Keppel DC REIT



# Dialogue Session with Securities Investors Association (Singapore)

12 Dec 2024

Capitalised terms used herein but not otherwise defined shall have the meanings ascribed to them in the Circular to Unitholders dated 5 Dec 2024 (Circular).

# Resolutions 1 & 2

Keppel DC REIT

# AI-Ready Hyperscale Data Centres within a Campus in Singapore

**Keppel DC REIT is one of the largest owners of stabilised data centres in Asia's top data centre hub**

- Artificial Intelligence (AI) Inference Ready
- 100% Contracted to Global Hyperscalers
- Excellent Connectivity to Key Network Infrastructure
- Purpose-built, Carrier-neutral Data Centres within the Keppel Data Centre Campus
- Tier III-equivalent Specifications with Dark Fibre Connectivity
- Designed with Sustainability at the Core



**Keppel DC Singapore 7 ("KDC SGP 7")**

~72,923 sq ft of Lettable Area | 4 customers | ~3.9 years WALE[1]



**Keppel DC Singapore 8 ("KDC SGP 8")**

~77,532 sq ft of Lettable Area | 3 customers | ~5.0 years WALE[1]

1. As at 30 Sep 2024. By lettable area.

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# Acquisition Overview

## Proposed Acquisition of 99.49% Economic Interest in 2 Colocation Data Centres in Singapore (Proposed Shares and Notes Transactions)[1]

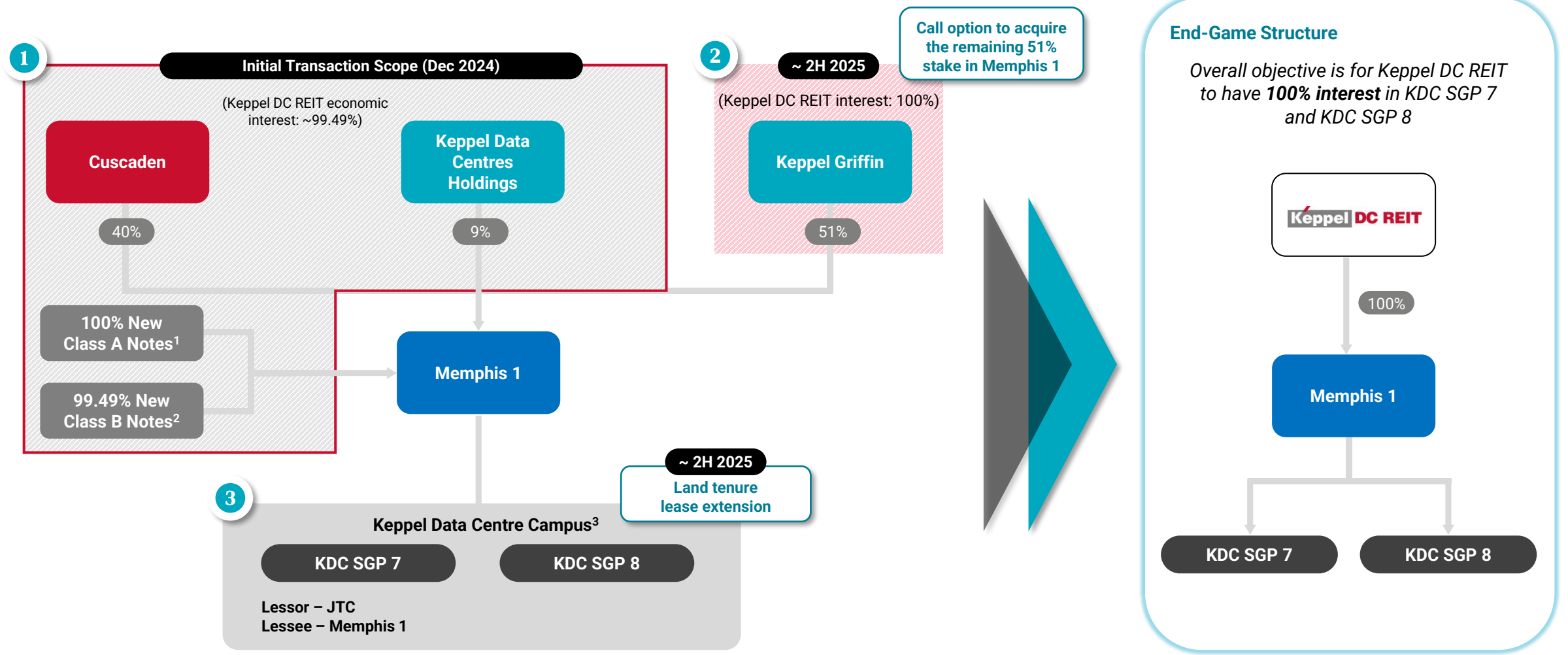
| | |
|---|---|
| **Agreed aggregated property value of KDC SGP 7 and KDC SGP 8 (on a 100% basis)** | 100% Basis:<br>• S$1,030.0m<br>• S$1,380.0m (if there is land tenure lease extension of 10 years) |
| **Independent Valuation[2] (on a 100% basis)** | **Knight Frank:**<br>• S$1,033.0m (~15.5 years land tenure)<br>• S$1,403.0m (~25.5 years land tenure)<br>**Savills:**<br>• S$1,054.5m (~15.5 years land tenure)<br>• S$1,383.5m (~25.5 years land tenure) |
| **Total Acquisition Cost (for 99.49% economic interest)** | Estimated to be ~S$1,066.8m comprising:<br>• Purchase Consideration of ~S$1,030.2m<br>• Acquisition fees payable to the Manager for the Proposed Shares and Notes Transactions of ~S$10.2m<br>• Professional fees, expenses and taxes in connection with the Proposed Shares and Notes Transactions of ~S$26.4m |
| **Method of Financing** | Combination of equity fund raising (EFR) (via private placement, preferential offering and Sponsor Subscription), debt and Acquisition Fees Units |

| | KDC SGP 7 | KDC SGP 8 |
|---|---|---|
| **Asset Details** | | |
| **Description** | Completed and 100% occupied | Received Temporary Occupation Permit in Aug 2024, expected to be 100% occupied by 3Q 2025[3] |
| **No. of Storeys** | 7 | 6 |
| **Lettable Area** | 72,923 sq ft | 77,532 sq ft |
| **No. of Customers** | 4 | 3 |
| **Contracted Occupancy** | 100% | 100%[3] |
| **Contract Type** | Keppel Lease / Colocation | |
| **Weighted Average Lease to Expiry (WALE) by lettable area as at 30 Sep 2024** | 3.9 years | 5.0 years |
| **Land Lease Title** | Leasehold title expiring on 15 Jul 2040 (~15.5 years remaining)[4] *(~25.5 years remaining if there is land tenure lease extension of 10 years)*[5] | |

1. The Proposed Shares and Notes Transactions, subject to Unitholders' approval, is structured for Keppel DC REIT (i) to acquire 49% equity ownership in Memphis 1 Pte. Ltd (Memphis 1) and (ii) to subscribe for 100% of New Class A Notes and 99.49% of New Class B Notes issued by Memphis 1 which would provide Keppel DC REIT with 99.49% of the economic interest in KDC SGP 7 and KDC SGP 8. Keppel DC REIT is granted a Call Option as part of the Proposed Shares and Notes Transactions to acquire the remaining 51.0% of the Memphis 1 Shares. Should the Call Option be exercised, Keppel DC REIT will have 100.0% interest in KDC SGP 7 and KDC SGP 8. Please refer to the Circular for further details.
2. The valuations do not take into account the Income Support.
3. KDC SGP 8 is fully contracted to customers on a colocation basis. It is currently partially fitted and occupied. The data centre is expected to be fully fitted and occupied by 3Q 2025.
4. As at 31 Dec 2024.
5. The Seller Shareholders, the Existing Noteholders and Keppel Griffin shall continue to engage the relevant authorities to extend the land tenure of the Property for an additional 10 yers until 15 Jul 2050.

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# Proposed Acquisition Structure




1. Subscription amount of S$553.8m. Amount payable is variable depending on the performance of KDC SGP 7 and KDC SGP 8.
2. Subscription amount of S$472.8m. Balance 0.51% of New Class B Notes will be held by Keppel Griffin under the Note Subscription Agreement. Keppel DC REIT will have 99.49% of the economic interest in KDC SGP 7 and KDC SGP 8 and Keppel Griffin will hold the balance 0.51% of the economic interest in KDC SGP 7 and KDC SGP 8. Fixed amount payable is 4.0% per annum.
3. For the avoidance of doubt, Keppel DC REIT will only be acquiring interests in KDC SGP 7 and KDC SGP 8, and not KDC SGP 9.

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# Key Investment Merits



1. **Strategic addition of AI-ready hyperscale data centres in Asia's top data centre hub**
2. **Immediate distribution per Unit (DPU) accretion**
3. **Multiple levers to drive further growth via rental uplifts and capacity expansion**
4. **Stronger platform to drive long-term growth**

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# 1 Strategic Addition of AI-ready Hyperscale Data Centres in Asia's Top Data Centre Hub

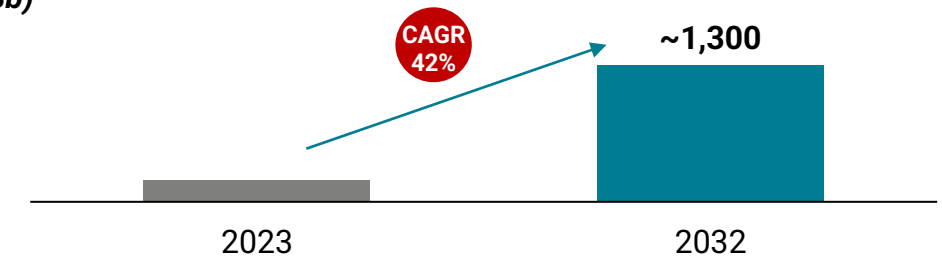
**Strategic acquisition to capitalise on growth driven by exponential demand in generative AI**

## AI-ready specifications

- Designed to handle **AI inference** workloads
- **Future-ready** with flexibility to accommodate fit-out modifications, including **liquid cooling** to host AI workloads efficiently
- **High power connection** and in proximity to nearby cable landing stations, offering **ultra-low latency connectivity**
- KDC SGP 7 and KDC SGP 8 have achieved the **Building and Construction Authority's (BCA) Green Mark Platinum Award**
- KDC SGP 7 and KDC SGP 8 are situated within the **Keppel Data Centre Campus** which will support the **adoption of green data centre solutions**

## Capitalise on growing demand for AI data centres and structural tailwinds

***Revenue for Global Generative AI Market (US$b)***




- Growth will be **driven by training infrastructure in the near-term** and **AI inference use in the medium to long term**
- Future demand bolstered by the **ubiquitous adoption of technologies** and **structural tailwinds**

**Ubiquitous Adoption of Technologies**

AI | 5G Rollout | Internet of Things

**Structural Tailwinds Bolster Demand**

Cloud Adoption | E-commerce | Social Media & Streaming

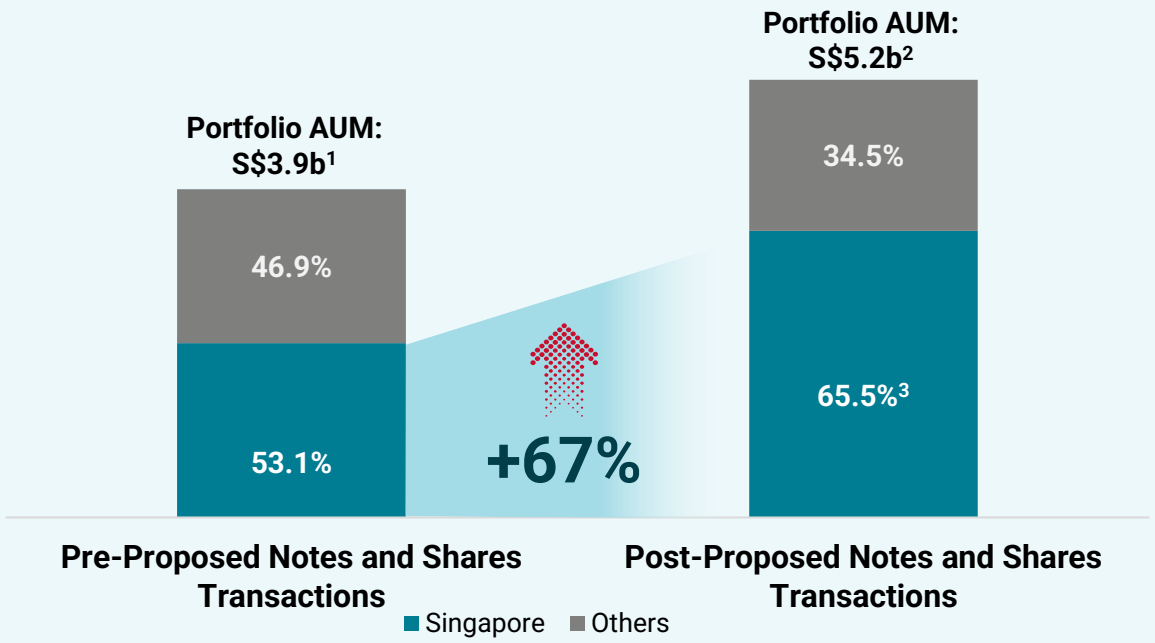
Source: Bloomberg (Jun 2023), DC Byte (Oct 2024).

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# 1 Strategic Addition of AI-ready Hyperscale Data Centres in Asia's Top Data Centre Hub

**Strengthen foothold in Singapore, Asia's top data centre hub**

**Keppel DC REIT's Singapore exposure to increase by ~67% to S$3.4b**




- Singapore is the **top data centre hub in Asia** with extensive undersea cable networks and high-speed internet access
- Demand continues to be fuelled by **increasing digitalisation**, and **continued cloud adoption and AI**
- Singapore has **one of the lowest colocation vacancies in Asia Pacific at ~1%**
- As **one of the largest owners of stabilised data centres in Singapore**, Keppel DC REIT is poised to benefit from a **further growth in colocation rates**

Source: DC Byte (Oct 2024), Cushman & Wakefield (Jun 2024).

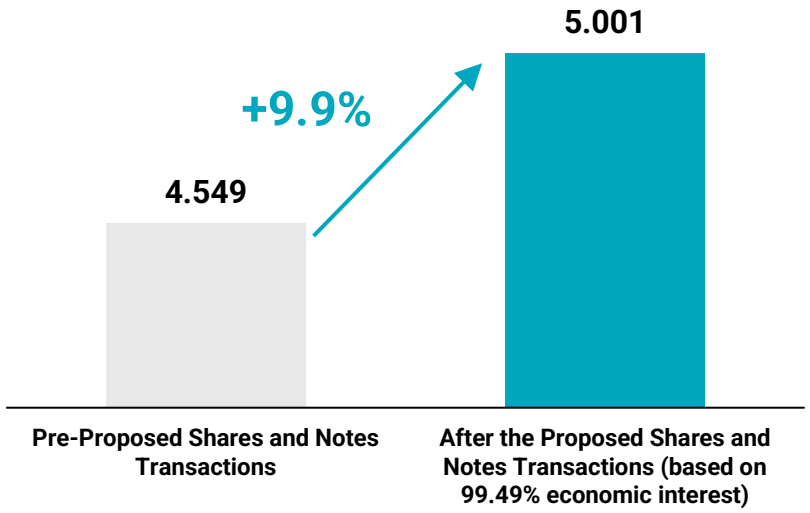
1. As at 30 Sep 2024.
2. This is on the basis of Keppel DC REIT having an economic interest of 99.49% in KDC SGP 7 and KDC SGP 8 and including the Land Tenure Lease Extension being obtained. Excluding the Land Tenure Lease Extension, the AUM will be S$4.9b.
3. As at 30 September 2024, post-completion of the acquisition of 99.49% economic interest in KDC SGP 7 and KDC SGP 8 and Land Tenure Lease Extension. Excluding the Land Tenure Lease Extension, Keppel DC REIT's proportion of Singapore assets by AUM will be 63%.

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# 2 Immediate DPU Accretion

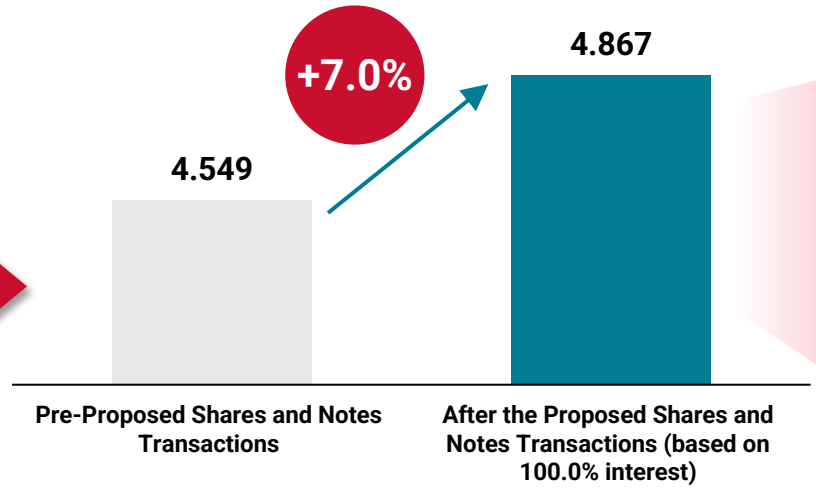
**Proposed Shares and Notes Transactions is DPU accretive**

**1H 2024 Pro Forma DPU Accretion On an Immediate Basis[1,2] (Singapore cents)**




Assuming land lease title of ~15.5 years without tax transparency

**1H 2024 Pro Forma DPU Accretion[2,3,4] (Singapore cents)**




Assuming exercise of the Call Option, land lease title of ~25.5 years and with tax transparency

**Multiple benefits** from the **land lease tenure extension**

- **Stable and growing stream of high-quality cash flow** over a longer period
- **Strengthens position to drive organic growth** for existing/new contracts
- **Potential capital value uplift**

1. As if the Proposed Shares and Notes Transactions were completed on 1 Jan 2024 and as if the Equity Fund Raising was completed on 1 Jan 2024, assuming no tax transparency and based on 99.49% economic interest.
2. Please refer to paragraph 5.2 of the Circular for details on FY 2023 DPU accretion.
3. The Lease Extension Consideration is assumed to be financed fully by debt. Together with that, there is a 1.0% Acquisition Fee on the Lease Extension Consideration which is assumed to be settled by issuance of Acquisition Fee in Units.
4. 1H 2024 pro forma DPU accretion will be (i) +5.6% assuming land lease title of ~25.5 years and without tax transparency, (ii) +11.0% assuming land lease title of ~15.5 years with tax transparency, based on 100.0% interest.

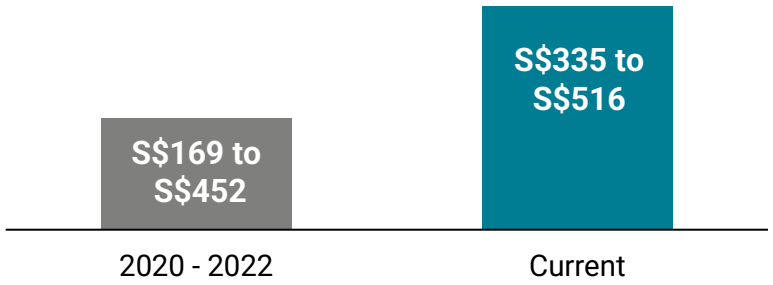
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# 3 Multiple Levers to Drive Further Growth Via Rental Uplifts and Capacity Expansion

**Optimise returns through proactive portfolio and asset management**

## A Potential for rental uplifts

**Singapore Data Centres Pricing (per kW/month)**




- Contracted rentals for KDC SGP 7 and KDC SGP 8 on take-or-pay basis are estimated to be **at least 15% to 20% below comparable market colocation rents**
- Colocation rents in Singapore for data centre capacity are expected to **trend upwards** over the next few years given the **tight demand-supply dynamic**

## B Potential for capacity expansion




- Potential **revenue upside in the mid to long term capacity expansion,** subject to authority's approvals including power
- **Potential conversion of ~1.5 floors** of unutilised space at KDC SGP 8 **into data halls**
- **Manager's proven track record** of delivering positive reversions and successful asset enhancement initiatives **to unlock value**

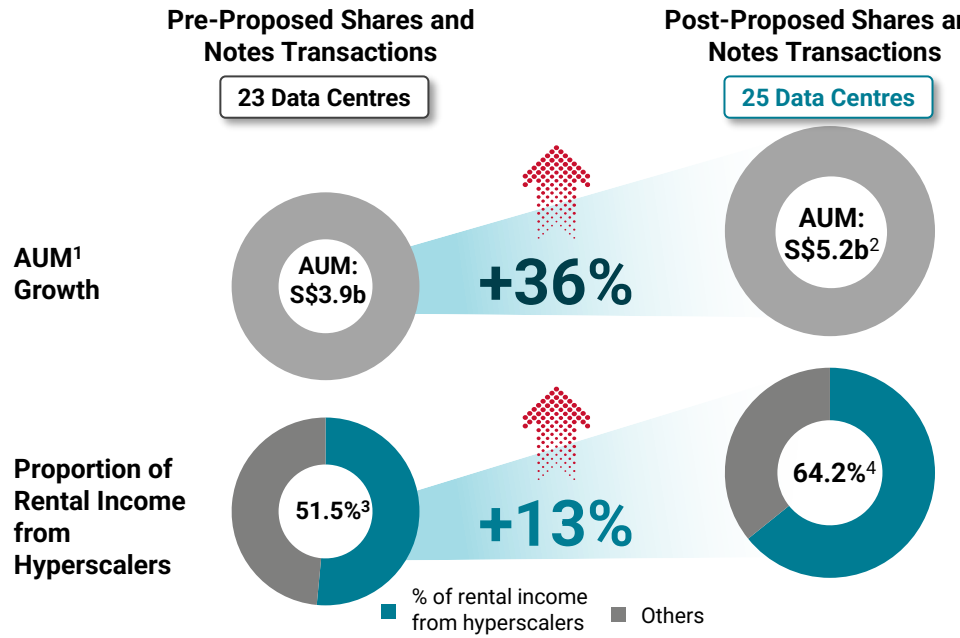
Source: DC Byte (Oct 2024).

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# 4 Stronger Platform to Drive Long-term Growth

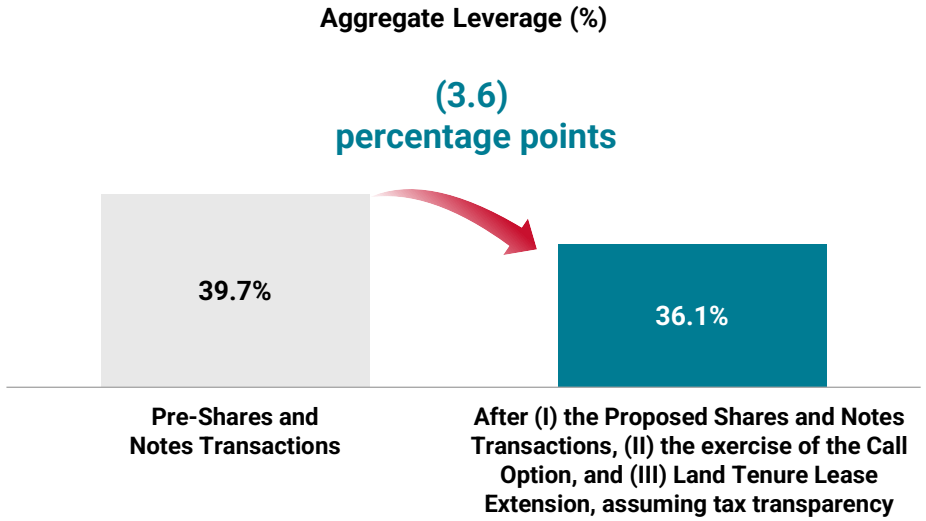
**Portfolio AUM increases by ~36%, creating stronger platform for future growth**

## A Enhances portfolio income resilience




- Enlarged portfolio will **further enhance income resilience** and **increase exposure to hyperscalers**
- Occupancy improves to **97.7%;** WALE at **6.2 years**[5] on a portfolio basis

## B Well-positioned to capture future growth catalysts




- **Improved aggregate leverage** post the Proposed Shares and Notes Transactions and Equity Fund Raising[6], creating **greater debt headroom of S$0.4 billion**[7]
- **Greater financial flexibility** for continued pursuit of accretive opportunities and future growth

1. As at 30 Sep 2024.
2. This is on the basis of Keppel DC REIT having an economic interest of 99.49% in KDC SGP 7 and KDC SGP 8 and including the Land Tenure Lease Extension being obtained. Excluding the Land Tenure Lease Extension, the AUM will be S$4.9b.
3. For the month of Sep 2024. Based on agreements with customers of the portfolio and in the case of Keppel DC Singapore 1 to 5, the underlying customer contracts.
4. Based on agreements with customers of the portfolio and in the case of Keppel DC Singapore 1 to 5 and KDC SGP 7 and KDC SGP 8, the underlying customer contracts. Includes a review and reclassification of key customer profiles to reflect their evolving business.
5. By lettable area. WALE by rental income will be 4.4 years as a higher proportion of rental income is from colocation assets, which typically have shorter contractual periods.
6. This is on the basis of Call Option exercised, Land Tenure Lease Extension and tax transparency have been obtained. Assuming Call Option not exercised and Land Tenure Lease Extension have not been obtained, the debt headroom to 40% aggregate leverage would be S$0.7b and aggregate leverage would be 31.7%.
7. Based on 40% aggregate leverage.

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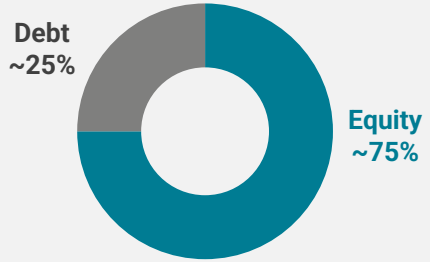
# Total Acquisition Cost and Sources of Funding

**Proposed Shares and Notes Transactions to be funded by equity, with Lease Extension Consideration to be funded via debt**

**Total Acquisition Cost of Proposed Shares and Notes Transactions, Lease Extension Consideration and the Call Option purchase consideration (S$m)**

| Item | KDC SGP 7 and 8 (S$m) |
|---|---|
| **Estimated Purchase Consideration, the Lease Extension Consideration and the purchase consideration for the Call Option** | ~1,386.3 |
| **Other Expenses** | ~37.8 |
| **Acquisition Fees in Units** | ~13.8 |
| **Estimated Total Acquisition Cost** | **~1,437.9** |

**Sources of Funding**




- Estimated total acquisition cost (save for Acquisition Fee) to be funded by net proceeds from EFR and debt
- **Equity**
  - Net EFR proceeds of ~S$1,056.6m; and
  - Issuance of Acquisition Fees Units amounting to ~S$10.2m
- **Debt**
  - The Lease Extension Consideration and the remaining transaction-related expenses are expected to be fully funded via debt

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# Strengthening Portfolio; Delivering Growth

## AI-Ready Hyperscale Data Centres; Strengthening Foothold in Singapore

- AI Inference Ready
- Flexibility to Adopt Liquid Cooling

**Exposure to Singapore Market**
Increased from 53.1% to
**65.5%**[1]

## DPU Accretive

**Pro Forma DPU accretion**
**+7.0%**
for 1H 2024[2]

**1H 2024 Pro Forma DPU**
**4.867 cents**
7.0% increase from 4.549 cents for 1H 2024

## Multiple Growth Levers

**Potential rental uplifts**
as contracted rentals are at least
**15% to 20%**
below comparable market colocation rents

**Potential organic growth through capacity expansion** e.g. potential conversion of ~1.5 floors into data halls for KDC SGP 8[3]

## Stronger Platform to Capture Growth Opportunities

**Portfolio AUM**
from S$3.9b to
**S$5.2b**[4]

**Debt Headroom**[5]
**~S$0.4b**
Aggregate Leverage of 36.1%

1. Post-completion of the acquisition of 99.49% economic interest in KDC SGP 7 and KDC SGP 8 and Land Tenure Lease Extension. Excluding the Land Tenure Lease Extension, Keppel DC REIT's exposure to Singapore assets will be S$3.1b and proportion of Singapore assets by AUM will be 63%.
2. As if the Proposed Shares and Notes Transactions and the Equity Fund Raising, including the upsized private placement, were completed on 1 Jan 2024 and also assuming the exercise of the Call Option, the Land Tenure Lease Extension and tax transparency being obtained.
3. Subject to authority approvals including power.
4. This is on the basis of Keppel DC REIT having an economic interest of 99.49% in KDC SGP 7 and KDC SGP 8 and including the Land Tenure Lease Extension being obtained. Excluding the Land Tenure Lease Extension, the AUM will be S$4.9b.
5. This is on the basis of Call Option exercised, Land Tenure Lease Extension and tax transparency have been obtained. Assuming Call Option not exercised, and Land Tenure Lease Extension have not been obtained, debt headroom to 40% aggregate leverage would be ~S$0.7b and aggregate leverage would be 31.7%.

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# Resolutions 3 & 4

Keppel DC REIT

# Overview of New Facility Management Agreement and Master Lease Agreement







**Proposed agreements on substantially the same terms as the existing agreements**

| | KDC SGP 1 | KDC SGP 2 |
|---|---|---|
| **Facility Manager / Master Lessee** | Keppel DC Singapore 1 Ltd. | Keppel DC Singapore 2 Pte. Ltd. |
| **Term Commencement Date** | 12 June 2025 | |
| **Term** | 10 years | |
| **Facility Management Fee** | 4% of EBITDA | |
| **Project Management Fee** | See table below | |
| **Total Rent to be Paid by Master Lessee** | Fixed Rent (subject to annual escalation of 3%) + Variable Rent (99% of EBITDA) | |

| Construction Costs | Fee Payable Based on Construction Costs |
|---|---|
| <S$2.0m | 3.0% |
| >S$2.0m but <S$20.0m | 2.0% or S$60,000, whichever is higher |
| >S$20.0m but <S$50.0m | 1.5% or S$400,000, whichever is higher |
| >S$50.0m | Not more than 1.5% |

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# Rationale for the Proposed New KDC SGP 1 & KDC SGP 2 Agreements



1. **Proven track record & experienced Facility Manager familiar with existing Singapore properties to ensure business continuity and operational efficiencies**

2. **Shares variability of income and/or expenses between Keppel Data Centre Holdings and/or Keppel DC REIT's customers and/or suppliers**

3. **Cost savings from economies of scale**

4. **Fee structure to the Facility Manager remains competitive[1]**

1. Fee structure remains identical to the fee structure under existing Facility Management Agreements, save for the addition of a minimum fee payable of S$100,000 per annum for KDC SGP 1 in the event its EBITDA Amount is zero or negative due to any asset enhancement initiatives.

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# EGM Resolutions

**Resolution 1:** The proposed acquisition of interests in Keppel DC Singapore 7 and Keppel DC Singapore 8, and entry into agreements in connection with the acquisition (including, but not limited to, the master lease agreement and the facility management agreement), as an interested person transaction

**Resolution 2:** The proposed issuance of (i) Sponsor Subscription Units to KDCIH pursuant to Rules 805(1), 811(3) and 812(2) of the Listing Manual and (ii) Acquisition Fee Units to the REIT Manager pursuant to Rule 805(1) of the Listing Manual

**Resolution 3:** The proposed entry into a new master lease agreement and a new facility management agreement in relation to Keppel DC Singapore 1, as an interested person transaction

**Resolution 4:** The proposed entry into a new master lease agreement and a new facility management agreement in relation to Keppel DC Singapore 2, as an interested person transaction

CLSA

**Independent Financial Adviser ("IFA")**
**CLSA Singapore Pte Ltd**

The IFA is of the opinion that **Resolutions 1, 2, 3 and 4** are **on normal commercial terms** and are **not prejudicial to the interests of Keppel DC REIT and its minority Unitholders.**

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# Thank You

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Prospective investors and unitholders of Keppel DC REIT ("Unitholders") are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel DC REIT Management Pte. Ltd., as manager of Keppel DC REIT (the "Manager") on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this presentation. None of the Manager, the trustee of Keppel DC REIT or any of the irrespective advisors, representatives or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel DC REIT ("Units") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited ("SGX-ST"). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

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