Keppel Corporation

Accelerating Transformation: From conglomerate to differentiated alternative real asset manager and operator

Media & Analysts Briefing Transcript

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Opening remarks by Loh Chin Hua, CEO of Keppel Corporation

We are very excited that you can join us today as we would like to share with you the next chapter in our Vision 2030 journey. If this transformation had been contemplated five years ago, it would have been a big ask. If you look even further back, to maybe 10 years ago, Keppel was even more entrenched as a conglomerate. It is a big sign of how far we have progressed, and how our colleagues have progressed in this journey.

This next step for us is a fairly logical next step in our Vision 2030. Internally, we have been preparing the ground for this for close to a year, if not more. Our internal project name for this is Project Darwin, which signifies that this is an evolution.

This is only possible because of the huge progress we have made as a Group, how we have come together as OneKeppel over the last few years.

Now, you might be thinking how difficult is this going to be, how challenging etc. We have set very bold and ambitious goals, but I believe that it is very well within our means to execute.

I say this because of a few reasons. One, we have a lot of tailwinds behind us, we are riding a lot of secular tailwinds that I will cover in the presentation a bit later.

Secondly, we are playing to our strengths in two areas: First, the group is not new to asset management. We have been doing this now for close to 20 years and you can see from our track record – not just from the listed REITs and Trust, but more particularly on the private funds' side – that we have been doing this quite successfully and we have garnered strong support from institutional investors, including large sovereign wealth funds and pension funds.

We are playing to our strengths. What do I mean by that? The things Keppel is known for: strong engineering skills, project management skills, the ability to execute complex engineering projects on time, on budget and safely. These are the same skills that we will need and frankly, the same skills that investors see in us. They do not see us as a company which just shuffles around capital. We can build, own and operate specialised assets ranging from desalination plants to data centres to waste-to-energy plants; and are now increasingly also participating in decarbonisation and the energy transition.

The third point, which gives me confidence that this is well within our means, is that the Board and Management are very united and very aligned to execute this. There is huge excitement about this transformation. It was a process. As many of you are familiar with, our Vision 2030 started in 2019. This is not something that just came about overnight. It is something we have been working on for quite a number of years. We have been preparing the ground, so we are quite confident that this can be done. This is not to say that any of our goals are going to be achieved easily. We have set quite ambitious and bold targets and necessarily so, because if we want to get somewhere, we need to push ourselves. But I stress again that this is well within our means to achieve.

I will explain a little bit more about the title of the opening slide, going “from conglomerate to differentiated global alternative real asset manager and operator”. Going forward, I am just going to shorten it and say, “global asset manager and operator”.

Alternative assets are an asset class that has come into its own in recent years. They cover a multitude of assets, including real estate, special investments, private equity, even forestry land, or crypto; all the different asset classes other than equities, bonds and cash. This is the typical asset allocation that pension funds would look at. For Keppel, we are playing not in the whole range of alternative assets; we are only in what we call real assets. These are assets like infrastructure assets, real estate assets, data centres, and connectivity assets. These are assets that are essential, provide cash flow, and also act as a hedge against inflation.

Just to be very clear, Keppel does not have any ambition to become an equities fund manager or bond or fixed income fund manager. Many of you are familiar with Keppel. You would know that transformation is not new to the Company. If you trace back our history to 1968, when we first corporatised, Keppel has been in the steady process of reinventing ourselves over the decades. We started as a shipyard, then went into offshore, and then in the early 1980s, we acquired Straits Steamship, which transformed the Group from a shipyard into a conglomerate. We used to own a bank, but we divested the bank. At that time, our banking and financial services business made up about 50% of the net profit of the Group.

Even though that was a big shift, we reinvested the money into Keppel Offshore & Marine (KOM). We privatised some of the listed entities at that time and KOM was formed. We saw a couple decades of very good growth in the offshore business. Then in the 2010s, specifically 2015, we privatised Keppel Land, and went through a series of privatisations.

That helped us in many ways. In the last few years, when the offshore and marine business went into a bit of a tailspin, it was Keppel Land that held the Group up in terms of profitability. We spent about S$3.1 billion privatising Keppel Land in 2015, buying the approximately 45% of Keppel Land that we did not own at the time. Since then, until the end of last year, we have received about S$6.1 billion in dividends from Keppel Land. It has been a very important part of the Group. More recently, we divested Keppel Logistics and KOM. You can see that our business today is more streamlined. What has not changed is that even though we privatised Keppel Land, M1 as well as Keppel Telecommunications & Transportation (Keppel T&T), we have kept our conglomerate structure relatively unchanged.

In this next step, we are reorganising Keppel to remove the conglomerate structure, to become a more integrated company. We are accelerating our transformation to become a global asset manager and operator but one with a difference. That's why we call it "differentiated" – we are an asset manager with very deep domain knowledge and operating capabilities, in infrastructure, real estate and connectivity. We will have three platforms – a Fund Management Platform, an Investment Platform and an Operating Platform.

These three platforms will work as one. They are horizontally integrated. The question is – why change? The key is that the mindset in the Company has already changed to OneKeppel for many of my colleagues. My colleagues are quite conversant with the concept of OneKeppel, One Balance Sheet, One Share Price, One P&L. But I think having that conglomerate structure does not necessarily help us. It gives analysts another reason to value us as a conglomerate, and give a conglomerate discount. So, we want to change that.

I mentioned about harnessing the unique strengths of Keppel as an asset manager with strong operating capabilities. The key is that it will empower us to grow at speed and scale, in a nimble way and with an asset-light model. We want to be able to grow fast, grow big, and at the same time, harness synergies to enhance our efficiency. So it is really about growth. There will be some synergy and cost savings along the way, but that is a by-product. The key is how do we make decisions faster, how can we grow quicker.

It is a very comprehensive exercise. Keppel has existed in this manner for many decades, so it takes quite a bit of time for us to look at how Keppel is organised, including the legal structures that we have, and the internal processes. When we work as an integrated business, we will look at how we can share data, how we can create data lakes that cut across the whole horizontal, rather than work as silos.

Management incentives are also quite key and I will touch on that later.

Another change is changing support functions from one that is more federated to one that is more centralised. There will be cost synergy savings, but the key motivator is for us to move faster and make decisions quicker.

I mentioned that we have a lot of tailwinds helping us, and this gives us a lot of confidence. We have said this in various forums, but it is worth repeating that Keppel is in the right space and at the right time.

First, if you look at us as an asset manager, we need to gather assets, we need to raise funds. Investors are increasing their allocation to real assets. I know that many of you are in the public equity space, so you know how difficult it is, but a lot of the funds are being shifted to alternative assets. As you can see from this chart from Preqin, between 2010 and 2026, alternatives AUM is projected to grow from about US$4 trillion in 2010 to US$23.2 trillion, a 5.8x increase.

We live in a world where energy transition and climate change are becoming real. All of us are feeling it. Many countries including Singapore have committed to net zero. Many corporates have also committed to net zero. A lot of the solutions that we provide are helping our end customers on their net zero journeys. We believe that this is a very secular growth industry.

In addition, urbanisation continues and we all know that the population is also ageing. These are some trends that Keppel Land is capturing. Last but not least, digitalisation and consumption of data are also increasing. These are also creating a lot of opportunities for us on the connectivity side.

Slide 6 shows why Keppel is different and why we can succeed. Asset management is not new to Keppel. We have been doing this now for 20 years, and we have established about 17 funds over that period. These are private funds and most of them are still active and investing. In the last three years, we have raised about S$9.5 billion in funds and deployed S$17.6 billion in investments. Significantly, we have achieved since 2002, when we started in the asset management business, an average IRR of 17% as well as 1.8x equity multiple across the different deals we have done over that period. It is a very admirable and enviable track record.

The AUM that we manage so far of S$50 billion is already significantly above our balance sheet. In other words, we could not have done this if we had not adopted an asset-light model. Of this S$50 billion, about S$3.6 billion is from our balance sheet. The balance is from third-party investors.

The second part which is just as important, is that we have deep capabilities in engineering, developing, owning and operating specialised assets. This is part of Keppel's DNA. As very strong developers, owners and operators, we are very familiar with what needs to be done. This is precisely what investors see in Keppel. We raised our first maiden infrastructure fund, Keppel Asia Infrastructure Fund (KAIF), about three or four years ago. That was our maiden infrastructure fund. If you ask any asset manager, starting a new fund is always the most difficult. But we managed, even through the pandemic, to raise about US$1 billion in the fund, with about S$100 million co-investment from Keppel.

This is on the basis that investors not only looked at Keppel Capital's track record, but more importantly, at the Group's capabilities and deep domain knowledge in a number of infrastructure assets. We are now moving on to KAIF II.

To accelerate, we have set goals, which are very clear. Asset monetisation is very important. We have set the goal of reaching S$17.5 billion, which is the balance sheet value of the assets we have identified that do not need to be on Keppel's balance sheet.

We have so far monetised about S$5 billion and we have now set an interim cumulative goal of S$10-S$12 billion by 2026.

As for AUM growth, we have announced that from S$50 billion, we want to get to S$200 billion by 2030. To keep our eye on the ball, we have also set an interim goal of S$100 billion by 2026.

I have mentioned about synergy capture, through how we organise ourselves, how we can make ourselves more efficient, etc. One by-product of it is we believe we can achieve annual savings of between S$60-S$70 million by 2026. This is going to be captured over time. 2026 is when we will get to this target of S$60-S$70 million, but it does not mean it will only happen at that time.

We have reorganised for growth. The Fund Management Platform is essentially responsible for fund-raising. Asset gathering is very critical for any asset manager. This is also where the portfolio team will reside and they will be responsible for ensuring that the different funds achieve their targeted returns.

The Investment Platform is where we will be building up a deal flow pipeline and then sifting through and looking for those deals that will provide the best risk-adjusted returns suitable for the funds, the REITs or the Trust.

Lastly, the Operating Platform is really very important. That is our engine room. This is where we create the alphas, this is where we can add value throughout the investment process using our technical capabilities. For example, we bought into a waste management business in South Korea last year. You would know that we were not involved in building that business. This was built by a Korean enterprise, but when we were doing the technical due diligence, our colleagues from Keppel Seghers flew in and they did very thorough technical due diligence to see where we can improve the efficiency. This is something that a financial manager would not be able to do. Of course, they can hire someone, but it is different when you have your own people doing this.

We have the three business segments: One Infrastructure, One Real Estate, One Connectivity. These run end-to-end. So it changes the way the Group is looked at. In the past, we were very focused on verticals. Now we are looking at horizontals.

There are a lot of synergies. For instance, under infrastructure, Cindy's group is looking at importing renewable energy, looking at the hydrogen value chain. The green electrons that we source will come in very handy when Thomas wants to plant new data centres, particularly in markets like Singapore where there is a moratorium on new data centres. The customers for the data centres that sit in the connectivity platform are also a source of demand for the green electrons. In other words, we have ready off-takers for these green electrons in the data centres we operate. This comes in handy when Cindy is looking to create new renewable energy assets because we have ready off-takers, which makes it easier for us to create an investable asset for investors.

In the shared support functions, we are driving operational efficiency and business excellence by removing the conglomerate structure. We will realise these synergies from this integration. We are better integrated end-to-end in the whole value chain: infrastructure, data centres, connectivity as well as real estate. We have centralised and optimised support functions to bolster cost-efficient AUM growth.

In short, we will grow faster, and over time, as our AUM grows, I expect our overhead costs, our support costs will not grow in tandem. By being tech-enabled, the way we have organised processes, we should be able to grow quite rapidly, without increasing our overhead costs proportionately. Margins should grow over time.

This is how we describe the investment cycle. The Fund Management Platform is responsible for raising funds, gathering assets, managing and optimising the portfolio. The Investment Platform in the middle is very important to create the deal flow funnel, building a quality pipeline of deals and then converting these deals into quality investments with attractive risk-adjusted returns. The engine room, our Operating Platform, will add value with our operating expertise, driving superior asset performance and investment outcomes. This would lead to better returns, which would help us in our fundraising and asset gathering at speed and scale toward our AUM target. This is the virtuous investment cycle that we are looking at.

We need enablers, with tech-enabled processes. It is not just about cost-efficient growth, it is about how we can make decisions quicker and faster. An agile organisation is very important in this future world that we live in. That means that the corporate functions must be scalable and cost-efficient.

At this present time, we have already got, especially for the senior management, very good plans to align the interests of the management with that of the shareholders. We will continue to add on to it. On top of this, we are also refreshing our reward system, to make sure that the management team – not just the senior management, but also CEO-2, CEO-3, going down the organisation – is also aligned with our investors.

The investors that invest with us, they see Keppel providing our capabilities. We also co-invest using our balance sheet – it gives them confidence. At the same time, the team will now also individually put money into the deals that the funds invest in. We are creating this mechanism for us to co-invest with our investors. In the process, when we earn performance fees, this will also be shared not just with the organisation but with the team as well. This will truly align ourselves not just to our shareholders but to the investors we serve.

We are well positioned to achieve our ambition of creating higher value for investors and shareholders, through our strong investment track record, our differentiated value proposition, the tailwinds that we are riding on, and our optimised structure for growth.

Slide 13 shows what we are going to introduce in our financial results. You can see that there are three horizontals: OneInfra, One Real Estate, One Connectivity. The table shows 2022 numbers, so they are not a projection. These are based on last year's numbers. The columns have different types of earnings, because we want to emphasise over time the importance of recurring income. This is part of our Vision 2030. As we move away from lumpy profits, we want to move more into earnings that are recurring, that will attract a high multiple, rather than the market using price-to-book or discount to RNAV. This is a key step. We still have a landbank, and we are still looking at how we can recycle that. This is the direction we are going.

This horizontal reporting is to enhance the visibility of the value created across the three segments and focus on our recurring income. We also want to provide additional disclosures to help the market better understand and value Keppel.

The EY team will be providing a briefing to analysts. They have the same perspective as the market; they are looking from outside in, and we did not share anything that is not public with them. By looking from outside in, they will have certain recommendations, such as Keppel should disclose the values of your investments in private funds, then analysts will have a better chance of making sure everything is properly accounted for. We are not trying to impinge on analysts' independence in terms of how you value Keppel, but we just want to make sure that everything that should be there is there, so that you can have a proper view of the company.

This accelerated transformation will empower us to become a leading global alternative asset manager and operator. There are many stakeholders who are important but I will focus on these five on the slide. The first one is our end customers. We must continue to deliver sustainable solutions to these customers. We will continue to invest in technology and R&D in developing floating data centres, hydrogen-ready power plants etc, to get ourselves ready for the future and help our end customers in their net zero journeys.

We also have customers in the form of investors, so we have to continue to drive performance of the various funds to meet the investors' goals. This is something that we are already doing. We are adding value throughout the investment process, using Keppel's deep domain knowledge and operating capabilities.

We have to create value for our shareholders. And this is through the accelerated growth of the company, not just in terms of profit but in terms of the quality of those earnings that lead to a higher total shareholder return. That is something we are very focused on.

Very important in all of these, without whom we will not be able to achieve all these goals, are our employees. We believe that with this transformation, we can strengthen the sense of purpose for Keppelites. We can all play a part not just in creating a sustainable future but helping to invest for the next generation.

There is also the benefit to the wider community, making positive impact with the solutions that we have. If you think about it, if we just rely on our balance sheet, we only have S$30 billion. But with an asset-light model, I can grow to S$200 billion, which means there are more things we can do, more solutions, more impact we can provide to the larger community to contribute to a greener and more connected world.

Thank you.

<u>Question & Answer session</u>

<u>Questions from Tan Xuan, Goldman Sachs</u>

On earnings breakdown for the three segments, can you give us a sense of how the breakdowns will look like by 2026 and 2030?

LCH: Good question. We do not give projections, but from what I have described in our Vision 2030 strategy, as we move away from lumpy profits, I would expect that by 2026, many of our trading and even the pure EPC earnings will reduce in favour of recurring income.

In terms of the horizontal segments, I see growth in all three segments because they are seeing very healthy demand. Whether you are looking at infrastructure, particularly on energy transition, decarbonisation, and even day-to-day essential services, there would be huge growth potential. Connectivity is also an area that we think has a huge future ahead. Of course, for real estate, we are pivoting away from trading profits to recurring income, and Real Estate-as-a-Service. So, I would expect all three segments to grow over time.

CHC: Thanks, Chin Hua. Just to elaborate on how you look at this horizontal reporting going forward. The whole intention is to show asset management as a central and integral part of our business. So, for asset management fees, you would expect to see that growing, as we grow AUM. We have an AUM target of S$200 billion by 2030 and S$100 billion by 2026, so you would expect the fee income to grow.

At the same time, we also have a differentiating factor in that we operate, we manage, and we maintain the assets that we own and manage, and that will contribute also to the operating income column in the form of, for example, fee income that we earn from managing office building and data centres, or from leasing those assets, or also the sale of electricity in the infrastructure segment.

At the same time, under valuation items, I know that being accountants, we always think of valuations as one-off, and not recurring. But this is not the fair value gains of a traditional property company, where you own the same portfolio of assets year in, year out, and you hope the market goes up, so the fair value gains will go up too. As you know, our business model is asset-light. We continuously recycle capital and reinvest. As we reinvest in those assets, we also do asset enhancements. When you do that, you actually capture value. And where is that reflected? It is actually in the fair value gains that we recognise. So it is not just fair value gains from market movements, but from asset enhancements. Also, in One Real Estate, we have sustainable urban renewal, where we 'smartify' buildings, we help to decarbonise buildings and so on. That is all part of the concept of asset enhancement, so that activity is recurring. So, I think when you look at us, if you just look at RNAV, you will miss out that part of the fair value gain that is not only sustainable, but can also grow because it is augmented by our AUM growth target. As our AUM grows, so will the benefits from valuations. Looking back in the last five years, we have fair value gains that range between S$140 million to S$290 million and an average of about S$200 million per annum. So, this number is actually recurring in that sense, because the activity is recurring.

For EPC, I think Chin Hua already mentioned that we are transforming ourselves into an asset-light model. For the capital recycling column, you will see capital recycling benefitting from monetisation, because we have quite clear monetisation targets. So, in the next few years from now to 2026 to 2030, you will see capital recycling benefitting from monetisation, and not just in terms of P&L, but also cash flow.

How should we think about capital management? If you look at development, you are typically asset-heavy and you will not tap the markets. But as a Group, including your funds and REITs, are you thinking about equity fund raising?

LCH: Some of our listed REITs and Trust will probably do equity fund raising from time to time, if they can find suitable assets to grow. But as a Group, I am not so sure, because we are going to monetise our assets. So it is unlikely that we will, at the Group level, need to tap the equity market for new equity fund-raising.

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

I think you mentioned in your press release that you will reward shareholders through the asset monetisation proceeds, so will that include more dividends perhaps or a share buyback in the near term? Or do we need to wait until 12 to 18 months when you have finished the restructuring?

LCH: On the rewarding of shareholders, we have been quite consistent. We know that while our investors are looking at the long term, which is important to them, they are also looking at the shorter to medium term, looking at dividends, share buybacks, etc. And at least for dividends, I think we are very consistent. We have said this many times before – we do not have a dividend policy, but we have been paying in the last few years between 50% to 60% of our earnings in dividends. I do not imagine that this will change, of course, subject to whatever changes in the external environment; but this should continue.

Of course, I have also shared at the AGM that as we monetise our assets, we would still aim for our 15% ROE target, which by the way is probably less relevant for an asset manager. But since we have already given the commitment, we will achieve that, and we believe we can do it. We will also look at our own HoldCo capital structure to see whether we need to have so much shareholders' funds over time. As you increase your returns, and if you retain the earnings, it makes it even harder for us to hit 15%. So, without wanting to sound like we are trying to engineer this, we do factor that in mind. So we will look at how we manage our capital structure, whether it is through dividends or share buybacks.

If we look at investments, which part of the cycle of assets are you looking at investing in? Is it going to be brownfield, greenfield or is it going to be some form of cradle-to-grave solution that you may provide?

LCH: On the platforms, whether it is brownfield or greenfield, we will be looking at probably all of them. But of course, we are also increasingly looking at risk-adjusted returns. So, for instance, in the real estate space, we feel that there is a huge market for converting buildings like the building that you are in, the Keppel Bay Tower, built more than 20 years ago. As you know, we did a very thorough retrofit, so today it is green, super low energy, in fact it is zero-energy. Our tenants are all using renewables and the building is connected and smart. We think that this is actually a good way to contribute to a greener built environment. And the risk-adjusted returns are also better compared to a ground-up development.

But for some of the other infrastructure assets, say the power sector, we have committed to building a new hydrogen-ready power plant. In this case, it has to be greenfield. Of course, in the future, it is also possible that we could look at repowering some of the existing assets. So I think we are not set on one or the other. It all depends on your risk-adjusted returns.

On the incremental funds of S$7 billion of asset monetisation that you have announced, is there a breakdown in terms of the three segments that you will be divesting? I think if you look at the past three years, property makes up about 60% of your monetisations.

LCH: I think we are quite agnostic. We do not measure, say by how much the property is worth. The truth is that we have identified this S$17.5 billion a few years ago and we have organised them into flights. Every six months, there is a group of assets that are ready for monetisation. We look a couple of years ahead and of course, we have to be practical. If the market conditions for certain types of assets are not favourable for us, then we might hold that particular asset back. Then we might move another asset up.

So, it is a bit like if you are flying from Singapore to Kuala Lumpur. If one flight is cancelled, then you can take another flight. So, I think this gives us a lot of optionality. We do not have a breakdown. We just know that this is the group of assets we are monetising. Maybe it is worth mentioning as well, that of this S$17.5 billion, we did not include our operating platforms. So, the recent spin-off of KOM and the distribution *in specie* of close to S$4 billion to our shareholders, you will notice we did not add this to our monetisation count because it was not part of the original S$17.5 billion. So I think, when all is said and done, it might be more than S$17.5 billion if you include that.

Questions from Mervin Song, JP Morgan Securities

In terms of the divestment target of S$10 to S$12 billion, how much of that will be injected into funds?

LCH: That is something that we do not disclose. It depends on whether that asset is, say suitable for KREIT, then it has the potential to be injected into KREIT. But at the end of the day, there are two things we look at. One, is it suitable for one of our REITs or Trust? It has to be suitable in order for it to considered injectable. Secondly, and this something that is very important – there is robust discussion. The REIT management will obviously want to make sure that their unitholders are protected. We also have to make sure that while we are the sponsors, the price must also be fair. So, there is a bit of that healthy tension in order to get to the process where there is a deal.

Can you break down which businesses are dragging your ROE? How do you plan to achieve high ROE for the Infrastructure business?

LCH: Maybe Hon Chew can take this next question.

CHC: I think OneInfra has good ROE, close to our targets. For OneRE, given that it is in the process of monetising, we are not there yet. So there is no point looking at the past, instead we should look at the future as we monetise the landbank, as we transition to the asset-light model, we are targeting to not just achieve, but exceed our ROE target. Under Connectivity, M1 has already embarked on the asset split exercise, so that business, in terms of ROE, is not the biggest challenge. As for the data centre business, that is the one where we need more scale in order for us to reach the ROE target.

LCH: The key one is really, as I mentioned at the AGM, the landbank, because the landbank is not insignificant. You know, just to be clear, I love the landbank because it is really of value. So it is not that I do not like it. It is just that it does not quite fit with what we are trying to do. So, it is a question of how do we monetise it. But until it is monetised, the landbank sits on the balance sheet, produces no income, and has a lot of overhead costs. So by virtue of the fact that we can monetise the landbank, and we can reinvest to generate recurring income, that in itself will improve our returns.

Earlier, I think Hon Chew mentioned about the fees from the operation and maintenance (O&M) of the various assets. This is not to be underestimated. So for instance, for the Bifrost cable system that we are building, we are selling and leasing the fibre pairs, so we will make fees on the asset management side, but an area that is also very important is that for all these fibre pairs, you need 25 years of maintenance, because it lasts for 25 years. So, when we lease it or when we sell it, we have an O&M contract for the maintenance. So this is quite a significant recurring income for Keppel T&T.

In terms of the fund-raising business, Christina by herself cannot go around raising funds, but are you looking at hiring more rainmakers? Because development's mindset is a little different from the mindset for Funds under Management. And for residential, how does that fit into a recurring income type of business? Or are you looking at other areas besides China and Vietnam residential, which have been tough the last couple of years.

LCH: Maybe I will ask Christina to talk about fund raising.

CT: Thanks, Mervin, for raising that question. Whenever we raise a fund, for example, for the infrastructure fund, we use a OneKeppel approach, as investors like us because we are differentiated from other managers. So, I will invite Cindy to join us for our due diligence meetings with investors in order for them to understand the key operational capabilities we have within the Group. So that is why even though KAIF was raised during COVID-19, when none of us could travel and we had to do investor meetings online, we actually had the benefit of our other CEOs helping us in these virtual meetings with our investors, where the investors understand how capable Keppel is in terms of infrastructure assets, in the energy transition or environment space. We work closely as a team. For our data centres, Wai Meng and Thomas will actually be actively involved as well. We work closely as OneKeppel. But we will also be looking to recruit more people. We already started with a small team, but we will definitely grow with our fund raising.

LCH: So what Christina is saying is that Keppel sells itself. I think the point is that fund raising is a very important element and feeds the whole machine. Even if you look at Keppel Capital as a standalone business, meaning it is another business unit, and even on that score, we have been quite successful. You can see the funds that have been raised over the past three years. It is not insignificant. And we are – as what Christina was saying – also looking at how we can organise the fund raising even better. So in a way, we want to industrialise this, not just in terms of the fund raising, but also how we do deals, how we add value. This is what Keppel's DNA is. We are not always looking at how we do it, but how do we industrialise at scale, and we can bring that into the asset management business. Maybe I will ask Louis to talk about residential development.

LL: We are pivoting away from trading. We are looking at building more recurring income, so doing a lot more sustainable urban renewal developments, senior living, as well as Keppel Urban Solutions, which is our large-scale integrated development business, where we have different parts of the Group to come in. So I think it is selective, but we do pursue projects, for example, in Vietnam and China, where we can get hold of investors, or better yet we can bring them into the fund and then we can get recurring income. So we will participate, but it would not be the same way as we have done before.

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

I wanted to ask about comparables because after this restructuring, you want us to view Keppel fairly differently, so who would we see as your potential peers?

LCH: It's a good question. I am trying to see how best to answer it. The truth is we are quite unique in a sense. If you think about it, there are very few players even within the region, who can say they have the capabilities in infrastructure, energy transition, data centres, connectivity, 5G, and also in real estate solutions.

Yet at the same time, we are strong not just in operating these, but we are also strong in the asset management side. I believe Keppel would be quite unique. Of course, there are players who are in one area, in one sector, where they are an asset manager or they are trying to be an asset manager.

Globally, there are a few players like this. For us, we are always looking globally – because we are not looking to be a Singapore asset manager, we want to be global, so we have to benchmark ourselves against the best in the world, and there are a few peers we are looking at.

The key is that what Keppel offers is quite unique, in one package, the ability to operate, invest, manage this group of real assets and yet with a very strong asset management track record. We think the future is very bright for Keppel. But just to stress, we are playing in the global arena. So we are not just competing locally, nor just within Southeast Asia nor Asia.

<u>Questions from Chen Lin, Reuters</u>

Is this the biggest restructuring ever?

LCH: It is a natural progression for us, given where we have been moving in the last five to 10 years. This is not a cosmetic change, we are actually going through and thinking fundamentally how we organise ourselves. But in terms of whether it is a big reach that is way beyond our means, the answer is no. I think it is well within our means.

What kinds of assets does Keppel plan to manage in its funds?

LCH: We believe that those three segments we are focused on, infrastructure, real estate as well as connectivity, are all growth segments, and we believe we will see all these three segments growing.

What is your geographic focus?

LCH: We aim to be more global. Of course, right now, most of our assets are in Asia Pacific but over time, we expect our presence in Europe and US to grow.

Is Keppel planning to hire fund managers to support your transformation; if so, how many?

LCH: Keppel has been in the asset management business for 20 years, so this is not something that is new to us. I stress that asset management comes in broadly two forms, private funds as well as REITs and Trust. In both of these areas, we have deep experience and capabilities. As we grow our business, I expect that we will be growing not just our Fund Management Platform, but also our Investment and Operating Platforms. All of these will grow over time. So we don't have this specific need to go out and hire prominent or big-name fund managers, because we have already been doing this for 20 years.

Does Keppel see any overlap or competition with Temasek in managing or investing in green energy?

LCH: Green energy is a huge market, which our team at Keppel Infrastructure has been very involved in. The space is huge; the addressable market is large. I don't think there are necessarily any limitations for other Temasek-linked companies to be involved. The space is large enough for more than one or two players.

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