

Keppel Corporation 3Q & 9M 2022 Business Update

Media & Analysts Conference Call Transcript

27 October 2022, 6.00pm

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| LCH | Loh Chin Hua, CEO of Keppel Corporation |
| CHC | Chan Hon Chew, CFO of Keppel Corporation |
| CT | Christina Tan, CEO of Keppel Capital |
| CO | Chris Ong, CEO of Keppel Offshore & Marine |
| LL | Louis Lim, CEO of Keppel Land |
| CL | Cindy Lim, CEO of Keppel Infrastructure |
| TP | Thomas Pang, CEO of Keppel Telecommunications & Transportation |
| MSM | Manjot Singh Mann, CEO of M1 |

Opening remarks by Loh Chin Hua, CEO of Keppel Corporation

Good evening, analysts and friends from the media,

We have issued our media release and slides for our 9M 2022 voluntary business update, which we will take as read.

We have also just announced our revised agreements on the proposed offshore and marine (O&M) transactions.

Let me highlight a few key points from the business update, before addressing the revised agreements.

On the Business Updates

For the first nine months of 2022, Keppel delivered resilient performance against a volatile international environment, and made good progress towards our Vision 2030 goals.

Net profit improved year on year, underpinned by stronger performance from the Energy & Environment and Asset Management segments.

Net profit for 3Q 2022 was lower year on year mainly due to the absence of the gain from the enbloc sale of a project in China in the equivalent period last year.

The Group's revenue¹ grew 24% to S\$6.8 billion in 9M 2022, from S\$5.5 billion in 9M 2021, underpinned by higher revenue contributions from Keppel Infrastructure, Keppel Offshore & Marine (Keppel O&M), M1 and Keppel Capital.

¹ Revenue includes contributions from Discontinued Operations. Excluding Discontinued Operations, revenue from Continuing Operations in 9M 2022 was S\$5,016 million, up 15% from S\$4,348 million for 9M 2021.

The Group's net gearing increased to 0.79x as at 30 September 2022, from 0.68x as at 30 June 2022, mainly due to the payment of interim dividend and the repurchase of shares as part of Keppel's Share Buyback Programme.

Amidst inflation and rising interest rates, the Group continues to strengthen its business resilience. As at end-September 2022, about 70% of the Group's borrowings were on fixed rates, with an average interest cost of 2.88% and weighted tenor of about three years.

Since the launch of Keppel's asset monetisation programme in September 2020, the Group has achieved close to S\$4.4 billion out of our three-year target of S\$3-S\$5 billion. Of this amount, about S\$1.4 billion of asset monetisation was announced in the year to date. We are very confident of exceeding our target of S\$5 billion of asset monetisation before the end of 2023.

In the Asset Management segment, Keppel Capital registered stronger operating results with asset management fees growing by about 11% year on year to S\$186 million in 9M 2022. Keppel Capital is on track to achieve its S\$50 billion assets under management target by the end of this year.

In the Energy & Environment segment, Keppel Infrastructure's revenue for 9M 2022 rose 51% year on year to about S\$3.15 billion, driven by higher electricity and gas sales, as well as higher recognition from the Hong Kong Integrated Waste Management Facility. This has also contributed to Keppel Infrastructure's net profit growing significantly year on year.

Keppel continues to expand in renewables, clean energy, decarbonisation and environmental solutions. In line with our asset-light model, since July, we have announced about S\$2.4 billion worth of energy & environment-related investments jointly undertaken by Keppel and our managed funds and business trust. Keppel's announced renewable energy portfolio² has grown to about 2.6GW to date.

Keppel O&M's revenue grew by 56% year on year to S\$1.82 billion and was EBITDA positive for the period. In 9M 2022, Keppel O&M secured S\$7.9 billion of new orders, bringing its net orderbook³ to S\$11.6 billion as at end-September 2022. This is the highest level since 2007.

Keppel O&M has also made good progress de-risking its legacy rig assets. All KFELS B Class jackups have been contracted to owners and charterers to-date, while Keppel O&M continues to receive active enquiries for its remaining legacy rigs.

In the Urban Development segment, Keppel Land's net profit for 9M 2022 was lower year on year with reduced contributions from China trading projects and in the absence of enbloc sales in 9M 2022. Keppel Land will continue pivoting towards real estate-as-a-service, with a focus on growing recurring income and seizing opportunities in areas such sustainable urban renewal and senior living.

² On a gross basis and includes projects under development.

³ Excludes semis for Sete Brasil.

In the Connectivity segment, the Group has grown its data centre portfolio to 32 data centres across Asia Pacific and Europe.

M1 recorded a higher net profit year on year, while its revenue grew 9% year on year to S\$854 million, underpinned by higher service revenues and contributions from the region. Enterprise business is a growth area, with revenue rising 34% year on year to S\$265 million in 9M 2022.

In short, we are making good progress towards Vision 2030. The encouraging progress in the O&M transactions will bring us closer to our goal of transitioning Keppel to become a global asset manager and operator with strong development and operating capabilities in energy & environment, urban development and connectivity solutions, all part of a continuous value chain to provide solutions for a sustainable world.

Revised Agreements on Proposed O&M transactions

Let me now run through the revised agreements on the proposed O&M transactions.

A few of the terms of our definitive agreements announced earlier in April have been amended.

However, the substance and strategic intent of the O&M transactions have not changed. We believe that the revised terms are in the best interests of Keppel and our shareholders.

On the Proposed Combination

The proposed combination is now structured as an acquisition by Sembcorp Marine of Keppel O&M, instead of a merger.

This simplifies implementation, provides greater deal certainty and accelerates the transaction, as there will no longer be a need to form a separate listed Combined Entity to hold Keppel O&M and Sembcorp Marine.

The parties will no longer need to seek Court approval. Sembcorp Marine will also not be required to transfer its listing status to the Combined Entity. The simplified transaction would now only require majority approval by Keppel shareholders and Sembcorp Marine shareholders to proceed.

If the proposed combination can be completed sooner, both Keppel O&M and Sembcorp Marine will be able to realise their synergies more quickly. The Combined Entity will be strongly positioned with a substantial net orderbook of over S\$18 billion as it transforms itself to compete and seize new opportunities in the global O&M sector.

Taking into consideration the objectives and benefits of an expedited transaction, we have agreed to revise the exchange ratio between Keppel and Sembcorp Marine from 56:44 to 54:46 respectively. As a result, the value of the equity shares in Sembcorp Marine that Keppel would

receive from the proposed transaction would be lowered by about S\$378 million, from approximately S\$4.87 billion to approximately S\$4.50 billion⁴.

The Sembcorp Marine shares to be retained in Keppel's segregated account for contingent liabilities have also been reduced from 10% to 5%.

We intend to distribute in-specie the shares released from the segregated account to Keppel Corporation shareholders, who will receive 49% of Sembcorp Marine shares compared to 46% of the Combined Entity shares previously.

For every Keppel share they own, our shareholders will now receive upfront approximately 19.1 Sembcorp Marine shares with an implied value of S\$2.33^{4,5}. This is higher than the earlier indicated amount of 18.5 separate Combined Entity shares with an implied value of S\$2.26⁶ per Keppel share held. Receiving upfront a higher number of shares in Sembcorp Marine, Keppel shareholders can enjoy upside from the synergies of the combined entity of Sembcorp Marine and Keppel O&M, the continued improvement of the O&M business and the opportunities in the energy transition.

Both Keppel and Sembcorp Marine have confirmed that these will be the final terms of the proposed combination and there will be no further changes to the proposed combination.

Both companies are targeting to complete the proposed combination by the end of 2022, subject to obtaining the pre-requisite approvals.

For Keppel, we intend to seek our shareholders' approval for the transaction in early-December 2022. This is, of course, subject to SGX's clearance of the Keppel circular.

We believe this is a win-win arrangement for Keppel and Sembcorp Marine, and our respective shareholders.

On the Asset Co Transaction

Moving on to the Asset Co transaction: We have achieved a good outcome by delinking the Asset Co transaction from the combination of Keppel O&M and Sembcorp Marine. Subject to shareholders' approval, the Asset Co transaction can now proceed, regardless of whether Keppel O&M is acquired by Sembcorp Marine.

⁴ For the purpose of the illustrative values in this document, the Combined Entity refers to Sembcorp Marine. These illustrative values are calculated based on the proposed issue price of S\$0.122 per Combined Entity share, which is based on the volume-weighted average price ("VWAP") of the Sembcorp Marine shares for the last 10 trading days up to and including 26 April 2022 (signing date), and assuming a total of 36,848,072,918 new Combined Entity shares (representing 54% of the issued and paid-up share capital of the Combined Entity) to be issued to Keppel on completion of the proposed transaction. The actual issue price of the Combined Entity shares would be determined subsequently by the Combined Entity and may differ from the aforementioned issue price of S\$0.122 per share. The actual value of the consideration will depend on the actual traded price of the Combined Entity after the completion of the deal.

⁵ 19.1 shares with a value of S\$2.33 are calculated based on 1,751,941,293 Keppel Corporation shares in issue (excluding treasury shares) as at 30 September 2022, and proposed issue price of \$0.122 per Combined Entity share.

⁶ 18.5 shares with a value of S\$2.26 are calculated based on 1,770,895,935 Keppel Corporation shares in issue (excluding treasury shares) as at 30 June 2022, and the proposed issue price of \$0.122 per Combined Entity share, assuming a total of 39,949,762,557 new Combined Entity Shares (representing 56% of the issued and paid-up share capital of the Combined Entity) to be issued to Keppel on completion of the proposed transaction.

In addition, Keppel's coupon from vendor notes has also increased from 2% to 4%. This translates into about S\$79 million of additional interest earned by Keppel per annum, or about S\$236 million to S\$393 million over three to five years⁷.

Conclusion

To conclude, we believe the transactions are in the best interest of Keppel and our shareholders. While the exchange ratio for Keppel has been lowered slightly to increase the attractiveness of the deal to Sembcorp Marine's shareholders, this is still a very positive outcome for Keppel and our shareholders.

Very importantly, both sets of shareholders can look forward to the accelerated establishment of the Combined Entity, with a S\$18 billion orderbook, that is well-placed to compete and seize new opportunities in offshore renewables, new energy and cleaner solutions in the global O&M business.

Question & Answer session

Questions from Terence Chua, Phillip Securities Research

Thank you for the presentation. My question is with regard to the new revised agreements with Sembcorp Marine. Given that Keppel O&M has won a steady stream of contracts – in fact, the orderbook is now at a high – why is the new exchange ratio revised against Keppel Corporation in this case?

LCH: Thanks, Terence, for the question. Indeed, you are right that Keppel O&M has done very well – winning orders, and the financial position has also improved with the deposits that are received and expected to be received for the floating production, storage and offloading (FPSO) projects that have been won recently. So, it is true that Keppel O&M is now in a stronger position. But at the same time, when we discussed with Sembcorp Marine, it was important that we achieve a deal that can receive the approvals from both sets of shareholders. At the same time, at the Asset Co level, we have also secured a fairly significant improvement in the terms. First of all, and most importantly, the inter-conditionality between the two agreements is no longer there. They are no longer linked. On top of that, as I said earlier, our coupon for our vendor notes has also increased from 2% to 4%.

Stripping out the one-off trading profits from enbloc sale in China, would the net profit for 3Q 2022 be higher? The same period from last year benefitted from the enbloc sales in China.

CHC: Last year, we benefited from the enbloc sale of one plot of land, Serenity Villas in Chengdu. Last year, that boosted the 9M 2021 profit by S\$139 million. That was one of the key enbloc sales in 9M 2021. But we also had Dong Nai Waterfront City in Vietnam, that was S\$53 million. These are the two biggest enbloc sales in 9M 2021.

⁷ This is computed on a pro forma basis, based on carrying values of the legacy rigs and associated receivables as at 31 December 2021. The actual value of the consideration will be based on the carrying values of these assets at the date of completion of the sale.

Questions from Lim Siew Khee, CGS-CIMB Research

What is the net tangible asset of Keppel O&M? If we were to look at the considerations that we get for divesting Keppel O&M, would it be based on this or on the latest number?

CHC: The net tangible assets for Keppel O&M, on a pro forma basis, is about S\$900 million as of December 2021, audited. The considerations will be compared to the actual net assets upon completion.

LCH: Just to be clear, the pro forma is for the operating company (Op Co⁸) or the whole of Keppel O&M?

CHC: This is just the Op Co travelling across to the Combined Entity. So, I'm talking about the Keppel O&M Op Co, excluding out-of-scope assets, that is traveling over to the Combined Entity. It excludes rigs, excludes the stake in Floatel, and so on.

Do we know the net tangible assets as of September 2022?

LCH: No, we do not disclose that. The circular will have that, so please wait for the circular.

Could you talk about Urban Development, as revenue has come down quite sharply in 3Q 2022? Should we expect revenue to be sustained at this level?

LL: The home sales for Keppel Land has fallen to 1,690 units for the first nine months of this year versus 3,460 last year. A large part of this was driven by China, with the deleveraging policies as well as the COVID-19 lockdowns. We have seen the home sales in China drop from 2,280 last year for the first nine months to 770 units this year. The China market, as you know, has been quite volatile. The sentiment has been weak because of the deleveraging policies and COVID-19 lockdowns. We hope that in the coming months, we will see an improvement. Given the uncertain COVID-19 outlook in China at this point in time, we cannot say that with confidence. Our other key market, Vietnam, has been strong from a demand standpoint. We have a few delays in our launches, from seeking approvals that we need to get, but that market remains a strong demand market. In addition to that, we have been very focused on driving growth in India, which is a key growth market for us.

Going back to the revised agreements on the O&M transactions, do you see them as better terms for Keppel although the consideration has come down and the ownership in Sembcorp Marine has reduced? I know that it is an easier and faster transaction.

LCH: The way to look at this is that the exchange ratio has reduced in favour of Sembcorp Marine shareholders by 2%, but the number of shares that will be received upfront by Keppel shareholders *in-specie* has actually gone up slightly. On top of that, as I shared earlier, for the Asset Co transaction, the terms have improved for us. With the higher interest rate environment, we were able to negotiate for a higher interest rate on the vendor notes. So, instead of 2%, it is now 4% per annum. You can see that over three to five years, the additional interest would more or less pay for the difference in terms of the consideration we are receiving – the S\$378 million less that we are getting in Sembcorp Marine shares.

⁸ Op Co comprises Keppel O&M excluding the legacy completed and uncompleted rigs and associated receivables and its interests in Floatel and Dyna-Mac.

More importantly, as I shared, the second deal is now delinked from the first and they are no longer inter-conditional. So long as our shareholders approve at the Extraordinary General Meeting, whatever happens to the Keppel O&M acquisition by Sembcorp Marine, this Asset Co transaction will proceed. This will accelerate our progress to Vision 2030. There are quite a lot of positives.

At the end of the day, while it is quite natural for all of us to look at the details, like who gets what, who gets something, more or less, the big picture for all of us is that the Combined Entity is much stronger with about S\$18 billion in the orderbook. We are in a very strong position now for the Combined Entity, and I think the future is quite bright for the Combined Entity.

So, rather than look at whether it is 2% more or 2% less, it is more important to really focus on what the Combined Entity can do because ultimately, for Keppel shareholders, we will still end up with shares in the Combined Entity and it is important that the Combined Entity continues to do well and performs much better. I think that would lead to a better outcome for everybody, including Sembcorp Marine shareholders.

Questions from Rahul Bhatia, HSBC

Continuing on what you said about delinking the Asset Co and Sembcorp Marine transactions, I recall that back in April, Keppel wanted either both to go simultaneously, or these transactions do not go ahead. Why change it now? Is it because Sembcorp Marine has come back asking for revisions in transaction terms, that you now feel that at least one should go ahead?

LCH: On the delinking, these are two separate transactions obviously. But as we said, we believe that the proposed transactions - the combination of Keppel O&M and Sembcorp Marine to create this global champion, plus the distribution *in-specie* to our shareholders, plus the sale of the stranded rigs to Asset Co, all together, these are in Keppel's best interests, and our shareholders' best interests. It will allow us to accelerate our Vision 2030. Now, we hope that all this will get approved by regulators and of course, more importantly, by both sets of shareholders.

But if for whatever reason, the combination with Sembcorp Marine, through the more direct acquisition route now, does not happen, then I think it is important to us to still have the Asset Co transaction take place, because this will allow us to put off our balance sheet a significant amount of the stranded rigs. But of course, the best outcome is, in our view, if both of the transactions are approved. But if for whatever reason, this combination is not approved and it does not go ahead, then at the very least we will get the Asset Co transaction done. I think this is important.

In April 2022, you received a mandate to do share buybacks of 5% versus 2% earlier. I wanted to understand the thought process of not continuing the buyback process post-S\$500 million completion, more so given that the share price has gone down in the last month or so.

LCH: On the share buyback, we have announced that it was a S\$500 million programme and there were some specific reasons behind that rationale. Part of it is, as you said, we felt that our share price was still not fully reflective of our intrinsic value. But, more importantly, this was also currency that we could use for potential merger and acquisition (M&A) transactions. At the moment, we are looking at quite a lot of M&A transactions, but we still have not used the shares that have been acquired. So, until we have utilised the shares, will we relook at this, before we think about restarting the share buyback programme.

Questions from Brandon Lee, Citi Research

In the last quarter, we saw you commenting that you were looking to divest some of the Vietnam and China development projects into a fund. Do we know your timeline for this?

LCH: We are still looking at launching a fund; but of course, as Louis has pointed out, the conditions in China, though not in Vietnam, are now more challenging. Having said that, you might have picked up in Keppel's release yesterday that we announced the sale of our Sheshan Riviera project in Shanghai. So, we are still looking at monetising some of our landbank, whether it is through a fund or through an enbloc sale. Both approaches will continue to be explored.

Is it correct to say that seeing more M&A opportunities, given current market uncertainties, will likely hold back share buybacks until something pans out?

LCH: We are in a very unusual time in the world right now, and there are a lot of uncertainties. But we are also seeing quite interesting opportunities across different segments that we are interested in. We are obviously looking at these very judiciously. As some of our peers have said, this is not a time to run, but a time to walk. We are still looking at deals, and if there is a good transaction, we will be looking to potentially acquire them. Some of these transactions, as I mentioned, could be founders' platforms, in which case if we want the founders to have common interests aligned with us, we could potentially use our shares. We are still exploring all these.

On Keppel REIT, in the past you have pared down your stake here and there, and that has helped to improve ROE. Could you share the cost of the stake in Keppel REIT for that kind of divestment?

LCH: We don't share our costs, and you would know that, Brandon. Keppel REIT, we believe, has a very interesting and very good portfolio of office assets. Occupancy rates are very high, and we are quite happy as a sponsor to continue to own the units. But of course, in the future, if there are opportunities for us to pare down at the right price, we will consider that.

Questions from Amanda Battersby, Upstream

I have a couple of questions, please. If the touted acquisition by Sembcorp Marine of Keppel O&M does go ahead, have you already sat down and had any thoughts as to how the yards might be divided up, whether there could be any job losses through the consolidation, please?

LCH: Thank you, Amanda, for your question. I think this is still being planned. There is an integration plan obviously. But we will have to be very careful because the deal is still not done, and there are some restrictions on how much the two companies can share. But this will be something that the Combined Entity will look at. There are synergies that will be available, but that would have to be discussed at a later date.

That is great. Thank you. And one follow-up question, if I may, will you, and I know you cannot answer for Sembcorp Marine, but until a deal is actually signed, sealed and delivered, will you continue to just bid independently, even if that means potentially bidding for the same contract?

LCH: Of course. Both companies will continue to act independently until the deal is actually completed.

Okay, that is wonderful. And one last follow-up question, if I may. It looks like Petrobras is in the market for another two FPSOs. Does Keppel O&M have capacity to take on another such large floater or two? If it was successful?

LCH: For this question, I will invite Chris Ong, CEO of Keppel O&M, to address it. Thank you.

CO: Hi Amanda, thanks for the question. We are aware that Petrobras is coming out for a tender at the end of the year – tentatively, as there might be some changes – for two more FPSOs. Right now, we always work closely with the client to look at how to suit our operational capacity, and that is the reason why the P-80 and P-83 projects have a gap between them. We are working closely to take a look at the new tenders – where the slot will fit in. But at this moment, we definitely will be competing in those tenders.

Questions from Foo Zhi Wei, Macquarie

Hi Chin Hua, hi Hon Chew, thanks for the time. I have two questions. The first question is on dividends. Now, when we think about the dividends that Keppel pays, you have a few buckets to draw upon, of which the biggest bucket was Keppel Land for cash flow. But at the same time, you also have this capital recycling programme. For the foreseeable future, Keppel Land will be a bit on the slower side due to China's slowdown, which will hopefully turn over time. But at the same time, you have done very well on your capital recycling plan, despite the very tough markets, so congratulations on that. So, when we think about your final dividend for FY 2022, can we think about it as being higher than what you have paid in FY 2021, given that you have actually done quite well in capital recycling this year?

LCH: Thank you, Zhiwei, for that question. Of course, I cannot comment on that until we have the full-year results. I know you are talking about the cash dividend – but assuming that this O&M transaction were to get completed, as we are targeting, by the end of this year, you do know that the *in-specie* distribution would be roughly equal to about S\$2.33 per Keppel share. So, it is not cash, but in terms of shares *in-specie*, it is quite significant. I know you are talking about cash, but I just wanted to raise that point.

The second question is about the transaction itself. Now, you have obviously simplified the structure. So, I am curious to understand what this structure addresses, in terms of the shareholder pushback you might have gotten, when you did your one-to-one feedback sessions with them?

LCH: You are talking about Keppel, right? I cannot speak for Sembcorp Marine. So far, I will say that our shareholders' feedback has been positive. And I think the main feedback we get is: when is the EGM? When can we get this thing done? This is so that they can get their *in-specie* distribution. This change in the structure that has just been announced will allow us to get there faster. So, I think in that regard, whilst our shareholders were quite happy with the transaction, this allows them, and allows us, to get to the completion of the transaction much faster. That is something that should be attractive to our shareholders. And that is why we believe it is in the best interest of our shareholders. The deal certainty, of course, is also very important.

Yes, understood. I fully appreciate how this deal is actually a significant improvement. A follow-up, if I may. So, if I were to flip the question around, if you did not go ahead with

this transaction structure, how much longer would it have taken – an extra two months for it to complete?

LCH: It could have. Certainly, with the court process, it will mean that even trying to close this year may be almost impossible. So, I think, if nothing else, this is a very important point – deal certainty and speed to completion. But as I shared earlier, the most important part is that – and I think maybe some folks are not focused on it right now – the Combined Entity is now a lot stronger with the S\$18 billion orderbook. And I think this is something that shareholders on both sides should be focused on, because at the end of the day, the sooner we can get the transaction completed, the better, in the sense that we can start the synergies between the two companies. This will then hopefully lead to better performance by the Combined Entity, and this could result hopefully in better performance of the shares as well, which is ultimately what both sides of shareholders should be looking for post transaction.

Final question, what approvals have you not secured?

LCH: We have secured most of the approvals. There are still regulatory approvals within Singapore. And of course, the two most important approvals are the shareholders' approval at Keppel and also at Sembcorp Marine.

Questions from Anita Gabriel, The Business Times

I have one question. I know you tackled this with Citi earlier, but is it fair to say that this revised deal structure is tacit acknowledgement in a way that Sembcorp Marine, in the deal back in April, was getting a less desirable deal versus Keppel getting away with the better end of the deal? And two, you mentioned the net orderbook of S\$18 billion for the Combined Entity. Does that still stay the same if the deal that was announced in April went through?

LCH: In April, there was no net orderbook of S\$18 billion for the Combined Entity. So, this is something that is new, I suppose.

To your first question – I do not think so. If you look at the overall equation for Keppel, the April transaction was something that we believed was attractive for Keppel. We believe that this transaction, if you add up all the changes we have made to the transaction on the Asset Co side, the overall transaction is still as attractive as the one in April. So, that is why we say this is a win-win deal for both sides.

It is quite often that we get kind of buried in the reeds looking at who gets 2% more, or 2% less; but if you look at the overall transaction, the key part is that we have a stronger Combined Entity, and that is probably the most important point because a stronger Combined Entity would hopefully result in better financial performance post-transaction. And this would hopefully lead to better share price performance. I think that is probably the part that we should all be focused on. The quicker we can put the two companies together, the faster we can get our synergies going and create a global champion. And I think with the S\$18 billion net orderbook, it puts the Combined Entity in a very strong position.

Question from Adrian Loh, UOB Kay Hian

Hi, thanks management for the presentation. I have a question on your Asset Management arm. The second bullet point on Slide 4 says that overall performance was lower due to

unrealised mark-to-market loss from investments. Just curious as to whether you can share with us what sort of sectors saw this mark-to-market loss? And then my second question is, I was interested to hear the quip from you, Chin Hua, just now about “walking, not running”. In terms of your launches of the new flagship funds, have you had to scale back in terms of timeline expectations for launching those funds? Thank you.

LCH: Okay, I will ask Christina to address both of the questions.

CT: Okay, sure. In terms of the mark-to-market loss, those are really investments that we have made in listed REITs because the REITs market has been quite affected with all the volatility in the market. So, we expected to see this unrealised loss or provision right now. But given that it is still a relatively good yield at this moment, we expect investors to come back in terms of their interest in our listed REITs, our portfolio. In terms of the capital-raising environment, I think it remains very positive. We have been speaking to a lot of CIOs (chief investment officers) of pension funds and sovereign wealth funds, and they remain interested and actually, they are reallocating from a portfolio of bonds into alternative asset classes. And Keppel is just in the right space at the right time. We create assets in the alternative asset classes. This is where the interest lies. And if everybody makes a 10-20% switch into alternative assets, that is going to be a great, booming business for Keppel. Thank you.

LCH: Chris has set very high AUM (assets under management) targets.

Question from Jame Osman, Citi Research

Hi, evening. Thanks for the opportunity. Just one question from me. I am just curious, would you be able to share what kind of projects or orders the combined platform would be targeting to go after, which could not otherwise be secured individually? I guess from Keppel O&M’s standpoint, what is it that Sembcorp Marine can currently do better, that Keppel O&M cannot do by itself, especially given the current orderbook composition with Petrobras as a key customer. What are the kinds of synergies that you see from the Combined Entity?

LCH: Thank you for the question, Jame. You are right that the current orderbook is quite high for Keppel O&M. But I think the real play is when you put the two together, there are a lot of synergies that can be realised, both from the technology side of things, and also from the cost side of things. So, this is not just about looking at it at this point in time when the orderbooks are good. I think the very strong orderbook for both sides is actually a good feature, because it allows the Combined Entity to start life on a very firm footing, and then we can then start to look at opportunities in the energy transition, e.g., Cleaner fuel, cleaner maritime fuel, etc.

Questions from Terence Chua, Phillip Securities Research

Hi, thanks for taking my question. Can I just get the spark spread for 3Q 2022, or how it has been trending? As well as your outlook for China? Thank you.

LCH: Okay, for your first question on spark spread, I will invite Cindy Lim to provide the response. Cindy?

CL: Thanks for the question. The weekly spark spread is published under the Energy Market Company website, so I think for more factual information, please refer to the data there.

LCH: The question on China is more for Louis.

LL: The market sentiment in China continues to be weak following the deleveraging policies by the Chinese government and coupled with COVID-19 lockdowns, so demand has been slow and people are trying to watch and wait. I think we are hopeful that the market will improve, but there will be continued volatility as the COVID-19 situation is still not clear.

LCH: The point I would add is that our landbank in China is quite an old landbank. So, the historical cost is generally quite low. So, I think it is a bit slower in terms of being able to convert them into sales, but we are still quite sanguine about the medium- to long-term opportunities, or the outlook for China, despite the short-term challenges that you have heard from Louis. We still think, in the medium to long term, China's property market will still continue to do well. And as I said earlier, even though it is difficult, we have not stopped looking at monetisation of our landbanks. A case in point was the Sheshan transaction that was announced yesterday.

LL: Just to add that the market in China is not even, so it depends on the location, and even within a city, the micro-markets are very different. And I think we have been fortunate to have a strong landbank in locations like Shanghai and Wuxi, where the markets have been holding up better.

LCH: Thank you, Terence.

Questions from Mayuko Tani, Nikkei

Thank you very much for taking my question. I just want to ask you about the real reason why you decided to go ahead to change the transaction details. So, you were saying that the typical shareholder was rather happy with what they had in April, and Keppel and Sembcorp Marine decided to change it because you are seeking, or both are seeking, for a speedy closure. So, is that really for the speed, or were you rather careful, were you worried or concerned that the deal may not go through under the April conditions? Because the shareholders on the other side do not seem to be taking this as a good deal?

LCH: No, I think just to be very clear, as I shared with Anita earlier, the April transaction is a good deal. It is a win-win deal for both sides. This transaction – you cannot just look at the exchange ratio, but you have got to look at it overall with the Asset Co transaction. It remains a very attractive deal for Keppel, both on its own and looking at how it fits into our strategy for Vision 2030. So, I think it is still a good transaction for Keppel and that is why we are prepared to recommend it to our shareholders.

So, you are saying that it was just a complex structure that was taking too long to complete? It is not shareholders that are dragging?

LCH: Well, I think from the standpoint of a better transaction: it is a bit less complicated, the time to complete is faster, and deal certainty. I think deal certainty is also very important. So, I think if you trade it all together, and you look at the overall changes that have been made, not just at the exchange ratio, but also at Asset Co, net I think it is still a very good transaction for Keppel.

Closing Remarks by Loh Chin Hua, CEO of Keppel Corporation

LCH: Thank you very much for staying online to take this. As I said earlier, I think it is a challenging environment, but the results in the first nine months are still within our expectations. We are

progressing well on all fronts on Vision 2030. We believe this transaction, with the changes that we made, is still in the best interest of Keppel. It will lead to a speedier closure and a more certain transaction.

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