

Keppel Ltd. 3Q & 9M 2024 Business Update

Media & Analysts Conference Call Transcript

24 October 2024, 10.00am

LCH	Loh Chin Hua, CEO
CT	Christina Tan, CEO, Fund Management and Chief Investment Officer
KC	Kevin Chng, CFO
LL	Louis Lim, CEO, Real Estate
CL	Cindy Lim, CEO, Infrastructure
MSM	Manjot Singh Mann, CEO, Connectivity and CEO, M1

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

Good morning, analysts and friends from the media. We have issued our media release and slides for our 3Q and 9M 2024 voluntary business update, which we will take as read.

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

In the first nine months of our journey as the new Keppel, we have made significant progress in our transformation to be an asset-light, global asset manager and operator.

Our recurring income for the period grew 14% year on year (yoy) with improved contributions from asset management and income from operations. Our net profit for 9M 2024 was comparable yoy, excluding the effects of our legacy offshore and marine (O&M) assets¹.

Despite challenging market conditions, we continued to make creditable progress in our asset monetisation programme, announcing about S\$730 million in divestments, mainly of real estate projects and legacy assets. This brings our cumulative monetisation value to about S\$6.1 billion since October 2020, not including the divestment of Keppel O&M.

Our asset management fees² have risen 68% yoy to S\$299 million in 9M 2024, with improvements across all segments. In the year to date, we raised about S\$700 million of equity and completed about S\$3 billion in acquisitions and divestments³.

We continue to see strong investor interest for three new fund vintages with a combined equity target size of US\$4 billion across our flagship products for private credit, education assets and data centres. Our Keppel Private Credit Fund III is expected to achieve its first close of US\$300 million by the end of October this year. Meanwhile, Keppel Education Asset Fund II and Keppel Data Centre Fund III are progressing well, and we expect to make first closings for both funds by the end of this year.

¹ Effects of legacy offshore & marine assets, which have been explained in the 1H 2024 results announcement, comprise the P&L effects from Seatrium shares, the Asset Co vendor notes, and contributions from stakes in Floatel and Dyna-Mac; 3Q 2023 and 9M 2023 figures exclude discontinued operations.

² Including 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on shareholding stake in associate with which Keppel has strategic alliance.

³ Excluding Aermont.

As we step up our fundraising initiatives, we will also continue to pursue our S\$25 billion deal pipeline, deploying capital to achieve the best risk-adjusted returns for our LPs across the spectrum of alternative real assets.

I will now touch on some key highlights from our Operating Platform.

As a leading power provider in Singapore, our Infrastructure Division is planning to double its total generation and importation capacity to 3.0 GW by 2030 to meet the nation's growing energy requirements. This includes the upcoming 600 MW Keppel Sakra Cogen power plant, which was 77% completed at the end of September 2024 and is on track to start operations in 1H 2026.

We are also making strong headway in the cooling business, securing new contracts in Singapore as well as growth markets in the region. The Division had steadily built up S\$5.4 billion of long-term decarbonisation and sustainability solutions contracts as at the end of September 2024, bolstering our recurring income.

This morning, you would have read that we announced our first Cooling-as-a-Service contract in India. We are working with an operating platform of Blackstone. This is a project where we are going to provide Cooling-as-a-Service, and the project is about 4,300 refrigeration tonnes. Separately, we also have signed an MOU with Tata Group to work with them on Cooling-as-a-Service in India.

Our Real Estate Division continues to implement its SUR (Sustainable Urban Renewal) initiatives for its portfolio of projects with a combined asset value of S\$3.2 billion⁴.

Next, data centres. Amidst the strong market interest in AI and growing demand for data centres, I would like to spend some time updating you on Keppel's data centre business.

As you are aware, Keppel is a leading data centre player with over two decades of experience in designing, developing and operating data centres. We have also built strong customer relationships with hyperscalers worldwide. Today, we have a premier portfolio of 35 data centres⁵ across key data hubs in Asia Pacific and Europe, with a total gross power capacity of 650 MW, of which about 70% is currently operational.

We are well-positioned to meet the rising demand for AI-ready data centres from hyperscalers, with 220 MW of capacity in various stages of development. These new projects include the Keppel Data Centre Campus at Genting Lane, the Western Tokyo Data Centre project with Mitsui Fudosan and the Taiwan Data Centre Campus which we announced earlier this week.

These projects, and many more that we are actively pursuing as part of our data centre strategy, will build up a sterling pipeline of future-ready assets, which will add to our Funds under Management⁶ (FUM). Some of these assets can also be injected into Keppel DC REIT in due course.

⁴ Asset values are as at end-September 2024.

⁵ Including Keppel's portfolio of 33 data centre assets as at end-September 2024, as well as two pipeline assets being planned, namely Keppel DC SGP 9 which is part of the Keppel Data Centre Campus in Singapore, and the Western Tokyo Data Centre in Japan.

⁶ Gross asset value of investments and uninvested capital commitments on a leveraged basis is used to project fully-invested FUM.

We aim to expand our portfolio by over 500 MW to 1.2 GW in total in the near-term, fuelled by an additional S\$10 billion FUM growth from our upcoming Keppel Data Centre Fund III as well as further co-investments from investors. In addition, we are also in the early stages of working on a separate sleeve for European data centres with Aermont Capital.

At Keppel, we have created for ourselves a wide moat and a definitive edge with our integrated data centre ecosystem. We do not just have strong capabilities and networks in data centres, but through our Infrastructure Division, we also have direct access to renewables, low-carbon energy and liquid cooling solutions, which are important for sustainable data centre operations.

Very importantly, we also have access to multiple capital pools of investment capital, through our private funds and Keppel DC REIT. Our asset-light strategy, and ability to invest with third-party capital, means we are able to grow at speed and scale, and are not limited by our own balance sheet.

As a leader in data centres, we have also been pushing the envelope for more advanced and sustainable data centre solutions. Our proposed Floating Data Centre which has reached final investment decision, the modular 1 GW DataPark+ and tropical high-rise data centres are examples of Keppel's innovative data centre concepts, which can bring about revolutionary changes in the future of sustainable data centres.

As we pursue our ambitious plans, we expect to more than double our data centre FUM, from the current S\$9 billion to S\$19 billion in the near-term. This will generate multiple income streams from asset management and carried interest, to operations and maintenance, among other fees. We will also enjoy further upside from our sponsor stakes in the private funds as well as co-investments in some of the assets.

As part of our end-to-end value chain, Keppel is also involved in subsea cable systems such as Bifrost, whose main trunk is expected to be ready for service in the latter half of 2025. Beyond the sale of Keppel's fibre pairs, each fibre pair can generate up to S\$200 million in operating and maintenance fees over 25 years. This is very much in line with Keppel's business model, where we focus on growing recurring income.

To conclude, we are very excited by the opportunities ahead for Keppel as an asset manager and operator, in infrastructure as well as the data centre space. We look forward to sharing more good news on our data centre business in the coming months, as we position ourselves to ride on this secular uptrend.

Let me now open the floor to questions.

Question & Answer session

Questions from Xuan Tan, Goldman Sachs

I have three questions. First is on real estate, can you update what is the current unbooked pre-sales as of third quarter? As of last quarter, there was a disclosure of S\$1.7 billion of unbooked pre-sales - just wondering what is the run rate now? Any progress made on that front?

LCH: Thank you Tan Xuan for your questions.

LL: We will be booking gains over the next three years from the sales that we have done. This year, we have sold over a thousand units. As an indication, just in Singapore alone, we have almost completely sold out the units at Keppel Bay. The Reef at King's Dock is completely sold, and we still have just two units in the Keppel Bay area. 19 Nassim is about 60% sold already, and we are continuing to get traction across the market, including in China.

For the divestment of S\$700 million year to date, what are the expected gains?

LCH: On the divestment of S\$700 million in the year to date, I do not think we disclosed the divestment gains. This is a business update, so we tend to be a bit lighter in terms of financial numbers.

Lastly in terms of acquisitions, I think if I work backwards, there are about S\$2 billion of acquisitions. What are the key assets in this? Thank you.

CT: Hi Xuan, for the acquisitions, we have been acquiring infrastructure platforms and assets, whether it is our private funds or our listed REITs and Trust. So we have acquisitions from infrastructure, from data centres that we have closed, as well as real estate. But the bulk of it came from infrastructure for the nine months.

Questions from Brandon Lee, Citigroup

I just want to have a bit more colour on this incremental S\$10 billion of DC. Aside from this US\$2 billion DC Fund III, how should we look at the other S\$6-S\$7 billion or so? Where is it coming from? That is my first question.

The second is what's the timeline that you think you would need to reach this S\$19 billion and 1.2 GW of capacity?

My third question would be: as you expand your DC business, are you open to direct M&A with another operator company, or will this be purely done through your private funds platform and co-investments?

LCH: Maybe to answer your last question first, this growth from S\$9 to S\$19 billion, this will be mostly organic. We do see quite a lot of deal flow. The demand is quite strong for data centres in the areas that we are operating in. The way to think about this is that for DC Fund III, we expect to reach about US\$2 billion, but many of these investors that we work with, the LPs, like to co-invest as well. So this new DC fund could reach, with co-investments, up to US\$3 billion, with leverage, etc., the FUM is close to S\$10 billion. So that is how we get to the S\$10 billion. Timeline-wise, of course, it will take time for us to not just raise the funds but to invest. Most of these data centres will be built greenfield, so we will take probably three to five years to reach that. In the meantime, if there are inorganic opportunities, we could also look at them as well.

Are you targeting any percentage contributions from data centres from a recurring income standpoint or from a net profit or revenue standpoint? I think that has been the main question that a lot of people have asked.

LCH: The way to think about it is that when we build the data centres from greenfield, at the point when we complete them and then we dispose of them, or monetise the data centres, let us say to Keppel DC REIT, the fund and Keppel, as an investor or sponsor, will make capital gains from that. At the same time, during the development period, our Data Centres and Networks business

will also be making fees from project management, leasing, and facility management. And then, when the data centre is built, it will continue to be operated by us. So we will continue to get operations and maintenance fees. So this is not dissimilar to what we are doing for infrastructure and our other segments. We will get gains from when we develop from greenfield, and as a sponsor, Keppel gets that. We also get our asset management fees plus our carried interest. So there is multiple layering of fees. Some of them are one-off, like the gains from the development, but we also have a lot of recurring fees that are layered on top.

Okay, got it, that's very clear. Thanks so much.

LCH: Thank you Brandon.

Questions from Joy Wang, HSBC

Morning and thank you. Can I follow up on data centre first? Out of the 1.2 GW, have you identified most of the projects and what sort of power availability there is today? And also, to confirm if the 1.2 GW includes your data centre park project, the nearshore one?

MSM: Thank you, Joy, for the question. Out of the 1.2 GW, 650 MW is already on and almost 70% is operational. The balance 500 MW that we are talking about, we are exploring opportunities in the Asia Pacific region. We are also looking at AI campuses in Malaysia, India, Japan and Indonesia. So that is where the balance 500 MW comes from. Yes, all of these are powerbanked, and we will only look at opportunities where there is power available. But we also work extremely closely with our Infrastructure Division to make sure that if we have grid power, how do we make it green progressively. And if we do not have grid power, then how do we involve them at a stage where the pre-development work is happening. So that is where we are getting our 1.2 GW from.

To your question on whether this includes DataPark+, the answer is no, because DataPark+ is a project that stands on its own, and a lot of work is happening on the design phase of DataPark+. This 1.2 GW does not include DataPark+. So that would add on to our capacity in due course.

Second question from me, if you could just elaborate a little bit on the asset management fees. There seems to be a bit of decline on the infrastructure fees front. Could we get a bit of explanation and background?

CT: Hi Joy. Actually, infrastructure is one of the fastest-growing areas for us, so our asset management fees have been growing. But I think if you are just talking about a quarter, sometimes, acquisitions are a bit pushed to the right. So if it is not closed in the third quarter, it is probably going to be closed in the fourth quarter. But infrastructure remains one of our strongest segments, where we are actually closing more deals. Hope that answers your question.

I was just trying to clarify: you mentioned about S\$2 billion deals during the quarter, the bulk of it is infrastructure. So will these fees be in 4Q 2024?

KC: I think we have not disclosed this. If you are looking at the first nine months, compared to the first half, the first half had benefited from acquisition fees that came in from one of our listed trusts, which is why you are seeing the difference. Tying back to what Chris has said, some part of it is due to timing, but the first half was bolstered by acquisition fees and performance fees from one of our listed trusts - Keppel Infrastructure Trust.

LCH: I think the point here is that it is growing. I want to correct any potential misperception that you might have. I do not think you should read too much into one quarter.

The third question is on divestment, can we get some update in terms of Keppel South Central? I understand you have called for tender, and also can we get a sense on the Genting Lane data centre as well? Thank you.

LL: Joy, on divestments, you will note that we announced year to date S\$730 million in divestments. We continue to push on divestments across our portfolio, especially in China, Singapore, as well as in Vietnam. You will note that we have divested Saigon Sports City as well as Saigon Centre Phase 3 in Vietnam, and we are continuing to look to divesting Keppel South Central. But we will also be focusing on the leasing of our commercial assets. We are getting good interest from parties, both here as well as for our Park Avenue Central asset in China.

LCH: You had one question on the potential divestment of Genting Lane. I think we have said this before, Buildings 1 and 2 are fully leased, Building 1 is fully operational, Building 2 is in the process of being completed. Both the buildings are ready for monetisation. You would just have to be patient to wait for the news.

Questions from Derek Tan, DBS

Good morning, just a couple of questions from me. First one, can I just clarify for Genting Lane data centre, is it booked at historical cost on your books?

LCH: Thank you, Derek. On your question on Genting Lane, I would say that when we first do greenfield developments, we typically book it at cost. As we get closer to completion, and we get leasing, then we will slowly move up to market valuation, based on third-party valuation. So I can say we are kind of in between: we are slowly recognising the value through revaluation, but it is not fully valued in that sense.

My second question, back to China residential. Just wondering whether the recent stimulus has been positive for you? I understand that you have a landbank of close to 16,000 units. Do you have a sense on what percentage of that has been pre-sold?

LL: On China, I think you will note that there have been some green shoots in the market. The numbers for July seem to indicate that the continued decrease in pricing has tapered off. In fact, in Shanghai, prices went up by 0.3%, as well as in Xi'An in Central China. It looks like there is some hope, given the new stimulus. In terms of our 16,000 landbank that you pointed out, actually a lot of that comprises not completed units, which are in Tianjin and Kunming. In Tianjin, our partnership with Sino Ocean is doing reasonably well, given the market headwinds. We are continuing to sell units there.

LCH: Of course, as the residential market improves, then it will improve the likelihood, and increase the attractiveness, of the landbank that we may sell. As the finance market starts to ease up, it makes it a bit easier for potential buyers of the sites to get financing. This has been one of the challenges that we have faced in more recent times. So it is overall looking much better, but of course it is too early to be optimistic.

My last question is on your deal flow. In your slides, you mentioned that there is S\$25 billion worth of deal flow. Just wondering could you give us a sense how much of that

**could be converted to AUM, and any updates on the working relationship with Aermont?
Thank you.**

CT: Hi Derek. On the deal flow pipeline, about S\$10 billion comes from infrastructure, another S\$10 billion from real estate which includes Aermont, and S\$5 billion from data centres. Given that data centres and infrastructure are probably the hottest sectors, the probability of closing is very high. But we remain very rigorous and disciplined in terms of looking at deals, because we want to get the best returns for our investors. So we will be very disciplined in making sure that we get our asking price before we close the deal.

And in terms of working with Aermont, I think the relationship is very good. Aermont is doing very well in terms of looking at real estate deals, but they are looking more on a platform basis and the opportunities there are actually very good in Europe from what we can see. So, the probability of closing the deals is also very high. As to the timing, it all depends on the negotiations that we have been engaging in with the various sellers for all the different segments. I think Keppel is in the right space and at the right time. So we remain very optimistic in terms of our ability to close on the various deals that we are looking at.

Question from Felicia Tan, The Edge Singapore

I just have one question. Is Keppel interested in any of the undersea power cables that are bringing renewable energy to Singapore?

LCH: I will ask Cindy to address this.

CL: Hi Felicia. In fact, Keppel is the first to import renewable power cross-border. Since 2022, we have been importing hydropower from the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project. In terms of the marine transmission cable for cross-border importation, we are the first to receive conditional award to import 1 GW of renewable power from Cambodia to Singapore. Following on from that, we were also awarded 300 MW of renewable importation from Riau Islands, Indonesia. We are happy to report that this conditional award for 300 MW via Indonesia has been upgraded to conditional license. We are working very hard with our fund management and investment team to progress towards final investment decision in due course. Thank you.

Questions from Timothy Goh, The Straits Times

The media release says that the company is expanding current data centre capacity from 650 MW to 1.2 GW in the near term. Is there a set date or a specific date for this?

LCH: As I shared earlier, most of these will be greenfield developments. So, we expect that we will secure them much earlier. But as for the completion of these data centres, when they become operational, it may be three to five years down the road. But it will be done.

Are there any specific countries where these data centres will be built?

LCH: I think Mann has already covered that during an earlier question. Can you repeat what you said?

MSM: Yes, our focus has been and will also be in Asia Pacific and Europe. The AI-ready campuses, like I shared earlier, would be in Indonesia, India, Japan and Malaysia. We are also

exploring Thailand. So, there are quite a few countries in Asia Pacific that we see the demand coming in from, and that is where we will be focusing our resources to develop the balance 500 MW.

LCH: As I shared earlier, this is based on organic growth. So if there are opportunities for inorganic growth, then it might even be faster, and bigger.

Questions from Foo Zhiwei, Macquarie

Good morning, Chin Hua and management, thanks for the opportunity. The first question is on your Integrated Power Business. About 71% of your generation capacity is now locked in for three years and above, up from about 60% previously. Curious what you have done there and how do the contracted margins compare against a contract like the one with GlobalFoundries?

LCH: I will ask Cindy to address the question.

CL: Hi Zhiwei. Indeed, the Integrated Power Business portfolio team has been very active in ensuring that our power generation capacity is sufficiently contracted for the long term. Now, we are very disciplined in ensuring that we get the most competitive spread available in the market. The ability to grow long-term contracts from 60% to 70% is a function of contracting new customers as well as re-contracting, or extending contracts from existing customers. Some of the customers prefer not to be named, so I will not share who these are.

In terms of the contracted spread relative to GlobalFoundries, again, there is commercial sensitivity but suffice to say, we are very disciplined to make sure that the contracted spread remains healthy, so that we can continue to deliver sustainable, recurring income from the Integrated Power Business.

With regard to M1, I think you have a spectrum payment coming due next month of about S\$188 million, if I am not mistaken. Wondering how you intend to pay for that, considering that the proceeds from Saigon Sports City do not come in until next year.

LCH: I will ask Mann to address this.

MSM: Hi, on the 700 MHz, while the spectrum has been allocated, the use and the payment of the spectrum can be deferred to June of next year. So, we would be looking at June of next year to pay for the spectrum and use the spectrum.

I have a follow-up question for Cindy, and that is on the margins. Was it flat, or was it better or something else?

CL: Zhiwei, we have locked in contracted spreads. As for operating margins, to improve our margin, we have to give a lot of credit to our operating capability, in terms of, number one, improving the efficiency of our gas turbine and also investing in innovation and technology upgrades. You may have read that we are the first in the market to upgrade one of our F-class gas turbines to achieve higher efficiency. For that, we gained quite a fair bit of heat rate. In fact, we just completed more than two months of planned outage for our two E-Class turbines. Come early next year, we will perform the upgrade of our second F-Class turbines. So, all these will improve margins – you have our assurance.

Questions from Mayuko Tani, Nikkei

Hi, thank you very much for the presentation. I have a few questions. Firstly, about this announcement about Cooling-as-a-Service – is this the first time that you are doing it outside of Singapore, and are you planning to expand elsewhere? Other than in India, where else do you think there are opportunities?

LCH: Thank you. I will ask Cindy to address the question.

CL: Hi Mayuko, regarding Cooling-as-a-Service, we have been in the cooling business for more than 20 years in Singapore, starting from district cooling and serving the majority of the business parks in Singapore. What we did two years ago was to transform the business into Energy-as-a-Service, because we know energy efficiency is a prime priority for urbanised and dense cities around the region.

The bulk of the energy demand for urbanised cities is really for cooling of space and cooling of processes. We have to date, contracted about 260,000 refrigeration tonnes of Energy-as-a-Service or Cooling-as-a-Service. Just to give you a sense of what this means, this is almost 1 GW worth of cooling energy. So, the short answer is – no, this is not the first time we are doing Cooling-as-a-Service. In fact, this is very core to us, and we see a growing addressable market in the region.

LCH: I think her question, to be precise, is where else?

CL: First time in India, but regionally, there is Singapore, Thailand, Vietnam and China. This is our first foray in India, and we are pretty optimistic of the potential addressable market.

LCH: The addressable market is quite big. I think that is the point.

On the Western Tokyo Data Centre, is this the one that you announced you acquired in July, or is this a new development that you are working on with Mitsui Fudosan? Is it under development?

LCH: The short answer is no, because the July announcement is from Keppel DC REIT. It is already an operating asset. This one in Western Tokyo is with Mitsui Fudosan and it is actually a new development. It is a greenfield development.

On data centres, you have 650 MW of existing capacity, but out of it, 30% is not operational, which refers to the 220 MW for Keppel Data Centre Campus in Genting Lane, Western Tokyo Data Centre and Taiwan Data Centre Campus. Am I right?

Are you able to say how many percent of the customer business is coming from hyperscalers? That is all. Thank you.

LCH: Mann, can you address the questions?

MSM: Thanks, Mayuko. On the 650 MW power capacity today, of which 70% is operational, the way it works is that while customers sign on full capacity, they do use capacity over a period of time, depending on chip availability and server availability. So, while they sign on the full capacity, as they see the need, they will build the use of the data centre and that is why 70% is operational as of now, while all 650 MW has been signed on. That is the way it works in data centres.

A large part of our business involves hyperscalers. That is true. However, I think there is an opportunity for us to start looking at how we engage large enterprises as well and spare some capacity for enterprise use as we expand our data centre capacity. So, I think that is an opportunity for us to explore. But today, a large part of our capacity utilisation is through hyperscalers.

Thank you. Can I say, a large part means the majority?

MSM: Yes, majority.

In terms of the 220 MW, these are all under development?

CT: Part of the 220 MW is under development.

When are they coming onstream? I mean, operational?

LCH: There are different dates, but typically they will take two to three years to complete.

Questions from Paul Chew, Phillip Securities

Thanks for the opportunity to ask - just three questions for me. The first one is on the monetisation part. Could you give us an update on the operating conditions for RigCo now and the likelihood of monetising it?

LCH: On the monetisation of RigCo, the conditions for the offshore market continue to improve, and we expect that there would be some monetisation in the next 12 to 18 months.

The second is on real estate. Can you give us some colour on the profitability of real estate in the third quarter and related to that, you did sell I think like S\$450 million plus of Saigon assets. Was the profit recognised in the third quarter, because I understand the book value was pretty low compared to the selling price?

LCH: On real estate, we do not disclose quarterly financials. This is a business update. The transaction that is announced on Saigon Sports City, that is an announcement but there are still conditions to be fulfilled. The profit is not booked in the third quarter, if that is your question.

My third question is on the data centre business. I just wanted to clarify if the 1.2 GW is separate from the S\$10 billion fund.

LCH: On data centres, they are actually linked. We see a lot of demand for data centres. We are the ones that have the ability to actually meet this demand, not just in terms of our technical capabilities, providing power, providing the design, etc., and looking for green electrons, but more importantly, we also have the asset management business that can fund this beyond our balance sheet. So they are linked, the raising of the fund, in order for us to meet this opportunity.

Thanks. On the power business, could you touch a bit on the profitability per MW between importing the power and generation? Obviously, there's some difference. I just want some clarity.

CL: Hi Paul, when it comes to power, I guess the key is to look at the levelised cost of the electricity and what is the customer's willingness to pay. The Singapore market is a fully liberalised

market, so there is optionality for us to sell the power to the wholesale electricity market or to contract directly with commercial and industrial customers. In this case, data centre off-takers will be one of our top priorities because we would love to unlock constraints and serve the data centre ecosystem in meeting their needs for decarbonised and renewable power. The cross-border importing of renewables is still under development. We are in the process of securing the costing, as well as securing the downstream power off-takers. At this moment, it looks commercially interesting and technically very feasible.

Questions from Adrian Loh, UOB Kay Hian

Hi, thank you for taking my questions. My first question is on Aermont. Are there any particular countries that you are looking at in Europe for these DC investments?

LCH: On Aermont, they are also looking at inorganic opportunities on the data centre side in Europe. We will be supporting them in that regard, and have been supporting them. At the same time, I think there is an opportunity for us to work with Aermont to unlock data centre opportunities in Europe from greenfield and brownfield.

My second question is in relation to Bifrost, did you disclose how many pairs you own currently? Can you share how many you want to keep and how many you would like to divest? Thank you.

LCH: On Bifrost, I do not believe we have disclosed the number of pairs we have. It is commercially sensitive. Over time, we will not keep them. I am not sure what you mean by “keep them”. Some of them are with our joint build partners. Some of them will be offered on long leases, and some of them will be sold and paid upfront. But in all cases, we will have ongoing operations and maintenance fees that we will earn over the 25 years. So far, two fibre pairs have been spoken for.

Thanks CEO. I just wanted to clarify, when you say that there are a couple of pairs that are “spoken for”, just want to clarify that you mean they have been sold?

LCH: Those two pairs have been sold. We still have a few pairs to sell but I cannot tell you exactly how many pairs we have in total.

Questions from Brandon Lee, Citi Research

Thanks for the follow-up question. I just wanted to ask you, did Keppel look at the recent stake that was on sale in Senoko, and if something similar would come along in the Singapore market, would Keppel be also open to looking at it?

LCH: On the first question, on potential M&A in terms of the power sector in Singapore, I will ask Cindy to address that.

CL: Thank you, Brandon. The way to look at it is that if there are transactions in the power market, it suggests that the power demand growth in Singapore is very healthy. As you would have heard this week during the Singapore International Energy Week, the Deputy Prime Minister Gan Kim Yong, as well as the Second Minister for Trade and Industry Tan See Leng, shared that energy demand in Singapore is projected to increase at 3% to 5%. As for the transaction in Senoko, since there are interested bidders, it certainly suggests that the power business and the power market

remain healthy. We will look to increase our power generation capacity by participating in the Request for Proposals, and we will give it our best shot. Thank you.

The second question would be with regard to the gain from the Saigon Sports City sale, when do you think we could look at recognising this gain, because it does still depend on conditions precedent?

LCH: On the second question, I do not think that we are able to tell you exactly when that will be done. We hope it will be quite soon, but of course, the approval process in Vietnam is taking a bit longer these days. That is what I can tell you.

Questions from Joel Siew, DBS

Good morning management, thanks for the opportunity. I have three questions regarding infrastructure and power. Just wanted to get your comments on EMA centralising the procurement of gas and Singapore Power being like the price setter of some sort, what will be the impact on Keppel? So that's the first question.

LCH: Cindy, do you want to address the question?

CL: Joel, related to your question on central procurement under the newly established GasCo, we see it as a positive sign. Because gas, as a predominant feedstock for the generation market in Singapore, is mission critical, and having centralised procurement will help extract better negotiation power in terms of commercial terms and pricing. You would have also read that the Singapore Government has also signed collaborative agreements with Korea with regard to synergies in gas procurement. This would also suggest that beyond competing on availability and accessibility of gas, Gencos which have strong operating capability to extract efficiency and reliability will do better in the longer run. I think Keppel, as an integrated ecosystem, has proven that we are one of the more reliable generators in Singapore. I hope that answers the question.

LCH: Thank you, Cindy.

The second question is on the interest rate front. Just wondering, are you starting to see interest costs declining? And just wondering if there is a need for you to tap the bond market, considering your growth plans in the DC space, in the asset management space, and also on the infrastructure side.

LCH: I will ask Kevin to address the question on interest rates.

KC: Hi, Joel. On interest costs, yes, you are right on the point that all directions are pointing to a lower interest rate environment. At Keppel, we remain dynamic in how we manage costs. We have flexibility in taking advantage of the declining rates across our entire portfolio, and we are watching that space very closely.

Your second question around tapping of the bond market, suffice to say that we consider funding options openly, and what fits the purpose for us. Right now, at this current moment, we are quite fortunate to still continue to have very competitive rates with the existing funding sources that we have. So this is something that we will continue to watch over, but it is not the appropriate time right now for the bond market.

My last question is regarding the Bifrost Cable System. I understand it will be completed sometime next year. Could you share some details about it, like who are the potential customers, and the opportunities you see from there?

LCH: On your question on Bifrost, we are all very focused on getting the system ready for service. That is our main focus at this moment. What I can also share with you is that as we get closer to ready for service, we are also seeing that there is very strong demand for the fibre pairs that we have. Prices have actually grown significantly. From the first pair that we sold, prices have more than doubled.

And importantly, as I shared, it is a good way for us also to build up recurring income. Because after we sell the fibre pairs or lease the fibre pairs, it will create, or generate, good returns for the funds, for Keppel. At the same time, we also create for ourselves 25 years, or 20 to 25 years, of recurring income from the operations and maintenance fees, and the operations and maintenance fees are quite significant.

So, as we speak, our focus is on completing Bifrost, on getting Bifrost ready for service by next year. We are also starting to explore new systems, and this is part of our growth strategy for the Connectivity segment.

On the LP side, on the investment side, we are getting a lot of encouragement from LPs who are also keen to participate in this sector, to invest in this sector. So, I think it is looking good, but the focus right now is to get Bifrost ready for service.

Questions from Mayank Maheshwari, Morgan Stanley

Thank you for the call. I had two questions, one was on the Integrated Waste Management Facility (IWMF), I was just seeing the ones in Hong Kong as well as Tuas, both are getting closer to nearing completion. Any timelines that you can give us on when do we see them starting up and the ramp up, as well as total investments once they are completed? On the two together, how much would that be?

LCH: I will ask Cindy to address your question.

CL: Hi Mayank. Both the IWMF in Hong Kong as well as in Singapore do not entail investment (by Keppel). This is one of our strategic directions, which is to design and provide technology solutions for waste to energy. The Hong Kong IWMF comes with 15 years of operations and maintenance contract post handing over of the built phase. This will allow us to receive recurring income from operations and maintenance of large-scale Integrated Waste Management Facilities.

The Hong Kong project is slightly ahead of the Singapore project, because it commenced construction back in 2018. We are working very closely with both authorities and owners. We are targeting commissioning towards the fourth quarter of next year for Hong Kong, and maybe commissioning for Singapore towards the fourth quarter of 2026. Again, I must emphasise, we work very closely with the authorities and the client owners on the planned schedules.

I think from our perspective, we should think about fourth quarter next year as when you get your recurring income coming through on Hong Kong?

CL: That is correct. But during the construction and build period, we are actually doing progress recognition of revenue for our technology solution delivery as well.

Okay, got it. Clear, thank you.

The second question: if you can just give us at the end of September, what was your net debt number?

LCH: We do not provide financials for business updates.

Questions from Ho Pei Hwa, DBS

Good morning, thanks to management for the update. Just have another question on energy imports. I understand Cindy mentioned that we can't share the margins, but we are trying to understand the cost per GW for the imported electricity. How does it compare to our locally produced power? For Malaysia, we can utilise our existing transmission lines. Then going forward, we have Cambodia and Indonesia, which will be transmitted through subsea interconnectors. How should we think about electricity costs for this imported energy?

CL: Hi Pei Hwa, the way to think about it is: in Singapore, there is a carbon tax, and the carbon tax is projected to increase at an accelerated rate post 2028. Even as it stands, there is already a 5x increase in our carbon tax in 2024, 2025, and then in the years 2026 to 2028, there will be a 9x increase from the original carbon tax (from 2019 baseline). It was foreseen to grow. However, there is also a greening of the grid, so as the grid emission factor will come down, so there is a bit of offsetting. I think it is too early to say what is the margin. More importantly, it is to focus on the fact that there is a premium to green electrons. There is also a premium to grid reliability. So it takes a mix of generation, whether it is gas to power, whether it is hydrogen blending and whether it is renewable importation, there is a premium to having very reliable and decarbonised power.

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

First and foremost, thank you all for the very good questions over the past hour. The hour has passed quite quickly. My colleagues and I enjoyed fielding all the questions. Just to sum up, it is not that long since the new Keppel emerged at the beginning of the year. We see very good traction, and we are seeing very good secular trends that we are following, like data centres, energy, especially green energy and, of course, asset management as well. I think this is all coming together very well, and the opportunities for us as the new Keppel are quite big. We aim to take full advantage of this and play to our strengths, which are considerable. We have a right to win in many of these sectors like data centres, green energy, etc., and our goal will be to realise our full potential, with all your support.

Thank you very much and thank you for your questions.