

Keppel Corporation 3Q & 9M 2021 Business Update

Media & Analysts Conference Call Transcript

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CT	Christina Tan, CEO of Keppel Capital
CO	Chris Ong, CEO of Keppel Offshore & Marine
LL	Louis Lim, CEO of Keppel Land
CL	Cindy Lim, CEO of Keppel Infrastructure
TP	Thomas Pang, CEO of Keppel Telecommunications & Transportation
MSM	Manjot Singh Mann, CEO of M1

Opening remarks by Loh Chin Hua, CEO of Keppel Corporation

Analyst and media friends, good evening.

Thank you for joining us at the conference call following Keppel Corporation's voluntary business update for 3Q & 9M 2021.

We have posted our media release and an accompanying deck of slides on SGXNET. I will take them as read and will not go over them. Instead, let me draw your attention to a few key highlights, which I believe the market and investment community would be interested in.

First, on Keppel's performance: COVID-19 continues to cause significant disruptions to the global economy and supply chains. But against a challenging backdrop, Keppel has delivered a strong performance.

Our net profit for the first nine months of 2021 was a sharp reversal from the net loss registered a year ago, with all segments performing better year on year¹.

As a Group, we recorded sharp improvements in earnings for 9M 2021, not only when compared to the same period in 2020, but even to pre-COVID 2019, after excluding revaluations, impairments and divestments across the three years.

Keppel's profit for 3Q 2021 also grew strongly compared to a year ago, with all segments registering improved performance.

Revenue at S\$5.51 billion for 9M 2021 was 14% higher year on year, underpinned by higher revenue contributions across all four key segments.

Net gearing has also improved and was 0.76x as at 30 September 2021, compared to 0.85x as at 30 June 2021.

¹ All segments performed better in 9M 2021, excluding a gain from the reclassification of Keppel Infrastructure Trust in 2020.

Second, we have continued to execute and deliver on the Vision 2030 strategy that we had announced in May 2020. Given the progress to date, we are confident of achieving most of our targets by 2025.

Since the launch of our asset monetisation a year ago, we have announced about S\$2.4 billion in asset monetisation, and so far received about S\$1.6 billion of this in cash.

We had earlier said that we would aim to achieve S\$3 to S\$5 billion of asset monetisation over three years. Today, I can share with you that we are on track to exceed our S\$5 billion target by the end of 2023.

The substantial capital unlocked from our asset monetisation programme would allow us to fuel Keppel's organic and inorganic growth plans, especially in Vision 2030's focus areas such as renewables and decarbonisation solutions. We will also reward shareholders for their continued confidence in the Company despite the challenging environment, as we have done through the interim dividend paid out in August this year.

On the two proposed transactions that we announced earlier this year: Discussions on the proposed combination of Keppel O&M and Sembcorp Marine, and the resolution of Keppel O&M's legacy rig assets are progressing steadily.

With the recent rise in oil price, we are seeing signs of improvement in the jackup rig market. Utilisation rates are improving and Keppel O&M has been receiving more enquiries on bareboat charters for its rig assets, though the sale of rig assets may take longer to materialise.

In the meantime, Keppel O&M's orderbook remains strong at S\$5.5 billion, and it continues to focus on execution, delivering five major projects in this quarter. Significantly, Keppel O&M was profitable for 9M 2021, reversing the net loss it had sustained in the same period a year ago. Keppel O&M has been proactively rightsizing its operations and reducing overheads since 2015. In the year to date, Keppel O&M has achieved a reduction in overheads of over S\$90 million; and the running total is about S\$525m in overheads savings since 2015. We will continue to streamline the operations for Keppel O&M.

As for the proposed acquisition of SPH ex-media, we have obtained the requisite approval from the Monetary Authority of Singapore and Australia's Foreign Investment Review Board, or FIRB, and are pending the approval of Keppel's and SPH's shareholders for the transaction, court approval for the scheme and the completion of SPH's media divestment exercise. Both Keppel's and SPH's shareholder meetings for the proposed transaction are expected in November 2021. I am confident that the transaction, when completed, will be a win-win proposition for the shareholders of both Keppel and SPH.

I will not go over the performance of each business unit, but let me highlight a few key strategies that Keppel is pursuing as part of Vision 2030:

We are sharpening our focus on sustainable urbanisation solutions, such as renewables, low carbon and decarbonisation solutions. You would have seen a series of recent announcements such as the proposed import of renewable energy to Singapore from Laos, the development of new technology to boost our district cooling systems, and provision of Energy-as-a-Service at Perennial Business City.

We are moving away from being an asset-heavy business. Beyond our asset monetisation programme, we will continue to leverage third-party funds through Keppel Capital for growth. Two weeks ago, M1 and Keppel DC REIT signed definitive agreements for the monetisation of M1's network assets with book value of S\$580 million, which will free up capital that can be invested in new capabilities and growth initiatives.

We are also focused on growing recurring income. We have seen strong growth in Keppel Capital's asset management fees in the year to date, most of which is recurring income. I have mentioned that Keppel Infrastructure is offering Energy-as-a-Service, while Keppel Land is pivoting away from a traditional property developer model. It is evolving to become an asset-light real estate solutions provider and growing its recurring fee-based income in areas such as smart and sustainable townships and urban renewal.

With the macrotrend of digitalisation driving demand for digital connectivity, we are also meeting this demand through our energy efficient data centre solutions, M1, as well as the adjacent business of subsea transmission cables, where we have seen strong demand for Keppel's fibre pairs in the Bifrost Cable System. With M1's 5G standalone network rollout gaining momentum, M1 will continue to explore opportunities to monetise its 5G use cases.

As we continue to streamline and focus our business, we believe the market will see us increasingly as one integrated business, working together to harness synergies and both create and capture value.

Ahead of the upcoming UN Climate Change Conference in Glasgow, we have also reaffirmed our commitment to sustainability by unveiling our absolute carbon emissions reduction targets. We have committed to halve the Group's Scope 1 and 2 carbon emissions by 2030, compared to 2020 levels, and achieve net zero by 2050. We will run our business sustainably and make sustainability our business through the solutions we provide.

We are honoured that Keppel Corporation was conferred Winner of the Singapore Corporate Governance Award 2021 for Big Caps at the SIAS Investors' Choice Awards earlier this month. The Award has been revamped this year to include sustainability disclosures. Keppel Land was also ranked first globally in the Diversified - Office/Residential - Core category in GRESB 2021, and achieved the highest GRESB 5 Star rating.

We will continue to do our part to contribute to a greener world, as we transform and grow our business and deliver greater value to our stakeholders.

To conclude, if I may leave you with three key take-aways from this briefing, they would be:

- (i) Keppel's performance in 9M 2021 was a sharp reversal from the loss in 9M 2020. We have also seen a significant improvement in 3Q 2021's net profit year on year.
- (ii) We have made good progress in asset monetisation and are on track to exceed the S\$5 billion target by end 2023.
- (iii) The two proposed transactions are progressing steadily, and we are also investing in new growth engines. We see ourselves emerging stronger after the pandemic, and are confident of achieving most of our Vision 2030 targets by 2025.

Question & Answer session

Questions from Terence Chua, Phillip Securities Research

Thank you. I have a few questions. Can you provide some commentary on the receivables front for O&M? My second question is: the Urban Development revenue for 3Q 2021 seems to be about a third softer than last year. I hope you can provide some commentary on that. I have read your comments on the US lawsuit, but I was just wondering if you could provide more details on that as well. That's all from me.

LCH: Thank you, Terence. Maybe Hon Chew can address the first question?

CHC: Okay. I think you are asking about the receivables at Keppel O&M, and whether we have done any impairment. Is that the question?

No, actually, it is whether there are any significant impairments, and have you managed to collect any receivables for the third quarter.

CHC: This is not the quarter that we make any results announcement, but we did do the quarterly assessment of asset impairments for the third quarter. As a result of that assessment, the conclusion is that we do not need to make any further impairments for 3Q, not just for receivables, but for all asset classes for the Group. So the answer is "no". There are no additional provisions for impairments as of now.

LCH: Can I invite Louis to comment on home sales?

LL: Revenue recognition for home sales is a little lumpy. In terms of home sales, for the third quarter, it was 810, which is slightly above the 800 that we sold in the same quarter last year. And total home sales for 9M 2021 was 3,460, which was quite a bit more than the 2,030 sold for the first three quarters last year.

So on the Urban Development revenue, the only reason why it is slightly lower is just due to completion, recognition of revenue right? But in terms of home sales, what you're saying is that it is healthier? Did I understand you correctly?

LL: Home sales were slightly above last year for the quarter; but for the full year, we actually saw a significant uplift - 3,460 for the first nine months of 2021, compared to 2,030 for the first nine months of 2020.

Based on my calculations, for 3Q 2021, your revenue is S\$326 million, and it was S\$497 million for 3Q last year. Is that correct?

LL: The way that the revenue is recognised for the different markets is different. So, for Singapore, it is on percentage of completion. For our overseas markets, it is only upon completion. So it really depends on the timing within the year when we actually recognise our revenue across quarters.

LCH: It is lumpy. You not only have to sell the homes. For the overseas projects, when we complete it in that quarter, only then will the revenue appear in that quarter.

LL: So the revenue for the China and Vietnam home sales that we did in the last quarter does not get reflected now.

Thanks. Grateful for the clarification.

LCH: On your third question, there has been a very detailed SGX announcement. But maybe I will just comment on the lawsuit.

First of all, I think, some of the media reports on this EIG suit may have given the wrong impression that it is a newly commenced suit. This is not the case. The lawsuit was actually brought against Keppel O&M in the US by EIG; it was served on Keppel O&M in February of 2018. This is more than three and a half years ago. The court has, in May 2020, amongst other orders, dismissed part of the plaintiffs' claims in that lawsuit. So, the announcement earlier this week by Keppel was just to provide an update in respect of the plaintiffs' remaining claim in that lawsuit, to the effect that both the plaintiffs and Keppel O&M have each served a motion for summary judgement on the remaining claim. As we have announced, there are many disputed facts concerning the plaintiffs' claim for aiding and abetting fraud. On that basis, Keppel O&M's US counsel's assessment is that there is a very low risk that the court would award any damages to the plaintiffs on summary judgement. Keppel O&M's US counsel is of the opinion that overall, the fact discovery process went favourably for Keppel O&M, and that Keppel O&M has very good defences to the plaintiffs' claim. So, Keppel maintains the view that the claim for aiding and abetting fraud is without merit and Keppel O&M will continue to vigorously defend itself.

Questions from Ezien Hoo, OCBC Credit Research

Thanks for the presentation. Just two questions: The first one is a quick clarification from your very thorough answer on the lawsuit. Just to confirm, whether or not there is any provision that you will put on this case for the second half of the year. The second question is: Keppel has a lower cost of funding, but SPH is now coming into the market to ask to step up the perpetuals. Can you please share with us what is your thinking behind it? Why don't you just refinance the perpetuals at SPH?

LCH: Regarding the lawsuit, as I've already mentioned, Keppel O&M's US counsel assesses it to be very low risk, so there is no impairment. Hon Chew, do you want to address the second question?

CHC: I believe you're referring to SPH's announcement on the consent solicitation exercise where they mentioned about the perpetuals. At this point, SPH had to make a statement regarding whether they would make the call upon delisting. So that is the statement they made at this point in time. So, after the successful acquisition of SPH ex-media, at that point in time, Keppel can consolidate all the funding requirements of the Group and make our decision at that point in time.

That said, I think whatever is done at this point by SPH is not within our control. We can only do so after the successful acquisition, and we still have the flexibility to do so when the time comes. Because those options can still be exercised thereafter.

Questions from Mervin Song, JP Morgan Securities

Thanks for hosting the call. Maybe we can turn to the residential business in China, given the well-known debt issues in the country. Just how are you seeing, in terms of the ASP (average selling price)? Are you holding it or are you forced to be more competitive? And is this an opportunity to aggressively landbank from here?

Also, the second question would be with regards to Vietnam. What's happening on the ground in terms of permits to sell more properties and landbank?

For M1, obviously the impact from lower roaming revenues, but with the VTL (vaccinated travel lane) to, I think, 13 countries now, I was just wondering what is the delta in terms of uplift in potential revenues heading into next year.

And then for your crown jewel, Keppel Capital, any details of potential funds you're looking to launch, which asset classes, and targets in terms of AUM for those private funds.

LCH: I will ask Louis to answer the first two questions on China and Vietnam, and then I will ask Mann to answer the question on roaming for M1, and then I will take the last question.

LL: On the Evergrande debt crisis, I think generally what we feel is, the deleveraging risk for the market that is being managed by the government, is not necessarily a bad thing for the market. Of course, it creates nearer-term uncertainty, both in terms of developers buying land and home buyers considering what is going to happen and thinking whether developers might be lowering prices. But that said, in the third quarter of this year, we sold 730 homes in China, compared to 530 homes last year. For the entire market, we sold 2,280 homes for the first nine months, compared to 1,580 homes for the same period last year. So you can see that the market still has underlying demand, and we see that continuing going forward. The urbanisation rate continues to be high in China; it's only 60% now, so we see continued demand for housing. In spite of what's going on with Evergrande, I think it's important to note that 30% of China's GDP is contributed by property and related industries, and 70-80% of household wealth is in real estate. I think the government will take a very measured approach, and they are very considered about how they are approaching the entire deleveraging of the market.

LCH: The other area, if I can add to Louis, is that most of the cities that we are in, such as Shanghai and Nanjing, actually have very strong fundamentals. So, yes, there are some uncertainties for sure, but we see that the fundamentals in these markets are still very strong.

LL: In Vietnam, likewise, we have seen strong performance in Vietnam for the first nine months. We sold 340 homes versus 40 homes for the same period last year. The last quarter has been a little more challenging for the market because of the lockdown; but likewise, we see inherent demand still for the property sector in Vietnam overall.

LCH: Thank you, Louis. Mann?

MSM: The countries that have opened up for VTL will help roaming revenues. That's for sure. However, the VTLs that have opened up so far do not significantly contribute to our roaming

revenue. As more countries open up, we expect more roaming revenue to recover going forward. These countries that have opened up so far, in our estimate, only contribute about 8-10% of our roaming revenue. The roaming revenues are more from ASEAN countries, coming into Singapore. So as long as these countries remain closed, roaming revenues may not recover as much as we expect them to. So, I think it will help, but not to a very large extent so far.

LCH: Now, on your last question on Keppel Capital, Christina is on the line, but she is nursing a bad throat, so I will answer the question. I am sure she is very happy that you have called Keppel Capital the crown jewel. But the main point is that the asset management fees have gone up quite significantly. In terms of the AUM, for this year, we have raised through the different funds, over S\$2 billion in new equity. So there is still a lot of demand for real assets, particularly assets run by a well-established asset manager like Keppel Capital; and where we have some operating capabilities, which is a strong advantage that investors look for. We are quite confident that the AUM growth will continue. We have also announced that, assuming that the deal is done with SPH, there is potential for us to raise our AUM from S\$37 billion to S\$47 billion. This would be over time, through SPH REIT, and also the purpose-built student accommodation that we can potentially securitise. So, for this and other reasons, we feel very confident that the AUM for Keppel Capital will continue to grow. I think the target has been set. Once we hit S\$50 billion, the next target for us is S\$100 billion.

Okay. Thank you very much, but just quickly back on the ASEAN roaming revenues, for Malaysia and, Indonesia, how much does it represent of the total roaming revenues?

MSM: The top five in-roamers into Singapore are from ASEAN countries, to give you a perspective. So, while I might not be able to give you an exact percentage for each country, that should give you an estimate.

Okay. Thank you very much. Hopefully there would be more details ahead.

Questions from Ho Pei Hwa, DBS Vickers

Thanks for the business update and congrats on the sharp reversal in profits. I have some questions relating to Keppel O&M. My first question is on the EIG case. Assuming that the yard merger goes through, from a legal perspective will the liability stay with Keppel or will it be transferred together with the asset to the Combined Entity?

LCH: The EIG case is against Keppel O&M. As I shared, our US legal counsel has assessed that the risk is very low for the summary judgement to be successful. I will stop at that.

Secondly, management mentioned that you have made good progress on the combination discussion. Is it possible to give us more colour? I also recall that you are looking to have more details finalised at the end of the year. Are we still looking at this timeline?

LCH: On the timeline, as I said, we are making steady progress. Both sides are very busy, but this is a very important transaction. So we will do our best to try and get to a definitive agreement as soon as possible.

Lastly, on the Sete Brasil rigs, now that the Settlement Agreement has turned effective, title ownership for the discontinued semi-submersible rigs has been transferred to Keppel. Can management shed more light on the plans for these rigs? Where are the areas of opportunities?

CO: Based on the Settlement Agreement, these four rigs will be in the possession of Keppel O&M. It is brought online as inventory. On your question on where the opportunities are, these are largely inventorised items, and we will find the best use for them. We can also use them, or repurpose them. At this moment, there are no specific areas that we will be using them for, but we will find a home for them.

If I may ask one more question on renewables. In 1Q 2021, you mentioned about electric vehicle (EV) charging stations and the target of 7GW of renewable energy assets by 2030. Any further updates on that?

LCH: I will ask Cindy to address the first part on EV charging, and I will get Chris to talk about the 7GW target.

CL: KI is actively pursuing possibilities in the new energy space, including end-use electrification. This of course includes the EV charging infrastructure rollout. We are actively monitoring public tenders, as well as commercial opportunities. As and when we have significant progress, we will make an announcement.

CO: As mentioned in 1Q 2021, the 7GW target is being worked on by all parts of the Group. Firstly, Keppel Infrastructure made a recent announcement on providing Energy-as-a-Service, part of this is generated using renewable sources. For Keppel Renewable Energy, we are working on our 500MW solar PV farm. It has gone through Australia's Foreign Investment Review Board, so we are moving on to the next stage to study the farm design. We are also looking at more opportunities in different parts of the world. On top of that, Keppel Capital is also looking at getting renewable platforms, and hopefully we would be able to announce something good soon. All in all, we are moving steadily towards the 7GW target as a Group.

LCH: I would add that we are also hoping to achieve most of this earlier, by 2025. As we have mentioned, we will not change Vision 2030, but for all intents and purposes, Vision 2030 is really to be achieved by 2025, and that includes the 7GW target.

Questions from Uma Devi, The Business Times

Thank you for the presentation, I have two questions. Firstly, could you talk a bit about supply chain disruptions and how Keppel has sidestepped or dealt with these issues as they came up during the 9M period or even during 3Q?

Secondly, could you share a bit about Keppel's overall transition towards green business and renewables? I recall quite some time ago, Keppel made the announcement that it would pivot towards cleaner and greener energy, just wondering if you could provide an update on that, and how this is going along for the different units of Keppel Corporation.

LCH: Thank you for those two questions. Supply disruption has impacted us for sure, although I think we have done quite well under the circumstances. If not for COVID-19, we would have done even better in terms of our project execution or getting more topline for Keppel O&M, because we do have a quite a sizeable orderbook.

I will ask Chris to talk about some of the challenges we face at Keppel O&M, and I will also ask Cindy to talk about some of the challenges we face executing projects currently under KI.

CO: I will start first on Keppel O&M. Supply chain challenges and also the limits on entry of foreign workers are consistent challenges faced by the offshore & marine industry, which we are a part of.

On how we manage it – we have always said that while we face challenges, we have worked very closely with our customers and all our suppliers. One of the ways that we are helping the customers and ourselves is to look at our network of yards around the world. On top of that, on supply chain disruptions, we were able to overcome some of them using technology like smart glasses that help us eliminate the need to bring external service engineers into the country. For foreign workers, we are also working with the authorities to go through the “bubble wrap” process. It is a very stringent process to bring in foreign workers, but we are progressing along. So, I think it's a multi-pronged approach.

Of course, the most important part is safety. In this last quarter, we actually delivered five projects safely, and were also given delivery rewards by our customers. I think that is a testament that we work very closely (with our customers) to make sure that we build our projects properly.

LCH: We also leverage the yards that we have overseas to do some of the work. Cindy, do you want to talk about this?

CL: At the moment, KI is executing a couple of mega and iconic integrated environment and energy projects, namely the Hong Kong Integrated Waste Management Facility as well as the Singapore Integrated Waste Management Facility. As far as supply chain disruptions are concerned, we have very experienced project management and construction teams on the ground executing the projects. As part of our risk mitigation, we have actively diversified our supply chain with the best sourcing approach. Our end clients are governmental authorities and agencies. As part of our risk mitigating action, we work very closely with our clients to ensure firstly, minimum disruption to the project progress on the ground; secondly, the health and safety of our workers; and thirdly, where possible, we will rework the sequence and finish up more engineering and detailed procurement packages, so as to catch up as and when the COVID-19 situation eases up.

LCH: Louis, would you like to add on about construction at Keppel Land?

LL: Similar to the other sectors, we have also had our challenges, but I think we have done a lot that we can. For example, with The Garden Residences, we managed to overcome the challenges and handover in June this year; we have a mall that we are targeting to open, have a soft launch, on 8 December; and that has not come without challenges faced by contractors. But by managing the supply chain and the workforce, we have been able to manage these challenges. In Vietnam right now, I think you might have heard, over a million of the workers have returned to the provinces out of Ho Chi Minh City. This continues to present challenges, which we are working through.

LCH: On your second question on sustainability - this is something that is at the core of everything that we do at Keppel. There are two levels. The first is that we take great pride in running a sustainable business. As I mentioned in my opening remarks, we have recently set targets in terms of the absolute reduction of our Scope 1 and 2 carbon emissions, namely halving the emissions by 2030 and getting to net zero by 2050. Some of our business units will probably go ahead of that target. We are pushing constantly to see how we can raise the bar to be a more sustainable business, because we believe that sustainability is very important.

The second part of it is just as important, which is that if you look at our Vision 2030, our strategy very much revolves around sustainability. We aim to make sustainability our business. So, in all the solutions that we provide under KI, and even in our data centres, we are looking at ways to reduce our carbon footprint, and run more energy-efficient data centres. We are also pioneering floating data centre parks, and also tropical data centres that operate at higher ambient temperature. KI has also announced a number of MOUs signed with the local universities, NTU and NUS, looking at Phase Change Materials for cooling, and also district cooling. In short, it is not just about renewable energy, which you have heard from Chris Ong, but it is also about decarbonisation solutions and energy efficiency. We are very excited by the opportunities. For Keppel, we see the push towards sustainability as something that we should do. But more importantly, we see this as a very important business opportunity for the Group.

Questions from Lim Siew Khee, CGS-CIMB Research

Can we hear a little bit more about your plans on the rigs? Since you said that you have received more enquiries, are we letting them go, are we selling them? What are we doing? Or must we wait for the O&M divestment deal to be completed to decide what is the next course of action?

LCH: I will ask Chris Ong to talk about the rigs.

CO: I do not think there is a concept of “wait”. First, we have our organic plan that is also ongoing. So, Rig Co is still ongoing and the management is actively looking for solutions for the rigs, even though there is an Asset Co discussion. What we are saying here is that activities in the market have picked up. There are operators looking for assets to deploy. But it will be more the bareboat charter type of deals. We think that a clear sale would be sometime down the road. In order to keep the rig asset hot, I think a bareboat charter is a good way to get it occupied.

Are you saying that you have started to bareboat charter, or you are still waiting for something?

CO: Bareboat charter discussions have always been ongoing. It depends on when the charter will commence. So what I'm saying is that there are more enquiries to talk about bareboat charters.

LCH: Just to round this up, we are seeing enquiries going up on bareboat charters on the back of improving utilisation rates. Day rates have not started to move yet, although we do expect that they will move pretty soon once the utilisation rate goes above 80% or more. We think that the fundamental rig demand is actually improving with the improving oil price. Of course, the monetisation of the assets is something that we would like to do as soon as possible. Given what we have seen so far, we believe that this monetisation will probably happen in the next three to five years.

Are we saying that maybe in the next quarter or so we will be hearing some of the rigs already securing bareboat charters? Or must utilisation rates reach 80%, and not at current rates of 70%?

LCH: The current day rates would make it commercially feasible for some of these bareboat charters to happen, but things do not just happen overnight. We are working on it, and we do believe that there will be good opportunities for us to do bareboat charters in the periods coming up.

You also mentioned that Keppel Corporation's 9M 2021 profit is stronger than that of 9M 2019, and that was S\$515 million in 9M 2019?

CHC: For this quarter, we are not announcing results so I will not talk about actual numbers, but I can talk directionally. As CEO mentioned, if you exclude RIDs and COVID-19-related government grants, we performed better than in 9M 2019. So directionally, it is clearly better than pre-COVID-19.

On home sales, I know that it is much weaker for Vietnam, basically because of the lockdown. Are we also expecting this kind of traction in the next three to six months for Vietnam? For China, I know that year-on-year it is higher, but quarter-on-quarter came down. Should we be worried?

LL: You were asking about the lowering of sales in this last quarter. I think it is important to note that in property, the "ghost month" actually matters. So across the key markets of China and Vietnam, a lot of people do not buy homes in this last quarter. I have given you the increase in home sales over the last year. Another notable figure is that in terms of the total value of home sales for 9M 2021, that was S\$3.3 billion, compared to 9M 2020 which was at S\$1.5 billion.

You said that you have made good progress on the solar power farm in Australia and now you are moving towards studying the farm design. What is the capex required for this and the return?

CO: On your question on Australia, we have a project budget and forecast, but that is precisely what the developers are doing right now. They are taking a look at different EPC and technology quotes to bring it to financial close. On your question on what types of returns, we will not reveal it here, but suffice to say that because we have different capabilities within the Group, the model has been constantly tested with the relevant parties to make sure that it is a viable development for us. And we will be ready to monetise it at financial close. That is our model.

I know that you are looking to achieve all the Vision 2030 targets in 2025, does that include the 7GW of renewable energy?

LCH: The short answer is "yes". We believe that we can achieve that by 2025. As you have heard from Chris Ong, the whole Group is involved. It is not just Keppel Renewable Energy or Keppel Infrastructure. Even for Keppel Capital, we are looking at a number of platforms in the region for the funds, which we can also co-invest in. So the short answer for that question is "yes".

A last question: I know that both sides are busy in trying to close the deal in divesting your O&M segment, and it is an important transaction. Will there be a definitive agreement by 1Q 2022?

LCH: We are working towards doing this by the end of the year, but it could slip. I do not want to predict these sorts of things because it involves more than one party. From our perspective, we are working towards it. Hopefully we will be able to get that done as soon as possible. But you are right, the next step right now is really the definitive agreement.

Questions from Foo Zhiwei, Macquarie Securities

Thanks for the presentation. I have two questions. The first is on China properties - I know Louis has touched a bit on it, but I just want to understand how the market sentiment is impacting the pace as well as valuations of your monetisation programme. Following along that line, your land sales at SSTECH have been a bit quiet. When can we see things start to pick up again? Is there a sense in terms of the timeline on when we can see new tenders being made?

The second question is on Asset Management. Your asset management fees for 9M 2021 are actually higher than that of FY 2020 already. I am keen to understand what is driving it? Is it because of higher AUM or is it because you have more funds, more alternative asset funds with higher fees?

LCH: On asset management fees - we have been investing, so as we invest, we draw down the funds, and that would lead to asset management fees going up. So, it is the deployment of the funds that we have raised.

On the impact in China, I think Louis has already gone through it. We think that this is something that will be a bit uncertain in the short run, but we think that the fundamentals are still very strong. So, we do not expect that it would have a long-term or even a medium-term impact on our monetisation programme in China.

As far as SSTECH is concerned, the Eco-City is a multi-year project. This year, the revenue is bit lower, profit is down a bit, but it is still profitable. Whatever land that we are not able to sell this year if the conditions are not so suitable, we will be able to sell in the future. So, it is just pushing it to the right.

In short, you are right, there is some uncertainty in the market, as what Louis has mentioned; but we think that the fundamentals remain quite strong, especially in those markets we are in.

Questions from Mayank Maheshwari, Morgan Stanley

Thank you for the call today. Two questions from my end. One is related to the hydrogen value chain. Has the Company done anything around that, or is the Company thinking around those lines considering the 7GW target you have by 2025?

LCH: On hydrogen, this is something that the Group is deeply interested in. We have, through the floating data centre park, been looking at the possibility of using hydrogen as feedstock for running green data centres, using green electrons. Of course, this is not a short-term thing, it is for the long-term.

Different parts of the Group are doing different things. I will invite Cindy to comment, and maybe also Thomas, to add on the hydrogen value chain.

CL: Under our new energy pillar, we have been studying ways to bring about deep decarbonisation, as you have heard, beyond renewables, electrification and energy efficiency. Finding the carbon-free primary energy sources will be another opportunity that the Group is pursuing. Having said that, we know that hydrogen is a very promising carbon-free energy carrier. Within the Group, we are studying the entire value chain from sources of competitive production to transportation, storage and subsequent distribution to demand centres. That is actually the

Group's strength. We have always had deep capability to develop end-to-end value chains, to bring supply to demand centres. And when we say demand centres, it is beyond the Keppel Group's demand, or Singapore's demand. We look at it more from the regional potential. At the right time, we will also share what are the steps that the Group is taking, including collaborating with supply chain partners and various actors, such as authorities, agencies, industry players, and more importantly, also green financing from our Keppel Capital colleagues.

CO: From the transportation angle, we have always been involved in looking at technology regarding the energy transition. Our involvement in the LNG supply chain helps us with containment design in hydrogen. We are working within the Group to also take a look at upstream green electrons, plants to generate hydrogen and then utilising our O&M capabilities to design transportation means to bring it all over the world.

LCH: You can see that Keppel is increasingly an integrated business. When you ask me a question, I have to ask a few of our CEOs because they are all intimately involved. Thomas, would you like to add on?

TP: The key here is that the Group has the capabilities from various business units, and the customers from the data centre side - the cloud giants and OTTs (Over-the-Top) are also demanding decarbonisation solutions. Hydrogen is definitely one of them. As Cindy explained, we are looking at the sources of hydrogen generation. We are talking to partners that can help with terminals, transportation solutions, offloading, power generation, and then bringing the green molecules and electrons to our customers. The sustainability movement is helping to give us a competitive advantage because the Group has the capabilities, engineering solutions and partnerships that can deliver the solutions.

The second question is more related to the earlier comments around higher oil prices. What we have seen with global oil majors has been that they are not really reinvesting a lot. Do you see some risk in terms of the pace of deployment of the existing rigs?

CO: On the lack of investment in the oil and gas sector and whether it will impact the rigs, that is a sound observation. Nonetheless, if you look at recent developments, in the short-term, national oil companies (NOCs) and OPEC are definitely still looking at extracting. As there is a lack of investment to build new rigs, that is why we said that we will probably not see rig sales in the near term. But for the short term, this is actually advantageous to our strategy because they are looking for ready rigs to be deployed. That is why our strategy is to look at bareboat charters to keep the rigs warm. Further down the road, when the market is ready, we would have hot rigs, proven rigs which would be in front of the queue for sale.

Questions from Rahul Bhatia, HSBC Global Research

Thank you for taking my questions. I just have two small questions. Firstly, you mentioned rewarding shareholders. Could you talk a bit more about your thinking on this line given that the plan is to continue investing as well? Any quantum range you are thinking about, be it for buybacks or dividends?

My second question is: you mentioned that the negotiations related to the O&M transaction may slip to next year given that multiple parties are involved in this transaction. Will you consider making the two events – the Keppel O&M - Sembcorp Marine merger and Asset Co – independent events in case finalising one of them takes longer?

LCH: The two transactions are with different parties, and they are inter-conditional. So, I do not think they will be separated, and there is no reason to believe that they cannot both be done. So I do not think that is something that we will pursue at this point in time.

On your question on dividends, we have said on numerous occasions, including today, that we do understand that our shareholders are very patient and they should be rewarded.

As we monetise our assets - and we have made it very clear that the monetisation is going very well - we are able to not just invest in new growth areas like data centres, decarbonisation solutions, and renewables, we are actually looking at both organic and inorganic options. So in the near term, you will start to hear some of the things that we hope to be able to report to the market, some of the things that we are working on, in those growth areas.

There should be enough for us to also be a little bit more ambitious in rewarding our shareholders. We do know that shareholders are looking for good returns in terms of dividends. We do understand that, and you can see from our interim dividend this year - it is already significantly higher than last year.

Could I just check on the reply to the first question, is there any strong reason you do not want them to be independent events?

LCH: It was how the deal was arrived at, because it involves ourselves and two other different parties. So that is the deal that we have agreed on, and I think from Keppel's perspective, it makes sense to have a holistic solution.

Closing remarks by Loh Chin Hua, CEO of Keppel Corporation

We are very happy that there are many very good questions asked, and I see that all our CEOs are involved in answering the questions. I would like to point out again, to the analysts on the call: We say we are an integrated business, and you can see that a lot of the questions have to be answered by a few of our CEOs, and not just one. It shows that our business value chain is very much across the different segments.

Thank you and I wish everyone a great evening ahead.

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