

# Keppel Infrastructure Trust

## 1Q FY2018 Financial Results

16 April 2018



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# Key Highlights for 1Q 2018



## Distribution per Unit

**0.93 cents**

Stable DPU of 0.93 cents for 1Q 2018



## Distribution Yield

**7.0%**

As at 31 March 2018



## Distributable Cash Flows

**S\$36.2 million**

Distributable cash flows of S\$36.2 million for 1Q 2018



## Net Asset Value

**29.6 cents**

As at 31 March 2018



## Gearing

**40.1%**

As at 31 March 2018



## Hedged Loans

**~91%**

As at 31 March 2018

# Business Updates

## City Gas

- Customer base grew by 4% from 791,000 as of 1Q 2017 to 823,000 as of 1Q 2018
- Achieved 100% availability in 1Q 2018

## Concessions

- Consist of Senoko WTE, Tuas WTE, SingSpring Desalination and Ulu Pandan NEWater plants in Singapore
- Fulfilled all contractual obligations in 1Q 2018

## KMC

- Fulfilled all contractual obligations in 1Q 2018

## DC One

- Fulfilled all contractual obligations in 1Q 2018

## Basslink

- On 28 March and 10 April 2018, Basslink announced that a third-party contractor damaged a piece of equipment during the routine maintenance works which resulted in a service outage. There is no damage to the cable itself
- The repair requires specialised expertise and equipment from overseas and Basslink is working to return the interconnector to service
- Based on the latest available information, the anticipated return to service date is 31 May 2018
- This incident is unrelated to the outage in December 2015 and the ongoing dispute with the State of Tasmania
- CRSM was +5.7% in 1Q 2018

## Basslink (Outage in December 2015)

- Returned to service on 13 June 2016
- Repair costs and revenue loss during the outage are covered by insurance, subject to the relevant terms of the insurance policy
- On 5 December 2016, Basslink announced the completion of its investigations into the cause of the outage. Cause of cable failure is “cause unknown”, supporting Basslink’s view that the cable failure was a force majeure event
- Hydro Tasmania (“HT”) disagrees that the outage is a force majeure event and on 20 and 22 December 2017, issued media releases stating that their experts have completed their investigations and alleged that the probable cause of the cable failure was because Basslink operated the cable beyond its design limit and the cable, as designed and constructed, cannot meet the minimum operating requirements
- On 21 March 2018, Basslink received a letter from the State of Tasmania (“State”) alleging that Basslink had breached the Basslink Operations Agreement (“BOA”) and that it had suffered various losses for which Basslink must indemnify (including alleged losses incurred by HT arising from the outage), amounting to over A\$100 million. On 26 March 2018, Basslink received a Notice of Dispute from the State
- Based on current circumstances and professional advice, Basslink stands by the independent investigation undertaken by CCI and maintains that the outage is a force majeure event. Basslink will follow the dispute resolution steps set out in the BOA to resolve the dispute. However, if the dispute cannot be resolved, it is likely to be referred to arbitration in accordance with the steps set out in the BOA, and Basslink intends to vigorously defend the matters raised in the Notice of Dispute
- Discussions have been ongoing with the banking syndicate on the subsisting defaults under the project financing. Notwithstanding the default, Basslink remains current on the debt and all outstanding payments under the project financing have been fulfilled

# 1Q 2018 Distributable Cash Flows

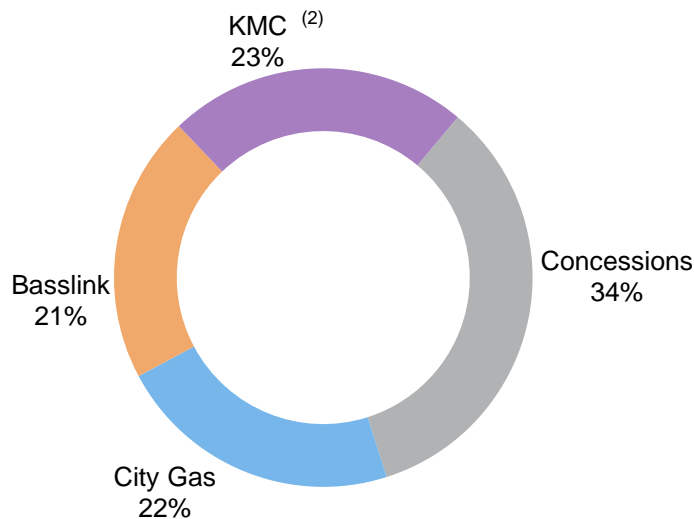
Delivered distributable cash flows of **S\$36.2 million** in **1Q 2018**

	1Q FY18 S\$'000	1Q FY17 S\$'000	Remarks
City Gas	10,256	8,936	<ul style="list-style-type: none"> <li>Due to time lag in the adjustment of gas tariffs to reflect actual fuel cost</li> </ul>
Concessions	17,672	17,368	<ul style="list-style-type: none"> <li>All plants fulfilled contractual obligations</li> </ul>
KMC	11,451	11,308	<ul style="list-style-type: none"> <li>Met contractual obligations</li> </ul>
DC One	1,177	445	<ul style="list-style-type: none"> <li>Stepped up in core rent in 2Q 2017</li> <li>Met contractual obligations</li> </ul>
Others	(4,336)	(3,813)	<ul style="list-style-type: none"> <li>No management fees from CityNet upon cessation as Trustee-Manager of NetLink Trust on 13 April 2017</li> </ul>
<b>Total Distributable Cash Flows</b>	<b>36,220</b>	<b>34,244</b>	

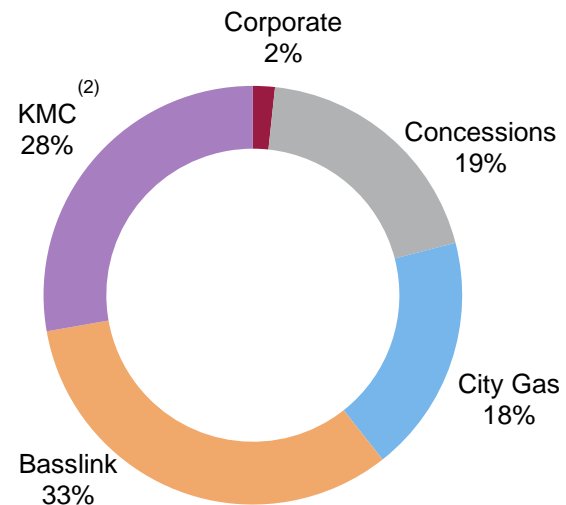
# Diversified Portfolio of Core Infrastructure Assets

- Long-term, regular and predictable cash flows generated from a diversified portfolio ranging from Utilities, Power and Telecommunications infrastructure assets

## 1Q 2018 Adjusted EBITDA <sup>(1)</sup>



## Total Assets as at 31 Mar 2018



### Notes:

(1) Adjusted EBITDA includes reduction in concession receivables and excludes Trust/corporate expenses

(2) Based on KIT's 51% stake in KMC

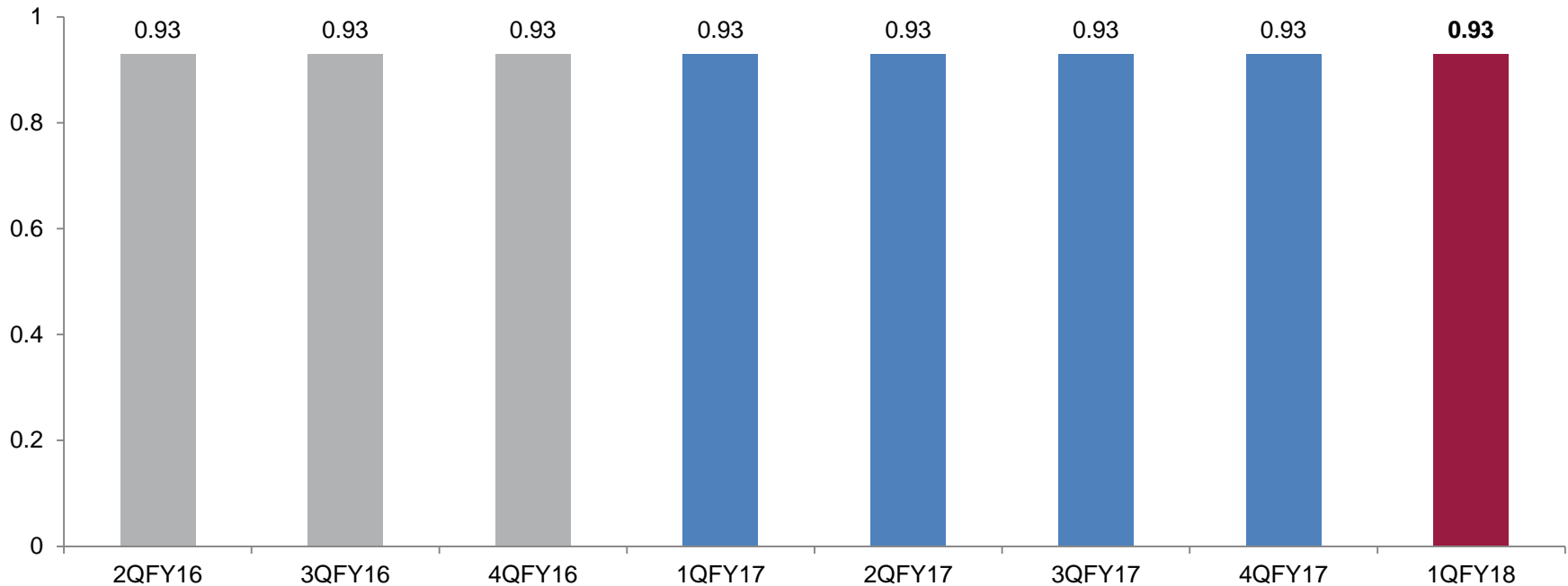
# Regular and Stable Returns

DPU (S cents)

1Q FY18 DPU: **0.93 Singapore cents**

Book closure date: 24 April 2018

Distribution Payment date: 18 May 2018



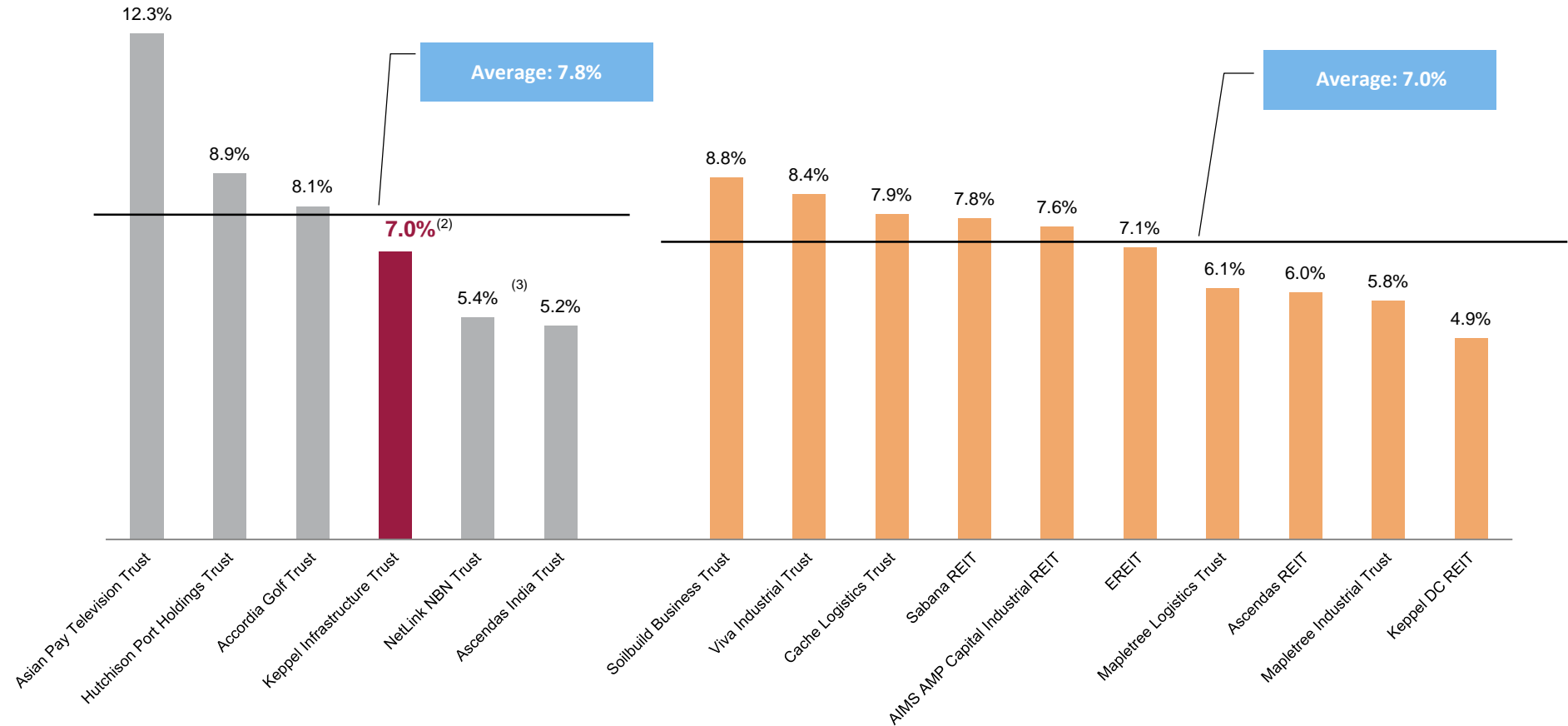


# Regular and Stable Returns

## Distribution Yield (1)

### Infrastructure Trusts

### Singapore Industrial REITs



(1) Source: Bloomberg's dividend yield data as at 31 March 2018

(2) Based on market closing price of S\$0.535 as at 31 March 2018

(3) Based on forecast dividend yield disclosed in NetLink NBN Trust's Prospectus dated 10 July 2017

# Strong Balance Sheet

S\$m	As at 31 March 2018	
	Total	Excluding Basslink
Cash	219	159
Borrowings	1,799	1,080
Net debt	1,580	921
Total assets	3,936	2,927
Total liabilities	2,642	1,705
EBITDA	228	180
Net gearing	40.1%	31.5%
Net debt / EBITDA	6.9X	5.1X

Sustainable gearing backed by

- ✓ Long term contracts expiring between 2024 and 2046
- ✓ Creditworthy customers and City Gas' large and stable customer base
- ✓ Recurring and stable revenue streams

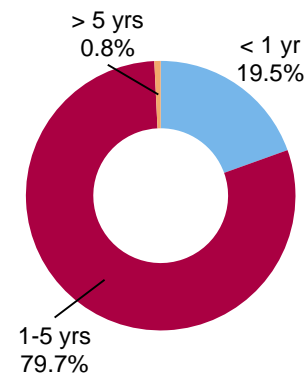
# Prudent Capital Management

## Debt Overview

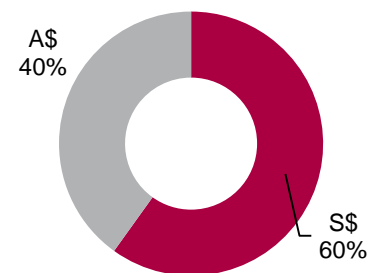
- / Hedged ~91% of total loans
- / Other than KIT corporate loan, rest of the loans are non-recourse
- / Maintain stable interest rate of 4-5%
  - Singapore average: 3-4%
  - Australian average: 6-7%
- / Weighted average term to expiry of ~1.9 years
  - ~100% of loans due in 2019 and beyond
- / S\$723.9m (A\$702.1m)<sup>(1)</sup> Basslink loan
  - Interest rate substantially hedged
  - Natural currency hedge for A\$ cash flows
  - All residual cash flows used for debt service
  - No dependence on Basslink's cash flows for distribution
  - No cash flow exposure to near term A\$ forex movement

## Debt Breakdown

### Debt Repayment Profile



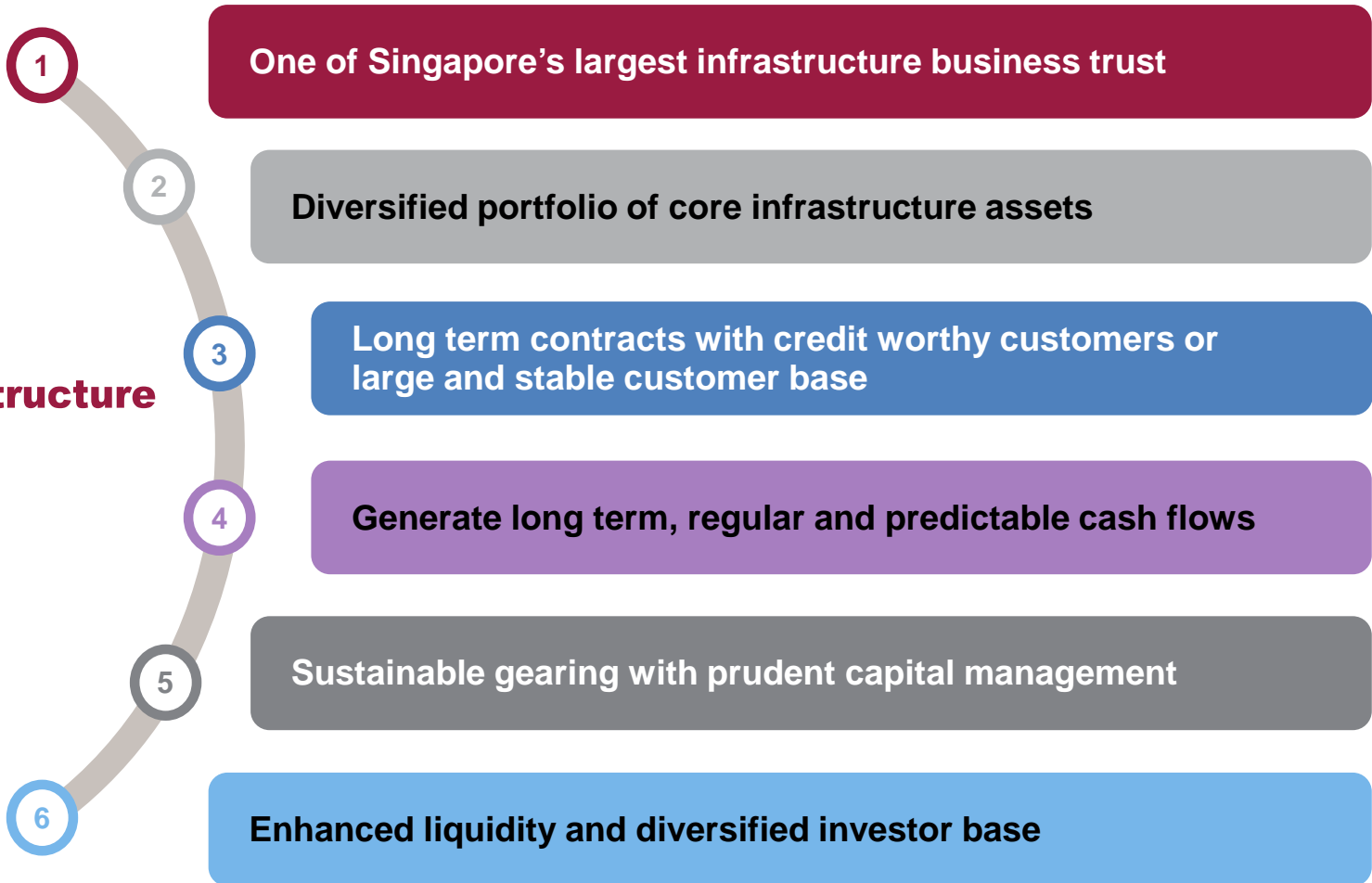
### Debt Breakdown by Currency



<sup>(1)</sup> Based on exchange rate of A\$1.00 = S\$1.031

# Well-Positioned to Deliver Long-term Value and Growth

**Keppel Infrastructure Trust**



# Appendix I: Additional Information

# 1Q 2018 Results: City Gas

	1Q FY18 S\$'000	1Q FY17 S\$'000	Change %
<b>Revenue</b>	82,103	77,469	6.0
<b>Other income</b>	331	300	10.3
<b>Other (losses)/gains - net</b>	128	(661)	N/M
<b>Expenses</b>			
Fuel and electricity costs	(31,710)	(29,106)	8.9
Gas transportation costs	(23,310)	(23,198)	0.5
Depreciation and amortisation	(690)	(1,434)	(51.9)
Operation and maintenance costs	(1,987)	(2,031)	(2.2)
Staff costs	(5,709)	(5,632)	1.4
Finance costs <sup>(1)</sup>	(7,706)	(7,437)	3.6
Other operating expenses	(6,870)	(6,448)	6.5
<b>Profit before tax</b>	4,580	1,822	>100.0
Income tax expense	(837)	(338)	>100.0
<b>Net profit after tax</b>	3,743	1,484	>100.0
<b>Funds from operations<sup>(2)</sup> attributable to KIT</b>	<b>10,256</b>	<b>8,936</b>	<b>14.8</b>

<sup>(1)</sup> Includes QPDS interest payable to KIT

<sup>(2)</sup> Funds from Operations ("FFO") is defined as profit after tax adjusted for reduction in concession/lease receivables, transaction costs, non-cash interest and current cash tax, maintenance capex, non-cash adjustments and non-controlling interests adjustments

# 1Q 2018 Results: Concessions

	1Q FY18 S\$'000	1Q FY17 S\$'000	Change %
<b>Revenue</b>	23,338	23,204	0.6
<b>Other income</b>	136	105	29.5
<b>Expenses</b>			
Fuel and electricity costs	(2,672)	(2,266)	17.9
Depreciation and amortisation	(1,763)	(1,763)	0.0
Operation and maintenance costs	(11,380)	(12,044)	(5.5)
Finance costs <sup>(1)</sup>	(5,818)	(5,751)	1.2
Other operating expenses	(1,312)	(1,224)	7.2
<b>Profit before tax</b>	529	261	>100.0
Income tax expense	(122)	(147)	(17.0)
<b>Net profit after tax</b>	407	114	>100.0
<b>Funds from operations attributable to KIT</b>	<b>19,499</b>	<b>19,195</b>	<b>1.6</b>

<sup>(1)</sup> Includes QPDS interest payable to KIT and non-controlling interest

# 1Q 2018 Results: Basslink

	1Q FY18 A\$'000	1Q FY17 A\$'000	Change %
<b>Revenue</b>	21,258	19,777	7.5
<b>Other income</b>	242	197	22.8
<b>Other losses - net</b>	(7,214)	(1,352)	>100.0
<b>Expenses</b>			
Fuel and electricity costs	(71)	(67)	6.0
Depreciation and amortisation	(4,438)	(4,441)	(0.1)
Staff costs	(597)	(566)	5.5
Operation and maintenance costs	(984)	(1,290)	(23.7)
Finance costs	(12,113)	(11,842)	2.3
Other operating expenses	(839)	(747)	12.3
<b>Loss before tax</b>	(4,756)	(331)	>100.0
Income tax	-	-	-
<b>Net loss after tax</b>	(4,756)	(331)	>100.0
<b>Funds from operations attributable to KIT</b>	<b>7,913</b>	<b>6,128</b>	<b>29.1</b>



# 1Q 2018 Results: KMC

	1Q FY18 S\$'000	1Q FY17 S\$'000	Change %
<b>Revenue</b>	32,604	32,423	0.6
<b>Other income</b>	6	404	(98.5)
<b>Other losses - net</b>	2	(1)	N/M
<b>Expenses</b>			
Depreciation and amortisation	(18,933)	(18,885)	0.3
Operation and maintenance costs	(4,641)	(4,834)	(4.0)
Finance costs <sup>(1)</sup>	(26,546)	(26,597)	(0.2)
Other operating expenses	(1,368)	(1,420)	(3.7)
<b>Loss before tax</b>	(18,876)	(18,910)	(0.2)
Income tax credit	-	122	N/M
<b>Net loss after tax</b>	(18,876)	(18,788)	0.5
<b>Funds from operations attributable to KIT</b>	<b>11,451</b>	<b>11,308</b>	<b>1.3</b>

<sup>(1)</sup> Includes QPDS interest payable to KIT and non-controlling interest

# 1Q 2018: Distributable Cash Flows

S\$'000	City Gas	Concessions	Basslink	KMC	Others	Group
<b>Profit/(loss) after tax</b>	3,743	407	(4,968)	(18,876)	18,626	(1,068)
<b>Add/(less)</b>						
Reduction in concessions/lease receivables	-	13,684	-	-	-	13,684
Non-cash finance cost	97	6	1,665	160	27	1,955
Other non-cash items	(195)	69	6,963	662	(871)	6,628
Adjustment for cash tax paid/deferred tax	(21)	104	-	-	8	91
Depreciation and amortisation	690	1,763	4,638	18,933	-	26,024
QPDS interest	6,269	5,094	-	21,575	(22,126)	10,812
Maintenance capital expenditure incurred	(11)	-	(30)	-	-	(41)
FFO from joint venture	-	-	-	-	1,722	1,722
<b>Sub-total</b>	10,572	21,127	8,268	22,454	(2,614)	59,807
Less: FFO attributable to non-controlling interests	(316)	(1,628)	-	(11,003)	-	(12,947)
<b>Funds from operations</b>	10,256	19,499	8,268	11,451	(2,614)	46,860
Mandatory debt repayment	-	(1,827) <sup>(1)</sup>	N/A	-	(545)	
<b>Distributable cash flows</b>	10,256	17,672	- <sup>(2)</sup>	11,451	(3,159)	36,220 <sup>(3)</sup>

<sup>(1)</sup> 70% of SingSpring debt repayment

<sup>(2)</sup> Not dependent on Basslink's cash flows for distribution

<sup>(3)</sup> Excludes Basslink

# 1Q 2017: Distributable Cash Flows

S\$'000	City Gas	Concessions	Basslink	KMC	Others	Group
<b>Profit/(loss) after tax</b>	1,484	114	(355)	(18,788)	15,637	(1,908)
<b>Add/(less)</b>						
Reduction in concessions/lease receivables	-	13,220	-	-	-	13,220
Non-cash finance cost	96	6	1,284	158	2,743	4,287
Other non-cash items	655	523	881	463	(133)	2,389
Adjustment for cash tax paid/deferred tax	(733)	71	-	(120)	66	(716)
Depreciation and amortisation	1,434	1,763	4,770	18,885	-	26,852
QPDS interest	6,269	5,094	-	21,575	(22,126)	10,812
Maintenance capital expenditure incurred	(99)	-	-	-	-	(99)
FFO from joint venture	-	-	-	-	972	972
<b>Sub-total</b>	9,106	20,791	6,580	22,173	(2,841)	55,809
Less: FFO attributable to non-controlling interests	(170)	(1,596)	-	(10,865)	-	(12,631)
<b>Funds from operations</b>	8,936	19,195	6,580	11,308	(2,841)	43,178
Mandatory debt repayment	-	(1,827) <sup>(1)</sup>	N/A	-	(527)	
<b>Distributable cash flows</b>	8,936	17,368	- <sup>(2)</sup>	11,308	(3,368)	34,244 <sup>(3)</sup>

<sup>(1)</sup> 70% of SingSpring debt repayment

<sup>(2)</sup> Not dependent on Basslink's cash flows for distribution

<sup>(3)</sup> Excludes Basslink

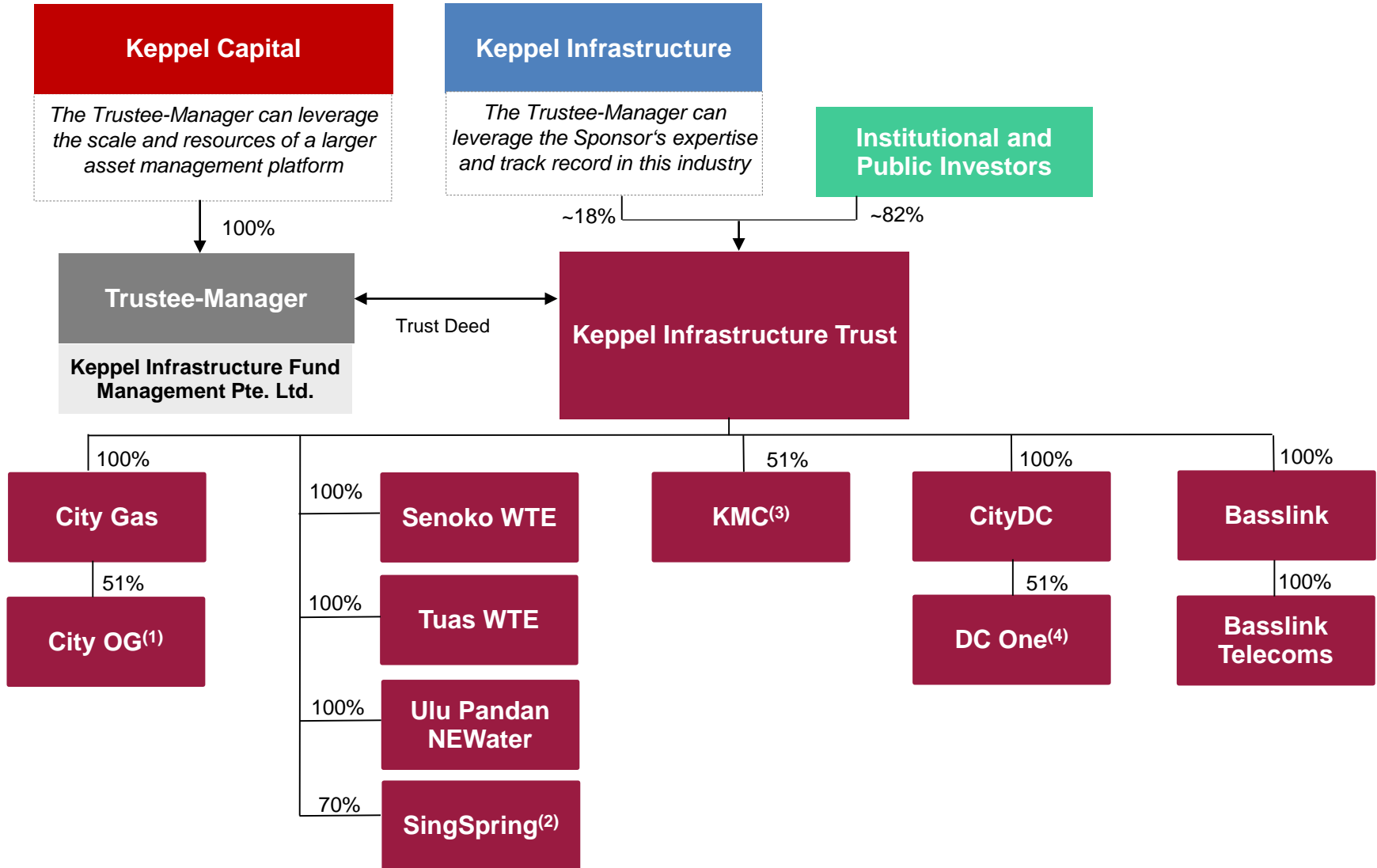
# Loan Profile

Entity	Amount (S\$m)	Loan Maturity	Repayment
City Gas	178.0	Feb 2019	Bullet*
SingSpring	58.0	Dec 2024	Amortising
Basslink	723.9 (A\$702.1m)	Nov 2019	Amortising*
KMC	700.0	Jun 2020	Bullet*
KIT	145.6	Feb 2019	Bullet*

\* To be refinanced upon maturity

## Appendix II: Overview of KIT

# Keppel Infrastructure Trust Structure






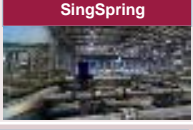




(1) Osaka Gas Singapore Pte. Ltd. holds the remaining 49% equity interest in City OG.

(2) Hyflux Ltd holds the remaining 30% equity interest in SingSpring.

(3) Keppel Energy holds the remaining 49% equity interest in KMC.

(4) WDC Development Pte. Ltd. holds the remaining 49% equity interest in DC One.

# Portfolio Overview

	Asset	Business	Customer	Contract Terms	Cash Flows
SINGAPORE	 <p>Senoko WTE Plant</p>	2,310 tonnes/day waste incineration concession	NEA, Singapore government agency	2024	Principally fixed availability payment
	 <p>Tuas WTE Plant</p>	800 tonnes/day waste incineration concession	NEA, Singapore government agency	2034	Principally fixed availability payment
	 <p>Ulu Pandan NEWater</p>	148,000 m <sup>3</sup> /day <sup>1</sup> NEWater concession	PUB, Singapore government agency	2027	Approximately half fixed, and half variable payments
	 <p>SingSpring</p>	136,380 m <sup>3</sup> /day seawater desalination concession	PUB, Singapore government agency	2025 <i>(Underlying land lease till 2033)</i>	Principally fixed availability payment
	 <p>City Gas</p>	Sole producer and retailer of piped town gas	Over 800,000 commercial and residential customers	n.a.	Stable fees with fuel and electricity costs passed through to consumer
	 <p>KMC</p>	1,300MW Combine Cycle Gas Turbine power plant capacity tolling agreement	Keppel Electric	2030, with option for 10-year extension <i>(Underlying land lease till 2035, with 30-year extension)</i>	Principally fixed availability payment
	 <p>DataCentre One</p>	Data centre	One-Net, 100% subsidiary of MediaCorp, SG national broadcaster	2036, with option for 8-year extension	Contractual lease revenue
AUST	 <p>Basslink</p>	Owner and operator of the Basslink Interconnector between the States of Victoria and Tasmania	Hydro Tasmania <i>(Owned by Tasmania state government)</i>	2031, with option for 15-year extension	87.5% availability payments, 65% indexed to Australia CPI






<sup>1</sup> Ulu Pandan has an overall capacity of 162,800m<sup>3</sup> of which, 14,800m<sup>3</sup> is undertaken by Keppel Seghers.

# KIT Investment Criteria

## KIT Investment Criteria

- KIT aims to provide Unitholders with **long-term, regular and predictable distributions** by pursuing investments that exhibit the characteristics listed below

## Portfolio of highly strategic assets

Utilities Infra		Power Infra		Telecoms Infra
City Gas	Singapore Concessions	KMC	Basslink	DataCentre One
				

<b>1</b>	Long-term, regular and/or predictable cash flows	✓	✓	✓	✓	✓
<b>2</b>	Long-term contracts or concessions / customer stability	✓ <sup>(1)</sup>	✓	✓	✓	✓
<b>3</b>	Creditworthy or reputable off-takers	✓ <sup>(2)</sup>	✓	✓	✓	✓
<b>4</b>	Diversification of asset class risks	✓	✓	✓	✓	✓
<b>5</b>	Jurisdictions with well-developed legal framework	✓	✓	✓	✓	✓

(1) City Gas is the sole producer and retailer of town gas in Singapore and has been in operation for over 100 years.  
 (2) City Gas has a large, diversified customer base and is not reliant on any single customer.



# Three-pronged Growth Strategy

## 1 Organic Growth from Existing Portfolio

### Solid Stable Base

- Stable cash flows
- Scale and liquidity
- Strong balance sheet

### Potential Upsides

- Organic growth of City Gas
  - Higher penetration of gas water heaters
  - 38,000 new HDB units expected over 2018-2019; 23,000 new private residential units from 2018-2020
- Stable positive contributions from DataCentre One
- Basslink
  - Use all cash flows to repay debt
- Potential adjustment in KMC tolling fees after initial 15-year period

## 2 Keppel Synergy

### Keppel Capital

- Co-investment, bridge financing and incubation opportunities
- Non-energy and non-environmental space asset management

### Keppel Infrastructure

- Keppel Group's energy and environmental infrastructure arm
- Operation and maintenance, as well as development and industry expertise
- ROFRs for 49% of KMC, as well as other assets owned and developed by Sponsor
- Co-investment and incubation opportunities

## 3 Acquisition Strategy

### KIT New Investments

- Assets that generate long term stable cash flows with some growth
- Singapore and other developed markets in Asia or Europe
- Co-invest with likeminded partners to reduce ticket size/risk and gain diversification
- Transaction types:
  - Availability based assets (utilities, transmission, storage and pipelines)
  - Customised sale and leaseback transaction
  - Inflation + assets (transportation and telecoms)
- Selected greenfield investments with experienced operators, limited construction exposures and equity cheque funded entirely by debt

# Thank You

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