

## **Address by Mr Loh Chin Hua, CEO of Keppel Corporation**

### **SECOND HALF AND FULL YEAR ENDED 31 DECEMBER 2021**

#### Accelerating Vision 2030 execution

2021 saw the global economy gradually recover from the depths of the COVID-19 crisis, supported by the largest and fastest vaccine roll-out in history. The IMF has projected global economic growth to be 5.9% for 2021, and 4.4% for 2022. However, as the emergence of the highly transmissible Omicron variant last November clearly demonstrated, the coronavirus has not been defeated, and continues to cause disruption and hardship around the world. Beyond COVID-19, geopolitical tensions, supply chain disruptions and inflation have added further uncertainty to the operating environment.

Against this volatile backdrop, Keppel continued to accelerate the execution of Vision 2030, making significant progress across our different goals – asset monetisation, business transformation, driving integration and improving earnings. We also deepened our commitment to sustainability, in terms of both how we run our business, and making sustainability our business, by providing solutions that contribute to sustainable development and combatting climate change.

#### Organic and Inorganic Business Transformation

As part of our efforts to be more disciplined and refocus our portfolio, last year, we announced the proposed combination of Keppel Offshore & Marine (Keppel O&M) and Sembcorp Marine, as well as the proposed divestment of our logistics business. On the former, I am pleased to share that discussions on the proposed combination are progressing steadily. Both sides are undertaking detailed diligence, and rightly so, as it is a highly complex transaction. We believe that we can arrive at a mutually beneficial proposition, and we are working towards signing definitive agreements by the end of 1Q 2022. As for the logistics business, we have received bids and are working on definitive agreements for the divestment of our logistics business in Southeast Asia and Australia, including UrbanFox. We aim to reach a conclusion also by the end of 1Q 2022.

Our proposed acquisition of the Singapore Press Holdings (SPH) portfolio received overwhelming support from Keppel's shareholders at our Extraordinary General Meeting last December, and I am grateful to shareholders for their support and confidence. We are now pending the Scheme Meeting to be called by SPH, where the Keppel Scheme will be voted on by SPH's shareholders. On Keppel's part, we have put our best foot forward, and we will respect the outcome of the process. Apart from the SPH portfolio, we are also exploring several other exciting M&A opportunities, as we continue to grow Keppel's business in line with Vision 2030.

Beyond business transformation at the portfolio level, we have also been driving innovation and transformation in each of our key business units. We are increasingly pivoting towards an asset-light business model, and tapping third-party funds for growth. Supported by the macro trends of urbanisation, digitalisation, and growing international concerns about climate change, Keppel is well placed to seize opportunities in renewables, clean energy, decarbonisation, urban renewal and connectivity, all of which are included in our Vision 2030 plans.

### Strong Financial Performance

For FY 2021, the Group achieved a net profit of S\$1.02 billion, a sharp reversal from the loss of S\$506 million in FY 2020. This is the highest net profit the Group has made in the past six years, and the first time we have crossed S\$1 billion in net profit since 2015, at the start of the downturn of the offshore & marine (O&M) sector. Correspondingly, Return on Equity improved to 9.1% for FY 2021. Reflecting the success of our asset monetisation programme as well as the enlarged equity base, net gearing fell to 0.68x as at end-December 2021, compared to 0.91x a year ago. Free cash inflow was S\$1.75 billion, a marked improvement over the outflow of S\$72 million in FY 2020.

Taking into account the strong performance of the Group, and to reward shareholders for their confidence in the Company, the Board of Directors will be proposing a final dividend of 21.0 cents per share. Together with the interim cash dividend of 12.0 cents per share, we will be paying out a total cash dividend of 33.0 cents per share to shareholders for the whole of 2021, which is more than triple the total dividend in 2020. This translates into a gross dividend yield of 6.4% on the Company's last transacted share price of S\$5.12 as at 31 December 2021.

We have also just announced this evening our S\$500 million Share Buyback Programme. The programme allows us to purchase Keppel's shares when they may be undervalued due to market conditions. Shares repurchased under the Share Buyback Programme will be held as treasury shares which will be used in part for the annual vesting of employee share plans, and also as possible currency for future M&A activities. As we embark on acquisitions, especially of founders' platforms, using Keppel's shares as acquisition currency would help to align the interests of these founders with Keppel's interests.

### Growing Recurring Income

One of our Vision 2030 ambitions is to grow the Group's recurring income. For FY 2021, recurring income grew 33% year-on-year to S\$292 million, with contributions from our REITs & Trust making up the largest share of recurring income, followed by infrastructure services, and then asset management.

## Successful Asset Monetisation Programme

Our improved earnings, strong cashflow and proposed final dividend are underpinned by the success of our asset monetisation programme. Since the start of the programme in October 2020, we have announced S\$2.9 billion of asset monetisation, and received about S\$2.7 billion of this in cash. We announced in 2020 that we planned to achieve S\$3-5 billion of asset monetisation over three years. Given the good progress attained, we are confident of exceeding our S\$5 billion target by end-2023. These monetisation efforts are not one-off. Asset monetisation will be a consistent feature of Keppel's business model going forward and an integral part of our ecosystem for value creation. We will not stop when we reach the 2023 S\$5 billion target. Asset monetisation along with pivoting our portfolio to higher returning and recurring income businesses as part of Vision 2030 will see us reach our target ROE of 15% p.a.

## Improving O&M Business

While the O&M sector remains challenging and continues to be affected by labour and supply chain disruptions, Keppel O&M performed resiliently, seizing opportunities in the energy transition and staying laser-focused on execution, with nine major projects delivered during the year. Last January, we announced, as part of the organic transformation of Keppel O&M, that we expected the Op Co to be financially independent and profitable over time. I am pleased to announce that the Op Co<sup>1</sup> achieved a net profit of S\$66 million for FY 2021, supported by a strong orderbook and aggressive cost management efforts. Keppel O&M secured S\$3.5 billion of new orders in FY 2021. Its net orderbook stood at S\$5.1 billion as at end-2021, of which 39% comprised renewables and gas solutions. The quality of the net orderbook has also improved, with over 90% of the contracts providing for milestone payments, thereby reducing working capital requirements and risks for the Group. For FY 2021, Keppel O&M achieved a reduction of about S\$140 million in overheads year-on-year, higher than the projected S\$90 million announced earlier. Since 2015, Keppel O&M has managed to shave cumulatively S\$517 million from its overhead costs, positioning us to achieve profitability with a lower top line.

With rising oil prices, the offshore drilling rig market has shown signs of improvement. Utilisation and day rates for modern jackups, which make up the bulk of Keppel O&M's legacy rigs, both improved during the year and are projected<sup>2</sup> to rise even further over the next few years. With improving market conditions, we are hopeful that Keppel O&M's legacy rigs – which, based on the MOU with Kyanite, will be injected into a separate Asset

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<sup>1</sup> Op Co comprises Keppel O&M (excluding the legacy completed and uncompleted rigs and associated receivables) and its interests in Floatel and Dyna-Mac.

<sup>2</sup> Based on projections by Pareto Securities.

Co that is majority owned by external investors – can be substantially monetised over the next three to five years.

### Seizing Opportunities in Sustainable Energy and Environmental Solutions

The net zero commitments made by governments and companies around the world will create massive demand for renewables, clean energy, decarbonisation and environmental solutions. These are areas where Keppel has strong capabilities and a proven track record, and where we can make a difference.

Many of the Group's new business pursuits and R&D efforts in the past year were in these areas, including exploring the import of renewable energy to Singapore, developing electric vehicle charging infrastructure, securing Singapore's first Energy-as-a-Service contract, and studying the feasibility of developing an Asia-Pacific green ammonia supply chain. Consistent with our business model of collaborating both within the Group and with third party investors, we have announced the acquisition of a majority stake in a leading solar energy platform by Keppel Corporation, together with Keppel Asia Infrastructure Fund (KAIF) and a co-investor of KAIF. Including this transaction, we have announced renewables projects with a total capacity of 1.1GW. As we progress towards our target of 7GW of renewable energy assets, we would not only pursue greenfield developments, but will also explore opportunities to acquire stakes in established renewable energy platforms, together with co-investors, to accelerate our growth in renewables.

### Asset-light Urban Space Solutions Provider

During the year, Keppel Land made significant progress towards becoming an asset-light urban space solutions provider. It completed the monetisation of eight projects in FY 2021, with total proceeds of about S\$1.9 billion and net gains of over S\$450 million<sup>3</sup>.

Home sales improved significantly year-on-year with 4,870 homes sold, a 46% increase from 3,340 in 2020. The total sales value was S\$4.0 billion, up 60% from S\$2.5 billion in FY 2020. All key markets saw improved sales year-on-year, with home sales in China growing 32% to 2,780 units and home sales in Vietnam almost doubling to 1,090 units. In China, we continued to see healthy demand for our projects, even though market sentiments have been affected by debt issues faced by certain Chinese developers and the slowdown in the Chinese economy. In December 2021, Upview, Keppel Land China's joint venture project in Shanghai, launched 287 units, and all units were sold within a day. We have also seen improved sentiments in Vietnam. Keppel Land Vietnam launched 693 homes at Celesta Heights in Ho Chi Minh City in December, and all units were sold out within two weeks. These examples demonstrate that despite COVID-19 and other

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<sup>3</sup> About S\$380 million of the net gains were recognised in FY 2021, while the rest was recognised in FY 2020.

challenges, there continues to be strong demand for well-located, high-quality projects in high-growth cities. At the same time, Keppel Land is growing its recurring income with the opening and reopening of malls in Tianjin and Singapore respectively, and is also seizing opportunities in sustainable urban renewal and senior living.

### Expanding Connectivity Solutions Offerings

Demand for connectivity solutions grew considerably during the pandemic, driving demand for Keppel's Connectivity business. M1's postpaid customer base grew 6% year-on-year to 1.7 million – the second largest postpaid customer base in Singapore. It continues to roll out its 5G Standalone network, which achieved 50% outdoor coverage in Singapore as at end-2021. M1 is also growing its enterprise business and has embarked on regional expansion with its acquisition of Glocomp System, a digital solutions provider in Malaysia. We are also expanding our data centre portfolio and exploring ways to reduce the carbon footprint of data centres, including through exploring the development of supply infrastructure to bring liquefied hydrogen into Singapore to power Keppel's data centres. We also plan to commence the development of our innovative, energy efficient floating data centre in Singapore in 2022, subject to regulatory approval. Another key highlight of 2021 was the launch of the Bifrost Cable System, whose manufacturing commenced in December 2021. We have seen strong demand for our fibre pairs and are confident that most of our fibre pairs would be committed before the cable system is completed in 2024.

### Growing Asset Management Business

The segment which pulls together the rest of the Group and serves as a powerful catalyst to realise synergies and create value is Asset Management. Keppel Capital's Assets Under Management grew 14% year-on-year to S\$42 billion, and is on track to reach our S\$50 billion target by end-2022. Asset management fees rose steadily, growing 29% year-on-year, further boosting the Group's recurring income. During the year, Keppel Capital raised total equity of about S\$3.5 billion and completed around S\$5.5 billion in acquisitions and divestments. Amidst international concerns about inflation, there is strong demand from investors for the real assets that we manage, which can serve as effective inflation hedges.

### Innovation Investment

The harnessing and integration of technology have long been Keppel's fortes. Over the past few years, we have stepped up our investment in start-ups and venture capital funds to help us gain early access to intellectual property and technology, as well as build new or adjacent capabilities, in areas aligned to Keppel's Vision 2030 plans. We have invested in venture capital funds such as those managed by Fifth Wall, Wavemaker Partners and

Vertex, and also made direct investments in companies such as Envision AESC, Cove, Smartworks and Zerowaste Asia. In 2021, our innovation investments yielded attractive gains that contributed significantly to our bottom line. In particular, the value of Keppel's investment in Envision AESC, a leading EV battery business, grew to US\$244 million from the investment of US\$50 million in 2019, yielding fair value gains of S\$277 million in FY 2021. Our investment in iGlobe Partners Platinum Fund I, which we made some years ago, also yielded dividends of S\$56 million in FY 2021. We will continue to invest selectively in start-ups and venture capital funds to sharpen Keppel's technological edge.

### Progress in Non-financial Targets

We also made good progress in other Vision 2030 targets, such as strengthening governance, driving innovation, enhancing employee engagement, and contributing to the community. We achieved our zero-fatality target in 2021 and saw improvements across our Total Recordable Injury, Accident Frequency and Accident Severity Rates. Reflecting our commitment to sustainability, we have announced our target to halve the Group's Scope 1 and 2 carbon emissions by 2030 from 2020 levels and achieve net zero by 2050. Since 2020, we have committed to support the recommendations of the Task Force on Climate-related Financial Disclosures. Sustainability will increasingly be a central part of Keppel's purpose and corporate identity, as well as a source of business opportunities, and an important way in which we will differentiate ourselves and make a positive impact on the world.

### Conclusion

To sum up, 2021 not only marked a sharp turnaround in the Group's financial performance but also strong progress in our Vision 2030 journey. We are on track to achieve most of the Vision 2030 targets by 2025. With a marked improvement in our net profit and strong progress in asset monetisation, we are able to reward shareholders with higher dividends. We are sharpening our focus and accelerating our transformation to be one integrated business providing solutions for sustainable urbanisation. As we go forward, I see Sustainability, being Asset Light, and harnessing Technology as key attributes and enablers, which will define the Keppel of tomorrow. I am confident that guided by Vision 2030, we will emerge stronger, more relevant and on a faster growth path than before.

I will now ask our General Manager of Group Control & Accounts, Soo Hwa, to take you through the Group's financial performance.

**ADDRESS BY MS TOK SOO HWA, GENERAL MANAGER (GROUP CONTROL & ACCOUNTS),  
KEPPEL CORPORATION**

**SECOND HALF & FULL YEAR ENDED 31 DECEMBER 2021**

**Group Performance (Slide 19)**

1. Thank you, CEO, and a very good evening to all. I shall now take you through the Group's financial performance.
2. For the full year, the Group achieved net profit of \$1.02 billion, reversing the net loss of \$506 million in 2020.
3. Consequently, ROE improved from negative 4.6% to positive 9.1%.
4. All segments registered improved year-on-year performance.
5. Urban Development continues to be the biggest contributor to the Group's bottom-line, earning \$763 million in profits for the year. Connectivity also had a strong year with an almost fivefold increase in net profit. As the financial twin to our other segments, the Asset Management business remains a major contributor, accounting for close to 30% of the Group's profits. In 2021, the Group recorded strong returns from our investments in start-ups and venture capital funds which are reported under Corporate & Others. Although Energy & Environment reported a net loss, the loss was significantly lower than the prior year's, and was largely attributable to impairment provision for KrisEnergy exposures.
6. I will further elaborate on the performance of each segment later on.
7. Beyond the strong growth in profitability, the Group has a very healthy balance sheet. Net gearing decreased from 0.91x a year ago to 0.68x at the end of 2021 on the back of reduced net debt as well as a higher equity base. The decline in net debt was mainly driven by cash proceeds from asset monetisation completed during the year, partly offset by working capital requirements and dividend payments. Strong earnings growth and the issuance of perpetual securities during the year led to higher capital employed.
8. Free cash inflow of \$1.75 billion was an improvement over the free cash outflow of \$72 million in 2020. This was mainly due to proceeds from enbloc sales of certain China and Vietnam property trading projects, completion of the divestment of Keppel Bay Tower, as well as the disposal of M1's network assets, all of which are part of our asset monetisation programme. In addition, higher dividend income, as well as lower investments and capital expenditure, partly offset by higher working capital requirements, further contributed to the improvement in free cash flow.

## **Multiple Income Streams (Slide 20)**

9. As part of Vision 2030, we remain focused on improving earnings quality with multiple income streams. In addition to the increase in recurring income as highlighted by CEO earlier on, most of our other income streams also performed better year-on-year.
10. Recurring income increased 33% to \$292 million in 2021, underpinned by higher contributions from the stakes in our REITs and Trust, and our asset management business, as well as lower share of losses of offshore & marine associates.
11. Earnings from Development for Sale were much higher year-on-year on the back of several enbloc sales from the Urban Development segment during the year.
12. With the gradual recovery of the global economy from the COVID-19 crisis, the Group also recorded higher revaluation gains from investment properties and data centres, as well as fair value gains on investments, as compared to losses in the previous year.
13. Impairments in 2021 of \$514 million were much lower than in 2020, which had seen significant impairments largely from the offshore & marine business.

## **Energy & Environment (Slide 21)**

14. Moving on to the performance by segment.
15. Energy & Environment's net loss for the full year was \$414 million, as compared to net loss of \$1.18 billion in 2020.
16. Excluding \$318 million impairments related to KrisEnergy, the segment's net loss for 2021 was \$96 million, a marked improvement from the prior year's net loss of \$1.14 billion.
17. Net loss from the offshore & marine business of \$77 million was substantially lower than the \$1.19 billion net loss in the preceding year. This was mainly due to the larger impairments recognised in 2020, while 2021 benefitted from the share of Floatel's restructuring gain. Excluding RIDs in both years, net loss from offshore & marine decreased from \$301 million to \$181 million. The better results, despite much lower government relief measures related to the COVID-19 pandemic, was largely due to the focus on overheads reduction, as well as the lower share of losses from associated companies.
18. The contribution from our infrastructure business was resilient despite volatile global energy prices as well as COVID-19's impact on ongoing operations and projects, due to our strong execution and risk management. The 2021 results included \$23 million of closure costs on interest rate swaps following the refinancing plan for an asset.

## **Urban Development (Slide 22)**

19. Urban Development's net profit grew 74% year-on-year to \$763 million, underpinned by enbloc sales and higher contributions from China and Vietnam trading projects. This was partly offset by impairment provision for a hotel in Myanmar, and lower fair value gains on investment properties.
20. Enbloc sales unlocked gains of \$337 million in 2021, arising from the disposal of interests in the Dong Nai project in Vietnam, Serenity Villas project in Chengdu, and China Chic project in Nanjing, as well as the divestment of a partial interest in Tianjin Fushi Real Estate Development Co Ltd.
21. Profit contribution from the Sino-Singapore Tianjin Eco-City was lower year-on-year, mainly due to lower profits from the sale of one commercial & residential land plot in 2021 as compared to two residential land plots in the prior year.

## **Connectivity (Slide 23)**

22. The Connectivity segment achieved a significantly higher net profit of \$64 million for the full year 2021.
23. The improved performance from our data centre business was supported by gains from the disposals of a data centre in Frankfurt and our stake in Cloud Engine (Beijing) Network Technology. Earnings from our data centre business are reflected not just in this segment, but include about \$87 million in earnings from Keppel's data centre REIT and data centre private funds, which are reported under the Asset Management segment.
24. Despite lower service revenue, M1's profit contribution remained strong through cost and overheads management. Excluding COVID-19 related government grants in both years, M1's net profit would have been \$7 million higher year-on-year.
25. Logistics' net profit of \$26 million was a reversal from the prior year's net loss of \$22 million. This was led by lower operating loss, as well as gains from the divestment of interests in Wuhu Sanshan Port Company Limited, and Keppel Logistics (Foshan) following agreement reached with local authorities on the compensation for the closure of Lanshi port.

## **Asset Management (Slide 24)**

26. Asset Management achieved higher net profit of \$301 million in 2021 despite the absence of the gain from the reclassification of Keppel Infrastructure Trust from an associated company to an investment in 2020. Excluding the reclassification gain, net profit was \$152 million higher year-on-year.

27. The stronger performance was underpinned by higher fee income arising from successful acquisitions and divestments by the REITs & Trust and private funds, and from additional fund commitments secured during the year.
28. The segment also registered fair value gains on investment properties and data centres held by Keppel REIT, Keppel DC REIT, and our data centre private funds during the year, as opposed to fair value losses in 2020.
29. In addition, mark-to-market gains from investments were recognised during the year, compared to mark-to-market losses in the preceding year.

### **Corporate & Others (Slide 25)**

30. Corporate & Others recorded a net profit of \$309 million for the full year 2021, a reversal from the net loss of \$56 million in the previous year.
31. As shared by CEO earlier, our investments in new technology and start-ups have yielded good returns. Besides fair value gains of \$303 million, the segment also recorded higher distribution income, notably from iGlobe Partners Platinum Fund I.

### **Conclusion (Slide 26)**

32. To round up, the Group has delivered strong financial performance for 2021 with all segments performing better year-on-year, evidenced by the sharp improvement in ROE, healthy net gearing, and positive free cash flow.
33. Guided by Vision 2030, the Group is committed to improving earnings quality, maintaining financial discipline, and building a sustainable future.
34. With that, we have come to the end of the presentation, and I shall hand the time back to CEO, for the Q&A section. Thank you.