

INTERVIEW WITH THE CEO

THE KEPPEL OF TOMORROW WILL BE DEFINED BY OUR FOCUS ON SUSTAINABILITY, BEING ASSET LIGHT, AND HARNESSING TECHNOLOGY.



LOH CHIN HUA Chief Executive Officer

Q From Keppel's perspective, how would you characterise 2021?

A 2021 was a watershed year for Keppel, as the Group rallied together to accelerate the execution of Vision 2030. Against a volatile backdrop marked by continuing COVID-19-related curbs, supply chain disruptions, geopolitical tensions and inflation, Keppel delivered a strong set of results.

For the first time since 2015, at the start of the offshore & marine (O&M) downturn, Keppel Corporation's full year net profit crossed \$1 billion, reversing the net loss of \$506 million in 2020. Our revenue also grew 31% to \$8.6 billion in 2021.

Significantly, our strong progress in asset monetisation contributed to a strong cash inflow of \$1.75 billion for the year, compared to an outflow of

\$72 million in FY 2020. Our net gearing also fell to 0.68x at the end of 2021 from 0.91x at the end of 2020. We were thus able to propose a final dividend of 21.0 cents, bringing the total dividend to 33.0 cents per share, more than three times what we had paid for the whole of FY 2020.

As part of our efforts to be more disciplined and refocus our portfolio, we announced the proposed combination of Keppel Offshore & Marine (Keppel O&M) and Sembcorp Marine, including the resolution of Keppel O&M's legacy rigs, as well as the proposed divestment of our logistics business. We have made good progress in both these areas and are working towards signing definitive agreements by the end of 1Q 2022.

During the year, we continued to drive transformation and growth in each of our key business units. We have also

made significant strides forward in other Vision 2030 targets, such as strengthening governance, driving innovation, enhancing employee engagement, and improving our safety performance. 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 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.

Q What are Keppel's priorities in 2022?

A In 2022, our focus will continue to be on accelerating our Vision 2030 plans to transform Keppel, building on the strong momentum of 2021. We will continue our asset monetisation programme and increasingly pivot towards an asset-light

model. We will gravitate away from lumpy earnings to more recurring income, and will also continue working towards our medium to long-term Return on Equity (ROE) target of 15% per annum.

In the year ahead, we will look at further focusing and simplifying our business. Under Vision 2030, we see ourselves not as a conglomerate of diverse parts but as one integrated business providing solutions for sustainable urbanisation.

As we pursue the many exciting growth opportunities, we will be very disciplined and selective about what we will do. We will double down and scale up in our focus areas such as renewables, decarbonisation solutions, sustainable urban renewal, data centres and asset management. We will also continue to focus on risk management, compliance and controls, safety and project execution.

The Keppel of tomorrow will be defined by our focus on Sustainability, being Asset Light, and harnessing Technology, which has always been one of Keppel's fortes. I am confident that, guided by Vision 2030, we will emerge stronger, more relevant, and on a faster growth path than before.

Q Can you provide an update on your asset monetisation programme? What will you do after you have achieved the \$5 billion target? Will you set a new target?

A We have been making good progress over the past one and a half years. We announced in September 2020 that we planned to achieve \$3-5 billion in asset monetisation over three years. At our first half results in 2021, I shared that we were confident of reaching the higher end of our target by the end of 2023.

With \$2.9 billion in asset monetisation announced by the end of 2021, as well as a pipeline of deals that we are currently working on, I am confident that we can exceed our asset monetisation target of \$5 billion by the end of 2023, if not earlier.

We will focus on exceeding the \$5 billion target first, before setting any new targets.

The key point is that asset monetisation is integral to Keppel's strategy to be asset light, and we have seen how powerful it can be in improving cashflow and earnings. We will not be stopping at \$5 billion but will continue to drive asset monetisation as a consistent feature of Keppel's business model moving forward. This will allow us to regularly

unlock capital for re-investing into new growth areas, as well as reward our shareholders sustainably.

Q Can you provide an update on the proposed combination of Keppel O&M and Sembcorp Marine, as well as the resolution of the legacy rigs? What is Keppel O&M doing in the meantime?

A Discussions on the proposed combination of Keppel O&M and Sembcorp Marine are progressing steadily. As it is a highly complex transaction, both sides are doing detailed due diligence. I am optimistic that we can arrive at a mutually beneficial proposition, and we are working towards signing definitive agreements by the end of the first quarter of 2022.

In the meantime, Keppel O&M is pressing on with its transformation to be a nimble, asset-light and people-light Operating Company (Op Co), focused on seizing opportunities in the energy transition. These efforts have allowed Keppel O&M to perform resiliently, even though the O&M sector remains challenging and continues to be affected by labour and supply chain disruptions.

In 2021, Keppel O&M secured \$3.5 billion in new orders and ended the year with a strong net orderbook of \$5.1 billion.

»» We will further focus and simplify our business. We see ourselves not as a conglomerate of diverse parts but as one integrated business providing solutions for sustainable urbanisation.



◀ Keppel is well-placed to provide compelling solutions that can help to advance sustainable development and climate action. (In picture: Artist's impression of climate-resilient nearshore urban developments or "floating cities", which Keppel Land is exploring with other Keppel business units.)

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➤ The Group is actively exploring opportunities in low-carbon energy such as renewable energy and liquefied hydrogen, among other areas.

It also continued with aggressive cost management efforts that led to a reduction of about \$140 million in overheads year-on-year. In line with our earlier stated target for Op Co¹ to be financially independent and profitable over time, Op Co achieved a net profit of \$66 million for FY 2021.

With rising oil prices, the offshore drilling rig market has also 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 expected to rise even further over the next few years. With improving market conditions, we are hopeful that Keppel O&M's legacy rigs, which would be injected into a separate Asset Co to be majority owned by external investors procured by Kyanite Investment Holdings, can be substantially monetised over the next three to five years.

If we are successful in the proposed combination of Keppel O&M and Sembcorp Marine and the resolution of the legacy rigs and associated receivables, our Energy & Environment segment would then comprise our business activities in renewables, new energy, decarbonisation and environmental solutions. It will be much more streamlined, focused and aligned to Keppel's mission.

Q Can you provide an update on the key initiatives that Keppel is undertaking in the sustainable infrastructure space as you make sustainability your business?

A Sustainability holds immense business opportunities for Keppel. The net zero

commitments made by governments and companies around the world will create strong demand for renewables, clean energy as well as decarbonisation and environmental solutions. These are areas where Keppel has strong capabilities and a proven track record, and where we can help our customers on their journeys to net zero.

Many of the Group's new business pursuits and research and development efforts in the past year were in these areas, including exploring the import of renewable energy to Singapore, developing electric vehicle (EV) charging infrastructure, securing Singapore's first Energy-as-a-Service contract, and studying the feasibility of developing an Asia-Pacific green ammonia supply chain.

In December, we announced the acquisition of a majority stake in Cleantech Renewable Assets, a leading solar energy platform. Including this transaction, we have announced renewables projects with a total capacity of 1.1GW. As we progress towards our target of 7.0GW of renewable energy assets, we will not only pursue greenfield developments, but will also explore opportunities to acquire stakes in established renewable energy platforms, allowing us to grow our presence in renewables even more quickly.

A big part of our business is also in providing decarbonisation solutions, whether it is through Keppel Infrastructure, Keppel Land or Keppel Data Centres. Keppel has been helping our customers drive down their carbon footprint through district cooling systems as well as smart,

zero-energy buildings. We are also working on energy-efficient floating data centres that use seawater for cooling, which we plan to launch in 2022, subject to regulatory approval.

Over the longer term, we are also looking at developing solutions for carbon capture, utilisation and storage, as well as new energy solutions, such as green ammonia and hydrogen, to meet the burgeoning global demand for clean energy.

As we progress towards Vision 2030, we will continue to explore inorganic opportunities to acquire assets, operating platforms and technologies that would allow us to scale up quickly in these new areas. Keppel Capital can also bring in additional funding from private investors to increase the Group's dry powder for investments.

Q What are your views of the China market in light of the debt crisis facing Evergrande and other Chinese developers?

A Although sentiments have turned more cautious after the debt crisis affecting developers in China, we remain optimistic and confident about opportunities in China over the mid to long-term. Despite the slowdown in GDP growth, China's economy, which grew 8.1% in 2021, is still one of the fastest growing economies in the world. The Chinese government is also taking steps to stabilise the economy.

China should not be seen as one market; the debt crisis and slowing growth are not affecting different Chinese cities in the same way. In 2021, Keppel Land's home sales in China actually grew 32% year-on-year to 2,780 units. In the Tier 1 cities where Keppel is present, demand remains quite strong, as we have seen from some of our recent launches.

In every crisis lies threats, and also opportunities. The current situation in China's real estate market may present opportunities for Keppel, as some local developers in China may need foreign capital to help them invest. This is where we can play a role, either as a joint venture partner, or a provider of funding by bringing in co-investors.

Q How is Keppel Land progressing in its transformation into an asset-light provider of urban space solutions?

A Keppel Land made significant progress towards becoming an asset-light urban space solutions provider over the past

» Renewables, clean energy, decarbonisation and environmental solutions are areas where Keppel has strong capabilities and a proven track record, and where we can help our customers on their journeys to net zero.

year. It completed the monetisation of eight projects in FY 2021, with total proceeds of about \$1.9 billion and net gains of over \$450 million².

About 60% of the proceeds were realised from its residential landbank, which is held in our books at cost. At the end of 2021, our residential landbank had a historical cost of about \$3.8 billion, while the market value of these assets was almost 74% higher at \$6.6 billion. There is thus substantial value that we can continue to unlock through our asset monetisation programme and redeploy for growth moving forward.

Meanwhile, Keppel Land is also actively working with Keppel Capital to access more third-party funds for investments. In January 2022, Keppel Land together with Keppel Vietnam Fund and its investor, acquired a 49% interest in three residential land plots in Hoai Duc, Hanoi for close to \$160 million. Through working with Keppel Capital, Keppel Land can scale up in its key markets in a more asset-light manner.

Real estate today is undergoing a fundamental business model redesign, accelerated by the pandemic, and enabled by digitalisation and a growing market for smart buildings. Keppel Land is remaking itself to embrace new business models such as Real Estate as a Service and leveraging new technologies and artificial intelligence to sharpen its focus on customer centricity, all of which will contribute to growing recurring income. Some of the initiatives being explored include offering core or flex space solutions for individuals and businesses, transforming office and retail spaces with digital and experiential offerings, senior living and related amenities, as well as digital services for smart cities.

Keppel Land is also expanding its capabilities to provide solutions for sustainable urban renewal. A good example of this is Keppel Bay Tower, a 20-year-old office property, which we had upgraded and turned into Singapore's first BCA Green Mark Platinum (Zero Energy)

commercial building. This is not only a good business case but also contributes towards sustainable development by reducing waste and supporting the circular economy.

Q How will Keppel grow its Connectivity business into a bigger contributor to the Group?

A Connectivity, as the name suggests, can play a key role in linking up Keppel's business units. Our data centre business is a foremost example of how our diverse value chains are converging, as business units work steadily together to grow the pie.

Keppel is probably one of the most – if not the most – integrated data centre solutions provider in the world. We not only have a strong track record for developing and operating data centres, but also an established asset management platform that nurtures these assets from cradle to maturity, as well as capabilities in clean energy and infrastructure.

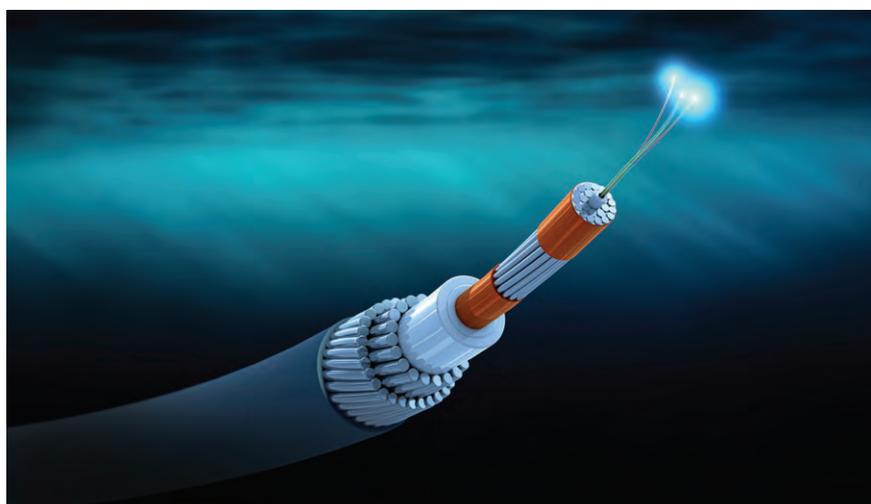
Leveraging the Group's expertise in the Energy & Environment segment, we are exploring how we can centralise the

provision of utilities required by data centres. We are looking into implementing our proven district cooling solutions to reduce power consumption for cooling data centres. Keppel Infrastructure and Keppel Renewable Energy are also exploring the provision of renewables, and zero-carbon energy alternatives including hydrogen to power the data centres. Our integrated solutions will not only improve energy efficiency and reduce carbon emissions of data centres but can also be a key strategic differentiator for Keppel.

Through our investment in the Bifrost Cable System, Keppel's data centre customers can also benefit from the enhanced connectivity and network diversity that Bifrost affords. Already, we have seen strong demand for our fibre pairs and are confident that most of these would be committed before the cable system is completed in 2024.

Meanwhile, M1 has made good progress in a multi-year journey to transform itself from a traditional telco into a cloud native connectivity platform. It is swiftly rolling out its 5G Standalone network and 5G use cases in Singapore, while expanding its enterprise business in the region. We will fully leverage M1's 5G and data analytics capabilities to glean actionable insights, as well as connect and empower the Group's spectrum of solutions from smart buildings to infrastructure plants to asset management.

¹ Op Co comprises Keppel O&M (excluding the legacy completed and uncompleted rigs and associated receivables) and its interests in Floatel and Dyna-Mac.
² About \$380 million of the net gains were recognised in FY 2021, while the rest was recognised in FY 2020.



Keppel has seen strong demand for its fibre pairs in the Bifrost Cable System, whose manufacturing commenced in December 2021.

»» With our business units working together as an integrated value chain, supported by highly energised employees, I am confident that we can achieve our Vision 2030 targets by 2025.

To further drive the Group's digital transformation, we have recently appointed M1's CEO, Manjot Singh Mann, concurrently as Keppel's Chief Digital Officer. This reflects our focus on leveraging digital transformation to accelerate the achievement of Keppel's business priorities, harness the Group's synergies and sharpen our competitive edge. As we further integrate our solutions and value chains, Keppel is set to become a formidable connectivity solutions partner to customers, governments, and various stakeholders.

Q What are the plans for the Asset Management business moving forward? How do you plan to scale up this business?

A Our Asset Management business has made good progress over the years. It is the segment which pulls together the rest of the Group and serves as a powerful catalyst to realise synergies and create value.

In 2021, Keppel Capital's net profit grew 38% to \$117 million, from \$85 million in FY 2020¹. Asset management fees rose steadily, growing 29% year-on-year, further boosting the Group's recurring income. The assets under management (AUM) under Keppel Capital also grew by 14% to \$42 billion as at the end of 2021.

Amidst international concerns about inflation, we see strong demand from investors for real assets with long-term sustainable cash flows. Many of the investors whom we speak to want to work with a partner like Keppel, who is able to develop and operate these real assets. This is where Keppel has a very unique position – beyond our own balance sheet, we can tap third-party funds to create even more end-to-end solutions for sustainable urbanisation that our customers seek.

There is sometimes a misperception that being asset light means doing less. This is incorrect. For Keppel, going asset light means doing more, with less. Let me give an example.

We said in June 2020 that the Group had \$17.5 billion of monetisable assets,

based on carrying value. Suppose we were able to monetise these assets at a market value of about \$20 billion. If we were to use say \$5 billion of the proceeds to reward shareholders through dividends, repurchase shares, and also pay down debt, then we would have \$15 billion left to re-invest for growth.

Currently, Keppel Capital's AUM is \$42 billion. And Keppel has put in about \$3.5 billion from our balance sheet to date. Therefore, if we were to invest the entire \$15 billion through Keppel Capital, then our AUM could potentially grow to over \$200 billion, assuming that a similar multiple applies. Of course, this is just a hypothetical example, but it illustrates how we can do more with less and harness our asset-light model to scale up and accelerate growth.

There are many exciting assets and investment opportunities across Keppel's Vision 2030 focus areas that we can explore and expand into. What is required is solid execution, and finding the right deals to achieve our goals.

Q Can you provide an update on Keppel's initiatives to enhance collaboration across business units, and move towards one integrated business?

A We have made good progress in getting business units to work with one another over the past few years. Collaboration is now a regular part of Keppel's modus operandi. In the next chapter of Keppel's growth under Vision 2030, we are moving from collaboration to integration. We are increasingly focused on building end-to-end value chains, especially for the new growth engines where we want to scale up and establish our competitive advantage quickly.

To bring about such integration, we have formed OneKeppel Teams for each of our growth areas to zero-in on opportunities such as data centres, infrastructure, energy transition and more. OneKeppel Teams bring together talent and expertise from various business units and functions to evaluate and pursue opportunities across the projects' development stages, from

cradle to maturity, be they investments by the Group's private funds, operating entities or listed REITs and business trust.

Working as OneKeppel, we can also undertake more complex deals, including those with hybrid structures, by drawing on the strengths of each business unit to offer investors and customers compelling and distinct value propositions. OneKeppel Teams will play an increasingly important role in integrating our value chains, as well as unlocking synergies and access to new profit pools.

Q What are some of the merger and acquisition (M&A) opportunities that the Group is exploring? How will you fund these opportunities?

A We are exploring a number of exciting M&A opportunities, as we continue to grow Keppel's business in line with Vision 2030. Keppel is well-placed to seize opportunities in renewables, decarbonisation solutions, urban renewal and connectivity, which are supported by the macro trends of urbanisation, digitalisation, and growing international concerns about climate change.

As we monetise assets, we will be able to free up our balance sheet and put the capital to work in pursuing new growth initiatives. However, we are not limited just to the size of our balance sheet. We will have the option of tapping on co-investment capital from Keppel Capital's private investors, or even our REITs and Keppel Infrastructure Trust, for some of these investments. We can also choose to take on larger investments through forming consortiums.

A recent example is the acquisition of a majority stake in Cleantech Renewable Assets, a leading solar energy platform, for up to US\$150 million. This deal was undertaken by Keppel Corporation, together with Keppel Asia Infrastructure Fund (KAIF) and a co-investor of KAIF. We are also in the process of engaging potential co-investors for Keppel's fibre pairs in the Bifrost Cable System.

Q Analysts have described FY 2021's total cash dividend of 33.0 cents per share as "generous". Is this a sustainable level moving forward?

A We know that dividends are important to many of our shareholders. While we do not have an explicit dividend policy, we have been consistent in paying

¹ Keppel Capital's net profit includes 100% contribution from the Manager of Keppel DC REIT.

out 40-50% of our annual net profit as dividends over the past few years.

We have proposed a generous final dividend, considering not only the profit that has been made, but also the strong progress the Group has achieved in our asset monetisation programme. The total dividend of 33.0 cents per share for FY 2021 represents a 45% payout ratio, after ringfencing \$318 million of impairments associated with KrisEnergy, as we said we would. This translates into a gross dividend yield of 6.4% on Keppel Corporation's last transacted share price of \$5.12 as at 31 December 2021.

As the Group's financial performance and recurring income continue to improve, and we make further progress in achieving our monetisation target in excess of \$5 billion by end-2023, I am confident that we can continue to reward Keppel's shareholders well.

Q What was the rationale for launching the \$500 million Share Buyback Programme? Why is Keppel raising its share purchase mandate to 5%?

A We are proposing to raise Keppel Corporation's share purchase mandate from 2% to 5% to support and accelerate our share buyback programme.

Shares repurchased under the buyback programme will be held as treasury shares which will be used in part for the

annual vesting of employee share plans, and more importantly, as possible currency for future M&A activities under Vision 2030. Rather than paying a full cash consideration, we will be able to offer a mix of cash and shares when making acquisitions. This is especially important when acquiring founders' platforms. Using shares as acquisition currency would help ensure that the founders of such platforms have vested interests in the long-term success of Keppel, thereby aligning their interests with Keppel's.

Q Can you share more about Keppel's focus on sustainability and climate change?

A Sustainability is not new for Keppel. But as part of Vision 2030, we have given it even greater importance and put it at the core of our strategy. This means both running our business sustainably, and providing solutions that help governments and our customers get to net zero and contribute to climate action. In line with our enhanced focus on sustainability, we have appointed a Chief Sustainability Officer to lead the Group's sustainability efforts.

We have announced our carbon emissions reduction targets, which feature prominently in the performance scorecards and long-term incentives of senior management across the Group. We are also increasing our focus on climate-related risks and opportunities, in line with the recommendations

of the Task Force on Climate-related Financial Disclosures.

Just as importantly, we are making sustainability our business. Many of our new business initiatives are in sustainability-related areas such as clean energy, EV charging infrastructure and green buildings. Keppel's businesses and the solutions we provide are also highly aligned to Singapore's Green Plan 2030. These are areas where Keppel has the relevant capabilities and track record, and where I believe we can make a significant contribution to the world.

Q Are you optimistic about achieving Vision 2030 goals by 2025?

A The short answer is, yes, certainly. As the world focuses increasingly on climate change and environmental degradation, Keppel is well-placed to provide compelling solutions that can help to combat climate change and advance sustainable development.

We are in the right space, at the right time. I am heartened to note that in a recent survey, 83% of Keppelites have indicated that they are inspired by our mission to provide solutions for sustainable urbanisation.

With our business units increasingly working together as an integrated value chain, and supported by highly energised employees, I am confident that Keppel can achieve our Vision 2030 targets by 2025.



Supported by highly energised employees, Keppel can achieve our Vision 2030 targets by 2025.