OPENING REMARKS BY MR LOH CHIN HUA, CEO OF KEPPEL CORPORATION, AT THE BRIEFING FOR MEDIA AND ANALYSTS ON THE ACQUISITION OF SPH (EXCLUDING SPH MEDIA) ON 2 AUGUST 2021

Introduction

Good morning. Thank you for attending today's briefing.

You would have seen our announcements earlier today regarding Keppel's proposed strategic acquisition of Singapore Press Holdings excluding its media business, which I will just refer to as SPH, through a Scheme of Arrangement.

This transaction is a key part of Keppel's Vision 2030 plans to transform and grow the Company as one integrated company providing solutions for sustainable urbanisation.

As I will explain, there is a very good fit between SPH's business and Keppel's business, and I am confident the acquisition will create many opportunities to harness synergies, add and unlock value in SPH, and drive Keppel's future growth.

I will not go over every slide of the presentation we have uploaded, but I will share with you some highlights of the proposed acquisition, and why we believe this acquisition is both strategically important in our Vision 2030 roadmap and financially attractive.

Summary of proposed transaction

Through the Scheme of Arrangement, Keppel will acquire 100% of the restructured SPH business excluding SPH Media, which will be carved out and will not be part of our acquisition.

For each SPH share, Keppel will offer the following as consideration: A fixed Cash Consideration of S$0.668 and 0.596 Keppel REIT units per SPH share. Based on Keppel REIT's unit price of S$1.200 as of 30 July 2021, this represents an implied aggregate Offeror Consideration of S$2.2 billion, of which the cash outlay is S$1.08 billion.

As part of the transaction, SPH will concurrently distribute in specie about 45% of its stake in SPH REIT valued at S$1.2 billion to SPH shareholders. SPH will retain 20% of the REIT units, which will be part of the acquisition by Keppel.

The implied consideration per SPH share is S$2.099/share, which represents an approximately 16.2% premium over the one-month volume weighted average price of SPH's shares.

We expect the closing of the Scheme to be in the fourth quarter of 2021 and will be subject to regulatory and shareholders' approvals. It is important to note that IMDA approval will not be required, improving the deal certainty. A fuller time-line is provided in the slides.

Rare opportunity to acquire synergistic platform aligned to Vision 2030

In our view, SPH represents a rare and attractive opportunity for Keppel to acquire a quality platform that is not only financially attractive, but also strongly aligned with and complementary to Keppel's business model and capabilities.

We believe that Keppel is uniquely positioned to enhance and unlock the value of SPH's portfolio as there is a very natural fit between SPH's businesses and three of Keppel's four focus areas, namely Asset Management, Urban Development and Connectivity.

On a pro forma basis, the transaction will immediately enhance Keppel's returns as well as the quality of Keppel's earnings profile, with pro forma EPS accretion of 6% for 1H 2021[i]. The transaction would also accelerate Keppel's transition towards an asset-light business model, and contribute to growing our recurring income, which improves by 18%[ii] on a pro forma basis, with the contribution of recurring income to Keppel's PATMI increasing from 51% to 56%[iii].

Equally important, our balance sheet will remain healthy. While there may be a short-term increase in gearing post-transaction, though remaining below 1.0x, it is expected to reduce over time via our active asset monetisation programme.

Through this transaction, Keppel will also scale up in our existing businesses and acquire new growth engines, particularly via our asset-light and scalable Asset Management business. Keppel Capital's assets under management (AUM) would potentially grow by 27% from S$37 billion to S$47 billion through the addition of SPH REIT into Keppel's ecosystem of REITS/ business trusts and private funds. We would also gain entry into the purpose-built student accommodation ("PBSA") sector, and expansion in the senior living sector, which I will cover more on later.

Strategic importance of SPH acquisition to Keppel's Vision 2030

The proposed acquisition will be a key milestone in our pursuit of Vision 2030. Since May 2020, we have announced a series of strategic moves, including the signing of non-binding MOUs last month on the proposed combination of Keppel Offshore & Marine ("Keppel O&M") and Sembcorp Marine and the resolution of Keppel O&M's legacy rigs.

We also announced our asset monetisation programme and have made very good progress since last October, with S$2.3 billion in asset monetisation initiatives announced to date, of which about half have been completed. Between October 2020 and end June 2021, we have received about S$1.15 billion in cash from these monetisation efforts, including S$854 million in 1H 2021. There is therefore quite a lot more cash that will be coming in, which will help to reduce our net gearing even if it goes up on a pro forma basis assuming the deal is closed today.

As I said at our 1H results briefing, the significant balance sheet space released from the monetisation programme allows us to undertake inorganic options and re-position our portfolio for new growth. The acquisition of SPH we are announcing today is a manifestation of this strategy.

Accelerate growth in 3 of 4 Vision 2030 focus areas

In this slide, we have reflected SPH's portfolio in terms of Keppel's focus areas: Asset Management, Urban Development and Connectivity. As you can see quite clearly, SPH's businesses and assets fit well in the Keppel ecosystem.

Most notably, the largest segment is Asset Management which includes key platforms such as:

(i) The Student Castle and Capitol Students PBSA platform, which has grown from ground up over the past few years to become a large PBSA owner-operator in the UK;

(ii) SPH REIT, which owns some of the highest quality and scarce retail assets in Singapore, including medical suites within crown jewel asset Paragon; and

(iii) The senior living business, comprising the well-established Orange Valley in Singapore and a portfolio of nursing homes in Japan.

Within the Urban Development segment, we have Seletar Mall, as well as the Woodleigh integrated development that is currently under construction. These assets generate recurring investment income, and will accelerate our plans to pivot Keppel Land's business model from residential trading with lumpy earnings towards more recurring income as an urban solutions provider. These assets may also potentially be pipeline assets for injection into our Asset Management platform.

Under Connectivity, Keppel and SPH are already close partners in M1 and the Genting Lane data centre project. Through the acquisition, Keppel will consolidate our shareholding interest in these strategic assets, streamlining decision making and operational control.

Acquisition will accelerate Vision 2030 through enhancing and unlocking value of SPH's portfolio

For Keppel, the rationale for the acquisition is clear. We have highlighted in six points why this is so.

As I have said earlier, I believe that Keppel, with our focused set of businesses and capabilities, is uniquely positioned and arguably better positioned than most to enhance and unlock the value of SPH's portfolio, allowing us to drive value upside from the SPH platform.

Very importantly, together with our asset monetisation programme, we will retain the balance sheet capacity to continue investing in other strategic opportunities in line with our Vision 2030 plans.

Let me highlight a few key slides in the deck.

Opportunity to diversify into high-quality retail REIT platform poised for recovery

The acquisition of the SPH REIT platform would provide us with the opportunity to tap on the recovery and growth in the retail sector. While the retail sector has been affected by COVID-19, we note that the SPH REIT portfolio both in Singapore and Australia, particularly its suburban assets providing essential retail, have shown resilience during the peak of the pandemic.

With continuing vaccination and progressive reopening of borders, we expect the retail market to further improve, particularly for prime downtown assets like Paragon, which could rebound sharply as more borders reopen. As it currently stands, SPH REIT's distributions have already rebounded to near pre-COVID-19 levels with portfolio occupancy averaging above 90%.

From Keppel's perspective, having a high-quality retail focused REIT in our stable will provide another avenue to recycle our retail assets in Singapore and overseas, including i12 Katong under Keppel Land, which is currently undergoing asset enhancement initiatives.

Achieve immediate and sizable foothold in attractive PBSA sector through integrated owner-operator PBSA platform

The PBSA business is attractive to us as it will provide Keppel with an immediate and sizeable foothold within the highly resilient and high growth PBSA sector in the UK and Germany. The UK PBSA portfolio has demonstrated surprisingly rapid occupancy recovery in the current academic year, with a positive trajectory to pre-COVID-19 levels expected in the near term, underpinned by rising domestic and international higher education demand.

With the two owner-operator flagship brands, Capitol Students and Student Castle, Keppel will gain a leading position in the market with a diversified portfolio of over 7,700 beds across 18 cities in the UK and Germany. Portfolio occupancy is also strong and supported by the 15 university partnerships currently in place, where nomination agreements for beds have been entered into, thus providing stable income.

Drive AUM growth and diversification of Keppel's Asset Management business

We have identified Asset Management as a key focus area for Keppel. As I have said before, Keppel Capital is both a vertical, and a horizontal that connects different business units across the Group, as a platform for capital recycling and to allow us to tap third party funds for growth.

The acquisition will augment our Asset Management platform, drive AUM growth and also add further diversity to our AUM. Keppel Capital's AUM can potentially grow by 27% from S$37 billion at the end of 2020 to S$47 billion. In particular, our REITs and business trust AUM is expected to increase to 57% of the potential enlarged AUM, which will help create valuable long-term recurring fee-based income.

There is further growth potential with PBSA and other assets serving as attractive candidates for growing our AUM and fee income.

Accelerate asset-light strategy through proactive capital recycling

As you can see from the slide, the SPH portfolio has various assets which are ready for monetisation either immediately or within the next three years. We therefore see many growth opportunities for our Asset Management segment arising from this acquisition.

On the left side of the slide, you can see that we will have a ready and sizeable pool of assets that can feed into our Asset Management business. For instance, the PBSA portfolio itself can potentially be REIT-able or securitised into private equity funds. Again, this links up nicely with our intention to create more fee income opportunities and participation in valuation upside as we execute our recycling plan.

Optimise stake in Keppel REIT in line with asset light business model

I would also like to highlight the optimisation of our stake in Keppel REIT.

Keppel Land is a committed sponsor of Keppel REIT. Earlier this year, we have just divested Keppel Bay Tower, where Keppel Corporation is headquartered, to Keppel REIT. At the same time, we have said before to analysts and investors that Keppel does not need to hold such a large 46% stake in Keppel REIT. This is much higher than our stakes in the other listed REITs and business trust under Keppel Capital.

The offeror consideration, using a combination of cash and Keppel REIT units, allows us to achieve our two-fold objectives of first, acquiring SPH with the Group’s gearing remaining below 1.0x; and second, reducing our stake in Keppel REIT to be aligned with our holdings across the other REITS and Keppel Infrastructure Trust.

Let me emphasise that we continue to hold a positive long-term outlook of the commercial sector with our approximately 20% stake in Keppel REIT. We remain fully committed to growing Keppel REIT and our interests are aligned with those of Keppel REIT unitholders.

We believe Keppel REIT will benefit from the significantly enhanced free float from 54% to 80% through this structure. In the longer term, Keppel would be supportive of any strategic initiatives by Keppel REIT and SPH REIT that would benefit unitholders, including any initiative which would create a stronger, larger and integrated platform.

Multiple levers to enhance and unlock value of SPH’s portfolio

Keppel has a strong track record of creating value and recycling assets to seek higher returns. This has been one of the strong differentiators of Keppel. This slide summarises the multiple levers for us to create value upside and unleash the growth potential in the SPH platform. Let me outline these points in the order of their strategic importance.

Firstly, the scaling up of the Keppel Capital management platform provides strong value growth without relying on Keppel's balance sheet. There is potential for future third-party AUM and fee creation through seeding pipeline assets into the REITs and private funds under Keppel Capital.

As we bolster the Asset Management arm and grow AUM, we can also grow fee-related income, driving up platform valuation.

Further upside can be derived from organic growth and harnessing operating synergies through this acquisition, and crystalisation of the development pipeline through sale when completed.

Finally, we will also evaluate the merits of some of the private holdings within the SPH portfolio, whose value can be unlocked quickly for future redeployment into other growth initiatives.

Acquisition to enhance Keppel's quality of earnings

Beyond the strategic importance of this acquisition, it is also financially attractive.

This is clearly visible from the immediate financial impact, which is earnings accretive on a pro forma basis.

Furthermore, the pro forma recurring income contribution is expected to grow by 18%[ii] and increase from 51% to 56%[ii] of total PATMI. With the planned scaling of the Asset Management platform and potential securitisation of the PBSA and senior-living businesses, along with the entry into higher return growth initiatives from redeployed capital, we expect the recurring income contribution to increase further, enhancing earnings quality and attractiveness of Keppel's business, as well as increasing overall shareholder value.

Sufficient debt headroom remains for other strategic initiatives

Lastly, as I have mentioned earlier, a key aspect of this transaction for Keppel is that it allows us to maintain our gearing headroom for other strategic initiatives that we may undertake. As at 30 June 2021, our gearing was 0.85x[iii].

Together with the proceeds from our continuing asset monetisation programme, the pro forma gearing post-acquisition of SPH is projected to remain below 1.0x, with funding using a combination of sources such as internal cash, bank borrowings, instruments with equity treatment, and/or bonds. The Group's liquidity will remain robust post-acquisition.

We can expect further deleveraging over time, given the continuing progress of asset monetisation, steady recurring income contribution from operations, as well as the planned capital recycling of the SPH assets. This will in turn grow the Asset Management business and drive the growth in recurring fee-related income.

In short, even after this acquisition, with continuing asset monetisation, we fully expect to have sufficient firepower for more organic investments and M&As in other growth segments such as renewables and decarbonisation solutions, in line with Vision 2030.

Conclusion – Meaningful acceleration of Keppel's growth strategy under Vision 2030

To conclude, I am confident that this transaction, together with our proposed strategic initiative for Keppel O&M and the ongoing asset monetisation, will accelerate Keppel's transformation to be an integrated business providing solutions for sustainable urbanisation. We have committed, as part of Vision 2030, to be focused and disciplined in how we manage our business, and to invest in businesses that are scaleable, have good potential for integration and synergy, and are aligned to the Company's Vision, Mission and ESG goals. SPH is such an acquisition. It will offer many opportunities for us to scale up, harness synergies with the rest of the Keppel ecosystem and ultimately create value for all our shareholders.

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[i]

(1) Excludes the gain arising from the change in interest in Keppel REIT held by the Group. If the gain had been included, the net profit would have increased to approximately S$391 million, and EPS would have increased to approximately 21.5 cents. (2) This statement on growth in EPS 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. (3) In computing the financial impact of the Proposed Transaction on pro forma earnings per share, financial statements with different half year ends were used (being 30 June 2021 for the Group and 28 February 2021 for SPH and its subsidiaries (collectively, the "SPH Group")). (4) Based on (a) the Group's unaudited results for the half year ended 30 June 2021 (the "KCL 1H2021 Results"), (b) the SPH Group's unaudited consolidated financial statements for the half year ended 28 February 2021 (the "SPH 1H2021 Results"), (c) SPH REIT's unaudited consolidated financial statements for the half year ended 28 February 2021 (the "SPH REIT 1H2021 Results"), (d) information obtained during the course of due diligence, and taking into account (i) the financial effects of the restructuring of the media business of SPH (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.

[ii]

(1) 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. (2) Based on (a) the KCL 1H2021 Results (as defined herein), (b) the SPH 1H2021 Results (as defined herein), (c) the SPH REIT 1H2021 Results (as defined herein), (d) information obtained during the course of due diligence, 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 PATMI arising from the Media Business Restructuring) and (ii) the DIS on SPH based on the SPH 1H2021 Results. (3) This statement on growth in 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. (4) In computing the financial impact of the Proposed Transaction on pro forma recurring income contribution, financial statements with different half year ends were used (being 30 June 2021 for the Group and 28 February 2021 for the SPH Group).

[iii] Net debt over equity