(Business Trust Registration Number 2007001)
(Constituted in the Republic of Singapore as a business trust
pursuant to a trust deed dated 5 January 2007 (as amended))

SIAS-Keppel Infrastructure Trust Dialogue Session
held on 9 April 2025, 7.00 p.m.

Transcript of the Question & Answer Session

KN: Kevin Neo, Chief Executive Officer, Keppel Infrastructure Fund Management Pte. Ltd. (KIFM)
RB: Raymond Bay, Chief Financial Officer, Keppel Infrastructure Fund Management Pte. Ltd. (KIFM)
SS: Sunny Soh, Lead Technical Analyst, Capital Markets and Investor Education, Securities Investors Association (Singapore) (SIAS)

SS: The proposed KIHPL Placement Mandate will allow the Trustee-Manager to issue placement units to the sponsor Keppel Infrastructure Holdings Pte. Ltd. (KIHPL), without the requirement to seek Unitholders' specific approval for each transaction requiring a private placement. From an operational perspective, how much time and cost savings or process efficiency would be achieved through this mandate?

RB: The preparation process to hold an extraordinary general meeting (EGM) of Unitholders takes about 3 to 4 months and represents a substantial amount of time for a transaction to come to market. Seeking Unitholders' approval in advance at each annual general meeting will enable the Trustee-Manager to save 2 to 2.5 months, assuming the market window for fund raising remains open. With the mandate passed, and assuming a private placement only fund raise, the Trustee-Manager would be able to launch a private placement on an overnight basis, while allowing the sponsor to participate on a pro rata basis to support the transaction, without the requirement to hold an EGM. Assuming a private placement cum preferential offering scenario, we can eliminate about 2 months.

SS: Could the Trustee-Manager utilise the unit issuance general mandate to raise equity preemptively during a period of market volatility? What measures have been put in place to ensure proper oversight of this mandate?

RB: To provide context and clarification, KIT has historically only raised equity to fund accretive acquisitions, and not to repair its balance sheet.

Prior to tabling this resolution, KIT has also consulted with SGX, following which SGX has stipulated certain conditions to be in place including that i) all placements involving a placement to KIHPL may only be for the purpose of funding potential acquisitions. Only in the event where the acquisition does not proceed, the funds raised from such placement may be used for other purposes, including for general working capital; ii) the mandate is to be renewed annually; iii) announcement by the Audit and Risk Committee (ARC) of its view that the transaction is on normal commercial terms and not prejudicial to the interests of the issuer and its minority shareholders ; and (iv) all Keppel Affiliated Directors and any other present and future directors of the Trustee-Manager which are affiliated to Keppel will recuse themselves from attending board meetings, voting on board resolutions and giving their recommendation in relation to the proposed KIHPL Placement Mandate.

The SGX also requires further that: (a) the placement must be a market offering, placed to more than one placee and at the same unit price, (b) KIT must observe all the listing requirements set out by SGX in connection with such placement (including any pricing discounts), and (c) KIHPL may only participate to retain its unitholding on a pro rata basis.

SS: Given the potential dilution to minority Unitholders, should the Trustee-Manager consider prioritising alternative equity fund raising modes such as rights issues, to ensure a more equitable treatment?

RB: While undertaking a private placement may dilute the interests of Unitholders, there are several benefits which I would like to share.

First, a private placement offers greater speed and efficiency to the market, and thereby reducing the market exposure risk. Second, there are lower costs associated with a private placement. Further, the discount for a private placement is typically lower than the discount granted in a rights issue scenario. These taken together would support higher accretion and potentially provide better returns to Unitholders. A third benefit is that a private placement to new institutional and other investors enables the Trustee-Manager to diversify KIT's investor base, which may potentially improve trading liquidity and greater visibility within the investment community, benefitting Unitholders as a whole in the long run.

Ultimately, the final decision on the mode of equity fund raising depends on a combination of various factors, including but not limited to capital requirements, market conditions, investors' considerations and regulatory requirements. Where feasible, KIT may also undertake a hybrid approach, such as a placement cum preferential offering, to balance execution speed, cost and fairness to all Unitholders.

SS: How do the recent tariffs impact KIT?

KN: While there is a lot of macroeconomic uncertainty at this point, the Trustee-Manager remains committed to invest well, operate well and work KIT's assets as hard as possible.

While there is limited direct impact on KIT's businesses., KIT will continue to monitor the evolving situation. We invest in critical infrastructure that is by definition a localised business. For example, KIT owns Ixom, a business that produces chlorine to treat drinking water in Australia and New Zealand. It has a small water treatment business where parts produced domestically in Australia are exported to the US to serve water municipals. This business in the US represents less than S$1 million of KIT's distributable income (DI).

SS: We understand that Funds from Operations (FFO) is a more relevant metric to assess KIT's performance according to the Trustee-Manager. While earnings is a less relevant performance metric, would management be concerned with earnings decline?

KN: We would like our investors to assess KIT on a few metrics, with FFO being a key measure, as well as distributable income (DI). Due to depreciation, which is non-cash in nature, recorded earnings may be lower and hence may not be as important or relevant to a business trust, which pays distributions out of operating cashflows. As a business trust, we focus a lot on steady, predictable and recurring cash distribution, and hence FFO and DI are more meaningful indicators.

SS: What is the approach to management continuity? Based on observation, CEOs may sometimes be redeployed within the Keppel group. Should shareholders be concerned about continuity of KIT's strategy?

KN: We acknowledge that as part of staff development, people do get moved around within the group. Notwithstanding, the long-term strategy of KIT is determined by the Board, in consultation with management. Having taken over as CEO about one and a half years ago, the KIT's strategy has not changed. In addition, I was involved in the preparation and the construction of KIT's investment strategy in my capacity as Head of Investment for the Trustee-Manager prior to assuming the CEO position.

There is no change in KIT's long-term goal or strategy. While our strategy may have to evolve to adapt to market changes, our goal has always been to grow KIT through quality acquisitions that will add to KIT's long term value proposition. The fundamental aim of growing assets under management (AUM) and providing long-term sustainable distributions will not change.

SS: There have been concerns raised about the fee structure and alignment of interest with Unitholders, noting an increase in fees collected by the Trustee-Manager over the past three years. How does the Trustee-Manager assess this against the value delivered to Unitholders?

KN: To provide some context, the Trustee-Manager proposed a fee change in 2022 against the backdrop of a review of KIT's strategy, operations and assets, with the objective of driving further performance and growth, as well as enhancing focus on sustainability of KIT's DI. The new fee structure was intended to better align the Trustee-Manager's interests with that of Unitholders and better position the Trustee-Manager to deepen and expand its talent pool so as to accelerate growth plans for KIT.

Under the previous fee structure which was implemented in 2010, the base management fee was fixed at a sum of S$2.0 million per annum and performance fee at 4.5% per annum of the Trust income. The fee structure was no longer reflective of the level of management activity and resources demanded and unable to account for scalability and growth. Similarly, the performance fee was not linked to DPU growth. The previous fee structure may have been appropriate when the Trustee-Manager had fewer employees managing a portfolio of three local assets, but greater resources are required to manage KIT's diversified portfolio of assets across different business segments and multiple jurisdictions. As at 31 December 2024, has 15 assets across eight countries, with the portfolio valued at approximately S$9.0 billion.

As illustrated in KIT's FY 2024 Financial Results presentation, the Trustee-Manager has realised significant EBITDA growth for Ixom, City Energy and Philippine Coastal. This is testament to our ability to grow and create value, possible only because of the additional resources made available to KIT.

SS: What is KIT's business focus and key strategies going forward?

KN: KIT focuses on sustainable infrastructure businesses and assets that are strategically positioned to capitalise on secular growth trends of energy transition, rapid urbanisation and digitalisation. We believe that these segments have strong industry tailwinds and present significant long-term growth opportunities for our Unitholders. So far, KIT has invested in businesses such as a solar portfolio, wind farms, waste-to-energy or waste management, as well as transportation, which fit well within this thematic.

SS: KIT has made several accretive acquisitions but there has not been a significant increase in distribution payout to Unitholders. Can management explain?

KN: To provide some context, when KIT was constituted, its seed portfolio comprised predominantly fixed-life, concession assets which contributed approximately 80% of KIT's DI in 2018. Whilst concession assets are attractive investments from the standpoint of offering stable cash flows, contribution would eventually cease upon concession expiration.

From 2019, KIT embarked on a strategy of investing in evergreen assets or businesses. We are pleased to share that with the successful execution of investment strategy over the last few years, the proportion of KIT's DI from evergreen assets has increased from 20% to approximately 50%. These include a number of businesses that have demonstrated significant EBITDA growth over the years, such as Ixom and City Energy.

For example, Ixom's EBITDA, excluding one-off costs and lease adjustments, has increased from about A$130 million[1] in FY 2019 to approximately A$200 million[1] for FY 2024, while City Energy, a business that we inherited from the merger with CitySpring Trust, has also shown strong growth of about 80% over the last few years from 2021 to 2024.

Our efforts to grow have only been made possible because of the greater resources KIT has been able to avail itself to. We will continue to invest in more evergreen assets to improve the sustainability of distributions.

RB: Adding on to Kevin's point, to give an example on how the maturity of a fixed-life asset may affect DI - with the Senoko Waste-to-Energy Plant's concession expiry in August 2024, KIT's DI declined by approximately S$40 million on an annual basis. This is why it is important to continue to execute our strategy to focus on evergreen assets to replace the maturing fixed-life assets.

SS: To clarify, currently the proportion of KIT's evergreen/fixed-life assets is 50-50. Going forward, is KIT going to focus more on evergreen businesses?

KN: Yes, KIT will focus more on evergreen businesses. However, we would also like to take the opportunity to clarify that a fixed-life asset does not necessarily mean a short term to expiry. KIT has a portfolio of fixed-life assets which still have a good number of years' contribution left. For example, the German Solar Portfolio has over 15 years remaining in terms of contribution. In summary, we would like to place more emphasis on evergreen assets due to the potential growth and the sustainability of income.

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[1] Based on Ixom's full year result for financial year ended 30 September, excluding one off cost and lease adjustments.

SS: Is there any plan to bring down the current cost of debt for KIT?

RB: As at 31 December 2024, KIT's weighted average cost of debt is 4.51%, with around 72% of borrowings hedged on fixed rates with the balance 28% on variable rates. The unhedged proportion of borrowings will be able to enjoy lower interest rates should market rates turn in our favour.

SS: Following KIT's placement of new units in 2024, the unit price has declined further. With this new placement mandate, how will minority unitholders be protected?

RB: As answered earlier in the session, there are a couple of safeguards imposed by SGX. I would like to elaborate more on what the Trustee-Manager has done in our efforts to address unit price volatility. Firstly, we have stepped up outreach and engagement to improve investor understanding and increase visibility within the investment community. We have also improved financial disclosure to guide investors to better the understanding of KIT's business and to address any lack of market understanding. Thirdly, research coverage has also increased to four houses, namely, HSBC, DBS, OCBC and investment advisory platform Beansprout, which is aimed at improving visibility with institutional investors. We have also increased the number of roadshows to meet investors, and the equity fund raise conducted previously has successfully brought in new institutional investors, as we aim to broaden KIT's investor base to potentially improve liquidity.

SS: Would the unit price decline affect the number of target acquisitions for KIT this year and for the longer term, potentially hampering growth?

KN: While we have consistently communicated our intention to grow KIT via acquisitions, we will also continue to work very hard to drive organic growth within KIT's portfolio regardless of market volatility. The uncertain macroeconomic environment does make investing more challenging as capital markets have been impacted by recent developments. However, the Trustee-Manager will continue to be highly disciplined in its search for value-accretive investments for KIT. Based on KIT's gearing of approximately 41%, we have comfortable debt headroom for KIT to invest in new businesses to create more value for Unitholders.

SS: Rather than seeking approval for the proposed KIHPL Placement Mandate and raising equity, has KIT explored other financing channels such as equity bridge loan or debt for acquisitions to serve the interests of Unitholders better?

RB: As correctly pointed out, the Trustee-Manager could potentially fund acquisitions with an equity bridge loan (EBL), however such EBL is usually short term in duration, at about 12 months to 15 months. Ultimately, there would still be the requirement to repay this loan to maintain an appropriate capital structure.

To provide an example, if we were to make a large acquisition that requires a substantial EBL, the Trustee-Manager would have to provide assurance to the market on loan repayment. This would typically be in the form of an equity fund raising. For the equity fund raising to be supported by the Sponsor through its pro rata participation, the Trustee-Manager would then have to seek Unitholder's approval and hold an EGM, to execute and complete the equity fund raising.

To summarise, the Trustee-Manager has explored the various channels of funding, and has decided to seek approval from Unitholders for the proposed KIHPL Placement Mandate to fund potential acquisitions more efficiently without unduly exposing KIT's unit price to market risk for an extended period.

SS: What are the geographies that KIT will be focusing on for future acquisitions?

KN: KIT will invest in countries with strong rule of law and stable government as well as regulatory policies, as this is important for infrastructure investments in our view. As such, we invest in developed markets of Asia-Pacific and Europe. These include Singapore, Australia, New Zealand, South Korea, the United Kingdom and Germany, to provide some examples.

SS: Does Keppel have an asset pipeline for KIT? When the management looks at acquisitions, what is the target internal rate of return (IRR)? If Keppel has an asset that does not fit KIT's target returns, does KIT have the right to not take on this asset?

KN: Currently, Keppel is developing a number of assets, including Singapore's first hydrogen-ready power plant, for example. When an asset is ready, we may take a look and if appropriate for KIT, the Trustee-Manager could potentially put in an offer to acquire such asset.

The most recent example of an acquisition from our sponsor KIHPL would be the acquisition of Keppel Marina East Desalination Plant which was completed in December 2024. This is a highly attractive asset, with a long-term concession from PUB, Singapore's national water agency, providing stable cash flows. It is the first dual-mode desalination plant in Singapore, able to commercially treat both reservoir water and seawater, and a highly prized asset that contributes to Singapore's water security.

We look at a few factors in assessing new investments, including IRR. Assets would have to have the right risk profile, including IRR at least in the low-teens which would be yield accretive. The Trustee-Manager has a fiduciary duty to Unitholders and an investment mandate to adhere to. If an asset is too risky and does not meet KIT's investment objectives, we will not invest.

If any asset were to be acquired from our sponsor, it would constitute an Interested Persons Transaction (IPT) and be subject to SGX requirements for such transactions (including requiring Unitholders' approval if necessary).

SS: Infrastructure investments may be capital intensive, where fund raising may dilute Unitholders' value. How does management plan to manage such a scenario? Would there be any need to raise more equity for KIT's existing businesses such as the Australian bus business and the German Solar Portfolio?

KN: KIT has conducted capital raising in the last few years for acquisitions and not to shore up its balance sheet. We have been disciplined in our approach to investments and acquire assets only at the right valuation, so as to be value-accretive to Unitholders.

We do not foresee raising new equity to fund capital expenditure (capex) at Ventura or the German Solar Portfolio. At the point of acquisition for Ventura, the capex requirements for replacement of the diesel but fleet with electric buses were already known and hence a facility was put in place to finance this. For the German Solar Portfolio, KIT acquired 55,000 solar photo-voltaic (PV) systems over five closings and did not conduct an equity fund raising for the transaction. With the portfolio having a fixed number of solar PVs, we do not expect to have significant funding requirements going forward.

SS: Will there be any capex spending on Ixom?

KN: Ixom, being an evergreen business, has certain maintenance and growth capex requirements. But the approach that we take is very similar to that for Ventura, where there is a facility in place to fund the Ixom capex requirements. We do not expect to call on equity to fund growth or maintenance capex at Ixom.

SS: As KIT owns critical infrastructure businesses, with increasingly nationalistic governments how can KIT protect its business interest?

KN: We do have to liaise with the various governments with respect to the critical infrastructure KIT owns. Hence the Trustee-Manager is extremely selective in where KIT is invested, and that is also one of the reasons we focus on developed markets of Asia Pacific and Europe. As the economic rights to such critical assets are often determined by government policies, we want to be in countries with stable policies. While we cannot rule out the possibility of adverse policy changes, the Trustee-Manager has selected countries where we think that risk is lower relative to other countries.

SS: With the decline in AUD, are your earnings hedged?

RB: KIT's foreign income is hedged in line with risk management policies. As at 31 December 2024, foreign currency exposure is approximately 71% hedged.

SS: Do you think the high trading yield reflects concern over the lifespan of concession assets?

KN: There are many factors that affect unit price, including macroeconomic factors that are out of the Trustee-Manager's control, such as the current situation with the implementation of US tariffs. We remain focused on KIT's fundamentals and are committed to creating long-term value for Unitholders. KIT invests in businesses and assets that provide essential services or products which are required regardless of economic cycles, underpinning the resilience of its portfolio.

As mentioned earlier, we recognised that KIT's portfolio of fixed-life assets will mature over time, and hence from 2019, we placed more emphasis on investment in evergreen assets so that KIT's DI will be more sustainable. We will also look to grow KIT's assets organically to augment DI contribution.

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