

## **Keppel Corporation 1Q 2021 Business Update**

### ***Media & Analysts Conference Call Transcript***

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### **Opening remarks by Loh Chin Hua, CEO of Keppel Corporation**

Good evening, analysts and friends from the media.

This is the second time we are having a voluntary business update since Keppel Corporation moved to semi-annual reporting of financial results.

We are not sharing our financial results, but we have provided key updates and metrics across our businesses in the slides and media release, to give you an overview of the Group's performance.

Let me provide a quick overview before we launch into Q&As.

First, while the macroenvironment remains challenging, the Group has made creditable progress.

The Group recorded a net profit in 1Q 2021, which is slightly higher compared to our net profit in 1Q 2020 of S\$160 million. I might also add that most of our net profit this quarter was from operating income, compared to 1Q 2020 where we had a sizeable contribution from the reclassification of KIT.

All key business units were profitable, apart from Keppel Offshore & Marine (Keppel O&M).

However, Keppel O&M's performance has improved quarter on quarter, with EBITDA for 1Q 2021 turning positive due to improving margins and productivity. The team at KOM has continued to work hard and they have continued to squeeze cost out of the overheads. Last year, we were able to save about S\$90 million in total from the overhead costs, and in the first quarter this year, the team has added another S\$20 million in savings in overheads.

The Group's net gearing was lower at 0.88x as at 31 March 2021, compared to 0.91x as at end-December 2020.

Had the divestment of Keppel Bay Tower been completed in 1Q 2021, it would have further reduced the Group's net gearing to 0.83x.

We continue to make progress towards our Vision 2030 goals, including launching new initiatives such as the Bifrost Cable System, which will expand our Connectivity business and allow us to harness synergies across different business units, such as Keppel Data Centres (Keppel DC), M1 and Keppel Capital.

We are also continuing to execute our asset monetisation plans, and will be announcing further divestments in due course.

As we work toward achieving our monetisation target of S\$3-5 billion over the next three years, the funds unlocked will allow us to build new capabilities and fuel our ambitious growth plans under Vision 2030, and also better reward shareholders.

## **Energy & Environment**

In the Energy & Environment segment, we are making good progress in the organic transformation of Keppel O&M. Keppel O&M is carefully managing costs while actively seizing new opportunities, and is also engaging in discussions with potential buyers and charterers of its rig assets.

Keppel O&M's revenue in 1Q 2021 was lower year-on-year mainly due to termination of the Awilco rigs.

During the quarter, Keppel O&M delivered Singapore's first LNG bunkering vessel and an LNG carrier.

Keppel O&M had secured S\$66 million of upgrading and repair contracts for projects including wind turbine installation and gas-related vessels.

In addition, in response to media reports, we have disclosed that Keppel O&M is in advanced discussions with Petrobras on the P-78 FPSO project, but no definitive agreements have been entered into yet. Of course, we will have to wait until the contract is officially awarded. If that happens, we could see a doubling of our net orderbook.

As at end-March 2021, Keppel O&M's net orderbook stood at S\$3.0 billion, about 80% of which comprised renewables and gas-related solutions.

At this time last year, we were in the midst of the Circuit Breaker, and the workforce at Keppel O&M's yards in Singapore had dropped significantly.

Since the end of 2020, our Singapore yards have been working at close to full capacity, with safe management measures in place. In 1Q 2021, a workforce of about 19,000 has returned to the yards and offices in Singapore.

As we progress with the transformation of Keppel O&M, we are also continuing to explore inorganic options for our offshore & marine (O&M) business, although we are unable to share any further details at this juncture.

Keppel Infrastructure's overall performance was steady in 1Q 2021. Revenue was S\$635 million, close to the S\$651 million for 1Q 2020.

Keppel Infrastructure's EBITDA was S\$31 million for 1Q 2021 compared to S\$43 million for 1Q 2020.

Keppel Infrastructure continued to execute on its integrated waste management facility projects in Hong Kong and Singapore, which were about 29% and 7% completed respectively by the end of March 2021.

In line with our commitment to provide sustainable urbanisation solutions, Keppel Infrastructure has announced plans to form a joint venture with StarCharge to invest in,

develop, own and operate EV charging infrastructure in Singapore, and also pursue other EV-related opportunities in the region.

### **Urban Development**

In the Urban Development segment, Keppel Land performed well, with home sales tripling year-on-year to 1,360 units. This was underpinned by stronger performance in China, Vietnam and Singapore.

In Singapore, the Reef at King's Dock is about 80% sold, while the Garden Residences is almost fully sold.

During the quarter, Keppel Land completed divestments of three projects across China, Vietnam and the UK and also acquired the remaining 25% stake in Riviera Point, Vietnam.

Over in Tianjin Eco-City in China, our master developer SSTECH sold a commercial and residential land plot in March for about RMB1.5 billion, further driving the Eco-City's development.

### **Connectivity**

In the Connectivity segment, I have spoken about Keppel Telecommunications & Transportation (Keppel T&T)'s collaboration with Facebook and Telkom Indonesia to jointly own and develop the Bifrost Cable System. Keppel T&T has just signed a binding term sheet with leading Philippine fibre broadband provider, Converge, to grant them an Indefeasible Right of Use for one fibre pair on the main trunk of the Bifrost Cable System. We expect most of Keppel's fibre pairs to be pre-committed before the completion of construction.

Keppel T&T continues to make progress on the planned divestment of its logistics and channel management business. The bidders have been shortlisted and are currently conducting due diligence.

M1's 1Q 2021 performance was lower year on year, mainly due to lower roaming and prepaid revenues.

Its EBITDA was S\$55 million for 1Q 2021 compared to S\$73 million for the same quarter last year.

During the quarter, M1 established new partnerships with Continental and JTC for 5G Standalone Autonomous Mobile Robots operations, and also launched a new brand identity with personalised offerings and enhanced customer experience backed by Singapore's first-of-its-kind cloud native digital platform.

### **Asset Management**

In the Asset Management segment, Keppel Capital performed better year on year, mainly due to stronger operating results as well as mark-to-market gains of investments.

Keppel Capital's asset management fees grew to S\$42 million for 1Q 2021, compared to S\$35 million for the same quarter last year.

Keppel Capital continues to grow with the launch of a China logistics property fund, and the securing of a S\$360 million separate account mandate from Dutch pension fund manager, PGGM.

This sums up the overview of the Group's performance.

Earlier this week, Keppel Corporation issued a statement on KrisEnergy's restructuring plan and its announcement that material uncertainty existed over its ability to continue as a going concern.

We are evaluating the impact of KrisEnergy's announcement and determining the best course of action for Keppel, together with our financial advisor. I will not repeat what we had announced two days ago, but if you have any questions, I can address them later.

Let me now open the floor to questions.

### **Question & Answer session**

#### **Questions from Terence Chua, Phillip Securities Research**

**Hello management, thanks for the presentation. My first question is: is there any update on Keppel Logistics? Second question, you managed to sell a plot at SSTECH. Can I understand which plot this is, and what is the gain you realised from this? Third question is: can you provide an update on the home sales for 19 Nassim? Thank you.**

**LCH:** Thank you. We will answer the questions in that order. I will invite Thomas Pang to address the question on Keppel Logistics.

**TP:** Thank you very much for the question. We have gone into Phase 2 of the strategic review process. The potential bidders are conducting due diligence and we are aiming to have a final offer some time in Q3.

**LCH:** Thank you Thomas. Can I invite Hon Chew to address the question on the recent sale of the plot of land in Tianjin Eco-City? I think it is Plot 17.

**CHC:** Plot 17 is a commercial and residential plot. It is quite a large plot of land that was sold after listing back in February. However, we have yet to recognise the profits from that plot because the transaction has yet to be completed. We expect completion to be in May, so that will be captured in our 1H results announcement.

**LCH:** There is one more question on home sales. Louis?

**LL:** For 19 Nassim, to date we have sold two out of the 101 units. It must be noted though, that the viewing is strictly by appointment so far, so we have not really been pushing. We are confident that we will be able to sell out the project before the revised ABSD deadline of March 2024. Generally, the central region has been a little bit softer than the OCR and RCR; as mentioned before, we have sold all but three units of The Garden Residences, and we have sold to date 82% of The Reef at King's Dock.

#### **Question from Chang Kwok Wei, Citigroup**

**Hi, thanks for the call. My question is on the Buzios FPSO for Petrobras. Industry journals have mooted the contract value to be in the range of about US\$2.3 billion. And in your strategic review, you mentioned that moving forward, the Op Co will be asset-light as fabrication is outsourced. If we put these together, how big a portion of this sizeable contract value will be attributable to the subcontractor? Maybe just some colour on the scope and complexity of works involved, and how they will be divided up for the new build project.**

**LCH:** Thank you for the question Kwok Wei. I will invite Chris Ong to provide the response.

**CO:** Thanks for the question. First things first, we must note that we are still under negotiations, so we cannot divulge too many details. But to your question, this is in line with our asset-light, people-light strategy, because we have a very capable partner that we have approached the tender with, and they will be working mainly on the hull side. The contracting party will be Keppel Shipyard, and the majority of the scope will be under Keppel Shipyard itself.

**Thank you.**

Questions from Lim Siew Khee, CGS-CIMB Research

**Hi, I was going to ask about P-78, because Chin Hua mentioned just now that if you did secure this contract, your orderbook would double. And then you just said it would be an asset-light strategy. So just looking at what is being announced, or rather, what is being floated in the news flow, how should we be looking at it, when it is asset-light, yet the orderbook would also be doubled? Just wanted to get what your involvement is in this project. In terms of orderbook scope, I know that your subcontractor will do the hull. Could you elaborate a little but more on that?**

**Secondly, when do you think this will conclude? I know you are in advanced discussions, but would it be 1H or 2H?**

**LCH:** I will start first, then I will invite Chris to elaborate.

First of all, this is in line with what we had announced, that we want to be an integrator, taking more of an EPC approach. Given the yards that we have, it will be difficult for us to build the hull ourselves, so this is actually a good arrangement. As you have heard from Chris, we have a very credible partner that can build the hull. The other thing I want to say, just to be clear, is that this is on milestone payments, so this is quite attractive to us. Of course, the team has also been working very hard in terms of identifying the risks associated with playing the role as the integrator, and we have developed a very comprehensive plan to make sure that this project can be executed safely, on time and on budget.

I will ask Chris to add on.

**CO:** You asked about the scope. As mentioned, we have discussions that are still ongoing, but generally, the partners have been announced. So from there, you can roughly understand where the split would be. For more details on where each portion would go, we would have to wait for the award. The award should fall within 1H, but that is dependent on when they are actually ready to award. But we have completed commercial discussions.

**Thank you. In terms of the land that is being sold in SSTECH, can you share the ASP (average selling price)? How is it compared to the previous sale?**

**LCH:** It is more or less in line. Of course, this site has some commercial and residential elements.

**Ok, because when I look at the sale price of RMB 1.5 billion, is that big or small? Just wanted to get a feel. But it is ok, we will just wait until completion.**

**You mentioned the prospect of EVs. How should we be looking at that; is it in the investment phase? How much will this contribute to the Group in the next 1-2 years?**

**LCH:** Cindy?

**CL:** The EV charging space and EV-related opportunities will see transformation in the foreseeable decade. As to your question, in the next 1-2 years, I do not think we are able to give any guidance, but suffice to say we are very bullish about this sector, given the fact that Keppel Electric has a very strong Open Electricity Market retailing track record. We see pull-through in this area.

**LCH:** The short-term impact would probably not be very big, but as you have heard from Cindy, we see that this is going to be a very important segment going forward, especially when EVs become more of a norm than what it is today. And we can connect all the different pieces within KI and the Keppel Group. This is again part of our Vision 2030, to see how the different parts of the Group can be a connected value chain.

**Thank you. My last question is on the resurgence of COVID-19 cases in the dormitories, just wanted to check if you would be affected?**

**LCH:** I hope not, but I will ask Chris to give a bit of colour. You are referring to the workers' dormitories?

**Yes.**

**CO:** At this moment, we are conducting regular surveillance. At the yard, we have conformed to Safe Management Measures, and the areas are zoned. We are trying to control the situation as much as possible. So far, there are no cases on our side, but we have to be vigilant about it.

**LCH:** We test our workers every two weeks.

**Thanks. One follow-up question on divestment: I know you have been actively engaging buyers to sell rigs. Do you think we will be hearing some positive development by 1H realistically?**

**LCH:** It is not just looking at monetising the rigs, but we are also looking at whether we can do time charters as well. The team is working very hard. We are actually putting together a group of people, including some external hires, that can lead these efforts, because the skill sets required are somewhat different from what we traditionally do at the shipyard. Chris, would you like to add anything?

**CO:** We are actively talking to a number of parties, including in leasing, operating and also of course buying. But it is premature to say anything right now, because chartering is very dependent on the charter contracts' timeline, but we are progressing along these lines.

**Thank you.**

Questions from Rahul Bhatia, HSBC Global Research

**Good evening everyone. My first question is on EV-related opportunities. You mentioned that you are looking at more things other than the charging infrastructure. Can you help us understand more on what in the EV value chain you are exactly looking at in addition to charging? And as a start, what size of investment will you be making, or if you can give us some range of the absolute amount of initial investment?**

**My second question is on renewables. Can you please update us on the solar project in Australia, what stage we are at in that, and any near-term projects or countries you are looking at for further renewable investments. Thank you.**

**LCH:** Cindy, the question is on EV charging, on what other adjacencies we can look at.

**CL:** Thanks for the question. We look at the EV charging infrastructure as a pathway towards decarbonisation. This is very aligned with our Vision 2030 drive of putting sustainability at the heart of our business. In terms of the roll-out of plans in Singapore and the region, as you have read in the media, the Singapore Government has launched its Green Plan 2030. By 2030, the target number of EV charge points in Singapore will be more than doubled. Suffice to say, Keppel will target to seize a meaningful market share. In terms of the investment to be deployed, our investments will keep pace with the EV adoption and utilisation rate for Singapore. Directionally, it will be in the tens of millions of dollars.

**LCH:** Maybe we will ask Chris Ong to address your question on renewables.

**CO:** Rahul, I believe you are referring to the Harlin solar farm development that we have announced. So far, we are at the stage of the Foreign Investment Review Board in Australia. There are no known issues, and we are progressing along. Financial close is expected to be in 1Q 2022. In terms of opportunities, Keppel has set the renewable energy front as an area that is very relevant to our Vision 2030. We are working very hard. But this is not only on the Keppel Renewable Energy front. We are also working with the other parts of the Keppel Group, like the Keppel Asia Infrastructure Fund, and also some of our internal stakeholders. We have a stream of potential projects, including greenfield and also operating assets. The team will be working hard to achieve our 7GW target by 2030.

**Perfect, thanks a lot.**

Questions from Jeffrey Tan, The Edge Singapore

**Hi everyone, thank you for the briefing. I have two questions on your push towards green energy in the offshore wind energy industry. Geographically, where exactly do you see opportunities? Second, what are the margins for your EPC projects for the wind turbine installation vessels (WTIV)? Thank you.**

**LCH:** I will address the first part, then I will invite Chris Ong to jump in as well, and then maybe Chris can also address the second part on the margins.

Green energy is quite an interesting area. As you heard from Chris, this is one of the major pushes for us under Vision 2030. Keppel not only wants to be a sustainable business, but we see sustainability as our business. We are quite serious about this 7GW target. I think initially our focus would be in the region. You have heard about Australia, and I think the dynamics there in terms of the feed-in tariffs etc. are quite interesting. Of course, in the longer term, there is also the opportunity not just to sell the green electrons in Australia, but potentially when the hydrogen economy becomes technically more feasible and more viable some years down the road, Keppel can also play a part in that. We are also looking around the region, nearer to home, whether it is in Indonesia, Malaysia, Vietnam, and also to a certain extent, India.

**CO:** I can add on. If I get your question, you are also asking about the O&M side of the business. That is the beauty of using the capabilities within the Keppel Group. We are talking about developing renewable energy. At the same time, for Keppel O&M, we are also expanding our portfolio in terms of EPC and designs for installation vessels. Your question about where the geographies are – traditionally for O&M, we are not really dependent on geographies, because our reach to international customers is quite wide. Right now, in the yard, we have a substation for Taiwan, we have a HVDC platform for Germany, and the team is working hard for green energy solutions in different parts of the world.

**LCH:** We also have the Dominion Energy project in the US.

**CO:** For WTIV, we have the Dominion Energy project, which is playing a part in the Jones Act market in the US. That is one segment that we are quite excited about, and we have a presence over there, in the US. On the margins, it is definitely something that we are comfortable with. We are quite firm with the cost. We would only take on projects that add value for us at the end of the day.

**Can you share whether it is single digit margins, or double digit?**

**CO:** We do not share the margins of projects. There are many different types of projects out there, and enquiries in the market. We will be shortlisting those that give us a good cash flow profile and also good returns.

**Thank you.**

Questions from Foo Zhiwei, Macquarie Securities

**I have three questions. Could you remind me what was Keppel Capital's assets under management (AUM) in 1Q 2020 and 1Q 2021? How have you seen management fees as a percentage of AUM change on each of the new funds that you have launched? The second question is on the Bifrost Cable System. You talked about opportunities to secure third party funding through Keppel Capital. How should we think about these opportunities? Is there any potential fee income that can be earned out of that? My third question is on O&M. Given what you have on your orderbook, and any potential contract wins, will we see O&M EBITDA being able to cover your interest expense that sits on O&M? I think that was almost S\$200 million for 2020.**

**LCH:** Thank you, Zhiwei. For the first two questions, I would ask Christina to address.

**CT:** On the AUM, we only announce it annually. It is S\$37 billion as at end-2020. On the management fee as a percentage of AUM, I do not think it is a number that we share. But it would be typical of what most fund managers charge. It also depends on the type of mandate that we have, whether it is a core fund or value-add fund, so it varies. We get typical fees, like what Wall Street managers get.

**LCH:** We only disclose the AUM number at the end of the year. But I will say that for the first quarter, it would have grown.

**As a follow-up on that, when you said "grown", have you fully leveraged up on your AUM? Or is there still a lot of room to lever up?**

**CT:** Are you asking whether we are fully invested and committed on our AUM?

**Yes.**

**CT:** The answer is no. We have raised quite a number of new funds last year, despite COVID-19 and also more new funds this year in the first quarter. The team has started, in terms of its investment pace, since last year, but we have not fully utilised all the AUM. It is quite a big number to work on and grow, but as and when we acquire, there will be acquisition fees, so that is why you will see the improvements in terms of our results, as it contributes to our operational profitability.

**LCH:** For some of the funds, we have commitment fees. For some of the funds, we will only get fees when we invest, or we get more fees when we draw down.

**CT:** That is right. For most of the funds, we have commitment fees, but it varies in terms of percentages. As we draw down when we do new investments or new acquisitions, we will get more fees.

**LCH:** Can we turn to the O&M question on EBITDA - whether we are close to covering the interest plus overheads?

**CO:** Zhiwei, I think your question is actually on the challenges of the O&M market. I do not think that we are isolated in facing this challenge. But that is precisely why when we announced Keppel O&M's organic transformation plan, the interest and expenses were not just localised on the orderbook. At the end of the day, it is about the legacy assets, which we now have a focused team to look at, to get an offtake or cashflow on the assets. That will address the issue. The other part will then be for the Op Co to operate profitably for the projects on hand. For the additions to the orderbook, what is important is the quality of projects that we are getting. On top of that, to be able to carry out operational excellence and convert that to the bottom line. It will take some time, but I think we have a good system in place, and are focused on doing that.

**LCH:** I think quarter-on-quarter, our net losses for Keppel O&M have also narrowed. In this particular quarter, we also had a share of loss from an associate. If you look at just Keppel O&M, which I think is what Zhiwei is looking at, the performance, even at the net profit level, is improving. But our goal, as Chris said, is to reach a point where we can breakeven. That was what we achieved in the first quarter of last year, when we had a net profit for Keppel O&M. Of course, with COVID-19, that created a huge problem last year. But you can see that things are improving, and I think the key for us is really getting the orderbook back in shape. Also, as what Chris said earlier, the quality of the orderbook is very important as well. Most of our orderbook now is in gas and renewables, and more importantly, they are also based on milestone payments.

**As a slight follow up, are you suggesting that if you are able to charter out your rig fleet, you should be able to cover the interest expense for these rig assets?**

**LCH:** If we can sell the rigs or if we can charter the rigs, that will produce cash flow. That will certainly help. In the numbers that we are reporting for 1Q 2021, we have no income from the stranded rigs yet. If things improve, it will help. Every little bit helps.

**I hope you sell them soon. I had a second question on the Bifrost Cable System and the opportunities.**

**CT:** Our private funds are looking at Bifrost. We work closely with Keppel T&T and Keppel DC to look at the projects. I think it is an interesting asset for the funds. It is another real asset that will produce good long-term cashflows for our investors.

**LCH:** It is being looked at by one of Keppel Capital's funds.

**I take it this should be the infrastructure fund?**

**CT:** Yes. The Keppel Asia Infrastructure Fund.

Questions from Jolene Ang, The Straits Times

**Thanks for the sharing. My question is quite similar to the previous one on the Bifrost Cable System. Not sure if you answered it already, but I wanted to find out, what are your plans since a significant amount of money has been put into it? What are the plans you have? What specific revenue opportunities from it? Also, I'm wondering if subsea cable projects is an area that Keppel is targeting to do more of?**

**LCH:** Thomas from Keppel T&T will address this.

**TP:** There are many ways we can monetise the assets. We can sell them outright for a premium, or we can enter into long-term leases with our customers, as what CEO has earlier mentioned, through Indefeasible Right of Use (or IRU) contracts. Hence, this could be in terms of outright sales where you sell the assets first, or it can be broken up into IRUs to sell to different customers. We will look at all the different models in monetising this asset.

**LCH:** On top of that, there is also potential for us to link up with our data centres, to provide point of presence in there. Also, to work with M1 to potentially monetise it.

**TP:** As we have seen in the past one year of the pandemic, the digital push has accelerated. There will be more data that will be produced and moved around. The launch of 5G in many markets will generate a lot more traffic. There will be more opportunities from the need to link up across continents. Singapore, being a very natural hub for the digital economy - we will have opportunities to create more fibre systems, using Singapore as a hub, to different continents. We will work on this. This is a good start, and we will work harder to bring on more projects.

**LCH:** The key there is also linking up - as I said earlier - linking up these cable systems together with our data centres and also our M1 offerings. Of course, the funding can come from Keppel Capital. This is another way that Keppel can hunt as a pack. We believe that Connectivity is going to be a very important segment for us. As assets become smart, they also have to be connected. As what Thomas said, 5G is going to transform not just the way we consume the data, but there will be an impact on industries and businesses as well. These are quite exciting times. We are glad that we have all the different business units that can work together, collaborate and create new profit pools for the Group.

#### Questions from Mervin Song, JP Morgan Securities

**A couple of questions on the data centre business. Do you have an update in terms of the moratorium being lifted soon, so we can accelerate the growth plans there? And where does the ability to source for renewable power come from? Second question on data centres would be, some thoughts on the timing of the divestments. I think on slide 9, it is mentioned that Phase 1A for IndoKeppel Data Centre 1 is operationally ready - does that mean that it is ready to be sold to Keppel DC? Likewise, any update on whether the Johor data centre is completed and ready for divestment?**

**LCH:** Thank you for that question. I will ask Thomas to address this.

**TP:** Thank you. Perhaps I will take the last question first. The IndoKeppel Data Centre 1 has only started leasing. It is not fully occupied yet. We will try to lease out quickly, and once it has reached a certain level, we will then offer it. Keppel DC REIT can potentially be a buyer for that asset. Back to the question on the moratorium in Singapore, the government has not made any announcement yet. This will be something that we look towards. We have a very large project in Singapore that is currently under construction in Genting Lane, under a joint venture with SPH. We will have significant capacity to sell in the next few years. Going forward, to address the issue on renewable energy, we can bring in green electrons or green molecules, so it does not necessarily need to be tied to assets. But more importantly, the

opportunities are not just in Singapore. We see the Asia Pacific having the largest growth in terms of data centre demand in these five years, even larger than the North America market. There will be opportunities in other parts of South East Asia and North Asia. Singapore is a very important market, but not the only market. The team at Keppel DC and Keppel Capital, our funding partner, are sourcing for projects that we will be announcing in the coming quarters.

**LCH:** If I can add, Thomas, to what you just said, regardless of when the government decides to lift the moratorium, the fact remains that the customers of these data centres are also very consumed by the need to be carbon neutral. In the Keppel Group, not just at Keppel DC, we are working on quite a number of initiatives. First, with Keppel Renewable Energy, we are looking at how we can create the green electrons that we can bring in, so that we can use it to run the data centres in a more carbon-friendly manner. We are also working potentially with Keppel Infrastructure, to look at energy efficient district cooling. I think that is also very important. Of course, Keppel DC itself has been very progressive in looking at different ways of creating more energy efficient data centres, such as high-rise data centres, tropical data centres, and floating data centre parks. These are all the things that we are engaged on. In the longer term, we are also looking at potentially using feedstock that is carbon neutral, such as hydrogen. These are all things that we are doing, which puts us in a unique space. We are probably one of the only data centre operators or owners in the world that can link up this value chain. This is something that will have applications not just in Singapore, like Thomas said, but also in other parts of the world. Data centres are going to grow, and the more they grow, the more regulators will look closely at the carbon footprint. We will have to do our part to make sure that we can create greener data centres, in order to get the regulators to approve their development; and more importantly, to get our customers to come in, because they are also looking to go into carbon neutral data centres.

**The share price has scuttled a bit post the 100-day plan, and the announcement on the O&M strategy going forward. Share price continues to trade below book. Wondering whether you will consider following other Temasek-linked companies, who have been frustrated with the public markets. Will you split Keppel Corporation into unlisted and listed vehicles?**

**LCH:** Ultimately, our goal at Keppel is to run our businesses well. We have a very clear Vision 2030 that we will follow. We believe that once we get this going, we get our monetisation going, we grow the other parts of our business, grow connectivity, and more importantly, showcase how the Group can work together as a group to create new profit pools, I believe the market will re-rate us. It should re-rate us as a solutions provider in sustainability as well. The future is very exciting. Before we do anything too drastic, let's focus on Vision 2030. In the longer term, anything is possible. In the short run, at this point in time, we see Vision 2030 as a very important guidepost for us.

Questions from Cheryl Lee, UBS

**Hi everyone, evening. Thanks for taking my question. Firstly, at the last gathering, you talked about exploring inorganic options for the O&M business. Are these discussions still ongoing, and are they with the same parties vs. a quarter ago? In other words, are these at a more advanced stage or have you shifted track and looked at new options?**

**LCH:** There is not much more I can add. As we said in January, our focus is on an organic option that we are executing, but we remain open to an inorganic option, so we continue to explore inorganic options fairly actively. I cannot disclose more than that.

**With regard to KrisEnergy and its worsening situation, you have already announced the various exposures which are relevant to Keppel, but could you also help us**

**understand in the scenario that KrisEnergy is perhaps liquidated, what are Keppel's various claim ranks vs. the other creditors, and also the circumstances under which Keppel will be called to make good for the loan for which you are the guarantor?**

**LCH:** I will answer the first question, and then I will ask Hon Chew to follow up on the RCF (revolving credit facility).

Of course, I cannot comment on behalf of KrisEnergy, but since this has been raised, let me take a step back and provide Keppel's perspective on KrisEnergy. Keppel Corporation invested in KrisEnergy in 2012, at a time when Brent crude was over US\$100. At that time, we saw long-term potential in the portfolio of assets that they had. We also saw opportunities for Keppel O&M to gain better insights into the upstream business, and potential opportunities for collaboration.

KrisEnergy started facing problems in 2014, when most of you who are in the oil and gas sector will remember, oil price fell, and shale oil emerged as the new swing producer. We have subsequently supported KrisEnergy to safeguard our investment in the company, including during the consensual restructuring exercise which commenced in 2019.

Every step of the way, we had exercised caution to manage our risk. For example, Keppel's guarantee for the RCF was backed by comprehensive security over KrisEnergy's assets. So to answer your first question, we have the main security over their assets.

More recently, when KrisEnergy proposed the development of its key asset, Cambodia Block A, or CBA, we agreed to support the development. But when the management of KrisEnergy first came to us, it was for a much larger project. I think as part of our analysis, together with our advisor, we scaled it down considerably. This became what they called CBA Mini 1A. The forecasted production at its peak, as assessed by KrisEnergy then and validated by industry leading third-party petroleum engineers, was about 7,500 barrels a day. Unfortunately, the actual CBA production is much lower now. If the actual production was in line with forecasts or within a reasonable expected range, CBA could have formed the basis of a successful consensual restructuring. This would have provided the best outcome for Keppel and the other stakeholders.

As you have heard, regrettably, KrisEnergy recently announced that due to the significant underperformance of CBA, contrary to earlier projections, the consensual restructuring is no longer viable. Even if the restructuring exercise was completed, there was material uncertainty over KrisEnergy's ability to continue as a going concern.

Sometimes even with the best processes and making carefully considered risk reward decisions at each stage, it may still not result in a good outcome. This is not uncommon in offshore oil and gas exploration and production. Thus, whether KrisEnergy is able to continue as a going concern will have a material impact on Keppel's carrying value. This is something that we are working very closely with our third-party advisors to determine.

**CHC:** On your question on the RCF with DBS Bank; as we have disclosed previously, there is a standing RPA, or risk participation agreement, where Keppel will step into DBS' shoes in this instance. As you know, the RCF is secured, so we also benefit from the security that Chin Hua mentioned earlier. So we have security over the assets of KrisEnergy for the RCF as well.

**Can I clarify, in terms of cashflow, it might mean that you would have to compensate DBS, but you have a claim on the assets? Is that right?**

**CHC:** That is correct, and that is as disclosed in our announcement two days ago.

**And just to double check, in terms of the P&L carrying value, how do we think about potential downside on a P&L basis?**

**CHC:** In our announcement two days ago, we have stated what our full exposure is, including the carrying value of our investments, loan receivable, zero-coupon bonds, the contract asset, and the RCF. That is the maximum exposure. But as Chin Hua has mentioned, at this point, we are still unable to give a full financial impact, given that the NSAI report is yet to be finalised. Once that is finalised and disclosed by KrisEnergy, we will have to analyse the impact of the NSAI report on the cashflows from Cambodia Block A, Mini Phase 1A, and also any impact of the failure of the restructuring on KrisEnergy's other assets. Once that is determined, then we are able to ascertain the financial impacts.

**Understood, thank you. Another question is on Bifrost. Could you share what are the IRRs you are targeting on the investment?**

**LCH:** We do not typically disclose this, but generally, for a project, where we would take into account the risks, it should be quite attractive. And of course, the team has been working really hard to de-risk it as much as possible, and part of that involves speaking to a number of interested parties and customers, based on the different revenue models that Thomas went over earlier. We are quite confident that given that this is a very unique cable system, that is running directly from Singapore through Guam to the West Coast of North America, bypassing some of the more sensitive areas in the South China Sea, that this will be a cable system that will have good demand, and we are certainly having quite interesting conversations. We hope that by the time construction is completed in three years' time, we will have the fibre pairs more or less committed.

**My final question is about the businesses related to Keppel Electric and Keppel Energy, on your gas and electricity businesses in Singapore. Can you comment on the level of competition among the power generators, and whether there has been any improvement in the margins related to your electricity business?**

**LCH:** Can I invite Cindy to comment?

**CL:** You would be able to gather from the energy market, that the bulk of the gas contracting will expire in 2023, so a lot of the market outlook will depend on how the gencos contract for gas. But suffice to say, we see improvement in the HSFO pricing, so the gas and electricity market for Keppel Electric and Keppel Energy on the whole look stable.

We are also working actively on improving the energy efficiency of our generating feed. As mentioned earlier, decarbonisation and energy efficiency for our energy and environmental businesses remain as one of our strongest calling cards and missions for Keppel Infrastructure.

**LCH:** In terms of Keppel Electric, our customers are also quite stable, quite sticky. There are some acquisition costs when there is a lot of churn. But that has been quite stable, so that will also help improve our margins.

**CL:** To add to CEO's points, the Commercial & Industrial customer base for Keppel Electric is about 3000-odd. In terms of market share for the Open Electricity Market, we remain as the leading electricity retailer with about 23% to 24% of the total market share.

Questions from Rae Wee, The Business Times

**I have a question about M1. I wanted to find out how the 5G standalone roll-out is going, in terms of how much coverage there is so far, and when will you budget for commercial**

**services. The second question would be on the asset monetisation option - whether M1 is going to move to an asset-light approach? Does the review of Keppel's O&M business mean anything for the Connectivity segment?**

**LCH:** Can I ask Mann to address the question on M1? Did you mention 5G standalone or non-standalone? Or did you mean both?

**Both.**

**MSM:** Right now, I think all three operators are looking at 5G non-standalone that we have rolled out so far. But that is not the future that we want to run with. The intention is to roll out 5G standalone network this year. As you know, we have a joint venture with Starhub that we are rolling out 5G with, and this becomes more cost effective for us to roll out network quicker. The intention is to deploy our capex more on standalone architecture than on non-standalone. On the exact date of launch, we may not be able to give you the date of launch yet. But suffice to say that it will be in the middle of the year. That is the timeframe that we are looking at for the standalone launch.

**LCH:** As for your question on the asset-light approach, that is something that we, as a Group, will practice and continue to practice. If there are opportunities for us to adopt an asset-light model to improve returns, this will be something that we will look for.

**The last question was on the review of the O&M business. Does it mean anything for the Connectivity segment?**

**LCH:** Let me make sure I get your question right. Your question is: In the review of the Offshore and Marine business, whether there is any relationship to Connectivity?

**Yes, correct.**

**CO:** Let me try to respond to that. I am trying to understand the question. I believe you are asking about the review of our strategy in the O&M business, and its relevance to the Connectivity segment. We have always been hunting as a pack. For example, we have put Asset Care into some of our assets, so we have used some of the expertise from Connectivity. We have also got an MPA grant to develop an autonomous tug, which uses M1's connectivity capabilities. There are many more opportunities that we are exploring right now, to see how connectivity can also be applied to help in the 5G space, in automation and connectivity in the offshore and marine market. As we move up the value chain in order to be able to reach out to more customers, I think the next generation of assets in the O&M market will need a lot more connectivity solutions, whether it is bandwidth, data centres, or other solutions.

**TP:** If I could venture to add, with more submarine cables and subsea cables being laid out, the demand for cable laying ships is going up. Keppel O&M used to be one of the biggest builders of cable laying ships, so perhaps that could be a market when we recover. And there are signs that the demand is going up.

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