

Keppel Ltd. 1H 2024 Results Webcast

Transcript of the Question & Answer Session

1 August 2024, 10.00am, Keppel Bay Tower

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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

Questions from Ho Pei Hwa, DBS

On the loss from the legacy offshore and marine (O&M) assets, is it possible to give us a further breakdown as to how much was due to the Seatrium shares, Floatel, Dyna-Mac and vendor notes?

LCH: Thank you for the question. I will ask CFO to respond.

KC: Thanks for the question. On the breakdown of the S\$209 million loss from the legacy O&M assets, approximately S\$67 million of that is due to the fair value losses from Seatrium shares. It is relatively volatile. I will cover that later on.

On the associates, Floatel and Dyna-Mac, the loss was about S\$34 million, and the remaining S\$108 million was the result of the vendor notes portion of it. That adds up to the S\$209 million.

Just coming back to the Seatrium shares – it is relatively volatile. If you look at the closing price, Seatrium shares have done very well over the course of the last couple of weeks. The variance that we are looking at in terms of the S\$67 million loss, if you look at the closing price as of yesterday, we would have written back approximately S\$21 million, in terms of the timing of the closing price.

On Infrastructure, the integrated power business is still very strong, just slightly more than 1H last year. How should we think about the business dynamics ahead?

LCH: Cindy, do you want to provide some insights?

CL: Thank you, CEO. Thanks, Pei Hwa. I think if you were to compare with 2H 2023, there is always seasonality when it comes to energy and power performance. In terms of how we look at the integrated power business, suffice to say that based on the breakdown of our long-term contracts that we have secured, you will see that 60% of our contracted capacity is signed on for more than three years. I think this augurs very well because this will give us predictability of future cash flow.

The second, very important point is that beyond the healthy contracted spread that we have secured, we are also very laser-focused on improving the operating margins by enhancing the efficiency of our generation units as well as ensuring high reliability. Especially in a very volatile market, you do not want to have reliability issues when it comes to outages.

As CEO presented earlier, we have planned for and will be embarking on a turbine upgrade come early next year. This is on the back of the very successful performance of the first turbine upgrade. Such continuous planning and investments behind the upgrades of our generation units will position us very well in the quarters ahead.

Questions from Derek Tan, DBS

Your asset management revenues for Real Estate had a nice jump. But on the profit side, it appears quite flat-ish. I am just curious whether, with the contribution from Aermont, how does it look like from the profit angle? Are there any one-offs that we should be aware of? If not, cost appears quite high.

LCH: Thank you, Derek. Can I invite Christina to address this question?

CT: Hi Derek, good morning. With regard to our asset management revenue¹, the contribution from Aermont, in terms of revenue is about S\$30 million because we only recorded its contributions since April this year when we closed the deal. So it is only for three months. For the profitability, we actually also netted off amortisation. I mean in accounting terms, you buy it so you have to apply some amortisation to the business you acquired so it is not just pure profits. The net profit is actually less amortisation.

Could you give us some colour on your size of your data centre funds from the private funds side? Do you have any ambitions that you can share, in terms of growth, in terms of FUM? I know you are doing a lot of stuff there. If you can give us a growth target, it would be helpful. My last question is on Genting Lane Data Centre. I think it is TOP-ing nicely. Is it time that you should be thinking of monetising that?

CT: With regard to data centres, I think we have actually run very successfully on the first fund and second fund. The two funds have a total FUM² of roughly S\$5 billion.

Now, we are looking to raise a third fund. We stated the goal of US\$2 billion in terms of equity. So that would be another S\$10 billion. The data centre space is increasingly becoming very attractive. It is one of the hottest sectors right now. Most of the investors are actually also chasing for it. So even before we actually finish all our documentation to prepare for the data room, we have a lot of investors actually waitlisting and then asking us, "When can we go to your data centre?". So there is a good interest in the funds.

On the asset in Genting Lane, the team is always looking at maximising it for the private funds. And then at the right time, we will look to exit to the data centre REIT.

LCH: Just to supplement a bit on what Chris has said. If you look at the three sectors that we have, we are getting very good tailwinds on Infrastructure as well as Connectivity. But the Real Estate side is still facing some headwinds. So in terms of acquisitions for Real Estate, we have not been as quick because we are waiting for the bid-ask spread to narrow. So as a result of that, the cost side is still there, because we have overhead costs. But on the revenue side, quite a

¹ This refers to gross asset management fees (and not accounting revenue), which include 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.

² Gross asset value of investments and uninvested capital commitments on a leveraged basis to project fully-invested FUM.

number of the deals have been pushed to the right. So we expect that as deals close in the second half and in the next year, we would expect the profitability for the Real Estate Fund Management and Investment to improve.

On the data centre side, I think what Chris said is quite right. There are a lot of tailwinds there. There is a lot of interest. There are also quite a number of folks now coming into the space. But I think where Keppel stands out is that we have very strong operating capabilities on the data centre side. You know, we are not just doing powered shells, but we can actually do equipping and we have a long track record of operating these data centres very well for the customers.

And for the customers, these are all mission-critical assets. So, they need to make sure that the operator is strong. Increasingly, data centres is also about power and increasingly it is about green power, so whether it is cooling or green power, that is where our Infrastructure side can also come in. And so that is the uniqueness about Keppel, how we are able to differentiate ourselves vis-a-vis our peers.

Questions from Lim Siew Khee, CGS-CIMB

For Infrastructure, why is the associate line in Infrastructure so weak? It is a loss.

Why is the decarbonisation and sustainability solutions business weak compared to 1H 2023, when profit was about S\$50 million? This half was significantly lower. On the spreads, how does it actually compare in 1H 2024 versus 2H 2023?

LCH: I will ask Cindy to answer.

CL: If you are referring to the co-investment and sponsor stakes, it should be read in parallel with the valuation performance. Because we do have some co-investment stakes, which are accounted differently. So it should be read in conjunction with the valuation column.

On this second question, regarding the associate's weaker performance as well as the decarbonisation and sustainability solutions business, there is some seasonality in earnings in particular when you look at the renewables sector. Half-on-half is not a good comparison.

In terms of contracted spread for the integrated power business, suffice to say it is healthy but it is also very challenging. So we remain, like I said earlier, very focused on managing it on a portfolio basis, in terms of contract tenures as well as the quality of the customers that we are working with. You would have been aware that there are customers, for example, GlobalFoundries, with whom we signed a long-term 15-year power purchase agreement. Baked into the contract, there are other value-added services that we bring to the customer beyond just selling power.

In terms of the Floating Data Centre Module, I know that you hope to achieve final investment decision by the second half this year. But would you be able to share the capacity and also the CAPEX plan?

LCH: We have been working on the Floating Data Centre Module for a bit of time. It is quite innovative, so it takes a bit longer to get all the approvals. But we are happy to say that we are quite close to getting all the approvals, in which case we would expect to get a final investment decision in the second half. We have not disclosed the power of this module. But we are in very advanced discussions with a hyperscaler who will probably take the entire capacity.

Questions from Brandon Lee, Citi Research

On China, the operating income side has been quite negative for a few periods now. Do you have any new strategy in China, given what we are seeing in the market? It has been slow and hard.

LCH: China is, you know, quite complex. It is obviously going through some difficult challenges at the moment, both for its economy and for its real estate market as well. But if you look at the longer term, the medium to longer term, I think it is still a market that we strongly believe in. We think that there are still a lot of opportunities there.

You will recall that last year we announced that we have revised our playbook for China – moving more towards what we believe China needs today compared to what it was before and more importantly, areas where Keppel can make a positive contribution. So this would be in areas like energy transition, data centres, etc., and you would have seen that we have just recently announced an Energy-as-a-Service contract with Perennial Holdings in China, which is a breakthrough. So we are starting to execute on this new playbook. But it takes time, it is not going to just happen overnight, right?

But what is also useful for us, or what has been extremely helpful for us, is that we have actually started to de-risk our portfolio in China for the last few years.

As you know, we have sold about S\$3 billion worth of landbank, booking more than S\$1 billion in profit in the last few years and also more importantly, we have also taken back more than S\$5 billion of cash that used to be there. We parked it there because we were actively buying land, but since we are no longer actively buying land, we brought it back.

So I think we have kind of de-risked from China. We are now executing on this new playbook, and we see good opportunities. That is where I would leave it.

On your deal pipeline, you have sort of doubled it to S\$27 billion. Any chance of letting us know the conversion rate of this S\$27 billion?

CT: On the pipeline itself, together with Aermont Capital, we are looking at quite interesting deals. Aermont has been spending a lot of time looking at new platforms in Europe. And they have been very successful in executing those strategies, resulting in some of them reaching 10x compared to the last time we disclosed the performance. So I think in terms of Aermont's acquisition pipeline, we are quite close – we are looking at those deals where there is more than a 50% chance of conversion – because they have actually cleared these through the investment committee, as well as our pre-deal approval process.

With regard to the rest of Keppel, we are looking at deals in Infrastructure, where it is more of a global play as well, and we are looking at things where we are playing to our strengths. Yesterday, we just signed another deal for Infrastructure. It is part of our ecosystem that we are looking at for digital infrastructure. So, we are looking at things where Keppel has very unique strengths and positioning in terms of creating value for the various platforms that we are looking at.

In terms of data centres and connectivity, we are also starting to look at platforms besides asset acquisitions. We have just announced some in Japan. We continue to explore more in some of

these countries as well. We are seeing a lot of good collaboration between us and our partners in Japan.

For real estate, besides the office platforms or office assets, we are looking at things like the education sector. We have been getting a lot of investor interest in that area, as well as getting very good traction talking to the international schools and operators. Education assets generate really high yields compared to most sectors. We are looking at like 7% yield on costs, even in countries like Japan. So, I think this is a very interesting sector because we are one of the first early movers in this area.

We are also looking at living sectors going forward, such as multi-family and student housing. Because of our close ties with international operators, a lot more deal flows became available as well. So, most of these deals would have cleared the initial pre-investment committee.

Do you have any optimal contribution level from asset management? So we saw in this half year that they contributed close to 20% of your recurring income.

LCH: You know how I would like it to be as high as possible, right? But I think what is more important is to look at how this whole business model of ours works. On the asset management fees, Chris has mentioned that we have a lot of new funds that we are raising. We had a more difficult time raising money I think a year ago, along with everyone else. I think now we are starting to see good traction. So, as we raise small funds and more importantly, as we deploy the funds, we will see that contributions from asset management fees and profit will grow.

As we grow from what is currently S\$85 billion FUM, as we hit S\$100 billion and ultimately S\$200 billion, I would expect asset management fees to grow. Assuming that we retain our 55 basis points fee-to-FUM, you can work out the numbers.

But what is also important is that as we grow our FUM, you also create space for our operating divisions. Because as we build more Bifrost cables, we build more hydrogen-ready power plants, we will create opportunities for the operating division. And we are no longer tied to our balance sheet for growth. This means that as we monetise, we are more able to reward our shareholders going forward.

So I think the model is working out well, as intended, and I think given where we sit today. Darwin Day 1 was six or seven months ago. We have made good progress, but I think this model is definitely something that we will continue to execute on.

I just want to follow up on what Christina said on this investment committee approval. Can I assume that a 50% chance of going through means we should see like S\$13 – S\$14 billion of this S\$27 billion pipeline panning out?

CT: I think in terms of the deals, we find it attractive enough to clear the investment committee, just in term of pre-approvals. But we would still have to follow through with our due diligence and negotiations with our partners. We are quite rigorous in terms of our underwriting and in terms of our negotiations, making sure that it is the right deal. And making sure that there are good cash flows for our investor base.

There is a good chance of conversion, but I guess it has to tick all the boxes as well.

LCH: So, this is also something that I think is important. Whilst we do see this as a way for us to create more fees, as we buy more or do more acquisitions, at the same time, we have to be mindful – as what Chris said – that we must always be looking after the interests of the investors. So, we only do deals that we think check all the boxes, deals that make sense, and fit the funds strategy, where the risk-reward is there. Because ultimately, we also have to look very closely at making sure that our investment performance continues to be good because when you have good investment performance, then there will be more capital that will come.

So, I think this is kind of short-term versus long-term. We want to do deals. We are very active. I think there is a very strong pipeline. We believe we can convert a significant part of that, but ultimately, we would have to be dependent on the competition for the deals, and making sure that the deals are the right deals that we are going to do for the funds and for the REITs/listed trust that we run.

Questions from Mayank Maheshwari, Morgan Stanley

Just a question on slide 9 – around the long-term solutions and services’ EBITDA growth target that you talked about, going from S\$40 million to more than S\$100 million per annum on the power side. Can you just give us the building blocks in terms of how we are getting there?

LCH: It is not really the power sector, it is really some of the new areas that we are in, but I will ask Cindy to address that.

CL: Yes, indeed, it is not the power business. We call it our “Engine Two”, which is the decarbonisation and sustainability solutions business. You would have seen in the past few quarters, we have deliberately shared the long-term contracts that we have secured in the provision of solutions and services related to decarbonisation and sustainability solutions.

This includes Energy-as-a-Service, such as providing cooling to space and premise owners, solarisation of rooftops as well as EV charging infrastructure. On top of that, we are also providing technological solutions for sophisticated and advanced waste treatment facilities. And of course, this includes essential services for operations and maintenance of waste-to-energy plants and water treatment plants.

So, the long-term contract base has grown pretty interestingly in the past few quarters. And in the year to date, we have grown it by a further 20% to S\$5.2 billion of secured contracts to be delivered, over the next 10 to 15 years. This will over time translate to EBITDA, and this is where we are very confident that the EBITDA growth would be more than 2.5x by 2027. So our target is about S\$100 million EBITDA from this Engine Two. I hope this answers your question.

In terms of capital allocation, you kind of touched on this earlier. I think you had a cash outflow even for the first half. So when do you see Keppel becoming free cash flow positive? Can we expect that in the second half this year?

LCH: We do not really allocate capital in the traditional way like say, a sovereign wealth fund or pension fund. But certainly I think we do keep a very close watch on the cash flow, cash inflow and cash outflow. If you look at the first half, both Infrastructure and Connectivity were positive. But Real Estate was negative. There are some challenges there as I have highlighted.

We will look for the right opportunities to re-accelerate our monetisation. As I mentioned in my speech, that is a very key platform that our Vision 2030 is anchored on. And we will need to find the right areas where we can do so – currently, on the Real Estate side, I think Louis and his team are looking at some asset monetisation opportunities in Singapore and in Vietnam. China is tough. But we are looking at Singapore and Vietnam. I think we will definitely be keeping an eye on that.

Questions from Nicholas Lim, Retail Shareholder

Congratulations on the commendable results for your continuing operations. What is your direction on the sustainability of Keppel's S\$0.34 per year dividends? Will it be a level you will absolutely defend?

LCH: Nicholas, we know that dividends are quite important and as we see most of our earnings becoming increasingly recurring, it gives us more confidence in terms of declaring dividends. But I cannot predict what the second half will be. We are aware that dividends are important and you can see from our track record, we have been quite aware that it is really about total shareholders' returns. So, it is not just about share price performance, which is important obviously, but also in terms of what we can distribute in terms of dividends and special dividends.

Given that gearing has been inching up to 0.94x currently, will dividends be cut to pare gearing? Or is management very comfortable with the gearing of 1.0 as previously mentioned?

LCH: So first and foremost, we are now saying, "Hey look, our business model has changed." You can see the gains compared to say, five years ago. Our recurring income is now actually quite significant. Last year, it was 88% of net profit. This year, I believe it is 76% of net profit³ for the first half. So, you know, we have changed the model. We are not really looking so much at net gearing, although I know that is something that some analysts continue to focus on.

We believe that a more appropriate measure would be to look at the adjusted net debt to EBITDA⁴, currently at 3.7x, which is, we believe, quite comfortable. We believe that we are quite comfortable with the interim dividend. That is why we declared it. And we also bear in mind what we see for the rest of the year. Of course, nothing is for sure, but based on what we can see, we are quite comfortable paying that S\$0.15 interim dividend.

Question from Ee Tian Chor, Retail Shareholder

Can you help provide more information with regard to the legacy O&M asset monetisation progress? Why not dispose it earlier than later, as the capital can be deployed for more productive uses?

LCH: I completely agree. I think this is something that we are very focused on – how do we monetise this sooner rather than later? I think maybe a few results briefings ago, someone asked me how much profit we can make from this. And I think my reply then and my reply now is our focus is really on monetisation. If we make some profit along the way, that is a bonus because these are legacy assets. This is not our core business. So, our goal is to monetise as soon as we can.

³ Excluding the effects of legacy O&M assets.

⁴ Adjusted net debt is defined as net debt less carrying value of vendor notes, while EBITDA refers to last 12 months' profit before depreciation, amortisation, net interest expense and tax, excluding P&L effects from legacy O&M assets.

But having said that, I think we also can see that it takes time for the offshore market to improve or I should say, recover. And we are already seeing all the signposts are in the right direction. You know, capex from oil majors is likely to increase. We are also seeing that the energy transition will continue, but it will take place together with fossil fuel, so rigs are still required. The rigs that we have represent the most advanced generation rigs that are available in the marketplace. The utilisation rates also have improved tremendously. They are all in excess of 90%. And a general rule of thumb in the industry is that when you see utilisation rates hit 85%, charter rates will usually go up and we have seen that happen as well. The industry has also gone through a lot of consolidation. The oil drillers' share prices have been improving, which means their ability to pay has also gone up. So, we are actively fielding enquiries and as soon as we can get it done, we will.

Questions from Joy Wang, HSBC

On Asset Co, I think you mentioned in the past that there is a bit of a cash sitting at the Asset Co level. Any possibility of extracting some capital towards year-end?

You mentioned that you prefer not to look at gearing, but if we look six months forward, will we see asset monetisation picking up and then would gearing actually sit lower versus where we are today?

LCH: On Asset Co, I guess there is quite a bit of cash there, but of course, Asset Co does have some requirements for the use of the cash. But as Asset Co sells more assets, I think there will be more cash coming in. So, I think we have actually worked with Asset Co to have an early return of interest, which was paid back earlier this year. Our goal is to continue to engage with Asset Co to see how we can accelerate that.

On what is the likely gearing, I cannot tell you because that is a projection, but I did share that our goal will be to look at accelerating our monetisation. So hopefully, some of these will come through in the second half and that will help our net debt to EBITDA.

On the asset management business, can we get a bit of a breakdown on the fees? So, what are event-driven based on acquisition, divestment as well as promotes, and what are the core recurring base fees?

CT: On the fees, acquisition fees are part of the way we have structured the REITs/listed trust and the funds. So, we do not see it as just event-driven. We think it is more recurring because we have it every year. Our acquisition fees are from the REITs/listed trust as well as the private funds.

It is part of the feature of the funds' structure. It is about 10%, I would say. And then in terms of performance fees, it is also a feature that we have in our REITs/listed trust, as well as in our private funds. That to us, is all recurring basis. That is about 12%.

On Real Estate, the development income has been very lumpy for the last few half years. What should we think about this part of the business? What are your thoughts generally on how the Real Estate division would look going forward?

LCH: Louis, do you want to take this question?

LL: Thank you for the question. I think as you point out – development is lumpy. I think for that very reason, we have been talking for quite a while now about pivoting away from the lumpy, traditional trading and development profits and looking at more recurring income sources. We still have landbank that we will continue to develop in markets where we see opportunity for development. So, for example, in Vietnam, we are still investing with our funds on development. It will continue to be lumpy, but we will see a shift towards other sources of income for real estate.

Questions from Foo Zhiwei, Macquarie

Capital recycling has slowed down in the first half and you kind of forewarned us about it. How do we think about the second half? Should we see an acceleration and can you talk about some of your plans such as the spin-off of Keppel DC Singapore 7 or the Asset Co?

LCH: We call that monetisation. As I mentioned, we are looking for opportunities to re-accelerate. I think there is always a fine line that we take. I mean, it is just like my earlier answer to the question on Asset Co. We do want to monetise as soon as we can. The market is coming towards us. So, it is a question of – do we do it now, or do we do it six months later? We can see what is the difference in terms of what we call the hold-sell analysis. But fundamentally, we are driven to monetise because I think this is a very key part of our growth strategy. Our FUM is really the one that is providing the ammunition for us to grow. But then within our own balance sheet, the assets that we have identified for monetisation, our goal will be to monetise them as soon as we can, provided the pricing is correct.

I think you mentioned about Keppel DC Singapore 7, I think Chris has already addressed that. What other assets besides Keppel DC Singapore 7? I think I have mentioned them.

LL: Singapore and Vietnam assets – we are looking at those in the real estate space as well.

On slide 9, on the growth target for long-term solutions and services, why is it EBITDA and not profit? Should we be thinking about some say, higher costs ramp-up that will mute the profit trajectory?

LCH: Of course, you can express it in different ways. But why we express this in EBITDA form is that it is a recurring business. So, these long-term contracts that Cindy's division has generated or has grown from scratch – now it is S\$5.2 billion. It is not a one-off in the traditional sense. So, if it is one-off, like EPC, then you will see what is the profit margin. So, we are really looking more at recurring business that will generate EBITDA because these are contracts, many of these are contracts that are multi-year. Some of them are quite long-dated. And this is exactly the type of business that we are pursuing.

CL: Just to supplement on the EBITDA representation of the target growth. We use EBITDA because this is proxy to cash flow. So, think about it this way, these long-term contracts for provision of solutions and services will be billed on a monthly basis with cash payment from the client. So this is an important point to note. We have this visibility for the next 10 to 15 years. Secondly, such long-term contracts for solutions and services have indeed baked in indexation. So, we will also be insulated from inflationary cost pressure as we deliver such services and solutions over the subsequent years. This is another very important point to note.

On Infrastructure, there was a half-on-half decline in earnings from operations for Infrastructure from about S\$350 million to about S\$307 million. Can you just share some colour on what happened there?

LCH: I think Cindy has covered some of them, but maybe you can see whether there is any additional colour?

CL: There are seasonalities if you want to compare half-on-half, especially on the renewables and power businesses. That includes not just our Singapore business but also our associated company in Europe. So, I think you appreciate that there is seasonality in the energy business' performance half-on-half. But, let us look at it on a full-year basis.

Questions from Lim Siew Khee, CGS-CIMB

Just to go back to Infrastructure. You mentioned that half-on-half is not a good gauge to look at because of seasonality. But 1H23 was extraordinarily strong, and you actually noted that. What was so extraordinary last year and can that be continued this year? You mentioned earlier in the briefing that the Singapore market also goes through seasonality – did I catch that right?

LCH: Cindy, do you want to take this?

CL: So specifically for 1H 2023, the majority of the impact is due to attribution from an associated company in Europe, which is an integrated energy business player and it trades in gas and electricity.

As you can recall, in the last two years, Europe experienced a very volatile energy market, due to not just the Russia-Ukraine war but also the weather. The extraordinary contribution from our associated company is now more muted in 1H 2024 vs. 2H 2023.

On Singapore, seasonality is muted, but you cannot say there is no seasonality because weather is one constraint, while gas price performance is another. That is at the market level. In terms of our contracted portfolio, we are diligently insulating ourselves from seasonality by making sure our contracted portfolio is resilient enough.

On Connectivity, is Data Centres & Networks profitable? How much were the profits?

LCH: Kevin, you want to answer on profitability?

KC: On the profitability of Data Centres & Networks for 1H 2024, it was a slight positive.

On Real Estate, there was a valuation gain in 1H 2024. Which assets are these? Also in 2H 2023, which assets contributed to the strong valuation gains?

LL: We do not really disclose the adjustments on the asset level. But, I think as you would expect, in markets like China, we are doing some downward adjustments, but these have been more than offset by gains in markets like Singapore and some other markets in. Similarly, in 1H 2024, most of the fair value gains were from the commercial office and retail assets that were closer to completion. Keppel South Central in Singapore is closer to completion, so we have adjusted the valuation method for that asset and that has contributed to the gain in this half.

On Floatel, the losses are quite wide. What is the plan for Floatel and what is the book value? Was it actually making losses in 2H 2023?

KC: Maybe, I will take the answer the question in two parts.

The loss that we see in 1H 2024 is due to unbudgeted events, where they recently refinanced in order to consolidate everything into one stack and have to incur additional interest. That is point number one.

Point number two is that one of their vessels is going through an unexpected repair and is getting ready for charter. Floatel by itself is actually doing very well, as far as the four vessels go. They are quite well-chartered for long periods.

If you look at their current orderbook now, it is close to slightly north of S\$400 million, as far as the orderbook goes for the next couple of years.

On Floatel's losses for last year – Floatel's depreciation is still high. So, we continue to see P&L being negative but we expect them to turn around very soon, with most of the charters coming live in the second half of this year onwards.

Questions from Felicia Tan, The Edge Singapore

I have a question on the Bifrost Cable System. Do you have a completion date? What is the expected ROI?

LCH: I think it is about almost 80% laid, so we are at advanced stages. We still have a few landing stations to complete. Currently, we expect it to be ready for service in the first half of next year.

For ROI, we do not really disclose this. But it has been a good investment for Keppel and for the investors in the fund.

The enquiries for the fibre pairs have been good. And as we get closer to ready-for-service status, we have seen that the rates have gone up significantly. So this is one investment that should perform significantly above underwriting.

Questions from Mayuko Tani, Nikkei

Thank you for the presentation. On your plans in China, specifically in the real estate sector, what is your stance and what are your plans amidst the prolonged weak market? Are there any specific types of properties that you think have better potential, and that you are keen to pursue?

LCH: I think I have addressed this earlier. We believe that what China needs today is quite different from when we first entered the market 30 years ago. So, we have put up a new playbook for China, focusing on what China needs today and also where Keppel can contribute effectively. You would have heard from my remarks that we are no longer just looking at real estate deals per se, but we are actually providing services, including looking at sustainability, looking at master planning in Suzhou and Jinan, so these are all part of our Real Estate-as-a-Service.

Of course, there are other areas outside of real estate that we are keen on, as I mentioned – energy transition, data centres and connectivity. So, all of these are areas that I think will be

important. There will still be a market for real estate in China. But increasingly, it is really more “China for China”. So, we are starting to see, as the market bottoms out, there is investor demand, but increasingly this investor demand is more local, coming from the local investors in China rather than from overseas. As an asset manager, this will be an area that we will be tapping on.

Questions from Paul Chew, Phillip Securities

How much of the S\$203 million asset management fee were transaction-related?

LCH: I think Christina has already addressed this.

Any updates on the performance of Asset Co?

LCH: I think I also addressed this. The thing about the vendor notes is that there are some accounting treatment matters. We recognise interest on the vendor notes, but there is also some amortisation of Day 1 fair value loss, etc. So, sometimes it can be quite difficult and not so clear to see. Maybe one way to look at it – it is about S\$4 billion sitting on our books. If you work out our interest costs, it is about S\$170 million a year.

But if you look at the charter income that Asset Co gets from the jackup rigs, only the jackup rigs that are chartered out, Asset Co is getting about S\$70-odd million a year. The other rigs are not chartered out.

Of course, our goal is not just to charter, our goal is to monetise them. If chartering is the way to lead to monetisation, then that is the way we will go. So, that is one way to view this.

Questions from Brandon Lee, Citi Research

Just two more questions. I realised that you recently bought the One Paramount asset in the hope of warehousing. Correct me if I am wrong, but we have not seen Keppel doing that in a while. A lot of your assets have been bought by the funds or third-party capital. So, has there been a change in your strategy?

LCH: Generally, as a rule, we do not like to warehouse, because if we have funds that are raised and that can be invested in that particular asset, then that is the best way to do it. But sometimes, there are opportunities that come up that look interesting to us, and we may find that it is easier to launch a fund with some seed assets.

This is where One Paramount fits in. One Paramount fits in in other ways as well – I think we are going to apply sustainable urban renewal solutions and we think we can improve the performance. The asset is already finished. Louis, when was it completed?

LL: Two years ago, and it is already about 80% leased out. We believe that we can lease most of it out before we inject it as a seed asset into an India office fund.

LCH: So it is quite well-leased and it also provides recurring income. So, in a way, even when it sits on our books, it should pay for itself. Because the yield is quite good. So, it does not cause a burden as far as servicing the debt is concerned.

And we will look to put it into a fund. That is the goal.

Christina, you mentioned that the third data centre fund has an FUM of S\$10 billion. Is that the number you said?

CT: I think we were talking more about the gross asset value (GAV), because in terms of the equity raised and on a leveraged basis, the GAV is much more.

Can you give us a sense of what is the FUM for the private credit fund as well as the education fund that you are planning to launch? So, if you add them up together, your FUM would already be higher than the S\$100 billion FUM target by end-2026 right?

LCH: You are not wrong. I think at the end of the day, the S\$100 billion target is just an interim milestone. Our goal is really S\$200 billion in FUM by 2030. So, if Christina and the team can achieve S\$100 billion earlier or more than S\$100 billion by end-2026, then who is going to argue with that?

Any further questions? If not, thank you very much.

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