies of the Joint Announcement and the Keppel Announcement are available on the website of the SGX-ST at http://www.sgx.com.

Slide 20 of this presentation is qualified in its entirety by, and should be read in conjunction with, the full text of the Joint Announcement and the Keppel Announcement. In the event of any inconsistency or conflict between the Joint Announcement and the Keppel Announcement on one hand and the information contained in this presentation on the other, the Joint Announcement and the Keppel Announcement shall prevail. All capitalised terms not defined in Slide 20 of this presentation shall have the meanings ascribed to them in the Joint Announcement and the Keppel Announcement.

# Vision 2030

One integrated business providing solutions for sustainable urbanisation, with sustainability at the core of strategy

**1** **Global Leader**
Powerhouse of end-to-end solutions for sustainable urbanisation

**2** **Sustainable Company**
ESG leader with businesses advancing the sustainability agenda

**3** **High-Return Stock**
15% ROE, with good dividends and strong growth trajectory

**4** **Community Champion**
Builder of vibrant communities and a sustainable future for all

# Seizing opportunities presented by macrotrends

## Macrotrends

- Energy Transition, Climate Change
- Rapid Urbanisation, Ageing Populations
- Digitalisation
- Super Liquidity

## 4 focus areas



Energy & Environment



Urban Development



Connectivity



Asset Management

# Key transformation drivers

## 1 Business Transformation

Restructuring for growth with greater focus and discipline

## 2 Asset Monetisation

Accelerating asset turns to unlock value, fund growth and create value for shareholders

## 3 Growth Initiatives

Building new engines and seizing inorganic growth opportunities

# Delivering on strategy

## 1 Business Transformation

Evolving key business units as part of Vision 2030 to seize growth opportunities

Proposed KOM-SMM combination & solution for legacy rig assets

Planned divestment of logistics business

## 2 Asset Monetisation

Identified S$17.5b of monetisable assets

Sep 2020: Announced target to achieve S$3-5b in monetisation over 3 years

Oct – Jul 2021: Announced S$2.3b in monetisation and received cash of S$1.15b

## 3 Growth Initiatives

Investing in new growth engines

- Bifrost Subsea Cable
- Renewables & New Energy
- EV charging infrastructure

Proposed strategic acquisition of SPH ex-media

# Sustainability at the core of strategy



Make sustainability our business



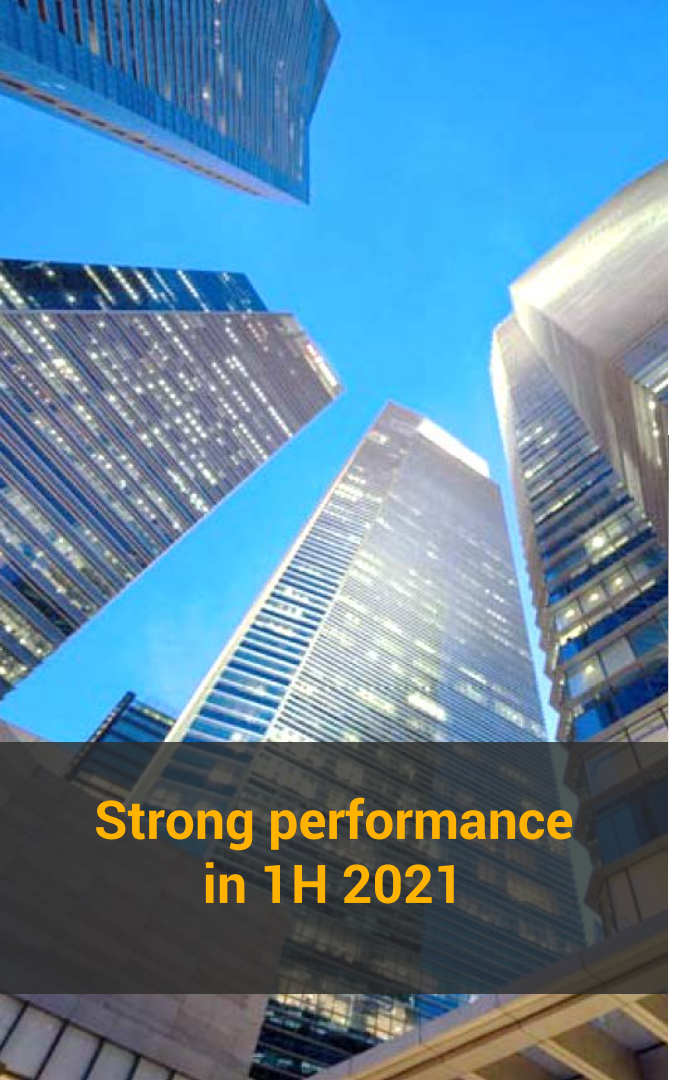
Refocus portfolio on sustainable urbanisation solutions



Set high-impact sustainability goals



Enhance governance & incentives



# Strong performance in 1H 2021

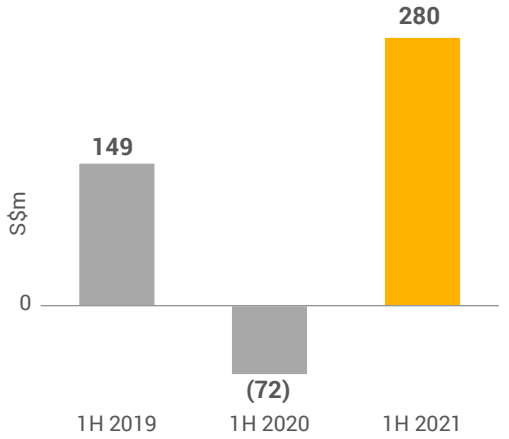
## S$300m

*Net profit for 1H 2021, reversing net loss of S$537m for 1H 2020*

- *All key business units profitable*
- *Improved performance across all segments, excluding gains from reclassification of KIT and sale of KDCREIT units in 1H 2020*

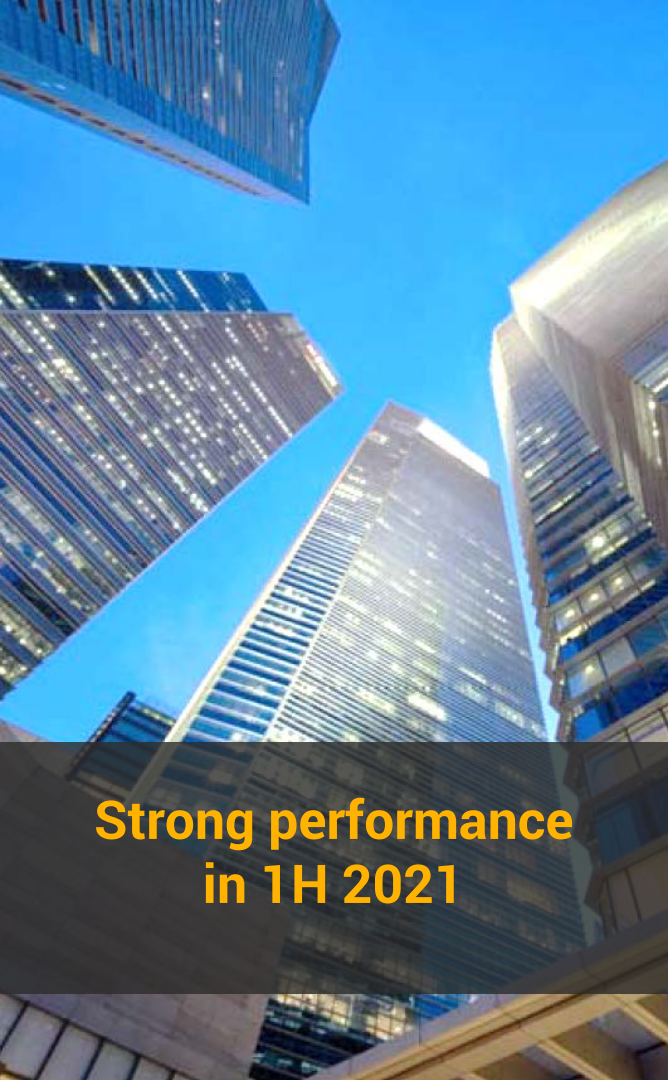
## Net Profit

(Excluding RIDs[i] & COVID-19 government grants)




Performance improved significantly compared to 1H 2020 and even pre-COVID 1H 2019

[i] *RID stands for revaluations, impairments and divestments*



# Strong performance in 1H 2021

**Free cash inflow**

**S$499m**

Improved from free cash outflow of S$664m for 1H 2020

**Net gearing as at end-Jun 2021**

**0.85x**

Lowered from 0.91x as at end-2020

**Interim cash dividend**

**12cts/share**

Compared to 3cts per share for 1H 2020 & 8cts per share for 1H 2019

Stronger dividend underpinned by asset monetisation programme

Committed to rewarding shareholders

# Energy & Environment

Decarbonising our world with new energy solutions & infrastructure for carbon capture

## Renewables & New Energy

- Solar farms & offshore wind
- Natural gas liquids extraction
- Hydrogen & carbon capture, utilisation and sequestration systems

## Energy-as-a-service

- District cooling & heating
- EV charging infrastructure
- Distributed energy resources & energy storage
- Energy efficiency capabilities

## Offshore & Marine

- Net orderbook grew 70% to $5.7b at end-Jun'21 from $3.3b at end-Dec'20
- $2.3b of gas & renewables projects in backlog at end-Jun'21



Wind Turbine Installation Vessel

# Energy & Environment

Sterling portfolio of innovative waste treatment and water and wastewater solutions

- Track record of over 100 waste-to-energy projects in 20 countries
- Executing landmark waste management integrated facilities worth over S$6.9b across Asia-Pacific
- Developing solutions for high energy recovery from waste, with low emissions intensity and residues
- Completed and operating Keppel Marina East Desalination Plant
- Stable, recurring income from technology sales & services and operations & maintenance



Keppel Marina East Desalination Plant, SG



Hong Kong Integrated Waste Management Facility, HK



Tuas Nexus Integrated Waste Management Facility, SG

# Urban Development

Creating value with highly liveable, vibrant and digitally connected communities



Celesta Rise residential development, Ho Chi Minh City, Vietnam




i12 Katong retail mall, Singapore

**S$3.1b**
invested to privatise Keppel Land in 2015

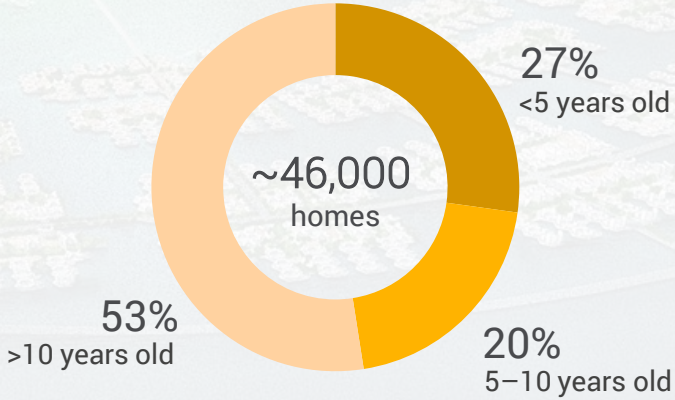
**S$5.1b**
received in dividends from Keppel Land since 2015

**S$400m**
reduction in Keppel Land's total assets to $14.1b at end-Jun 2021

# Urban Development

Evolving into an innovative, asset-light real estate solutions provider, focused on growing recurring income

**Residential Portfolio:**
Over 70% of landbank is 5 years & older




**Commercial Portfolio:**
~1.6m sm of GFA including projects under development

- ✓ Sizeable landbank with strong potential for value unlocking
- ✓ Pivoting away from property trading to focus on growing fee-based recurring income
- ✓ Seizing new growth opportunities
  - Urban renewal and smart & sustainable townships
  - Climate-resilient nearshore development

# Connectivity

Strong international presence with 28 data centres across Asia-Pacific & Europe



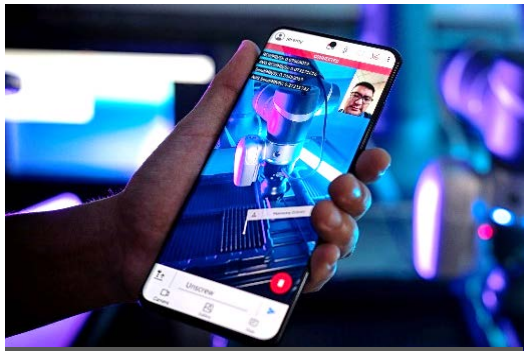
*Floating Data Centre Park*

Developing sustainable data centre solutions valued by customers and investors

- ✓ Floating Data Centre Parks
- ✓ Tropical Data Centres
- ✓ Powered by clean energy: Renewables & Hydrogen
- ✓ Cold Energy from LNG

# Connectivity

Empowering businesses and consumers as Singapore's first digital network operator



Singapore's first 5G Industry 4.0 trial




Launched True 5G network in exclusive market trial for mobile customers

**2nd**

largest postpaid customer base in Singapore

**5G**

standalone network trial commenced; advancing 5G initiatives

**S$580m**

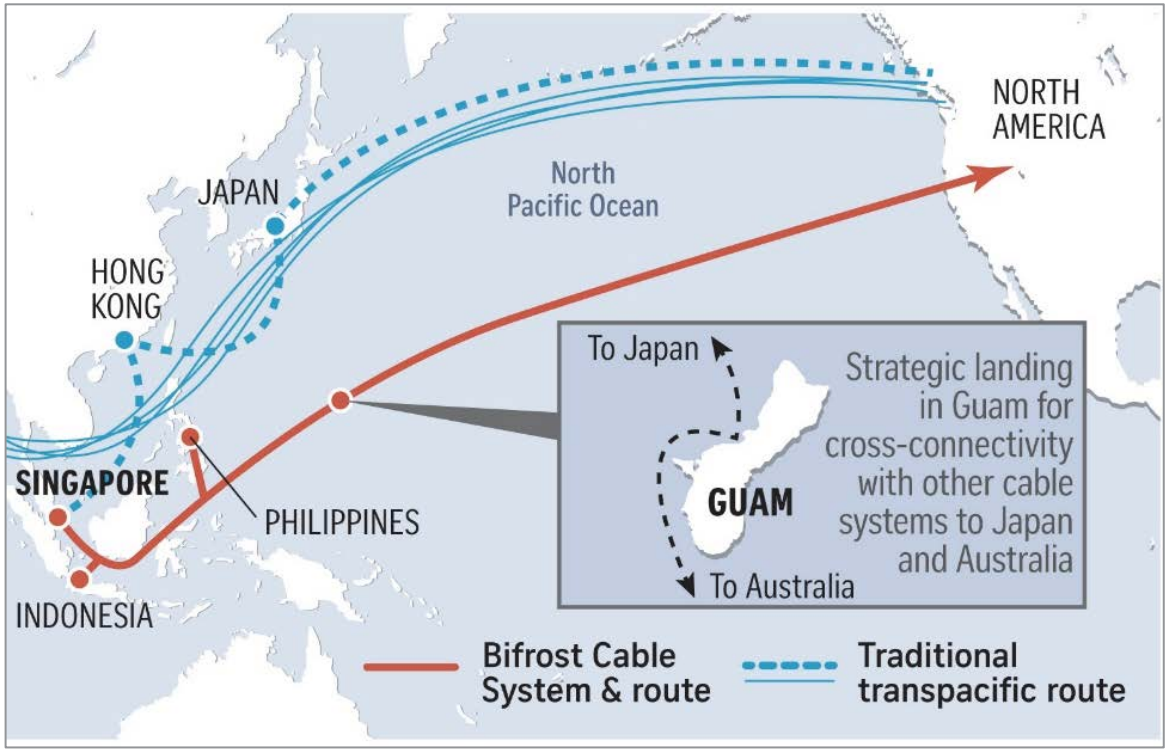
of network assets being unlocked from monetisation programme

# New Connectivity Solutions

## Bifrost Cable System

World's first subsea cable system directly connecting Singapore to the west coast of North America via Indonesia

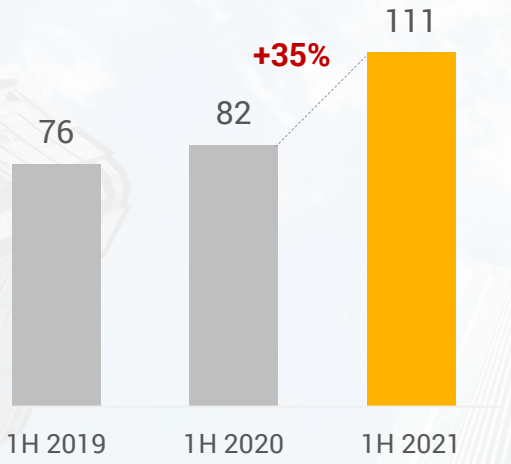
Leveraging synergies with M1 and the Group's data centre business



# Asset Management

Financial twin providing funding and capital recycling opportunities to other business segments in the Group

**Asset Management Fees**




**S$2b** in completed acquisitions and divestments from Jan–Jul 2021

**S$2b** equity raised from Jan–Jul 2021

**S$37b** AUM as at end-2020; potential to increase to c.S$47b following proposed acquisition of SPH ex-media

# Asset Management

Keppel's eco-system provides investors with access to quality investment products and platforms across diverse asset classes

## Premier Asset Manager

Possessing real asset development and operating capabilities spanning fast-growing sectors fuelled by urbanisation trends



Renewables



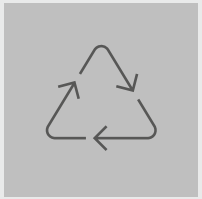
Real Estate



Senior Living



Education



Environment



Data Centres



Logistics



Student Accommodation

# Proposed combination of KOM & SMM

**1 Combined Entity**

Creates a stronger player in the O&M sector

Keppel to receive shares in Combined Entity + up to S$500m in cash

**Inter-conditional**

**2 Asset Co (managed by GP)**

Solution for completed and uncompleted legacy assets, which would no longer be funded by Keppel

External investors to own at least 80% of Asset Co; Keppel to hold not more than 20% of Asset Co + credit notes

- Transactions expected to be earnings accretive to Keppel for FY2021 on a proforma basis
- Net gearing is not expected to be significantly affected
- Continued access to O&M technology and capabilities through Strategic Partnership JV

# Proposed acquisition of shares in Singapore Press Holdings ex-Media

## Accelerate Vision 2030 plans

### Financially attractive, enhances returns and earnings profile

**1 Proforma EPS accretion[1,2]**

S$0.175 / sh ↑ +6%

**2 Proforma recurring income contibution[1,3]**

↑ +18% *Growth in recurring PATMI [3]*

56% *Recurring PATMI [3]*

**3 Maintain gearing[4] headroom**

<1.0x *Gearing*

Deleveraging in near term through asset monetisation programme[5]

### Increased scale in focus areas

**1 Potential increased AUM[6]**

c.S$47b ↑ +c.27%

**2 Growth sectors**

Purpose Built Student Accommodation

Senior Living

**3 Established REIT platform**

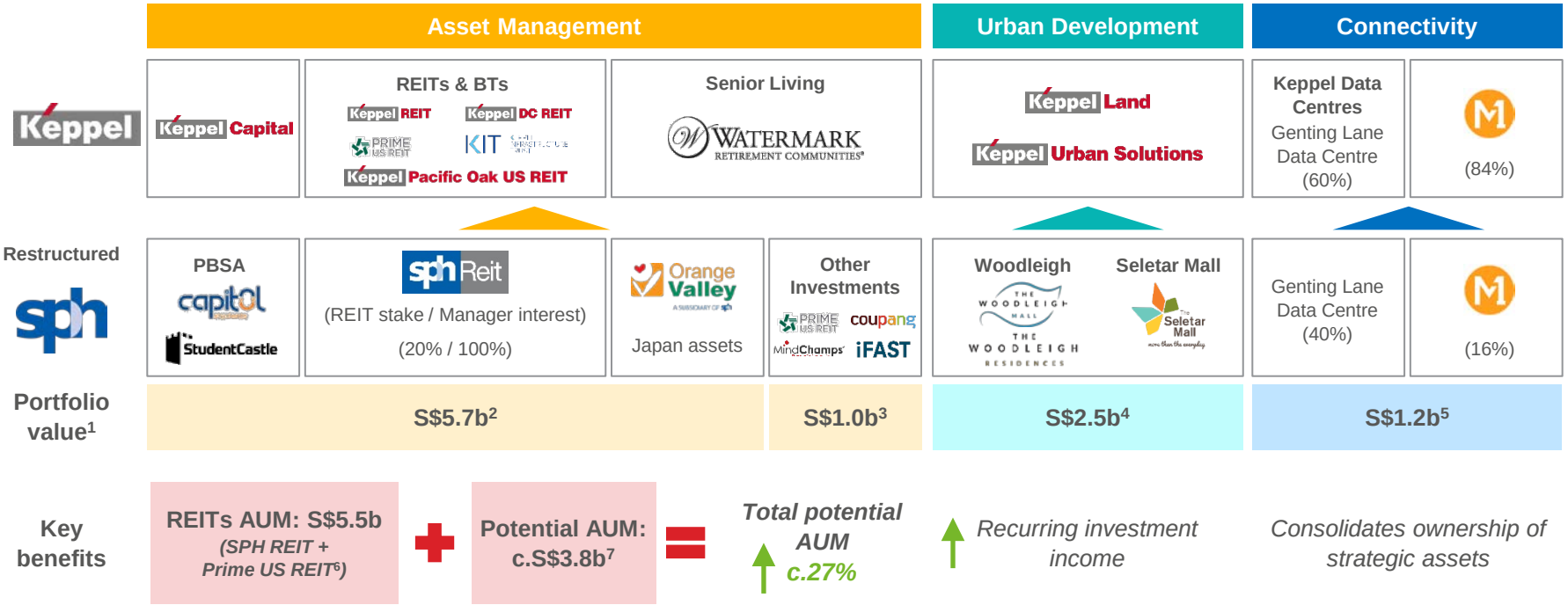
sph Reit

### Natural fit with existing businesses and Vision 2030, with many opportunities to harness synergies

**Attractive portfolio aligned with Keppel's asset-light business model and supports recurring income growth**

Note: 1 This statement on growth in earnings per share ("EPS") and recurring income contribution is not intended as a profit forecast and should not be construed as such. This statement should not be interpreted to mean that its value in any future financial period will necessarily be greater than those for the relevant preceding financial period. In computing the financial impact of the Proposed Transaction on pro forma EPS and recurring income, financial statements with different half year ends were used (being 30 Jun 2021 for the Group and 28 Feb 2021 for the SPH Group). Based on (a) the Group's unaudited results for the half year ended 30 Jun 2021, (b) the SPH Group's unaudited consolidated financial statements for the half year ended 28 Feb 2021 (the "SPH 1H2021 Results"), (c) SPH REIT's unaudited consolidated financial statements for the half year ended 28 Feb 2021, (d) information obtained during the course of due diligence in relation to the Proposed Transaction, and taking into account (i) the financial effects of the Media Business Restructuring (but excluding restructuring adjustments such as the effect of the assumption of certain liabilities, costs and expenses on profit after tax and non-controlling interests ("PATMI") arising from the Media Business Restructuring) and (ii) the DIS on SPH based on the SPH 1H2021 Results; 2 Excludes the gain arising from the change in interest in Keppel REIT held by the Group; 3 PATMI, recurring income excludes gain arising from the change in interest in Keppel REIT held by the Group and finance costs to be incurred due to cash consideration used to fund the transaction; 4 Net debt over equity; 5 Keppel has earmarked a pool of assets with total carrying value of c.$17.5b (as at 30 Jun 2020) that can be monetised in its Vision 2030 strategy; 6 Potential increased AUM includes addition of portfolio valuation of SPH REIT and PBSA, carrying value of Orange Valley, investment property value of Japan aged care assets, investment property value of Seletar Mall, GDV of Woodleigh Mall and Genting Lane Data Centre as at 31 Aug 2020, based on SPH 1H FY21 financial results presentation and SPH REIT FY20 annual report, as well as addition of 70% portfolio valuation (as at 6 Aug 2020, based on Prime US REIT 1H FY20 financial results presentation) of Prime US REIT as manager interest increased from 30% to 50% post transaction, resulting in a controlling stake in manager

# Keppel is uniquely positioned to enhance and unlock value of SPH's portfolio




**Expand into adjacencies and harness synergies by tapping on Keppel's expertise and capital recycling model**

Note: [1] Calculated using GAV or GDV values on a 100% basis for real estate assets, market value for listed investments on a pro-rata basis and non-listed investments at equity carrying values; [2] Includes portfolio valuation of SPH REIT and PBSA, carrying value of Orange Valley, investment property value of Japan aged care assets as at 31 Aug 2020, based on SPH 1H FY21 financial results presentation and SPH REIT FY20 annual report; [3] Equity values based on market value for listed assets and carrying values for unlisted assets; [4] Based on investment property value of Seletar Mall, GDV of Woodleigh Development and value of Paragon freehold title as at 31 Aug 2020, based on SPH 1H FY21 financial results presentation, SPH and SPH REIT FY20 annual report; [5] Includes pro-rata value of equity stake in M1; [6] 70% portfolio valuation of Prime US REIT (as at 6 Aug 2020, based on Prime US REIT 1H FY20 financial results presentation); [7] Investment property value of Seletar Mall, GDV of Woodleigh Mall, GDV of Genting Lane Data Centre, portfolio valuation of PBSA, carrying value of Orange Valley and investment property value of Japan aged care assets as at 31 Aug 2020, based on SPH 1H FY21 financial results presentation and SPH REIT FY20 annual report

# Looking forward

As we accelerate the execution of Vision 2030, Keppel will emerge stronger, more relevant, and on a faster growth path post-pandemic

- Asset monetisation programme progressing well, aiming for higher end of S$3-5b range by end-2023
- Significant balance sheet space released allows Keppel to pursue growth in Vision 2030 focus areas through inorganic options
- Focused on improving shareholder returns in a sustainable way as Vision 2030 bears fruit
- Aim to achieve most of Vision 2030 goals by 2025

# Questions & Answers

# Additional Information

# Key highlights

**Net Profit** ↑ from net loss of S$537m to net profit of S$300m

**ROE (Annualised)** ↑ from negative 10.3% to positive 5.5%

**Free Cash Flow** ↑ from outflow of S$664m to inflow of S$499m

**Net Gearing** ↓ from 0.91x to 0.85x

**Interim Dividend** from 3.0cts to 12.0cts

# 1H 2021 Financial Performance

| S$m | 1H 2021 | 1H 2020 | % Change |
|---|---|---|---|
| Revenue | 3,677 | 3,182 | 16 |
| EBITDA | 385 | 52 | >500 |
| Operating Profit/(Loss) | 188 | (149) | n.m.f. |
| Profit/(Loss) Before Tax | 516 | (357) | n.m.f. |
| Net Profit/(Loss) | 300 | (537) | n.m.f. |
| EPS (cents) | 16.5 | (29.5) | n.m.f. |

*n.m.f. denotes No Meaningful Figure*

# 1H 2021 Revenue by Segment

| S$m | 1H 2021 | % | 1H 2020 | % | % Change |
|---|---|---|---|---|---|
| Energy & Environment | 2,104 | 57 | 2,024 | 64 | 4 |
| Urban Development | 909 | 25 | 511 | 16 | 78 |
| Connectivity | 586 | 16 | 587 | 18 | - |
| Asset Management | 78 | 2 | 60 | 2 | 30 |
| **Subtotal** | **3,677** | **100** | **3,182** | **100** | **16** |
| Corporate & Others | - | - | - | - | - |
| **Total** | **3,677** | **100** | **3,182** | **100** | **16** |

# 1H 2021 Pre-tax Profit by Segment

| S$m | 1H 2021 | 1H 2020 | % Change |
|---|---|---|---|
| Energy & Environment | (177) | (942) | (81) |
| Urban Development | 451 | 347 | 30 |
| Connectivity | 38 | 13 | 192 |
| Asset Management | 135 | 270 | (50) |
| **Subtotal** | **447** | **(312)** | **n.m.f.** |
| Corporate & Others | 69 | (45) | n.m.f. |
| **Total** | **516** | **(357)** | **n.m.f.** |

*n.m.f. denotes No Meaningful Figure*

# 1H 2021 Net Profit by Segment

| S$m | 1H 2021 | 1H 2020 | % Change |
|---|---|---|---|
| Energy & Environment | (179) | (958) | (81) |
| Urban Development | 279 | 215 | 30 |
| Connectivity | 27 | - | n.m.f. |
| Asset Management | 117 | 258 | (55) |
| **Subtotal** | **244** | **(485)** | **n.m.f.** |
| Corporate & Others | 56 | (52) | n.m.f. |
| **Total** | **300** | **(537)** | **n.m.f.** |

*n.m.f. denotes No Meaningful Figure*