

Keppel's response to IMDA's announcement on the suspension of its assessment of the proposed consolidation between M1 and SIMBA

Media & Analysts Briefing Transcript

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Opening remarks by Loh Chin Hua, CEO of Keppel Ltd.

Editors, journalists and analysts, thank you for joining this call at short notice.

You would have seen IMDA's announcement this morning as well as Keppel's response, which I will not repeat.

We have been waiting for a few months for the outcome of IMDA's review, and some investors and other stakeholders may be disappointed with the outcome announced today. But IMDA has explained its rationale. We understand IMDA's considerations and respect its decision.

Given IMDA's decision, we will allow the S&P agreement with SIMBA to lapse when the long-stop date comes up later this week, on 21 May 2026.

For Keppel, even as we engaged IMDA on the transaction over the past few months, we have also been working on a Plan B, in case the transaction is not approved, and we retain majority ownership of M1.

We will now start executing our Plan B.

To respond to the challenges facing the telecommunication industry in Singapore, we will focus on enhancing M1's efficiency with the goal of improving M1's run rate EBITDA. This will be achieved through rightsizing and reducing costs, whilst maintaining good customer experience.

We have a 90-day plan to strengthen M1's competitiveness, which we will activate with immediate effect. This would include structural rightsizing, reducing technology platform costs as well as network costs, using AI for automation, and product rationalisation.

More details will be shared later on, during Keppel's 1H 2026 results announcement.

Even as we undertake this efficiency drive at M1, we believe that the telecommunication industry in Singapore is in dire need of and will benefit from consolidation. Keppel remains open to opportunities for divestment.

Given IMDA's decision, the proposed divestment of our stake in M1's telco business will be removed from Keppel's announced monetisation for 2025.

At our 1Q business update, we announced our target to monetise S\$2-S\$3 billion of non-core assets in 2026. This remains unchanged and we will continue to work towards our monetisation target.

To put this in perspective, the New Keppel and our growth strategy remain unchanged. In real terms for our investors, the impact is about \$0.07-\$0.11 cents per share in terms of special dividends, which in the bigger scheme of things is not that large.

As I have mentioned, we will continue to explore opportunities for monetisation, so the special dividends have not gone away, they have just been deferred.

Thank you. Let me now open the floor for questions.

Question & Answer session

Questions from Mervin Song, JP Morgan

Good morning, Chin Hua and team. Yes, looking forward to eventual monetisation. As you mentioned, this is a deferral temporarily. First, can we talk about how much cost savings you expect going forward, given your new plans, Plan B? How much restructuring costs will be involved, as well as capex to be spent going forward? Thanks.

LCH: Thank you. I will ask Mann to answer these.

MSM: Hi Mervin, morning. Mann here. So, like Chin Hua said, the 90-day plan has been made, and we will share the details in the upcoming results announcement, so please reserve your questions for later.

But having said that, I think if I were to give you the broad brush strokes of what this plan involves, it involves first an effort by the company to product rationalise and simplify, because a lot of our technology costs today are to serve certain products in both consumer and enterprise that we can rationalise and reduce our technology costs. The rationalisation also helps us in reducing cost to serve from a channel cost perspective.

A lot of our technology costs can also be managed by AI automation, which we have already started doing, and now we will probably accelerate it as well. For example, for a lot of our customer relationship management (CRM) and campaign management tools that we used to use from SaaS players, given the high licensing costs, we are now using agentic workflows at probably less than half the cost to manage such technology.

So, including third-party costs, which today we are using AI to generate, let us say ad campaigns, and so on, so forth, so creative costs and advertising agency costs are also reducing significantly. So, there are multiple areas that we are working on, network costs as well, which Chin Hua mentioned, is something that we are looking at very aggressively.

You know that we have a JV with StarHub, Antina. We are trying to now see how we work together, not just on deployment of sites through Antina, we are also looking at how do we operate and maintain it through Antina, so our network costs can be rationalised as well.

Besides all that I have said, I think there is an opportunity to rightsize the organisation as we go along, to cater for the new model that we are creating from a cost perspective for the organisation, and I think that is something that we are working very aggressively towards and will share more details later in the year.

LCH: Thanks, Mann. Mervin, if I could just add a few points: Based on your question, I think we have to relook at how this plays out.

We have classified M1 as non-core for divestment, or we will be doing so, from discontinued business. In other words, the real objective is to strengthen M1, make it more valuable and attractive, and so that when we exit, or when we monetise eventually, we get the optimum valuation. So, anything that happens in M1 will not impact the New Keppel's earnings.

Just to put it in perspective, as I mentioned in my opening remarks, there is no impact on the New Keppel, if there were to be any restructuring costs.

Would there be more capex to be spent given this new plan?

LCH: The objective, as I said, is to look for ways that we can improve the value of M1, so I think it is too early to say.

MSM: Yes, but we will be looking to reduce our capex over a period of time, because 5G has been completely deployed, so there will be no more new capex required for 5G deployment. It will be more on operation and maintenance, if at all.

Questions from James Druce, CLSA

First question, is everything absolutely paused now with this deal, or are you able to still progress anything in terms of integration in the background?

LCH: As I mentioned, there is a long-stop date this coming Thursday, and from the announcement by IMDA this morning, it does not look like the CPs (conditions precedent) will be met. So, when Thursday comes along, the existing Sale and Purchase Agreement will lapse.

Ok, does everything just completely stop after that? There will be no more conversations, or, I am just trying to understand, is it a pause? What is your posture, post that long-stop date?

LCH: I think that is uncertain at this point. For us, our focus is really on executing on our Plan B. But we are also a firm believer that market consolidation is the right thing for the Singapore market. I think not just for the players, but more importantly, for the customers and the other stakeholders. So, we remain open to any opportunities for monetisation down the road. But in the meantime, our focus is on ourselves. We focus on what we can influence, and currently, it is about making M1 more efficient to meet the challenging industry environment head on.

One more, if I may. Has IMDA asked for any incremental information since becoming aware of the issue with spectrum and that sort of thing?

LCH: Not at all. I do not believe it involves us, so we have not been asked for any further information from IMDA.

Question from Therese Soh, The Business Times

Any plans to explore a merger of M1 with other parties such as StarHub?

LCH: Thanks for the question, Therese. As I mentioned, we are open for monetisation at some point, but currently our focus will be on ourselves, on strengthening M1. We believe that there are quite a few things that we can do.

In the last few months, given the ongoing discussions with SIMBA, we have not been able to proactively pursue our own strategy in terms of driving efficiencies and automation, while still retaining the customer experience. So, I think we have quite a bit of work to do, and that will be our focus immediately. And then, if there is an opportunity for consolidation further down the track, we remain open to that.

Questions from Sarah Koh and Irene Tham, The Straits Times

What is the redundancy? How many roles will be cut, and what percentage of this against the current workforce size? Will there be retrenchment of M1 staff as part of the restructural rightsizing? If so, how many staff will be affected, and which departments will be affected?

LCH: We have not gone that far. Right now, we are very focused on putting out the plan, so there is no information that we can share with you at the moment. As Mann has said, as part of this, we are looking at rightsizing the organisation, but there are no details that we can share at this moment.

Question from Irene Tham, The Straits Times

Tuas said that it is currently still in discussion with presumably Keppel. Could you confirm?

LCH: I cannot speak for what SIMBA is saying. All I can say is that there is a long-stop date, and it is on Thursday this week. And there is no discussion to extend the long-stop date, which means that at the passing of the long-stop date, the existing agreement will lapse.

Questions from Lim Siew Khee, CGS

Just wanted to confirm that there is no cost that you need to pay when the long-stop date expires, and that there are no clauses that will preclude you from discussing with another buyer as you focus on strengthening M1? And finally, there is no change in the 10%-15% payout on S\$2-S\$3 billion targeted monetisation?

LCH: Yes, thanks Siew Khee. On the first question, there are no payments involved. The agreements will lapse at the end of the long-stop date, but no payments are due to either party. There is nothing to stop us from discussing with third-parties after the long-stop date, or after the expiry of the agreement.

And yes, the policy involving special dividends remains unchanged, at the discretion of the Board. It is 10%-15% of the monetisation received or realised in the financial year.

And that the \$2-\$3 billion target remains?

LCH: Yes, as I said at the very beginning.

What is the run rate EBITDA for M1?

LCH: We do not disclose that, but it is an area that we are looking into. As I shared earlier, the business has been kind of in a bit of a stasis over the last few months because we could not proactively do a lot of things, given the ongoing transaction.

But now that we are free of that, I think we have quite a few ideas, Mann and the team have quite a few ideas. So, we have to get back to work to make sure that we strengthen M1, make sure that our customers are still well served, and that we can do it in a cost-efficient manner.

As you execute this Plan B, assuming that you will retain control, do you think there could be any chance that you might relook at the books or how you might impair M1? I know you cannot guide, but I just wanted to make sure that as you review the business, there won't be any impairment that you might need to actually take on.

LCH: I think you know the answer. All our carrying values are reviewed periodically. And we will do the similar periodic review when it comes due.

Questions from Mayank Maheshwari, Morgan Stanley

Just a big picture portfolio-level question, now with M1 part of the business again and considering the last year of limited capex, how will this impact the rest of the portfolio? And considering M1 is still something that you would like to divest, how are you thinking about balancing the investment story in M1 to go about with the rest of the portfolio?

LCH: Mayank, currently M1 is accounted for as a discontinued business within our financial results. When the deal is terminated at the end of the long-stop date, it will be re-classified as a part of the Non-Core Portfolio for Divestment.

So, we will proactively look for opportunities for divesting, but of course, as I said earlier, our focus initially will be on ourselves, on strengthening M1 and making M1 more attractive for potential divestment. I do not think there is an impact. The only impact I can think of is that the Non-Core Portfolio for Divestment obviously would have gone up.

We will have to look at potentially bringing forward other divestments that we might have targeted for next year, to bring them forward to this year, so that we can cover this temporary deferment of the monetisation of M1.

So, the way to think about it is, M1 was supposed to be monetised by this year. But now that is going to be moved back, say, one to two years, and then we will move something forward from what was planned for divestment maybe next year, or the year after.

Questions from Srinidhi, Bloomberg

When did IMDA find out about SIMBA's use of unauthorised radio frequency bands?

LCH: What we were told yesterday was, as a kind of a heads up, that there was an investigation. It is what is already in the IMDA disclosure, so I will not go into it. We do not know anything more.

Does Tuas need to pay a walkaway fee?

LCH: As I mentioned earlier, there is no fee payment to either party when the transaction ends.

What are Cuscaden Peak's plans since they retain a minority stake and if they spoke to Keppel?

LCH: Cuscaden is a minority shareholder in M1. We have obviously updated them on what has happened. They remain very supportive. They understand, and they are behind our plan to strengthen M1, and to focus on this efficiency drive, and improving our run rate EBITDA. And then, in the longer term, I am sure they are also supportive of our potential monetisation opportunities.

Could you share more about what exactly you mean by rightsizing, are we looking at job cuts? How many jobs are at stake?

LCH: On rightsizing, I already covered that, so I will not cover it again.

Question from Adrian Loh, UOB

Following on Bloomberg's question, on the unauthorised radio frequency bands, if it is indeed found out that it was SIMBA's fault that this deal was halted by IMDA, will you be pursuing any sort of legal costs against Tuas?

LCH: The thought has not crossed our minds currently. Obviously, if there are some rights that we have, we will look at it, but right now, at this moment, we are not looking at that.

Questions from Tuan Xuan, Goldman Sachs

First question is on the divestment. If we exclude M1, the run rate for divestment is around S\$1-S\$1.5 billion a year. Can you share what are the lumpier assets that you can monetise this year in order to hit the S\$2-S\$3 billion target?

LCH: On your first question on monetisation, we have already booked in probably about S\$300-S\$400 million so far this year in terms of monetisation. So, we have another between S\$1.6-S\$2.6 billion to go.

Some of the lumpier assets that potentially could be considered would be some of our rig assets. As I mentioned in an earlier call, the market conditions for offshore rigs have improved.

We are also working on some potential real estate monetisation. So, between the real estate and the rigs, we believe that we should be on target to hit this S\$2-S\$3 billion monetisation for this year.

Second question is on M1. I recall Keppel recognised about S\$200 million loss in FY 2025. As you reclassify it to non-core, do you need to or plan to reverse that?

LCH: Kevin, can you answer this?

KC: On the S\$222 million loss, the answer is no, we will not be reversing it, because that, if you recall, is an impairment of goodwill and the accounting standards will not allow us to reverse it anyway. So that will remain as previously announced.

For Real Estate specifically, does that include Keppel South Central and Keppel Bay Plot 6?

LCH: Plot 6 will be launched sometime this year, so I think that is definitely included. Keppel South Central, I think we have mentioned before, the leasing is improving and we believe that at some point when the leasing has reached a certain level, which we hope will be sometime this year, we will look at possible monetisation.

Questions from Piyush Choudhary, HSBC

Firstly, if SIMBA is using spectrum in an unauthorised way, is it possible that IMDA could revoke their license? And if that happens, market could become three players, and would that change your plan for M1's monetisation?

LCH: I cannot answer that. I think that is something for the regulators.

My second question is: is there a cooling off period before you can engage in another possible monetisation transaction?

LCH: Are you referring to M1? If you are referring to M1, the answer is no, there is no cooling off period.

Questions from Mervin Song, JP Morgan

First, on the unauthorised use of frequency spectrum, just to confirm this has nothing to do with M1's spectrum, right?

LCH: We are not involved.

Can you just remind us, in terms of the rationale for picking SIMBA, was it due to the fact that they had the highest price?

LCH: At that point in time, the best terms were offered by them.

So it may not necessarily be the highest price? It was because they offered the cash bid?

LCH: It was the best terms.

On Sakra, based on the notice from EMA, I think it is supposed to start on the 15th of May, can I confirm that it has started generating revenue already?

LCH: I can tell you that we are going through very advanced commissioning. We expect it to be fully ready for service sometime in the middle of the year.

Question from Michael Yong, Mediacorp Digital

Can we just check, has there been an expression of interest from other buyers for M1? If SIMBA could eventually come back to the table, would they be considered again?

LCH: The news on IMDA's decision only came to us yesterday, and the market only heard about it this morning.

Question from Megan Cheah, Dow Jones

Just wanted to ask about the impact to special dividends mentioned earlier, which was around 7-10 cents per share. Is the impact specifically from the lapse of this agreement? And could you confirm the special dividends are to be paid each calendar year?

LCH: I was just referring to the fact that based on the transaction size and based on our current existing policy on special dividends, it would have resulted in a potential one-off special dividend of between 7 to 11 cents, which obviously will be unlikely to be paid this year. But it will be deferred until when the monetisation happens.

As I said, the key focus should really be on the New Keppel and the fact that the New Keppel's ordinary dividends are, at least in the past few years, in the range of about 33 to 35 cents per year on a recurring basis.

Special dividends, as always, are one-off, and for us, it is tied to our monetisation. So M1 will be deferred from this year, but we hope to bring other monetisation targets forward to this year to fill the gap.

Questions from Brandon Lee, Citi

Just wanted to get back to this question about when you were first putting up M1 for sale sometime last year. Were there actually lot of prospects looking at it, and was it sort of an open process or was it just a private process? That's my first question.

LCH: At that time last year, we retained an investment bank, and we ran a process. I can confirm that there was more than one party that was in very serious discussions, before we picked SIMBA.

Okay, and I assume you could potentially go back to that party who was also in serious discussions?

LCH: Nothing to stop us, I suppose. But at the end of the day, as I keep stressing, I think our focus should really be on ourselves initially. We remain open if there are possibilities for consolidation - which as I've said, we believe that it is good for the market and it is good for stakeholders - we will consider that.

Thanks for that, the second question will be with regards to, if I look at the 90-day plan and the potential restructuring that M1 is going to undertake, is it in any way going to impact the coupon that M1 is currently paying on its NetCo bonds?

LCH: No, the coupon on the NetCo bonds will not be affected. That is a contract between M1 and the NetCo bond holders.

Okay, that's good to know. Maybe just one last one if I may, on your statement about bringing forward potential divestments from the next one to two years to this year, is there really a need to do that? Because if I look at your statement about the S\$2-S\$3 billion for this year staying, is there still a need for that? Because that is more on a completed basis than announced basis, right?

LCH: Well, you are right, I do not think we need to do it. But in any case, we have undertaken to monetise all the non-core, or substantially all the non-core by 2030, so to the extent that we can bring it forward, I think it is not a bad thing. I think we are working very hard to see whether we can bring it forward, so that it is even before 2030.

Question from Michelle Lee, Lianhe Zaobao

Will existing M1 mobile plans and services be affected by the rightsizing and cost reduction? What are the other monetisation plans you plan to bring forward to fill M1's gap?

LCH: I think the second question I have already addressed earlier, but maybe I can invite Manjot to talk a bit about the first question.

MSM: When we talk about product rationalisation, it is only meant to make life easier for our customers, and their experience getting better, not worse. So, whenever we talk about cost and product rationalisation, there are three things on the top of our mind. One is cybersecurity, the second is resilience, and the third is customer experience. We will not let any of these three suffer as we go along our rationalisation exercise and efficiency exercise. So, to your question, the customer experience is not going to change, the plans will be rationalised in a way by which the customers benefit from it and do not lose the benefits.

Question from Irene Tham, The Straits Times

Who are the other suitors for M1? Have they showed up? Would you reconsider Tuas or SIMBA again or did other suitors show up before?

LCH: I think I have already addressed these questions. I think as I said earlier, when we ran the process, there were quite a few players, but there was more than one serious bidder before we went with SIMBA. It is still early days, our focus now is on M1, but we remain open for any discussion on consolidation down the road.

Question from Lim Siew Khee, CGS

Previously you reclassified M1 to non-core so you stopped giving us the EBITDA. Now that you are trying to refocus on improving the operations, can you share with us the FY 2025 EBITDA for M1?

LCH: It will be moved to non-core soon. It hasn't changed.

Questions from Mervin Song, JP Morgan

For the Keppel Merlimau Cogen plant sale, the divestment to KIT, what are the divestment proceeds to Keppel itself? Is it the S\$128 million?

KC: Proceeds are about S\$126 million.

So Keppel will receive the S\$126 million? And we can assume 10%-15% will be distributed as special dividends?

KC: No, there is a distinction.

LCH: It is a core investment.

KC: That is a New Keppel divestment, and the special dividend, as Chin Hua has explained, is from our Non-Core Portfolio for Divestment.

LCH: But Mervin, I think we did say in the announcement that if this happened in 2025, it would actually increase our EPS, right?

It is quite chunky, it is S\$130 million.

LCH: So if it increases the EPS, and it is in New Keppel, then you will get it through the ordinary dividends. You cannot get it both ways, right?

I was just trying to calculate how much you could be paying this year, that's all.

LCH: I understand, but it will fall under New Keppel, so it will come out in the form of ordinary dividends.

Questions from Rachel Tan, UBS

Good morning, thanks for the opportunity to ask questions. The first question is given that you are also the manager of KIT, how does the acquisition and divestment fees work? Do you pay yourself twice?

LCH: This call is more to do with what we announced today, so I think maybe we can divert the rest of the questions to when we have the next opportunity to address this? This would be at the 1H results briefing.

The second question is on the previous bidders for M1, were there more than two bidders in serious discussions?

LCH: All I can tell you is there were serious discussions involving at least two, and I cannot go any further than that.

Just one more question from me. When you talked about S\$2-S\$3 billion in monetisation can I confirm that you are referring to completed or announced monetisation?

LCH: Some will be announced, but some will be announced and completed.

Okay, because if you talk about bringing forward some of the planned monetisations, typically in the second half, any monetisation that you announce is not likely to be completed within the calendar year. So just trying to get a sense of how your monetisation will play into special dividends for this year.

LCH: I understand where you are coming from. It is not true all the time, I think some of the transactions we are looking at will have a shorter completion time, so it can be done in this calendar year.

Question from Goola Warden, The Edge

When the M1 sale was initially announced, were the bonds that Keppel DC REIT owned sold to a third party? Will there be any impact on Keppel DC REIT?

LCH: I believe there was a separate announcement by Keppel DC REIT about the potential sale of those bonds. We will have to wait for a further announcement from Keppel DC REIT.

Closing remarks by Loh Chin Hua, CEO of Keppel Ltd.

Thank you all very much for attending. What I wanted to say is, this is a disappointment for some of you, or for many of you, but it just means it has been delayed.

As I said, to put things in perspective, we should really focus on what does it mean for the New Keppel, and actually this does not mean anything for the New Keppel. For the non-core, the special dividend will be deferred, but we will look to bring other potential divestments to this year to fill the gap.

Thank you for your attention. We look forward to working with you all going forward, and to a stronger M1 that can serve our customers better, and in a more efficient way, and a more valuable M1.

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