

## Media Release

### **Keppel reaffirms Vision 2030 and rolls out next steps for implementation**

- *Plans to unlock value from S\$3-5 billion of assets in next 3 years*
- *Announces strategic review of the offshore & marine business*

**Singapore, 29 September 2020** – Keppel Corporation Limited (Keppel) is pleased to announce that following the Company's recent strategy offsite meeting, the Board and Management have reaffirmed Keppel's Vision 2030 and will roll out the next steps in its roadmap.

Dr Lee Boon Yang, Chairman of Keppel Corporation said, "The Board and Management are committed to drive Vision 2030 and realise Keppel's full potential as an integrated business, providing solutions for sustainable urbanisation. We have identified attractive opportunities in each of our focus areas of Energy & Environment, Urban Development, Connectivity and Asset Management, which operate in growing and resilient markets, and are mobilising to capture these opportunities and continuing our efforts to operationalise our integrated business model.

"With a sharpened business focus and an asset-light model, we are taking a disciplined approach to capital allocation, to allocate more capital to our growth platforms and unlock value from more integration and synergies within the group, while continuing to recycle capital to enhance the Group's overall return. As we accelerate the implementation of Vision 2030, this will create value for all our stakeholders."

Keppel regularly reviews its portfolio of assets and as part of its asset-light business model, the Company has identified assets with a total carrying value of approximately S\$17.5 billion<sup>1</sup> based on the Group's balance sheet as at 30 June 2020 that can potentially be monetised over time and channeled towards growth initiatives. These assets include the Group's landbank which is held at historical cost, development projects, investment properties, assets being developed and stabilised for monetisation through Keppel-managed or third party platforms, various funds and investments, as well as non-core assets such as Keppel Offshore & Marine's (Keppel O&M) oil rigs. They do not include Keppel's key business platforms, fixed assets such as Keppel O&M's yards, or some of the units that the Group holds in real estate or other investment trusts where

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<sup>1</sup> The breakdown of the carrying values of these assets is provided in Addendum 1 of this announcement.

holding of these units aligns Keppel's interest as the investment managers, with that of the unitholders.

Concurrently, the Company will commence a strategic review of its offshore & marine business amid the sector's challenging environment, exploring both organic and inorganic options. Organic options include reviewing the strategy and business model of Keppel O&M, assessing its current capacity and global network of yards and restructuring to seek opportunities as a developer of renewable energy assets; while inorganic options would range from strategic mergers to disposal.

At a briefing to the media and analysts today, Mr Loh Chin Hua, CEO of Keppel Corporation said, "Keppel is well placed to weather the challenging environment and chart our growth path. As we execute our long term plans and build growth engines for the future, we will also seek to realise the Group's current potential by unlocking about S\$3-5 billion of our monetisable assets over the next three years, which will be redeployed to seize new opportunities and improve returns.

"As we pursue our growth initiatives in data centers, environmental solutions, renewable energy, integrated urban development and asset management, we will also need to review our business portfolio from time to time. The financial discipline that Vision 2030 instills has led us to conduct a strategic review of our logistics business, and now, the offshore & marine business. We are working with the Board and management of Keppel O&M to explore both organic and inorganic options for this business with the aim of maximising long term shareholder value."

There is no assurance that any transaction will materialise. Keppel Corporation will make the appropriate announcements, if and when there are any material developments.

The above announcement is not expected to have a material impact on the net tangible assets or earnings per share of Keppel Corporation Limited for the current financial year.

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## **Addendum 1:**

The Keppel Group's assets available for potential monetisation are set out in the table below. The carrying values of the assets are based on the Group's balance sheet as at 30 June 2020:

<b>Assets <sup>1</sup></b>	<b>Carrying Value <sup>2</sup> S\$ billion</b>
Landbank / projects under development <sup>3</sup>	7.0
Assets for monetisation through REITs / Trust or for sale	4.8
Non-core assets (including Keppel O&M's rigs)	3.9
Funds / investments that can be liquidated over time	1.8
<b>Total carrying value <sup>2</sup></b>	<b>17.5</b>

<sup>1</sup> Disposals of certain assets are subject to regulatory approval and/or shareholders' approval. Certain assets may also take longer time to monetise due to such approval requirements, selling restrictions and/or subject to market conditions.

<sup>2</sup> The carrying values of the assets are as at 30 June 2020, before taking into account transaction costs, potential tax liabilities, repayment of any asset financing and financing costs.

<sup>3</sup> Landbank and projects under development sold may not be replenished to the same level, as capital unlocked may be channelled to other focus areas.

## **Addendum 2:**

### **Opening remarks by Mr Loh Chin Hua, CEO of Keppel Corporation, at briefing to media and analysts on the next steps in Keppel's Vision 2030 on 29 September 2020**

Keppel Corporation has just held its Board Strategy Offsite last week, where the Board and Management reaffirmed Keppel's Vision 2030 and agreed on the next steps to accelerate its execution.

I would like to share with you an update on how Keppel will be rolling out the next steps of our Vision 2030, as we actively pursue our growth initiatives, including data centers, environmental solutions, renewable energy, integrated smart districts, asset management and other prospects in sustainable urbanisation and circular economy solutions.

At the same time, we will take a disciplined approach to review our business and asset portfolios. From a conglomerate of diverse parts, we are transforming Keppel into an integrated business, providing end-to-end solutions for sustainable urbanisation.

Over the past few years, we have progressively simplified the Group's corporate structure. Our key operating companies are now 100% owned, making it much easier to allocate capital efficiently, compared to having separately listed entities. This is a significant strategic advantage, which may not be fully appreciated by the market. I had cited the example of Keppel Land at our last results briefing. Since the privatisation of Keppel Land in 2015, it has distributed to Keppel Corporation \$3.9 billion of dividends, more than the \$3.1 billion it had cost us to privatise the company. With Keppel Land privatised, we can now shrink or expand the property book, and invest in new opportunities, not necessarily in property, that can give us the highest returns.

We have also been pushing for greater collaboration, as OneKeppel, to harness synergies across the Group. We can see many examples of this in the different initiatives that we have announced, such as the collaboration between Keppel Land and Keppel Urban Solutions to develop Saigon Sports City.

Vision 2030 is thus the next logical chapter in the same book. As we evolve Keppel into one business, we are looking for and building more horizontals where different parts of the Group can come together as an integrated value chain. The data center business, for example, is a good illustration of how different Keppel units are collaborating to grow the business, creating profit pools that might not be available to each company operating on its own, and earning multiple income streams along the way. We are actively looking to add to this connected value chain, the Group's growing capabilities in renewable energy and district/retail cooling that will further enhance our solutions for the customers in this growing sector. Through this integrated offering, we will create new profit pools and at the

same time deepening and widening the moat, and adding to our competitive advantage as a DC operator/solution provider.

Today, Keppel is well-placed to weather the challenging environment and chart our growth path. Year-to-date, we have secured more than S\$2 billion of loans and committed bank facilities and tapped the capital markets for about S\$780 million of medium-term notes in both local and foreign currencies, the latest being the issuance of JPY8 billion in medium term notes at a coupon of 0.88% p.a. This ensures that we will have ample funding and credit lines to finance our operations even in a dire scenario of a slow, L-shaped recovery from the COVID-19 pandemic.

An important pillar of our strategy is to be asset light through disciplined capital recycling as well as tapping partnerships and third-party funds to expand our capital base for investments. As part of Vision 2030, we have identified a portfolio of assets with carrying value of approximately \$17.5 billion based on the Group's balance sheet as at 30 June 2020 that can potentially be monetised without changing the businesses that we run. These include our substantial landbank and projects under development of about \$7.0 billion; \$4.8 billion of assets that can be monetised through our real estate or other investment trusts or divested to third parties; another \$1.8 billion of investments including some of the Group's holdings in vehicles run by Keppel Capital that can be monetised as the funds mature; as well as some \$3.9 billion of non-core assets, including the rigs under Keppel O&M.

I have shared when we unveiled Vision 2030 that we would be activating our sizeable landbank. In many Asian cities today, land prices have risen significantly. We are well-placed to divest some of our land parcels or projects under development, and will also work with like-minded partners to co-develop some of our projects. We may still acquire land plots from time to time, but only if there are good opportunities. Through Keppel Urban Solutions, we will also be seeking opportunities in master development to create developable land from greenfield and brownfield sites.

Over the next three years, we plan to monetise about \$3-5 billion of the assets from this substantial \$17.5 billion base to seize new opportunities that can help us achieve our desired returns. It is important to note that the \$17.5 billion of assets do not include our key business platforms or fixed assets such as the yards that we operate, nor does it include some of the units that we hold in real estate or other investment trusts where holding of these units aligns Keppel's interest as the investment managers, with that of the unitholders. Our residential landbank and residential properties are carried at cost, so there would be further upside for the Group if they were to be monetised at current market values.

As a sponsor and key stakeholder, we remain committed to growing the REITs and Trust managed by Keppel Capital. We plan to monetise a number of our assets through these

listed vehicles. These quality assets are well sought-after by investors and would add to the pipeline for our listed vehicles, thus benefitting unitholders of the REITs and Trust, while also increasing Keppel Capital's assets under management and growing our recurring fee income.

When we unveiled Vision 2030, we announced our commitment to take a disciplined approach in managing our business, focusing on four criteria of how it contributes to our target ROE, the scalability of the business, potential for integration and synergy with the group and fit with our Vision, Mission and ESG goals.

As part of this financial discipline, we announced in April that we are undertaking a strategic review of our logistics business. We are also working with the Board and management of Keppel O&M to undertake a strategic review of our offshore and marine business.

This review includes both organic and inorganic options. The organic options include reviewing the strategy and business model of Keppel O&M and assessing its current capacity and global network of yards. The inorganic options would range from strategic mergers to disposal. As the review is at a preliminary stage, we are not able to share any details.

In summary, I would like to reiterate that management is focused on the long-term performance of the Company for the benefit of all shareholders. We are also working hard on our current performance and are committed to communicating regularly with the market and shareholders on our growth plans as we overcome the current challenging environment together.