<u>Briefing for Media and Analysts on Keppel Corporation's Proposed Acquisition of Singapore Press Holdings Limited ex-Media ("SPH") (via webcast)</u>

Transcript of the Question & Answer Session

2 August 2021, 10.30am, Keppel Bay Tower

LCH	Loh Chin Hua, CEO of Keppel Corporation
CHC	Chan Hon Chew, CFO of Keppel Corporation
CT	Christina Tan, CEO of Keppel Capital
LL	Louis Lim, CEO of Keppel Land
NWK	Ng Wai King, Managing Partner, WongPartnership

<u>Questions from Anita Gabriel, Business Times</u>

This proposed deal could tend to override the narrative of Keppel's pivot to green business/clean energy, not least because of the deal's sheer size. Can you comment?

LCH: As you can see from my remarks, Anita, this transaction is significant for us. It touches on three key segments of Keppel, namely Urban Development, Asset Management as well as Connectivity, which are very important parts of our Vision 2030. It will not, as I mentioned, result in us being unable to pursue the very important pivot, as you say, for the group towards green businesses and clean energy, renewables and providing sustainable urbanisation solutions.

As I shared in my remarks, our asset monetisation programme is going quite well. We have announced $2.3 billion in monetisation so far and we have collected, or received, cash of about half this amount. We do believe that the monetisation programme will allow us, not just to free up more balance sheet space for this transaction, but also to fund new potential organic investments into initiatives such as data centres, connectivity, as well as renewables and decarbonisation solutions.

What are the upsides to this deal versus say one that would have seen Keppel acquire only parts of SPH's business? What led to the decision to acquire the entire company?

LCH: I suppose this is a response when we were invited, I believe with others, to consider, in SPH's parlance, the privatisation of their business post the demerger, or the spin-off, of their media business. So this is something that we are responding to – the RFP (request for proposal) from SPH.

What role did Dr Lee Boon Yang, Keppel's former chairman and current SPH chairman, play in this deal, if any?

LCH: Dr Lee, who retired as the chairman of Keppel after the Annual General Meeting in April 2021, did not play any part in the transaction. He was not involved in any of the discussions, and particularly towards the point where, as part of the process, we had to put in non-binding bids, and finally put in a binding bid, Dr Lee had already retired from the board of Keppel.

Question from Chang Kwok Wei, Citigroup

Thanks for the briefing. It was mentioned that there is sufficient debt headroom post-transaction to pursue growth initiatives. Can we get a sense of the available headroom remaining? And will net gearing be expected to remain below 1.0x even after pursuing new M&A opportunities in the future?

LCH: We have said, Kwok Wei, at the results briefing on Thursday that our monetisation process is going very, very well. We have a target range of $3 to $5 billion by 2023. We expect to hit the lower end target of $3 billion much earlier than the three years and we are now aiming to hit the higher end of that range, which is $5 billion by 2023.

So, in short, there is actually quite a bit of monetisation coming in. And, just to remind you, we are not stopping at $3 to $5 billion. We have identified up to about $17.5 billion of assets by balance sheet value as at June 2020. So we will keep on going. And this is in pursuit of our asset-light business model. So we believe that there will be more than enough headroom for us to consider M&A opportunities. I can also share that, for instance, on the renewables side, we are now, as a Group – in different parts of the Group – looking at quite significant M&A opportunities there. And this (SPH) transaction will in no way not allow us to do all of that. Thank you.

Questions from Paul Chew, Phillip Securities Research

Why would minority SPH unitholders be attracted to the offer of $2.099 that is close to Net Asset Value (NAV) or book value of $2.08?

LCH: This is something that I believe is for the SPH board to address to its unitholders. We believe this is a good deal for both sides. I think it is win-win, as I mentioned. It is a very unique and rare opportunity, an attractive opportunity for Keppel. But it is also a very good opportunity, we believe, for SPH unitholders to realise their investment, post the media demerger or spin-off.

Is there a lock-up period for SPH shareholders receiving the SPH REIT and Keppel REIT shares?

LCH: There is no lock-up.

Questions from Cheryl Lee, UBS

What is a potential timeline for when asset monetisation would commence?

LCH: Cheryl, I think by that you meant for the SPH portfolio. First and foremost, as I shared in my remarks, what is attractive for us regarding the SPH portfolio is that it comprises different assets. Some of them could be quite liquid and can be monetised immediately; but at the same time, there are also assets like the purpose-built student accommodation (PBSA) portfolio which we can also securitise in quite short order. So I think the timing can be quite quick, quite soon – within the next three years, as an example.

The other aspect to think about this is that when we talk about the synergies, we also have quite a number of retail assets within the Keppel Land portfolio, including i12 Katong in Singapore. If we have a platform like SPH REIT, we can also potentially monetise our own assets. Of course, SPH also has Seletar Mall and Woodleigh Mall that is under construction. When it is completed, it can also lend itself to potential monetisation. Of course, there is a part of Woodleigh Mall that is the residential development for sale. Sales are ongoing, so of course, over time, a portion of that asset will also be monetised.

How would Keppel prioritise the order in which the acquired assets would be monetised? Which could be monetised sooner rather than later?

LCH: Well, I think, as I shared, Cheryl, if you look at the portfolio, when I say monetisation, it does not mean that it will all be sold. Some of these could be monetised through asset recycling into a REIT or Trust, or to a new REIT or Trust to be formed. So I think this would be quite soon. We have an integration plan and this would be done quite quickly – within the next three years.

<u>Question from Chin Yongchang, Dow Jones</u>

Could you please elaborate on how Keppel plans to finance the acquisition? Will it be using cash?

LCH: I will direct this next question to Hon Chew.

CHC: Thank you for the question. Just to be clear, the total offeror consideration is $2.237 billion, of which $1.156 billion would be paid through the Keppel REIT units. This was addressed in CEO's opening remarks. So the cash consideration is $1.08 billion. For this cash consideration, we will be drawing on our various sources of funds, such as internal cash, borrowings or even instruments with equity treatment. But of course, as CEO has mentioned, we have asset monetisation plans. We have since last October announced $2.3 billion in asset monetisation, of which half has been completed. We expect another $1 billion or so in cash from July 2021 onwards.

<u>Questions from Lim Siew Khee, CGS-CIMB Research</u>

What due diligence have you done to assess the value of assets in SPH, for example, PBSA? What are your assumptions?

LCH: For the first question, maybe I will ask Christina Tan of Keppel Capital to address.

CT: For PBSA, we commissioned independent appraisals for the assets. The portfolio has been very resilient, even during COVID-19. I think the reason is that there is an increase in terms of the number of applications for university places in the UK. It has grown by 8%. If you look at the UK student population base – it is about 2 million, and 1.18 million of them are studying outside of their home regions. So the demand for PBSA is actually very good. The number of PBSA beds, when we surveyed, was less than 700,000. If you add on the number of international students that we are seeing going into the UK, which has increased for the academic year 2021-2022 to more than 500,000 students right now, we see that there is a huge demand for PBSA. The portfolio itself is doing really well. We are expecting more than 90% in terms of occupancy, and from our surveys, it shows that even for the en suite bedrooms, the average rental has increased by about 17%.

So overall, we are quite happy to be able to adopt this portfolio of PBSA. With Keppel Capital, I think we are able to grow it further through our deal acquisition capabilities – because we have offices in the US and Australia where the PBSA market is pretty strong. So, we are quite confident that this portfolio will do really well through our monetisation efforts.

LCH: Thank you, Chris. You can see her enthusiasm. As I have mentioned earlier, we see a natural fit between ourselves and SPH. That has also been one of the key drivers. We have been partners with SPH on a number of businesses, for a number of years. I think we were co-founding shareholders of M1 back in 1997. So we have had many ventures together. We know the people, and we know the assets quite well. And you can see that even for PBSA, which is an area that we are not in yet, Keppel Capital has been studying this for the last few years. You can see from Christina's enthusiasm that this is an area that we believe we can add much value to. Of course, SPH has done a great job in terms of growing this ground up into a very large PBSA operator already, in the UK and Germany.

The other thing that I will also share is that we were able to bring together quite a number of our colleagues in different parts of the Group to undertake the due diligence, from real estate, to PBSA, to senior living. So it has been a Group-wide exercise. Of course, this has taken some weeks for us to do, but we are quite confident that we have done a very thorough due diligence on the portfolio.

How many times of NAV are you paying for SPH (ex the 25% dividend distribution)?

LCH: Including the in specie distribution of Keppel REIT, we are paying close to 1. But what I want to highlight here is that we also see that there are a lot of synergies as I have touched on in my presentation. We can drive more value from this transaction, drive more value out of this portfolio. At the same time, there are also some important assets in the Group that perhaps are not captured in the NAV. This would include the REIT management platform and the potential REITS that we can create from the existing portfolio.

How much asset monetisation do you expect from the SPH portfolio?

LCH: As I shared, the portfolio lends itself to quite quick monetisation. I want to stress, when we say 'monetisation', it is not just about a sale. Of course, some of the non-core assets can be sold, but we are also able to look at capital recycling through, I have mentioned before, potential securitisation of the PBSA portfolio.

What if the media sale is not approved by shareholders?

LCH: This deal is on the basis that it does not include the media group. So it presupposes that the SPH shareholders will approve the media spin-off.

<u>Question from Cheryl Lee, UBS</u>

There are concerns over both the Capitol Students and Student Castle portfolios. In particular, can you comment on the oversupply situation in some cities where the Capitol Student portfolio is located, such as Plymouth and Huddersfield? What do you think can drive yields for this portfolio?

LCH: I will direct this question to Christina.

CT: Thanks, Cheryl. For PBSA, we are quite positive about the demand and supply situation, as I have mentioned. In terms of the statistics, the number of students requiring PBSA would be more than about 1.7 million. Whereas PBSA is probably only providing less than 700,000 beds, in terms of supply.

In terms of overall portfolio, based on our research, the occupancy is strong based on this portfolio. Portfolio-wise, we are looking at above 90% occupancy in the academic year 2021-2022. We are quite confident that this portfolio will do well. Of course, there would always be assets in the portfolio that might be weaker. I think we will take this opportunity to look through the portfolio, study in detail, look at possible repositioning of the portfolio, look at value-add, which Keppel Capital is really good at, and, from there, put in asset enhancement initiatives (AEI) works, and from there, drive yields up again from the weaker assets.

LCH: Thank you. The yields for this portfolio, PBSA, are quite high.

CT: Yes, that is right.

Questions from Lim Siew Khee, CGS-CIMB Research

Do you need to pay if the deal is not successful? How much is the break-up fee?

LCH: First and foremost, for this deal, we have to go to SIC (Securities Industry Council), amongst others, for approval of the scheme. We do have some conditions. If the conditions are not met, we would have to go back to SIC to get the sanction, their agreement, for us to so-called 'walk'. But I do believe the conditions will be met.

How much is the break-up fee?

LCH: The break-up fee is about 1% of the transaction, which is $34 million.

When will you resume trading?

LCH: We do not expect this trading halt to be too long, but you should wait for the announcement from us. Thank you.

Questions from Pang Kia Nian, Lianhe Zaobao

Can you clarify the approval requirement of the scheme?

LCH: I will invite Wai King, who is the Managing Partner at Wong P, to respond.

NWK: On the approval requirement of the scheme, there are two parts to the approval requirement. We would need to go to court to convene a scheme meeting and at the scheme meeting, shareholders who hold a majority number and 75% in value, present and voting, must vote in favour of the scheme. So that is the shareholder meeting threshold.

After the shareholders have approved, we would need to go back to the court again for the court to then approve the scheme. So it is both the shareholders as well as the court that will approve the scheme.

Will there be retrenchment after the acquisition?

LCH: Too early to say. First and foremost, just bear in mind that this is really about coming together. It is an acquisition where we see a lot of value in the portfolio; particularly in the platforms that SPH has, which we are not very big into at this point, such as the retail portfolio, the retail REIT, and also the PBSA portfolio. It is too early for us to talk about this right now, but the HR side is very important. We look forward to welcoming the SPH staff to be part of the larger Keppel ecosystem post-transaction. We will have to form an integration committee to look at some of these aspects later on.

The proposed offer will not trigger the chain offer for SPH REIT. Do you have plans to integrate SPH REIT with Keppel REIT?

LCH: Yes, this offer will not trigger the chain offer for SPH REIT. I have said that in my remarks. We are very supportive of both SPH REIT and Keppel REIT, and we think these are two very important REITs and we welcome SPH REIT into the Keppel Capital platform. As I have said in my remarks, we will be supportive of both SPH REIT and Keppel REIT's strategic discussion to see how we can create better value for both sets of unitholders, including potentially creating a more synergistic integrated platform.

<u>Questions from Mervin Song, JP Morgan Securities</u>

Congratulations on the proposed merger with SPH. What is the approximate value of SPH's non-core assets that could be monetised?

LCH: Can I ask Hon Chew to address this?

CHC: As CEO has mentioned in his opening remarks, we are in a very unique position to unlock value because Keppel is familiar with most of the sub-sectors that SPH is in, and it will help us to augment our asset management business as well. After acquisition, we will have to go through what are the assets which are core or non-core, and identify which are the non-core assets that can be monetised in the short term. At this time, it is quite premature to give a number.

On your earlier comments on Keppel REIT and SPH REIT, is a merger between the two REITs being considered to gain greater scale?

LCH: Mervin, as I have shared, we remain supportive of the two REITs to look at how they can work more closely together, including potential synergistic ways of creating an integrated platform. But I just want to be very clear – these will be decisions that both Keppel REIT and SPH REIT will have to take on their own because they have their respective unitholders' interests to look after.

If after careful consideration, they think that a combination or a merger could create better value for both sets of unitholders, then I suppose it will then be considered and Keppel will be very supportive of that. But it has to be decided by Keppel REIT and SPH REIT, which have their own independent boards to look after the interests of their own respective unitholders.

Question from Adrian Loh, UOB Kay Hian

Will any of the current SPH management be absorbed into the Keppel family?

LCH: Again, a bit early to say. As I said, we will look into this after the announcement and during this period, while we are completing all the approvals, including our shareholders' approval. But, just to say that, at Keppel, we are very ambitious and we are growing our businesses under Vision 2030. So we are always on the lookout for good people.

Questions from Ho Pei Hwa from DBS

Why is there no chain offer for SPH REIT?

LCH: That has already been addressed earlier. Just to be clear, for the transaction involving us, we will only be taking the part of SPH that will include 20% of SPH REIT after their in specie distribution of their existing 45% to their shareholders.

What is management's thinking relating to merger between Keppel REIT and SPH REIT?

LCH: There have been good examples that we can see where retail and office portfolios coming together have worked out quite well in Singapore. But of course, as I said, this is a decision that has to be taken by the Keppel REIT and SPH REIT's boards because they are independent and they look after the respective unitholders.

Question from Rahul Bhatia, HSBC Global Research

You mentioned about the importance of return of capital to shareholders. With this transaction, half of the capital from the ongoing asset monetisation will be used. Does it change your view on near-term dividend payout to shareholders?

LCH: The short answer, Rahul, is that when we monetise assets, as we have said before, it meets with our asset-light business model. It also allows us to reposition the portfolio for new growth initiatives. Keppel is still a growing business, so we would still need to invest in order to create new profits, to pay dividends in the future. So we cannot be just doing pure monetisation and returning all capital to shareholders. But having said that, you would note that for the first half, we have paid 12 cents interim dividend, and this is something that the market has taken a shine to. When the Board and the management recommended and deliberated on this interim dividend, clearly this deal was already very much in consideration. So we believe that with the asset monetisation that we have planned, and of course we would still need to execute them, but we are quite optimistic that the monetisation programme will continue to do well. It would allow us to pivot our portfolio into new growth engines. We think that there is enough headroom for us to consider other growth initiatives such as renewables and decarbonisation solutions. But there would also be the ability for us to improve our dividend payment to shareholders. We know dividends are very important to our shareholders. And of course, as we improve the quality of our earnings – and this transaction will improve the quality of our earnings by increasing the proportion of net income that is recurring - it would also give us a better platform to pay dividends to shareholders.

Questions from Adrian Loh, UOB Kay Hian

Thanks for the presentation. Could you please elaborate on how the addition of SPH's real estate assets equates to an asset-light strategy?

LCH: Well, Adrian, I think you would have to look at our track record. I have shared this at the results briefing. We privatised Keppel Land in 2015 and to date, of the $3.1 billion that the Group spent on privatising Keppel Land, Keppel Land has upstreamed to the Group about $5.1 billion in dividends, including about $700 million in the first half of 2021. At the same time if you look at our property book, it has only reduced by about $400 million in that time from about $14.5 billion in June 2015 to $14.1 billion as at the end of June 2021. So we do have a very strong track record of being able to turn assets and recycle.

For the SPH acquisition, in the short term, we will see a temporary increase in our net gearing, but not by very much because of the way we structured the deal with part cash and part Keppel REIT units. So the net gearing goes up on a pro forma basis, assuming the deal was done in end-June, from 0.85x to just below 1.0x. But I have also shared that many of the assets, including the real estate assets in SPH's portfolio, lend themselves to recycling. For instance, the PBSA portfolio as I have said, is ripe for securitisation. The assets that SPH has in its portfolio, including Seletar Mall as well as Woodleigh Mall, can also be monetised quite quickly. Of course, there is also the apartments in Woodleigh that would be a natural liquidation - as we sell, that part of the portfolio will be converted to cash. There are also many other assets which I think Hon Chew touched on that we can look at. If they do not fit in our strategy, we would also consider liquidation.

I believe that this acquisition plays very well to the capital recycling model that we have. We think that in Singapore, it is quite unique, where we have both private funds and listed REITs and Trusts that can aid in the recycling.

How would your pro forma Return on Equity (ROE) have looked like as at end-1H 2021 assuming the transaction had gone through?

LCH: I will ask Hon Chew to address that.

CHC: Thank you for the question. As CEO mentioned in his opening remarks, this transaction is immediately earnings per share (EPS) accretive, improving EPS by 6%. At the same time, it is also ROE accretive, improving ROE to 5.8%. But of course, these are on a pro forma basis for the first half using historical data. As you have mentioned earlier, we are in a unique position to unlock value, so going forward we will improve the ROE even more.

Question from Jeffrey Tan, The Edge

Keppel has many moving parts. It has yet to complete the Keppel Offshore & Marine (Keppel O&M) and Sembmarine potential combination. Under Vision 2030, it has many pursuits with its other business segments. And now Keppel is acquiring SPH and its assets. Is there a particular pursuit you would prioritise first?

LCH: Jeffrey, it is a very good question. As I have shared, for Keppel, we believe that we have a very good plan under our Vision 2030 to transform the Group into an integrated business providing solutions for sustainable urbanisation. First of all, we believe that the acquisition of SPH and its assets fits very neatly into our Vision 2030 and it touches in particular three very important segments - Connectivity, Urban Development, and Asset Management. So it is a very important strategic pursuit for us.

At the same time, our announcement on the non-binding MOUs, which could see a potential combination of Keppel O&M and Sembcorp Marine, as well as having a conclusion to the legacy rigs, is also very important because the offshore & marine (O&M) industry is undergoing very severe disruption through the energy transition. We believe that combining Keppel O&M and Sembcorp Marine will create a stronger player that can pivot better to renewables, as an example.

Both this combination of Keppel O&M and Sembcorp Marine, as well as this just announced acquisition of SPH, are very important pursuits. We have other very important pursuits. I mentioned renewables as well as decarbonisation solutions, and they are things we have to continue to pursue. The Group is very uniquely placed. I have shared that one of the things that is transforming the Group over the last few years is that you see that Keppel is not made up of many different parts with silos. We actually work very closely together. You can see that for this SPH acquisition, we brought in our colleagues from Keppel Land. We also consulted our colleagues from Keppel Data Centres, under Keppel Telecommunications & Transportation. And of course, we have Keppel Capital looking very closely at the PBSA portfolio. The Group is quite well integrated now. We can work very effectively together as a team, looking at all these very important pursuits and they are all very important as we do want to achieve Vision 2030 by 2025.

Question from Goola Warden, The Edge

While this is a good deal for Keppel, regarding Note 4.5, at what point would Keppel raise its offer in the event of a competing offer?

LCH: Note 4.5, for those who are not familiar with the joint announcement, is on the switch option which allows us to switch our offer in the event a competing offer is announced. That is not something that we need to address at this point in time. I think the proposed transaction as negotiated between the two companies is good for both sets of shareholders and we believe the deal will go through.

Questions from Simon Jong, DBS

Can you elaborate on how the cash used for the acquisition will be financed?

LCH: Hon Chew, can you address that?

CHC: The cash portion of the transaction is $1.08 billion. We will be looking at the various sources of funds, including internal cash, borrowings or even exploring instruments with equity treatment. I think it is still early days. Once we have any transaction, in terms of raising bonds or borrowings, we will make announcements and reach out to the marketplace.

Is it possible to elaborate on what peak gearing would be and what it could normalise to post-merger?

LCH: Hon Chew, maybe you can address that as well.

CHC: Gearing post-merger will still be below 1.0x. But given the asset monetisation, we expect in the coming months further proceeds from the asset monetisation that has already been announced - a further $1 billion or so. So it is not just helping us to reduce our gearing further, but also giving us the headroom to make investments in other asset classes.

<u>Questions from Wong Yew Kiang, CLSA</u>

The asset recycling strategy to lower gearing below 1.0x, can you elaborate which asset classes/regions other than the PBSA REIT potential?

LCH: If you take a look at the SPH portfolio, there are both private and public investments, so we will have to assess them. Those that do not fit, we can monetise. At the same time, for the Woodleigh integrated development, the residential component will monetise itself after it is completed and sold. We have also mentioned that a number of assets there, including the Woodleigh Mall as well as the Seletar Mall, would be potential candidates for recycling into the REIT.

I have also added that besides the SPH REIT portfolio, having this acquisition would also allow us to monetise Keppel Land's retail assets, which are quite considerable besides i12 Katong. Maybe I will ask Louis to elaborate a bit on the retail assets that we have that potentially can be monetised?

LL: Thank you, CEO. In addition to i12, which is currently undergoing an AEI, SPH will bring the Seletar Mall, as well as the Woodleigh Mall upon completion in 2023. We believe that those assets would be potentially very nicely placed into a REIT going forward.

On fee income, can you elaborate what is the expected fee income in basis points on the $47 billion?

LCH: Can I ask Chris to address that?

CT: The increase is about $10 billion in terms of new assets under management (AUM). So for the current SPH REIT, I think the revenue from the management fees is approximately maybe $18-20 million. If we were to assume 50 basis points (bps) of fees in terms of basis points for the remaining $6 billion of assets, that would approximately be between $25-30 million in terms of fees. So all in, we are expecting another $50 million of fees in terms of revenue topline.

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

Do you see material benefit in having an enlarged commercial REIT, or do you believe Keppel REIT and SPH REIT have substantial scale to remain as separate listed entities?

LCH: Keppel REIT and SPH REIT are already quite sizeable, so they are able to operate on their own. But I have shared that if you look at some examples in Singapore in the REIT sector, there have been quite encouraging outcomes when office comes together with retail. As I shared, this is not just for Keppel to advocate, it is really up to the Keppel REIT and SPH REIT's separate Boards, as they have a responsibility and duty to their unitholders, to make sure that this is something that is positive for both sets of unitholders. But we do believe that there is scope for looking at that.

Can you share some operating metrics on Keppel Capital? e.g. fees/AUM and EBITDA margin?

LCH: I will direct this to Christina.

CT: As a practice, we do not typically share the detailed fee matrix. But if you just look at all the REITs that we are running, typically we will charge about 50 bps in terms of AUM. So if you apply that to the new portfolio that we are acquiring in terms of growth in AUM, as mentioned in the earlier response, it will be looking at a revenue of about $50 million.

In terms of EBITDA margin, I think with scale the EBITDA margins will actually improve because it is a matter of managing bigger portfolios and in terms of sizing. If you just apply an EBITDA margin of 50-60%, you will probably get the matrix. Thanks.

Question from Paul Chew, Philips Securities

Why scheme and not mandatory general offer where the shareholder approval threshold may be lower at 50% and 1 share? Thanks again.

LCH: Paul, I think this is something that both sides have agreed to, that a scheme works better. We believe that there are very compelling reasons, as I have shared in my opening remarks, for this transaction to take place, both on the Keppel side and of course on the SPH side. That has to be addressed by the SPH Board. But we believe that for the portfolio that SPH has, we can enhance quite a lot of value because of the capital recycling platform that we have. We are better placed to grow the PBSA portfolio through Keppel Capital. There will be opportunities for us to also enhance the value of the SPH REIT portfolio as well as the other assets in SPH. There is a very compelling reason, so we think that a scheme, even though it requires a higher threshold, can be achieved.

Questions from Mervin Song, JP Morgan Securities

Keppel Capital previously had a $50 billion AUM target but post this transaction, AUM will rise to $47 billion. Does Keppel Capital have a new AUM target post the merger?

LCH: Chris?

CT: We have previously mentioned the $50 billion target, but actually, internally we have always discussed about Keppel Capital reaching global world-class standards in terms of our asset management platform, and we are looking at $100 billion in terms of AUM target. We did not disclose when we will reach that, but I think post this merger, we would be looking at a much higher target than $50 billion.

Keppel has been very decisive over unlocking value over the past year such as the demerger of the O&M business, sale of assets and merger with SPH. How should we think about M1? Should we expect a listing or partial sale of M1 soon?

LCH: M1 remains a very important part of the Group in the Connectivity segment. I think we have already discussed that M1 is on a multi-year journey to transform itself from a normal telco into a cloud-native connectivity platform. There are a lot of things that our colleagues at M1, led by CEO Manjot Singh Mann, are involved in and there is a multi-year plan, so we are very much focused on that. For that purpose, it makes more sense for M1 to remain private for now, whilst we undertake this very important transformation which we believe will make M1 a very important growth engine for the Group, focusing on the Connectivity segment, particularly with the launch of 5G which has tremendous impact not just on consumers, but also on businesses.

Questions from Pang Kia Nian, Lianhe Zaobao

What about Keppel's shareholders approval for the offer? Is it a simple majority?

LCH: It is. 50% + 1 share.

Will Temasek vote at Keppel's Extraordinary General Meeting (EGM)?

LCH: Yes, I can confirm that Temasek can vote at Keppel's EGM.

Questions from Terence Chua, Philip Securities

Thank you for the presentation. Is the deal completion of SPH expected to be completed in 1Q 2022?

LCH: Right now, there is a possibility that if all the timings can be done right, we can actually get it completed by the end of this year. But if it stretches out, then it will be by 1Q 2022.

Will Keppel revise its ROE target should the acquisition of SPH be completed?

LCH: I think we are quite happy with the ROE target that we have set. We have said that this is a medium-term target of 15%. We think it is already a very ambitious target, but one that is achievable. So the acquisition of SPH is really part of our Vision 2030 roadmap that will allow us to hit this ROE target of 15%.

Questions from Donald Chua, Merrill Lynch

Why use Keppel REIT units as a funding source at below NAV, to acquire SPH at NAV?

LCH: There are two ways to answer this. We have already mentioned that the way that this deal is structured, it will allow us to use less cash, so that keeps our gearing below 1.0x post transaction. Also, we have a long-term target of bringing down our current 46% share of Keppel REIT units because we think that to run an asset-light model, we prefer to own about 20% of the REITs and Trusts that we have. For those reasons, we think that this transaction is quite elegantly structured. It achieves the goals that we have and frankly, also gives the SPH shareholders another REIT to own which is producing quite good returns. Whilst we are buying at 1.0x NAV, we are uniquely placed to derive and enhance value from this acquisition. Some of the platforms we can create through the REITs and the existing platform of SPH REIT are not fully factored into their NAV calculation.

What is the implied valuation for the SPH manager in this transaction? Are there intangibles currently in SPH's balance sheet that reflect the value of the management platform?

LCH: I think that is something that we have already touched on. The SPH REIT Manager fee revenue is about $18-20 million a year, which translates to about 45-50 bps based on their $4.1

billion AUM. We have ascribed a certain value there, in our sum of the parts. At the same time, Christina has also touched on some of the REITs that we can create from that.

Is this offer final?

LCH: I think this is a good deal for all sides. It represents good value for Keppel because we are uniquely positioned to derive value from this portfolio, and we think it is a very fair and attractive offer for the unitholders of SPH.

Question from Grace Leong, Straits Times

How will the proposed acquisition of SPH enhance Keppel's plans for its property development business? And what will it mean for SPH's property development business as well?

LCH: I will ask Louis to address that. Thank you.

LL: Thank you for that question. At Keppel Land, our vision is to redefine urban spaces for a sustainable future. As part of that objective, what we are also doing is pivoting more towards recurring income. So the proposed acquisition of SPH actually lends itself very well to the objectives that we have. In particular, having the retail portfolio is something that we are planning on driving growth in, across China, Vietnam, and Singapore. As I had mentioned before about i12, this is something we are doing in Katong to experiment with new retail formats and concepts. So we hope to be able to do this with the SPH portfolio as well.

In terms of development itself, the key project that SPH has is Woodleigh with 667 units. 70% of these units have already been sold and we believe that we will be able to complete the sales by the end of next year in time for the completion of the property in 2023. That is the only development project they have at the moment. Thank you.

Question from Lim Siew Khee, CGS-CIMB Research

Why do you need to do dividend in specie from SPH for SPH REIT? How did you come to this conclusion?

LCH: Again, it is a very elegant way of structuring the deal. As I shared earlier on Keppel REIT, the Group as a whole, we like to own about 20% of the REITs and Trust that we sponsor and manage. So by having the SPH dividend in specie, reducing their current 65% down to 20% of SPH REIT, the consideration is there, but it is better that they distribute as part of the transaction for us coming in. We think this is a good outcome for both SPH and SPH REIT itself because it also increases the units that are in circulation. We think this is also a good outcome for Keppel REIT and for Keppel. Thank you.

Question from Foo Zhi Wei, Macquarie Securities

Could you share what is the implied cap rate at which Keppel is acquiring the PBSA assets? From SPH's recent 1H call, they remarked that the asset yield was about mid 5%. This compares to the acquisition cap rate of 6.0%-6.5% when they acquired it. What is the current market transaction cap rate?

LCH: We do not share the cap rates, but we think that this is a very good portfolio and we certainly see that cap rates on PBSA assets have been compressing in recent times. Thank you.

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