<u>Keppel Corporation 1Q 2023 Business Update</u>

Media & Analysts Conference Call Transcript

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CHC	Chan Hon Chew, CFO of Keppel Corporation
CT	Christina Tan, CEO of Keppel Capital
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

Good evening, analysts and friends from the media. We have issued our media release and slides for our 1Q 2023 voluntary business update, which we will take as read.

Let me highlight a few key points before we take questions.

<u>On Performance and Vision 2030 Achievements</u>

We achieved a significantly higher year-on-year (yoy) net profit for 1Q 2023, bolstered by a substantial disposal gain from the combination of Keppel Offshore & Marine (KOM) with Sembcorp Marine (SCM).

Even if we exclude the discontinued offshore & marine (O&M) operations and the disposal gain, 1Q 2023's net profit was still slightly higher yoy, with our Energy & Environment, Urban Development and Connectivity segments turning in stronger performance.

Similarly, the Group's revenue[1] of S$2,255 million for 1Q 2023, was about 9% higher than S$2,068 million a year ago.

With the successful KOM-SCM combination in 1Q 2023, Keppel recognised a disposal gain of approximately S$3.3 billion[2], received S$500 million in cash, and distributed about S$3.85 billion[3] to Keppel shareholders through a distribution *in specie* (DIS) of SCM shares[4]. Reflecting the substantial DIS of SCM shares, which had a value of S$2.19 per Keppel share[5], Keppel's share price closed at an ex-distribution price of S$5.40 on 23 February 2023. As at 19 April 2023, Keppel's share price closed at S$6.19 while SCM's share price closed at S$0.118. For

[1] Includes contributions from Discontinued Operations. Excluding Discontinued Operations, revenue from Continuing Operations in 1Q 2023 was S$1,624m, up 4% from S$1,565m for 1Q 2022.
[2] The gain on disposal is subject to adjustment for any reimbursement by the Company to KOM for certain expenditures incurred by KOM before the completion of the combination, relating to assets sold by KOM to Asset Co to the extent that such expenditures are in excess of an agreed sum.
[3] Based on the closing price of SCM shares as at 1 March 2023 of S$0.115.
[4] Keppel also received 5% of SCM shares retained in the segregated account.
[5] S$2.19 is rounded to the nearest two decimal places; calculated based on a division of (i) the cash equivalent amount of the dividend declared by the Company of S$3,845,164,646.11, by (ii) the Company's issued and paid-up share capital as at the Record Date of 1,751,959,918 Keppel Shares (excluding treasury shares).

shareholders who continued to hold both Keppel and the SCM DIS shares, the combined value of their holdings would be S$8.44.

We have also replaced the volatile earnings of the O&M business, which registered an average annual net loss of S$178 million over the past five years[6], with stable interest income of about S$170 million per annum from the Asset Co vendor notes[7].

If and when the vendor notes are redeemed, Keppel will also benefit from a redemption premium equal to 5% of the outstanding principal amount.

Together with the vendor notes issued to Keppel by Asset Co, for which we will be repaid over time, as well as the out-of-scope assets, Keppel is unlocking close to S$9.4 billion[8] of value from the O&M transactions, equivalent to S$5.37 in value per Keppel share.

Notwithstanding the substantial DIS of SCM shares made, the Group's net gearing only increased slightly to 0.83x as at end-March 2023, from 0.78x as at end-2022, on the back of the significant disposal gain.

Amid rising interest rates, we continued to strengthen our business resilience. As at end-March 2023, 69% of the Group's borrowings were on fixed rates, with average interest cost of 3.39% and weighted tenor of about three years.

Asset monetisation continues to be a key tenet of our Vision 2030 asset light strategy. We have achieved our three-year asset monetisation target ahead of schedule, with over S$4.9 billion[9] announced since October 2020. We expect to exceed the upper bound of the S$3-S$5 billion range within the year, and will announce a new interim monetisation target shortly, with the final goal of reaching the full S$17.5 billion announced earlier.

<u>On the Business Updates</u>

In terms of the performance of each segment, Asset Management recorded a lower profit in 1Q 2023, in the absence of fees from acquisitions made by Keppel Infrastructure Trust and Keppel DC REIT in 1Q 2022. Keppel Capital continues to garner investor interest for its new flagship funds, the Keppel Sustainable Urban Renewal Fund and Keppel Core Infrastructure Fund, launched in late-2022. It is also looking to launch the Keppel Asia Infrastructure Fund II, following the successful deployment of Fund I and its co-investment vehicles. We will focus on achieving our S$200 billion AUM target by 2030.

Keppel Infrastructure's net profit improved strongly in 1Q 2023 compared to 1Q 2022. Its revenue also rose 3% to S$1.03 billion, driven by higher sales from the Power & Renewables and Energy-as-a-Service businesses. Keppel's renewable energy portfolio[10] has grown to about 2.8 GW as at end-March 2023, up from 2.6 GW at the end of 2022.

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[6] From FY 2018 to FY 2022; does not include effects of out-of-scope assets as well as intercompany loan interest expense and fee charges.
[7] As consideration for the transfer of certain KOM assets including the legacy rigs and associated receivables to Asset Co, Keppel received S$4.25 billion in vendor notes, S$120 million in perpetual securities and a 10% equity stake in Asset Co with a value of about S$499,000.
[8] Includes 5% of SCM shares retained in the segregated account.
[9] Since the start of asset monetisation programme in October 2020; Does not include the realisable value from the O&M transactions.
[10] On a gross basis and includes projects under development.

Keppel Land's net profit was significantly higher yoy with more contributions from trading projects. In China, Keppel Land's home sales almost tripled yoy, following the lifting of COVID-19 restrictions and introduction of encouraging government policies.

Keppel Data Centres reported a yoy decline in 1Q 2023 performance mainly due to costs incurred to support new projects and its expansion in new markets. The first two of three buildings in the Keppel Data Centre Campus at Genting Lane have been fully leased, with the first phase of Building 1 ready for service. Plans are in progress to develop Building 3 of the Campus.

M1 recorded a significantly higher yoy net profit in 1Q 2023, while its revenue rose 14% yoy to S$295 million. Notably, the enterprise business topline grew 60% yoy to S$107 million, and made up about 36% of M1's total revenue in 1Q 2023, compared to 26% in 1Q 2022.

Conclusion

Our concerted efforts in executing Keppel's Vision 2030 plans have created strong value for shareholders. For the whole of 2022, Keppel delivered a total shareholder return (TSR) of 49.3%, almost six times the 8.4% TSR for the Straits Times Index (STI).

Over the 15-month period from January 2022 to end-March 2023, including the completion of the O&M transactions and the DIS of SCM shares, Keppel's TSR reached 77.7%, more than eight times STI's 9.2%.

In short, we have started 2023 on a positive note, having achieved many important targets that we have set for ourselves. We aim to build on this strong momentum to drive Keppel's transformation into a global asset manager and operator, focused on investing in and creating solutions for a sustainable future.

We will arrange a briefing for media and analysts in May, when we will share more details on the next phase of Keppel's transformation plans.

Thank you.

Question & Answer session

Questions from Rahul Bhatia, HSBC

I have two questions, please. My first question is on Asset Co. If I have to prioritise the use of cash flow at the Asset Co level, between finishing uncompleted rigs, payment of notes back to Keppel, or third, interest payment to Keppel, what will be the order that Asset Co will be managing the cash at?

LCH: Thank you for that question. Hon Chew will address it.

CHC: Thank you, Rahul, for the question. Asset Co is independently managed so we are actually not in control. As a result of the agreement with Baluran Limited, the understanding is that there will be funds that are provided for completion of the rigs. As a matter of fact, as of now, there are already some jackup rigs that have been sold, which are providing cash flow for the completion of some of the rigs. You must be referring to the waterfall in terms of the sequence of repayments:

whether it is vendor notes, or perpetuals, that is not within our control. That is managed by Asset Co.

So there is a possibility that there could be some years when Asset Co does not make interest payments? And if that happens, in that particular year, how will it be recorded on Keppel's P&L or balance sheet?

CHC: The interest will be accrued in our books but the timing of the payment will be dependent on the cash flow from charters, the sale of the rigs, and cash flow requirements for completion of some of the rigs. So that is not in our control. That is to be decided by Asset Co.

LCH: But the coupon of 4% is accrued. If it is not paid, it will be accrued.

Thank you. My second question is about the stake that Keppel owns today in SCM. Could you please share with us what is the latest stake that you own? And secondly, what is the plan for Keppel related to the stake? Does the company plan to sell down the entire SCM stake in the near future as an open market transaction?

LCH: There is an agreement between Keppel and SCM that we will appoint an institutional financial services provider to deal with this stake. If you remember, this 5% stake is to provide for specific contingency events. If the events crystallise, then this 5% stake will be used to provide that funding to SCM. But if after 48 months (from Closing Date of the combination), the specific contingency events do not crystallise, then whatever is remaining in there, whether it is cash or shares, will come to Keppel. We are not able to disclose what is our remaining share. For that matter, there is an agreement that was already made with the institutional financial services provider. So this is managed by such financial advisor.

Just a follow-up: could you elaborate on the potential contingency events? What kinds of events could potentially happen?

LCH: When the deal was announced some time ago, we said that these are for specific events. But we are not able to disclose what they are.

Sure, I understand. Thanks a lot.

<u>Questions from Derek Tan, DBS</u>

I have got two questions. I just want a bit more colour on the recent MOU that you signed with ExxonMobil and I understand you are developing a new power plant on Jurong Island. Could you give us a sense what is the CAPEX needed?

LCH: I will ask Cindy to talk about the recent MOU.

CL: Thank you, Derek. You might be aware that the Energy Market Authority (EMA) and the Maritime and Port Authority of Singapore have launched an Expression of Interest (EOI) for end-to-end development of ammonia-to-power, as well as bunkering. In this regard, ExxonMobil and Keppel Infrastructure have collaborated to respond jointly to this EOI. The intention is to then engage the authority if we are chosen as the preferred respondent for this EOI. In terms of developing the ammonia power, we will approach it in an asset-light manner. There will be opportunities for us to be along the entire value chain from development, investment via third-party funds, offtaker as well as continuous operation and maintenance of facilities, in order to bring low-carbon molecules to the marketplace. We see that this is an attainable endeavour. However, this is still at an early stage. Thank you.

LCH: Thank you, Cindy. The earlier announced hydrogen-ready power plant, the first that is going to be built in Singapore, will be a joint venture between Keppel Infrastructure and Keppel Capital's infrastructure fund.

The second question is: Can I ask about your S$50 billion AUM at this point in time – how much spare firepower do you have? Essentially, how much undeployed capital do you have? Could you give us a bit more colour on that, based on the existing funds?

LCH: I will ask Christina to answer this.

CT: Hi Derek, we have never disclosed what is not deployed, versus what has been deployed for our AUM. In the future, we could perhaps disclose more in terms of these numbers. Right now, for example, the Keppel Asia Infrastructure Fund (KAIF) is fully committed. That is why we are raising KAIF II. We see a lot of deal flow pipelines that are very interesting for our investor base. That is why there is interest among us to do more fundraising for KAIF II as well.

LCH: The point is that it is not just about the existing S$50 billion AUM. As you know, we are also raising new funds. So that would give us, as you had put it, the "firepower" to do more transactions. And we think that there will be good opportunities that will emerge.

Excellent. Thank you very much.

<u>Question from Yong Jun Yuan, The Business Times</u>

My question is regarding the Asset Management segment. I understand that the profits declined, because of the lack of acquisitions from KIT and KDC. I understand that there are also some headwinds facing the REITs in the near term. How do you expect this segment to perform going forward?

CT: In terms of investment opportunities, we still see a lot of strong deal flow pipelines, because I think Keppel is really in the right sectors. We are in infrastructure. We are in data centres. These are essential services that people need in everyday life and we still see very strong demand for these assets and good cash flows as well. For real estate, with a higher interest rate, we do see some cap rate expansion as well in certain markets in Asia. So there will still be opportunities for us to acquire assets, but we are quite disciplined and quite rigorous in our process in terms of investments. We will probably see a lot more activities in the coming months in terms of investment pace.

Thanks so much.

<u>Questions from Joel Siew, DBS</u>

My first question is: I believe the former SPH had a 20% stake in Konnectivity. I wonder if there is any discussion with regard to buying over this stake, and perhaps whether there is any discussion to buy over anything else you would like in SPH?

LCH: We have some ventures with the former SPH, which is now Cuscaden Peak. One of them is M1. They have a below 20% stake in M1. We are working very well with them. If there are any transactions in the future, we will make the announcement at an appropriate time.

My second question is regarding your Vision 2030. I understand you will focus on growing recurring income. With the divestment of your logistics business as well as the O&M spin-off, are you looking to divest or spin off real estate development next? What are your thoughts around this?

LCH: The real estate group is very much a part of our urban development segment. And of course, we are pivoting away from the traditional trading projects. Keppel Land is now very focused on building up our recurring income. And we have some very good strategies, such as senior living as well as sustainable urban renewal projects. These will be done jointly with funds that will be built up by Keppel Capital. So the activity of Keppel Land is starting to shift more towards recurring income. This is the part of the business that we are looking at. Of course, the landbank will have to be monetised at some point, and we are actively looking at that.

Noted, so will it be safe to say you would not be doing too much landbanking in the future?

LCH: I think so. Because that is not our main activity. Of course, in places like Vietnam and China, where Keppel Land has very strong capabilities built up over the years – you know, we have been in Vietnam for over 30 years and in China for almost 30 years as well – the teams in these two markets are now working very closely with fund investors. In China, it is mainly with local Chinese investors, and for Vietnam, it is mainly foreign investors or LPs, that are part of the Keppel Capital stable. We are still investing – we are using our capabilities as a developer, but we are not using our balance sheet wholly. And this is now more a fund product for us, and not just a strict trading project.

Understand. Thank you so much.

<u>Questions from Mervin Song, JP Morgan Securities</u>

Congratulations on your results and strong share price performance. I have a few questions for the Asset Management business – clearly very ambitious target to hit S$200 billion by 2030. But I note that the compound annual growth rate (CAGR) to get there is about 19% versus 13% CAGR in the previous 10 years. Does that S$200 billion AUM include inorganic acquisitions?

LCH: First, thank you for your compliments. For sure, it is an ambitious target. But if you look at when we set the target, it was like five years ago. We were at about S$25 billion AUM. And we got to S$50 billion quite quickly. So I think the S$200 billion target is something that we believe is very feasible. Now, as you know, the whole business of Keppel is really focused on asset management. With the deep operating capabilities that we have, we believe that we are in a good position to achieve this target by 2030. We will of course consider both organic as well as inorganic options.

For the new funds being launched, what will be Keppel's co-investment in these funds?

CT: Usually Keppel will put in a stake of 10 to 20% in each of the funds. That will be the sponsor stake in the funds. But nowadays, infrastructure projects are huge, and it is also part of Keppel's strategy to achieve recurring income. So Keppel might come in as well, as a co-investor in some of these projects.

On the 10 to 20% stake, is there a significant difference between infrastructure, renewables or property funds?

CT: It is more a general guide for us in terms of the stake to take.

Would you go towards the low end of the 10% to 20%, or is it mid-range?

LCH: It is not specific. The range is 10 to 20%. In some cases, as Christina mentioned, we have also done co-investments. So on top of investing through the funds with the LPs, for certain projects, we are also investing directly with the funds.

On the data centre business, congratulations on the Genting Lane data centre, which is fully occupied. I would like to get some sense of when the cash flow will start coming in, and your thoughts on potential exit yields you are targeting.

LCH: Ok, thanks. I will ask Thomas to address this.

TP: Thank you very much for your question. Phase one of Building 1 is ready for service so the cash flow or payments have already started to come in. As the fit-out continues to progress, there will be more of the data hall ready for service and ready to be handed over to customers. So from now on, you will progressively see revenue being recognised.

How about the target exit yield for Genting Lane?

LCH: This is quite a good asset. It will be very efficient, energy wise. So I do not think we want to hazard a guess at this moment, but we would expect it to trade at very hardened yields.

TP: It also comes with very good customers, very long and very good, credit-worthy customers, with very long WALE (Weighted Average Lease Expiry). So we expect this to be a very attractive asset to a lot of investors.

Will you only sell when you complete all three buildings or can you sell the first building first?

TP: We are exploring all options. We could potentially sell some buildings first.

The final question is on Vietnam. I think the government seems to be a bit more supportive towards developers now. Can you give us a sense of how you are seeing things and are you expecting to have a launch soon?

LCH: I will ask Louis to address that question.

LL: We still see the real estate market in Vietnam as very healthy, with good demand. I think there have been, as we have expressed before, some hurdles when it comes to getting the permits approved. But we are hoping that this would be smoother in the coming months.

LCH: Our experience so far in Vietnam is that sometimes the projects may be a bit slow in getting approvals, but the values have not really suffered. So if we do not sell today, then we sell next year. And if we can get better pricing, the value is still there. The value is not eroded.

LL: Prices are continuing to rise.

Excellent. Thank you.

<u>Questions from Brandon Lee, Citi Research</u>

What are your plans for recurring income and your landbank in ASEAN countries? You were selling The Podium in the Philippines a few weeks back, though it is a property generating recurring income. Just wanted to get a sense of your strategy.

LCH: I will ask Louis to address that.

LL: We will continue to recycle our capital. The Podium presented a good opportunity for us to capture value. In the first quarter, we have announced the monetisation of about S$280 million across The Podium in the Philippines, Sedona Hotel in Myanmar, as well as a project in Vietnam.

LCH: We are always open, if there is a good offer. In this case, we got a good offer from our partner. We exited The Podium, but we are also investing in other recurring income projects, including some in India as well.

On the long-term goal for these ASEAN investments, are you thinking of just holding them on your balance sheet, putting them into Keppel REIT, or putting them into some funds?

LCH: We look at the markets individually and see what the fundamentals are. While I think The Podium is good because it is leased up, it is also the only asset that we have in the Philippines. So it probably makes sense for us to divest it, and we can then focus on a few key markets. We expect this to ramp up quite significantly, with the co-investments from the funds run by Keppel Capital.

Can you provide an update on the plans for the divestment of residential projects into a China private fund?

LL: We continue to have an asset-light approach. So if we do developments, like in China, we have an urban development fund where we will get co-investors for the projects. These will be mainly Chinese investors.

Is there any target date for achieving your S$17.5 billion asset monetisation goal? Is it closer to 2030 or 2025?

LCH: As I mentioned in my opening remarks, now that we have successfully completed our first target of S$3-S$5 billion ahead of schedule, the team is relooking at setting a new interim target which we will be sharing with the market very soon. But the eventual goal is to reach the full S$17.5 billion.

Questions from Ho Pei Hwa, DBS

Thanks for the business update. Two questions on asset management. Could management share more colour on the AUM target? In terms of inorganic growth, size, or market, etc.?

LCH: I will address the first question, and Christina will address the second question. We will be sharing the interim target in May, which is just around the corner. Christina?

CT: In terms of inorganic growth, we will be looking at possible M&A activities in Europe, probably also in the US and Asia as well. We are looking at fund management platforms that we can find in these places to grow inorganically.

On the three new funds that you highlighted in your slides, have you secured the anchor investors, and how is the fundraising in the current climate?

CT: We continue to see strong interest in our funds because Keppel is quite differentiated from other managers as we have very deep operating experience in each of these sectors, infrastructure, data centres, and real estate. The sustainability theme that we are looking at, such as sustainable urban renewal, has attracted good interest from European investors as well as Asian investors. We will make the appropriate announcements when the first close is done for each of the funds.

Questions from Lim Siew Khee, CGS-CIMB Research

Circling back to the stake in SCM, I appreciate that you cannot disclose the remaining stake that you hold in SCM. You said there was an agreement made with the financial advisor and SCM. What agreement is that?

LCH: This was an agreement between Keppel and SCM, because we both have a vested interest in the 5% stake. The agreement is that we will appoint an institutional financial services provider and have specific guidelines on how they would encash the shares over time. It is not meant to be disruptive to the market.

So the specific guidelines that have been set are already agreed with SCM? Or would the specific guidelines take into consideration instructions from Keppel?

LCH: No, it is already pre-agreed when the deal was completed. There are rules on how this can be done, but neither side gives instructions on a day-to-day basis to the institutional financial services provider. One of the key principles is we do not create any major impact on the share price of SCM. This will not be advantageous to either SCM or to Keppel.

Just wondering if the institutional financial services provider would take into consideration Keppel's shareholders who received the SCM shares when they encash the 5% stake.

LCH: As I mentioned, it was agreed between Keppel and SCM when the transaction was closed. So those rules have been established for the institutional financial services provider. My point is that you will not see Keppel or SCM giving instructions on a day-to-day basis.

Moving on, I know this might be a bit minute, but how do I reconcile Energy & Environment's yoy revenue increase versus Keppel Infrastructure's 3% yoy revenue increase?

CHC: As you know, the combination was completed in February, so there were two months' worth of KOM's revenue. KOM's revenue for two months is higher this year than last year's revenue for three months.

Keppel Capital's performance was lower because of the absence of certain fees. Can I take that as a trend that we are seeing as we are at the end of April?

CT: Just comparing this year's 1Q performance to last year's, last year's includes KIT's acquisition fees and KDC REIT's acquisition fees. It is not a trend we are looking at because as we earlier shared, we still see strong deal flows coming through and the sectors that Keppel is in are the right sectors. There is interest from investors in all these cash flow-generating assets, so we will be looking forward to acquisitions in the coming months. But given where cap rates are, we are also looking forward to getting better deals as the months pass by. Given the banking crises in the US, and there is a bit more liquidity tightening, we wanted to wait for the best deals to come.

LCH: In short, the answer is no, it is not a trend.

Should we be looking towards the second half of the year for the things that you mentioned to settle down, or are you already seeing a pick-up in the second quarter?

LCH: As Christina has said, the deal flow pipeline is quite strong, so we can afford to be more selective at this point. So if the right deals come along at the right pricing, we will do it.

On the monetisation trend, so far, it is all related to Keppel Land. Is there anything that you are looking at beyond land?

LCH: If you look at the overall asset monetisation, since the beginning, the nearly S$5 billion that we announced so far, there is quite a good mix. Land has contributed some of that. Infrastructure has also contributed. So it is not true that it is just focused on land.

CHC: To date, we have, for example, the M1 assets of about S$500 million, which is quite big, and we have the Keppel Marina East Desalination Plant which I think is over S$350 million.

M1's enterprise revenue is up 60%, is there anything interesting there? What projects did we win?

LCH: Let me ask my colleague Mann to address it. Mann, over to you.

MSM: Hi, thanks for the question. There are two reasons why enterprise revenue has shown healthy growth. One is that our Singapore enterprise business has grown handsomely, and secondly, we acquired an enterprise ICT company in Malaysia. We have consolidated that revenue this year as well in the first three months. So while the overall growth is 60% because of consolidation, even without consolidation, the enterprise revenue has grown handsomely in Singapore.

What projects does M1 do in Singapore?

MSM: AsiaPac is our company that manages networks, infrastructure, cloud solutioning, enterprise computing, hardware sales, etc. We work with government-linked companies, large enterprises, medium enterprises, as well as small enterprises to create digital solutions to look after their network assets for tech refreshes, upgrades, as well as cloud solutioning, in terms of giving hybrid cloud solutions and moving from on-premise to cloud capabilities. This is what AsiaPac does, and it is growing quite well and healthily in Singapore.

On the Malaysia enterprise that you bought, are there any sector-specific or government projects?

MSM: No, it is actually not so much government, it is the large enterprises. They also have a fair share of the telco operators in Malaysia. It is of a similar profile to AsiaPac in Singapore.

There are similar businesses between M1 and Starhub. Is it a pricing thing that you will be considering for a merger talk? Or is M1 a business you need to keep for your Vision 2030 transformation target?

LCH: There is no comment that we can make, obviously, on these speculative questions that you have posed. But I think on M1's side, we are on a multi-year transformation of M1 from a traditional telco to a cloud-native cloud connectivity platform. That is going well. We also have this important phase where we are migrating our existing customers from the old tech stack to the new tech stack. Once we do that, we will be able to serve these customers at a cheaper cost and also provide them with more personalised services.

You have heard what Mann said about the fantastic performance that we have seen on the enterprise side. All in all, I think we are in a pretty good space right now, and we are focused on growing M1. I think these are very exciting times for M1. There is also quite a good link between what M1 is doing with our data centre offerings as part of the Connectivity segment.

<u>Questions from Joy Wang, HSBC</u>

Thanks for the opportunity. Two questions from me: on AUM and inorganic growth, you mentioned adding geographically, but is there a specific capability you want to add at this stage for the asset management business?

LCH: We are looking at a few things but we do not want to disclose this publicly.

In broader terms, is it more focused on real estate, infrastructure, credit, or anything broadly?

LCH: I think it will be where we see that there is a gap, whether in terms of geographical or market coverage, where we think a platform can benefit from our involvement, and it fits into our overall plans for expanding our investment capabilities. That will be where we would look. We are quite agnostic, we will look at real estate, we will look at infrastructure, we will also look at connectivity and data centres.

What do you think about gearing as an asset manager, especially if you have a plan to grow your AUM? Do you think you can sustain your capital management initiatives in terms of dividends, share buyback, etc.?

LCH: Generally, the asset management model is asset-light, so you can see in the second half of last year, we announced a number of transactions amounting to over S$2.8 billion. Because they were done jointly with our funds, the net gearing did not move very much. So if you use that as a guide, moving forward, we believe we would be able to grow our AUM, and grow our investment portfolio, jointly with investors without creating a burden on our balance sheet.

Asset monetisation is also something that has helped us, and will continue to help us, in terms of managing our capital.

Even with the addition to your AUM, you still need to put in your portion of investments. Do you think 80% is actually a comfortable level?

LCH: We will continue to monetise up to S$17.5 billion of assets. At the last measure, of the S$50 billion in AUM, only about S$3.5 billion is from our balance sheet.

<u>Question from Pimfha Chan, DealStreetAsia</u>

I noticed that there has been a change of management in Alpha Investment Partners (Alpha) and Alpha went a little quiet last year. Will there be any update on Alpha this year now that there is a change in management?

LCH: Christina will address this.

CT: For Alpha, our flagship funds, such as the Keppel Sustainable Urban Renewal Fund, has attracted a lot of interest among investors, so there is no impact from the management change.

Galen Lee has taken over from Alvin as CEO of Alpha, and Bridget Lee has taken over as chief investment officer for real estate.

LCH: It is an internal promotion. Galen has been with the Group for quite a while, so we have a strong bench strength at Alpha.

<u>Questions from Foo Zhiwei, Macquarie</u>

Good evening. Thanks for the presentation. Circling back to the segregated account to encash your 5% stake in SCM – if you take the cash proceeds and decide to put it into fixed deposits or money market funds, even though it is money that you cannot touch, could you recognise the interest income on your financial statements in the interim?

LCH: The interest on any deposits that is placed will accrue to Keppel, although it may not be paid to Keppel yet.

So, you can recognise the interest income in the interim for the next 48 months?

LCH: Correct.

Keppel Infrastructure's revenue was up 3% to S$1.03 billion and you had specifically highlighted Energy-as-a-Service (EaaS) as a driver. There is also the S$320 million of subscriptions secured. Is there some growing revenue contribution from EaaS that I need to take note of and how does it contribute to your net profit?

LCH: I will ask Cindy to address the question.

CL: Thank you for the question. Our revenue grew yoy in 1Q 2023, contributed by our Power & Renewables and EaaS businesses. This is helped by the improvement in electricity pricing and gas sales, as well as our EaaS business, which includes cooling services, electric vehicle charging and energy optimisation & analytics.

Just wondering, between the contributions from Power & Renewables and EaaS, which is bigger in terms of growth?

CL: We are in the process of growing our contributions from our renewables business. So in terms of current contributions, the power business contributed more. We also started recognising revenue and profit contributions from the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project. So, we expect to see more recurring contributions from our renewables business.

<u>Questions from Ryan Heng, Morgan Stanley</u>

Good evening, and thanks for the opportunity. On the S$320 million worth of EaaS subscriptions secured, could you clarify if this is a revenue number, or are these contracts with revenues to be recognised over time? What is the increase compared to 1Q 2022?

CL: Thanks, Ryan, for the question. S$320 million is the value of contracts secured, and the revenue will be recognised over a period of time.

Compared to 1Q 2022, this is a marked improvement, because we only launched our EaaS business model in late-2021. Effectively, in the course of 2022 and 1Q 2023, we secured recurring contracts worth S$320 million.

Do you have the average tenure of these contracts?

CL: They are long-term contracts, with a range of about 5 to 10 years.

LCH: We do not disclose the average tenure.

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