

Keppel to unlock close to S\$1.0b in cash from sale of M1's telco business to Simba

Media & Analysts Briefing Transcript

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MSM	Manjot Singh Mann, CEO, Connectivity and CEO, M1

Question & Answer Session

Questions from Brandon Lee, Citigroup

Just three questions. The first one will be why are you willing to recognise the S\$222 million of divestment loss now, instead of waiting it out to perhaps obtain a better valuation? The second question is what would be the pro forma annualised first half 2025 ROE if we were to include the divestment loss?

LCH: Brandon, I will take your first two questions more or less at the same time. We have been working on this now for almost a year. Simba has offered, as we shared, the most compelling offer because it is not just in terms of the sum, but also more importantly, the fact that it is an all-cash deal. I think it is very clear to us, and I have shared at the results briefing, that even though we did not classify M1 in the non-core portfolio, the M1 telco business is actually non-core to Keppel. At least, it does not fit into our strategy. I think we have been quite consistently saying that for a while.

Of course, we could wait and hope that things get better and get a better price. But I think in the current environment, we believe that this is a good offer. Most importantly, it allows us to divest something that is non-core to us, and focus on Keppel, our key narrative, our key objective of turning ourselves into an asset-light global asset manager and operator. So, it fits all of these.

In terms of the ROE, I think the point here is that we hope that you can focus more on the New Keppel in terms of the earnings, the ROE, etc., because that is where we see the New Keppel growing towards. The non-core, and this will become discontinued business once this is done, will be parked under discontinued business. We will show you the all-inclusive number, but at the end of the day, the focus should really be on the performance of New Keppel.

The third question would be how is the joint venture (JV) with Antina structured? Would the merger translate into a dissolution of the JV?

LCH: Mann?

MSM: Hi, Brandon. Our assumption is that the Antina JV that we have with StarHub, is beneficial to StarHub and M1 going forward as well, because it reduces our cost of rollout. We are quite confident that the Antina JV will continue and will be status quo, with Simba as M1's owner. So, we expect the status quo to continue because it is beneficial. Thank you.

Questions from Lim Siew Khee, CGS

Congrats on the sale. Just wanted to check in on how you are going to use the proceeds, because you mentioned that you put growth opportunities ahead of lowering your debt, and then rewarding shareholders as number three in that ranking. Just wanted to hear your thoughts on how should investors be expecting in terms of how you are going to reward them? I think that is key, maybe some clarity on that? Even if you cannot give us a percentage it is fine but just give us some hope. That is my first question.

LCH: We have been consistently saying that our goal is to be able to divest the non-core substantially by 2030. The proceeds from the non-core, which are quite significant, we will apply to debt, to growth opportunities for the New Keppel and also to reward shareholders. I think it is a little bit too early at this point in time. The deal is still not completed. We still have very important conditions precedent to clear, principally being the IMDA regulatory approval, so our focus is really on that at the moment. At the end of the year, when everything is said and done, we will look at not just this transaction, but the other divestments that we are in the process of divesting, as we shrink the non-core portfolio. At that point in time, the Board will then decide what would be an appropriate final dividend to pay, plus whether there should be any special dividend at that point in time. But it is still too early to say at this point.

Thanks. Just wanted to check also, what is left behind in the excluded assets and their book value?

LCH: You heard Kevin say we have one building called MiWorld that is excluded. We have a couple of marketable securities, but the principal one would be the ICT business, which Kevin has explained is core to Keppel.

You mean the enterprise business? You used to call it enterprise, but now it is called ICT?

LCH: Yes, because M1 has its own enterprise and consumer businesses. Maybe Mann can address this.

MSM: Enterprise is the customer; the business is ICT, which has multiple elements, like hybrid cloud solutioning, multi-cloud, managed networks, managed infrastructure etc. All that work that comes under AsiaPac Technology Holdings, which has a Singapore business, a Malaysian business, and a Vietnamese business. These three businesses, which dovetail quite well with our data centre business, to create the connectivity value chain, is something that we will continue to operate under Keppel.

Can we check the book value of this?

KC: The excluded assets is about S\$300 million. Maybe just to add on to Mann's point, AsiaPac has a very good website. You can find a lot of information on the activities that AsiaPac does.

Thank you, that is very helpful. So then, a question for Manjot, with consumer business out, there would be some gap in your earnings. Should we be looking at the operating line? How do you actually gap up in FY 2026 in the operating line for Connectivity?

LCH: The sale of this business will have an impact in terms of the top line, because there is significant revenue that M1 brings in. But we are not really focused on the top line. I mean, we

are in a way; all businesses are. But if you look at our business model now, we are more focused on return on equity. It is also about how we can streamline our balance sheet to make it more efficient. The S\$1 billion of cash that will come in will be quite valuable, so it would depend on what we do with it. If we reduce debt, that will reduce the interest costs. If we deploy it into growth opportunities, that would mean that we will get new streams of earnings, whether it is in new networks, data centres and other things, or fund management. And if we reward our shareholders, then the total shareholders return will improve.

Questions from Joy Wang, HSBC

Congrats on the transaction. Just two questions from me. First of all, maybe just going back to dividend policy, we have seen payout of your divestment ranging between 40-ish to 60-ish. Are we still going to look at that range as to your potential payout as a guide?

LCH: I am afraid I cannot give you a guide today, Joy. The point is that, and I have said this many times, we are aware that dividends are important to our shareholders. We are in this multi-year journey to transform Keppel. We have identified a group of assets we call non-core, and we will be monetising them. The capital that will be released from this non-core portfolio, and in this case including the sale of M1, will be deployed in terms of reducing debt, funding growth, and also rewarding our shareholders. As I shared earlier, it is also a bit early in the year. We will look at the totality. The deal itself is still subject to conditions. Although we believe it can be cleared within this year, we are already getting quite close to the end of the year. We will need to look at all of these at the end of the year and the Board will then decide what would be an appropriate payout ratio.

Thank you. My second question is more to do with the numbers. In your presentation as your pro forma number, have you assumed the payment of debt? And then secondly, on the S\$300 million book value of the remaining ICT business, is there any goodwill associated with that?

LCH: Kevin, go ahead.

KC: The second question on goodwill, yes, there is embedded goodwill in those numbers. On the pro forma numbers, yes, we did impute interest savings in those numbers.

Can you share more details?

KC: In terms of the interest numbers? If you assume the transaction was completed say in the first half, first of January, we assume that cash comes in as interest savings that we have made, so we imputed that savings number into our calculations.

Thank you, and the embedded goodwill, would you be able to disclose?

KC: We do not disclose the goodwill numbers.

Questions from Wong Hong Wei, OCBC

I have a couple of questions. The first is back to Brandon's question on accounting loss. Can we get a bit more colour on how the accounting loss actually happened? For this asset, M1, was there like an annual review on its fair value, and what was the shortfall that

caused the accounting loss? I know that it is probably due to the bidder bidding lower than the book, but what is actually the difference in terms of the expectations that caused this?

LCH: Kevin?

KC: On the first question around accounting loss, as I have mentioned in my speech earlier on, the accounting loss takes into account goodwill and intangibles included in the carrying value. That is how the loss has been derived. One key point to bring everyone back to, which is the key focus here, is that this is essentially an all-cash deal. If you focus on the S\$1 billion cash that we are going to get for our 83.9% stake in M1, then we can facilitate, whether it is growth, whether it is rewarding shareholders or reducing our debt. I think those are all key pertinent factors that we should take into account and not forget, as far as the attractiveness of this transaction is concerned.

LCH: Just to add to that, Kevin, when we did the privatisation of M1 a few years ago, we already owned less than 20%. There was an existing stake from the beginning. Because it was held at historical cost, when we did the privatisation at a higher price, there was a re-measurement gain of about S\$125 million that was recognised at that time. What that means is that these are all accounting losses.

There was one slide where we showed you how the investment in M1 has performed for Keppel over the whole holding period, from the very beginning in 1994 when Keppel co-founded M1. You will see that we are about S\$700 million to the good, and if you add the excluded assets, it is almost S\$1 billion over this holding period. That is real; that is probably more important than the accounting loss.

Of course, accounting is accounting, and we have to present the numbers. But if you look at the cash, that is actually what the Group received in terms of the investment that was made. Even for the privatisation that took place, which was at a higher price, we still managed to get a positive IRR. I think by those two metrics, our investments in M1 have turned out well. At the end of the day, we always hope to make a profit in every transaction, that we turn an accounting profit. But in this instance, I think what is more important is that we have a narrative, and our narrative is that we are going to create an asset-light New Keppel. This particular business is no longer core to us. Being able to monetise it is probably the most important point.

The second question is on the strategic rationale. The proposed transaction mentioned that it will “strengthen Singapore's telco sector and benefit both the industry and consumers”. Can you share more colour on that front also?

LCH: I suggest that Manjot address the question.

MSM: Our belief is that this consolidation will help the combined entity of M1 and Simba invest in future technologies, whether it be in the mobile industry - today it is 5G, tomorrow it could be 6G and so on and so forth - or in new technologies that are, at this point in time, in nascent stages of AI. Of course, we also recognise the threat of cybersecurity. How do we keep up to date with the latest that we can bring to protect our critical infrastructure? All this requires significant investment. Our belief is that as the market consolidates, we should be able to combine our strengths and build a more resilient and a more futuristic network for our consumers, a safer network for our consumers, and bring more value to our subscribers than what we have done so far. From that perspective, the value that can be brought to the subscribers as a combined entity is something

that Singapore will benefit from, and we do think that is in the right direction for the industry and for the country.

Questions from Sharanya Pillai, The Business Times

Thank you very much, I have three quick questions. One is on the positive IRR on M1 since the privatisation. Will you be able to share a bit more about what kind of number we are looking at for the IRR, just to get a sense?

LCH: To answer that first question, it is a single digit IRR.

Thank you, for my second question, you mentioned about how this deal was very attractive because it is an all-cash bid. Would you be able to provide more colour on what were the competing bids, and was this the only all-cash bid that you received?

LCH: The discussions we had with potential bidders are confidential, so we cannot divulge this. All I can say is that this is very compelling not just in terms of the cash, but the fact that there is very strong deal certainty. Both the purchasers and ourselves do not need to hold EGMs, so the deal certainty is definitely stronger. In terms of the overlap between ourselves and Simba, this is the least, which I think is also quite attractive in terms of the staff. So, it is not just in terms of pricing or whether it is all cash. I think there are many other factors that we looked at.

Thank you, and the last question is the impact on staff. Are there any potential layoffs or will all the staff go to Simba? What are the plans for that?

LCH: It is too early to say. I think all we can say is that we believe that this has the least overlap and we have already streamlined M1 into a very efficient entity. Mann, is there anything else you want to add?

MSM: Not much more, but to add to Chin Hua's point, there is the least overlap of businesses between Simba and M1. There are new revenue pools that the combined entity would be looking at, and therefore, opportunities for career prospects. I think the prospects are quite positive and good.

Questions from Rachael Tan, UBS

Thank you for taking my questions, I have three questions. First, how much capex will be removed going forward?

LCH: When we look at M1, if we continue to hold the business, then there will be capex in terms of the 700 MHz spectrum, and the rollout of networks, etc. At this point in time, we are not able to share what the capex is for M1. But once this transaction is done, then the capex will be paid for by Simba going forward.

Would you say that M1's capex, as a proportion of your total group capex, is something that is meaningful?

LCH: There is capex involved, but if you are asking whether it is a significant part of our capex and investments, then I would say that it is not that significant.

Thank you. So, my second question would be, can I confirm that the total monetisation amount will be S\$1 billion and not S\$700 million? Because you talked about receiving S\$1 billion in cash, but the excluded assets worth S\$300 million will be carved out and kept in Keppel.

LCH: Those are two very different numbers. Sorry, if it is confusing. The transaction itself will release approximately S\$1 billion in cash at completion.

The S\$700 million is cumulative: Over the holding period of M1 from the very beginning in 1994 until 2025, we will have about S\$700 million of net cumulative, positive cash flow. That is net of the investment that we have put into M1. And then there is a further S\$300 million of excluded assets. So, in total S\$1 billion, but those are two very different numbers.

Thank you, and the final question from me is: You talked about a restructured M1, does this mean that Simba will buy out the whole M1, restructure it, and how does that work?

LCH: The acquisition is as Kevin had explained. Essentially, there is one slide showing all the businesses that would be sold to Simba, excluding the excluded assets.

Questions from Mayank Maheshwari, Morgan Stanley

Thank you for doing the call. I have just two questions, one related to the ICT business. Can you talk us through what are the plans for the ICT business and what exactly are we thinking about over the next five years for this business?

And the second question is in terms of capex for the ICT business, what is the reference rate for fiscal year 2024 or calendar year 2024? Thank you.

MSM: Mayank, thanks for the question. The growth in our ICT business has been quite robust. I think the reality is that most organisations are going through a high degree of digitalisation, and we see great opportunities for our ICT business in Singapore, Malaysia, Vietnam, and probably in other countries as well, both growing organically and inorganically.

Now, the value that this ICT business brings to Keppel is not just as a standalone ICT business, but more importantly, as we see more and more organisations digitalising, how do Keppel data centres and our ICT business work together? Because a lot of solutions that our ICT business does today is providing multi-cloud or hybrid cloud solutions and applications to large and medium enterprises. But they need a host, and typically the host happens to be a data centre today; not necessarily just a Keppel data centre, but other data centres as well.

So, we do see an opportunity that we are able to host our enterprise customers onto our own Keppel data centres, because the reality is that our enterprise customers typically pay a higher lease rate than our wholesale customers, our hyperscalers. So, we do see a good mix emerging, even in our Keppel data centres, between hyperscalers and enterprise customers. So that is the model that we are creating as far as the connectivity piece is concerned between our ICT business and our data centre business.

But to your point, on the five-year growth plan, the growth plan is quite aggressive, because we have seen more than 30% CAGR growth over the last five years and we expect that the growth is going to continue; not just in Singapore, but outside of Singapore as well. It is not a very capex-heavy business, but I would not be able to share with you the guidance on the numbers. It is not

a very capex heavy business. It is more services, more solutioning, more application development, and a lot of managed infrastructure network services that we do for our enterprise customers. But the growth opportunity is quite significant and the potential to create a connectivity value chain with Keppel data centres is very exciting.

LCH: I just wanted to emphasise the point that you made Mann, that this is not a very heavy capex business. In fact, I would say that it is probably almost no capex. The only time that we have to make an investment is when we do inorganic growth, as what we have done recently with the acquisition of ADG in Vietnam. So, I think the growth will be a combination of organic and inorganic, but I think now that we have these three platforms, Glocomp in Malaysia, AsiaPac here, and ADG in Vietnam, I think we already have three very important growth markets covered, so there will be a lot of opportunities for us to grow organically.

Can you highlight the key differentiating factor for this ICT business versus what other telcos are offering and where you have a winning strategy over the next five years?

MSM: Mayank, our ICT business is quite different from the legacy ICT businesses that most telcos do. For us, this is very different because we are really creating a services and applications business that the old legacy telcos do not do. Having said that, there are some telcos who are evolving in the same space as we are, but a lot of new age ICT businesses and startups are now emerging. And for us, therefore, the business is very different to how the legacy telcos operated their ICT business.

Because for us, when we acquire, let us say, when we acquired Glocomp and we acquired ADG, our idea is that our services component and our application component in these businesses have to be significantly higher than the old distribution/equipment sales business, which is what the old ICT businesses used to look like. And of course, the digitalisation wave and AI wave are helping us achieve that objective as well.

Just to add to Chin Hua's point earlier, I think the whole idea now is how do we create a common kitchen between these three businesses? Because all these countries present good opportunities for us in terms of where the costs should lie, what kind of commonalities do we see in our partner ecosystem, in our customer ecosystem, so that we are able to synergise these operations better, and how do we create a common kitchen for cost so that our costs remain in low-cost countries while our revenues come from higher-value countries. So, I think that is the model we are pivoting towards, to be able to get a much higher EBITDA and business-accretive verticals.

Questions from Paul Chew, Phillip Securities

Thanks for the presentation, and thanks for the transaction too, so we do not keep getting asked, "When is the M1 transaction". Just two questions for me. Just to confirm on the price, you are selling it at S\$985 million debt and cash free, but at the same time you actually showed an EV of S\$1.4 billion. So not sure where this S\$400 million debt is being held at. That is my first question.

LCH: Kevin?

KC: Hi Paul. We are selling M1 100% at S\$1.43 billion, so our corresponding share of 83.9% is essentially the value that we will get out of that share. Now, obviously it is on a cash free, debt

free basis. The S\$985 million is the cash portion that we are receiving after you deduct the so-called bridge, taking into account Keppel's share.

My second question is on your slide seven, post divestment your EPS actually increases to 21.3 cents but at the same time I noticed that you actually have a S\$14 million profit (before tax) for M1 in 1H25 so I was just wondering, why will the EPS actually increase? Thanks.

KC: On earnings per share, if you think about the pro forma earnings per share that we have presented in my speech earlier on, if you assume that M1 has been sold, from first of January onwards, you would have to remove the earnings that we have in first half. Then there is the interest savings assumed in the pro forma, that is how we arrived at a higher EPS for first half.

So, using slide seven again, the jump in EPS from 20.8 to 21.3, so we can assume there is some interest embedded in M1's results?

KC: Yes. Which is the question that was asked earlier on. In calculating the earnings, if we do not have M1, you would have received the cash. And then there is an imputed interest savings in those numbers, which is why you see the increase.

Questions from Foo Zhiwei, Macquarie

Congratulations on the deal, well done Mr. Loh, very well played. I have two questions. First question is on the wholesale business, and this specifically relates to the wholesale business that M1 does with the MVNOs, could I ask which side does it sit on, does Keppel still retain it, or did it follow with the consumer business?

LCH: Mann can respond to that question.

MSM: It follows with the consumer business.

Thank you. The second question is you mentioned three areas which you will use your divestment proceeds on. For the new investments in growth areas, what areas look interesting to you?

LCH: I will ask Chris to address some of these. On the investments side, there will be a lot of co-investments into some of the funds that we are running. Maybe you can explain some of the funds?

CT: Yes, that is right. Zhiwei, we are very focused on infrastructure, connectivity, data centres, subsea cables, as well as real estate. We have a lot of investors' interest in all these areas where Keppel is really good at in terms of our operating expertise. We are able to then co-invest alongside and then generate higher ROE for Keppel Ltd.

LCH: The key word that Chris uses is "co-invest". Our business model now is that we do not invest on our own. Whatever growth capital we put in, we will be able to put alongside third-party funds, and that will increase our FUM and also increase our fee earnings as well.

Thanks. One follow-up, how do you think about urban solutions in terms of investment in growth areas? For your co-investments?

LCH: You are talking about Keppel Sustainable Urban Renewal right? We see a lot of traction. In fact, one of the funds under this strategy recently took an investment in a very outstanding asset in Singapore, an office asset, and we will be deploying our solutions to improve the sustainability of this asset, energy efficiency, etc, and we think that this is an area that a lot of investors are very keen on.

Questions from Tay Hong Yi, Straits Times

Could you elaborate on “least overlap”?

LCH: Mann?

MSM: If you look at Simba’s business model today, they are primarily into a SIM-only business, which means that they do not do contract sales, whereas at M1, we do a lot of contract and handset contract sales, so that is one area. Their retail footprint is very small compared to M1’s retail footprint, so that is another area we see the least overlap because they have a very limited number of stores, whereas we have many more. Third, in terms of network, I think they are still rolling out their 5G network, whereas M1 has rolled out its 5G network, SA technology, much in advance, so that is the third area.

Even on call centres and customer care, the way we run our call centre and customer care is very different to how they run their call centre and customer care. If you look at their retail footprint, not just about M1 shops, but even on the way they sell in the market, it is very different to how we sell in the market.

If you look overall at the business model of Simba, it is very different to how our traditional three incumbent telcos operate, and therefore, I think the opportunity for new revenue pools for both the combined entities as well as career prospects for our employees are quite positive. I think going forward as well, while we combine forces, there is an opportunity then to look at how do we invest together in new technologies.

Has ROE been declining for M1 over the years and did this contribute to the timing of this sale ahead of the 2030 exit from non-core?

LCH: I think ROE, if you look at the return for the industry as a whole, has been under some pressure. But we have been able to, for M1 at least, still eke out positive growth in EBITDA in recent years. In the early years, I think certainly the ROE would have been stronger.

Questions from Brandon Lee, Citigroup

Just a couple more follow up questions. Are you able to share whether there is any near-term spectrum payments for M1 that is coming up? That is my first question. The second question is, I think if we look at the S\$300 million plus of capex and S\$71 million of depreciation that you recognised in first half for Connectivity, would you say a significant amount is relating to the divested M1 today? That is my second question.

LCH: Mann?

MSM: No, there are no more spectrum payments coming up apart from the ones that we are already committed to, as you would know, Brandon.

LCH: And in any case, any payments going forward would be for the purchaser, not to be paid by M1.

My third question would be, if you look at the S\$1.4 billion that you have divested today, that brings your cumulative number to S\$9.6 billion. Does it mean that we are highly likely to hit the upper bound of that S\$10 to S\$12 billion by next year? Thanks.

LCH: We have set a target of S\$10-S\$12 billion. The scorecard for us is still at S\$7.8 billion because this divestment is not part of that. It is on top of that. It is a little bit like when we spun off Keppel Offshore & Marine (KOM), I think we also had like S\$4.7 billion or so of divestment, but that was also not included in the S\$7.8 billion. So, we are quite fair. We have set a target. We do not just add to it. So, this will not be included in the S\$10-S\$12 billion.

And last one, I think, if you look at the first half 2025 financials, I think I saw that the capex, about S\$311 million, depreciation about S\$71 million, thereabouts. Is it correct to say that is significantly coming from M1?

KC: Yes, a large part of that is from M1.

Questions from Tan Xuan, Goldman Sachs

Three questions from me. First is on the ICT segment that you have carved out. What is the EBITDA contribution for FY 2024 and is there any one-offs?

LCH: Mann, first question?

MSM: There are no one-offs on the ICT business EBITDA.

Can you share the quantum of ICT EBITDA?

MSM: We do not normally do that.

For the year-to-date divestment that you have announced, to sum up the gain, is that sufficient to offset the S\$200 million divestment loss for M1?

KC: We do not have the numbers on hand. We do not have it readily available.

LCH: We will get back to you on that one.

[Post call note: The gains related to the monetisation announced year-to-date are sufficient to offset the estimated S\$222 million divestment loss for M1.]

And last question is, what is the pro forma net debt to equity?

LCH: Do you mean net gearing?

Yes, correct.

KC: Net gearing impact is 0.9x, and on pro forma, it is 0.8x.

LCH: So, net gearing will move from 0.9x to 0.8x, but I think more importantly, as what Kevin has shared, the net debt to EBITDA will improve significantly for the New Keppel.

On the ICT business, is this a segment that you are looking to grow? I guess, if we do not know the EBITDA base, how should we forecast the earnings contribution?

LCH: I think that is a good question. We will get back to you. I think for the next briefing on financials, we will give you a bit more colour. That is a fair question. We will make them more transparent so that you get some sense of where it is going.

Questions from Dexter Low, Bloomberg

First question, can I clarify on the divestment, Cuscaden Peak owned a minority 16% stake in M1, so it seems like they are divesting it as well. Can I confirm then that you guys are working with that and that they would not hold any stakes and loans in those restructured assets.

LCH: They are selling together with us to Simba, but of the retained assets, they will still hold their minority stake in the maintained assets.

So, in those retained assets, they are part of the restructuring?

LCH: Correct.

I see, okay, and they will be 16.1% as well?

LCH: It will be unchanged.

I see, okay. So just to clarify that again, that includes all the ICT stuff as well as the certain property assets and the shares as well, right?

LCH: All the excluded assets, yes.

And second question then, on divestments. Would it be fair then going forward, like you guys obviously have a very aggressive divestment target, would the priority then be that you would divest, even if necessary, at accounting loss going forward, especially since the deal environment is still somewhat subdued, as you kind of alluded to just now?

LCH: I think as we have shared, we always try to see whether we can eke out a gain. And we have done so because the non-core assets that we have generally are performing well. For many of them, their cost is lower than their value today. But at the end of the day, we are also mindful that we have the target to monetise this substantially by 2030, and whatever monetisation that we can achieve, we can deploy them into new growth areas, it will generate new returns for the group and more. At the same time, we can also pare down our debt and reward our shareholders.

Okay, so the priority then going forward - would divestment be a priority, rather than necessarily getting the best number for number deal?

LCH: We cannot generalise. It depends on the situation. But clearly, we have given ourselves almost four plus years to be significantly divested of the non-core assets. So, I think that gives us

sufficient time. So, it is really a trade-off, something that we sell today, if we can use the proceeds and get better growth out of it, it is actually a win for the group and for our shareholders.

Questions from Ho Pei Hwa, DBS

Congratulations on the M1 transaction. I still have some follow up on the numbers. On the pro forma EPS, was trying to reconcile the numbers. If you remove the earnings for M1, it was S\$14 million in the announcement. We have an accounting loss of over S\$200 million. So, I mean, we also had some savings on interest costs and some interest income. And what are the items that contributed to this slight positive in the first half pro forma number?

LCH: Kevin?

KC: The items that you have mentioned there are essentially it. You have the earnings part that you have mentioned, so the contribution of S\$14 million (profit before tax) and then you have got the imputed interest savings that we said, if it had happened, we would have imputed those interests in, which is why it resulted in the increase in EPS.

Okay, so there are no other items contributing to the slight increase?

KC: The two primary factors are those two.

Okay, secondly on the excluded assets, I understand that at this point you cannot share much numbers. It sounds like an exciting business. And could you help us to get a better sense on the scale, maybe revenue, and maybe a bit more colour on the prospects of the ICT business moving forward?

LCH: I think you have already heard Mann explain it earlier. We also said to Tan Xuan that we will provide more visibility going forward. It is a bit like our Infrastructure Division when we did Energy-as-a-Service and all that. I think there was a request at that point in time, and I think we have been providing more information on that in terms of the target, EBITDA, etc. So that will be something that I think we will provide at the next briefing. But thanks for that question.

Questions from Ranjan Sharma, JP Morgan

Thank you for the presentation. Two questions from my side. Firstly, on the spectrum, is all the spectrum going to be retained by the merged pool or the sub spectrum will have to be returned back to the government? Thank you.

LCH: Your first question, I think that will be something for the regulators. We have to go through the approval process for this, so it is too early to say.

The second question is, will the debt and cash sitting at M1 also move to the merged pool, or is the debt staying back with Keppel?

LCH: It is an all-cash transaction. So, what that means is that at completion, they pay us all cash, and we deliver a debt-free company. But we, of course, will have to take part of that cash to pay down the existing debt of M1.

I presume that at the M1 subsidiary level there would be some debt sitting there, as it has been before acquisition. So, does that get paid down before the subsidiary or the business is transferred? The M1 business, is it transferred on a debt free basis?

LCH: In terms of the third-party debt of the M1 group that goes across, all that will be paid down and the cash will be part of that S\$1.43 billion in enterprise value that will be used to pay down that cash. And then what we get, about close to S\$1 billion, that is the net cash that we will get. We are not taking over any of the existing debt. That would all have been paid.

Questions from Goola Warden, The Edge Singapore

Congratulations Mr Loh on the transaction. I actually have a question, I am not quite sure whether this is the right briefing for that. But there was an adjacent announcement for Keppel DC REIT, which had invested in these Net Co bonds in 2021, where it paid S\$88.7 million and it is going to divest it. Is it associated with this transaction at S\$79.2 million, because I think there was an amortising effect. What was the underlying asset? Keppel DC REIT received S\$11 million a year from these bonds; so, will that be gone from Keppel DC REIT?

LCH: You are right that this is not the right forum to ask that question. To be respectful, even though Christina is the Chairman of Keppel DC REIT and knows the answer, I think it is best that you direct that to Keppel DC REIT and they will respond to those questions that you have.

Including what the underlying assets were for the Net Co bonds. Is that it as well?

CT: Those are network assets, 3G and 4G network assets.

So, they go with the transactions?

CT: Yes, that is right.

I have a second question on the data centre part of it. Will this transaction have any impact on your data centre build and operating business? Because I believe that Keppel is building a third data centre at Genting Lane?

LCH: So, the short answer is, no impact. I think you did hear earlier from Manjot that retaining the ICT business will put us in a stronger position in terms of tapping the enterprise market, as you heard from Mann. We like hyperscalers, do not get us wrong. Hyperscalers represent a very big demand, but because of their size they typically will pay - and the fact that they sign very long leases, they are able to command - much lower rental for what they take versus the enterprises. So, with the ICT business, it will strengthen our ability to tap the enterprise market for data centres.

So, you will get better rent?

LCH: We will get higher rents, yes. That is the operating capability that we have.

Question from Lim Siew Khee, CGS

Just following up on the pro forma EPS, sorry to keep going back on that. Can I just confirm that when you say you calculate the interest savings, are you assuming the whole S\$985 million being used to reduce your debt, to calculate that potential increase in savings?

LCH: Kevin?

KC: Yes, for pro forma basis, we have assumed that.

Questions from Mervin Song, JP Morgan Securities

Congrats on the transaction again. Can I just touch on the regulatory approval? Based on press reports, it seems that the regulators were okay to have some consolidation in the industry. Before you started this process, can we presume that you got positive soundings from the regulators before you started assessing the sale? What is the timeline for regulatory approval?

LCH: I cannot confirm or deny that.

Just wanted to check, just a curious question, is Mann going to stay within Keppel? I mean, he has done a superb job.

LCH: Mann has many jobs. His main job is at Keppel as CEO of Connectivity. He is also the Chief Digital Officer of Keppel.

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

Thank you all for all the questions. We see here a transaction that we believe will be good for the industry, good for consumers, good for the sector. And it also ties in very neatly with the push that we have done to make Keppel an asset-light global asset manager and operator. We think it is a good transaction, and we will be working very hard over the next few months to secure the regulatory approval. Thank you very much for your attention.