

# **Keppel Ltd (KPELF) Q2 2024 Earnings Call Transcript**

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**Body**

Keppel Ltd (KPELF)

Q2 2024 Results Conference Call

July 31, 2024 10:00 PM ET

Company Participants

Manjot Singh Mann - CEO Connectivity and CEO, M1

Lu-yi Lim - CEO Real Estate

Christina Tan - CEO of Fund Management and Chief Investment Officer

Loh Chin Hua - CEO

Kevin Chng - CFO

Cindy Lin - CEO, Infrastructure.

Conference Call Participants

Pei Hwa Ho - DBS

Derek Tan - DBS

Lim Siew Khee - CIMB

Brandon Lee - Citi

Mayank Maheshwari - Morgan Stanley

Joy Wong - HSBC

Zhiwei Foo - Macquarie

Felicia Tan - The Edge

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the conference for Keppel Limited's First Half Financial Results for 2024. We have on the panel this morning from your left, Mr. Manjot Singh Mann, CEO Connectivity and CEO, M1; Mr. Lu-yi Lim, CEO Real Estate; Ms.

Christina Tan, CEO of Fund Management and Chief Investment Officer. Mr. Loh Chin Hua, CEO, Mr. Kevin Chng, CFO; and Ms. Cindy Lin, CEO, infrastructure.

We will begin the session with presentations by CEO, Mr. Loh Chin Hua, and CFO, Mr. Kevin Chng, followed by the question-and-answer session. Mr. Loh, please.

Loh Chin Hua

Good morning, everyone. Keppel continued to make encouraging progress towards our Vision 2030 goals in the first 6 months of 2024. Reflecting our transformation to be a global asset manager and operator, our earnings from the asset management business more than doubled year-on-year to $75 million in first half '24. While funds under management rose 55% to $85 billion since end December 2023. This was the result of both stronger performance by our private funds and listed entities as well as the successful acquisition of Aermont Capital in April 2024.

Amidst the challenging macro environment, we continue to press forward with our asset monetization plans, announcing about $280 million of divestments in first half '24. This brings us to over $5.6 billion in asset monetization announced since October 2020, not including the divestment of platforms such as Keppel Offshore & Marine.

We remain focused on working towards our interim monetization target of $10 billion to $12 billion by the end of 2026. Asset monetization is a key pillar of our Vision 2030 goals, and we will look for opportunities to reaccelerate this when market conditions improve. We have also reaped substantial synergies as one integrated company, mainly from amalgamating and optimizing the company's centralized functions, as well as digitalizing our operations.

Since embarking on project Damen at the start of 2023, we have achieved an annualized run rate of over $50 million in recurring cost savings on track towards our target of $60 million to $70 million by end 2026. Our business processes have also been streamlined, and we can explore more automation as we further digitalize.

Machine learning and AI are very much part of the new Keppel as we look for areas to improve efficiencies, provide insights and enable our investment processes as well as operations.

In second half 24, we will continue to focus on running a tight ship as we pursue our transformation goals and growth initiatives. In first half 24, we achieved a net profit of $513 million from continuing operations, excluding the effects of the legacy offshore and marine assets. This is 7% higher than $481 million recorded in first half '23 on the same basis. All segments were profitable with strong improvements in performance by our infrastructure and connectivity segments, offsetting a decline in real estate contributions.

The losses from the legacy O&M assets relate to the impact from Seatrium shares held in our segregated account, the Asset Co vendor notes, as well as contributions from Keppel stakes in Floatel and Dyna-Mac.

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The latter of which was divested in May 2024. Including the effects of the legacy O&M assets, net profit from continuing operations in first half '24 was $304 million compared to $445 million in first half '23, million.

To give a clearer picture of our progress as an asset manager and operator, I will, for the rest of this presentation, refer to our financial performance from continuing operations as the new Keppel. This will exclude the effects of these legacy O&M assets that will be sold over time. Continuing operations do not include the $3.2 billion profit from discontinued O&M operations when we divested this business in 2023.

For first half '24, we achieved an annualized return on equity of 9.8% compared to 8.7% in first half '23, on the back of our efforts to drive capital-efficient growth. As at the end of June 2024, our adjusted net debt to EBITDA remained at a healthy 3.7x.

About 63% of our borrowings were on fixed rates with an interest cost of 3.79% and a weighted tenor of about 3 years. We'll continue to be prudent and nimble in capital management, keeping our cost of funds competitive amidst the volatile landscape. As at the end of June 2024, we had total assets of $27.7 billion on our balance sheet compared to $32.3 billion as at the end of 2021. Over the same period, our FUM has more than doubled to $85 billion and is generating attractive fee income at an annualized fee-to-FUM ratio of 55 basis points.

Our asset-light strategy is bearing fruit. We have shown our increasing ability to do more with less, pursuing growth while also rewarding our shareholders well. In appreciation of the support and confidence of our shareholders, the Board of Directors has approved an interim cash dividend of $0.15 per share for the first half '24. The interim cash dividend, which will be paid to shareholders on August 23, is the same as last year's interim dividend of $0.15 per share, reflecting the board and management's confidence in Keppel's growth trajectory.

Our recurring income rose 14% year-on-year to $388 million in the first half '24, making up about 76% of our net profit compared to about 71% in the first half last year. The improved recurring income was boasted by higher contributions from both Asset Management, which more than doubled to $75 million a year -- year-on-year, as well as stronger operating performance in infrastructure and connectivity.

Our Infrastructure division continues to register strong improvements in its integrated power business, securing higher contracted loads with longer durations whilst optimizing its operations. At the end of June this year, about 60% of our contracted generation capacity was locked in for 3 years or more. The division has also actively expanded its long-term technology solutions and energy services contracts, which grew over 20% in the first 6 months of this year to $5.2 billion by the end of June 2024.

First half '24 was a busy period for our Asset Management business as we doubled down on our growth initiatives. We raised about $435 million in equity and completed $2.3 billion worth of acquisitions and divestments across our listed REITs, business trust and private funds.

We also achieved the first close for our flagship KSURF Fund, bringing the total FUM in our sustainable urban renewal strategy to over USD 1.7 billion.

In the first 6 months of 2024, asset management fees grew to $203 million, up by about 75% year-on-year, mainly due to the improved performance of our private funds and listed vehicles, and with the inclusion of Aermont. With an increased FUM of $85 billion, we are close to our halfway mark of $100 billion by end 2026, which we are confident of achieving as planned or even earlier.

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With a combined dry powder of about $25 billion, we are in a good position to seize opportunities to acquire attractive assets that may become available when markets go through these locations. Between Keppel and Aermont, we are also concurrently pursuing an extended deal flow pipeline of $27 billion. Looking ahead, investors are expected to remain highly selective of investment strategies and asset classes that can provide steady cash flow, long-term returns and portfolio diversification.

This continues to augur well for Keppel's strength in alternative real assets, which are underpinned by resilient macro trends, such as the energy transition, climate action and digitalization.

In addition to growing our existing flagship funds, we have also been fielding good investor interest for 3 new funds for data centers, education assets and private equity, which we plan to launch later this year. On the back of robust investor demand for Keppel's data center offerings, we are hopeful of achieving the first close for our third data center fund with a target size of USD 2 billion later this year.

Our deep value-added strategies, coupled with the proprietary expertise to develop and operate many of these critical real assets put Keppel in a strong position to create alphas for our private funds. We can provide further channels of liquidity to our limited partners through our listed real estate and Infrastructure Trust, which will in turn, benefit from the extended pipeline of high-quality assets. We are pleased to have Aermont on board as our European real estate platform following the completion of our acquisition of an initial 50% stake in April this year.

Aermont currently has 5 flagship funds, including Fund V, a continuation fund in which Keppel has a share of the carry. Aermont continued to perform well, posting stronger financial performance in first half '24 compared to our initial projections. On an FUM of over $25 billion, Aermont achieved an annualized fee-to-FUM ratio of about 50 basis points.

Aermont remains focused on deploying Fund V well with substantial dry powder from the EUR 3.8 billion Fund V, Aermont is well positioned to seize opportunities in the European markets. Meanwhile, together with Aermont, we are in the early stages of working on a separate sleep in data centers for Europe.

We will share more details on this initiative in due course. In our operating platform, infrastructure continues to be an exciting space as we capture growth opportunities amidst the rapidly evolving energy transition landscape. Our Infrastructure division is enhancing the performance and resilience of the Keppel Merlimau Cogen power plant by upgrading its second gas turbine. The first turbine was upgraded successfully a year ago. Together with the new and advanced high-efficiency Keppel Sakra Cogen plant, which will come on stream in early 2026, Keppel's power generation fleet will be the best-in-class in Singapore and the region.

Our Keppel-led consortium has also been shortlisted in a close request for proposal by the Singapore authorities to carry out the pre-FEED for low or 0-carbon ammonia power generation and bunkering solutions on Jurong Island. Beyond Singapore, we have also announced a collaboration with Japan's Sojitz Corporation to jointly pursue decarbonization and clean energy business opportunities in the Asia Pacific.

Currently, our long-term technology solutions and energy services contracts produced an EBITDA of more than $40 million per annum. We see a huge addressable market for us to expand our energy, cooling and decarbonization solutions both here in Singapore and overseas as well. Our target is to expand this recurring business to one that can generate more than $100 million in EBITDA contributions a year by 2027.

In real estate, we continue to gain traction in offering asset-light real estate as a service solution. Our real estate division is currently implementing SUR solutions across a pipeline of 6 projects with a combined asset value of $3 billion. This includes the announced acquisition of One Paramount in Chennai, where our SUR asset enhancement initiatives will raise its sustainability performance and also improve rentals.

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Drive down operating costs and provide an uplift to both net operating income and the asset's value. We plan to create a fund to tap the interest of investors in the Indian office market, where developments such as One Paramount would be a potential seed capital -- a seed asset.

In China, we are also providing larger scale, green and smart city consultancy services to Suzhou Industrial Park and the Sino-Singapore Corporation zone in Jinan, Shandong.

In our Connectivity division, reflecting Keppel's commitment to green data centers while also delivering strong returns, our latest data center Keppel DC Singapore 8, or SGP 8 for short has achieved the BCA Green Mark Platinum Award.

The second of 3 planned buildings in the Keppel data center campus and Genting Lane, SGP 8 is fully leased to clients from across the cloud services, Internet, enterprise and telecommunication sectors, and is expected to be ready for service in phases starting from the third quarter of this year. The division is concurrently working with authorities to finalize details of the first floating data center module in Singapore.

We expect to take the final investment decision in the second half this year. Meanwhile, M1 continues to make good progress growing its enterprise business. In the consumer business, having substantially completed the customer migration to its new cloud-native digital platform, M1 is now progressively decommissioning its legacy tax back, which when completed, will boost customer acquisition and lower its cost to acquire and serve.

To conclude, while 2024 continues to be challenging, we see exciting opportunities ahead as investors' growing preference for defensive cash flow-generative assets is driving demand for alternative real assets in infrastructure, connectivity and private credit, areas where Keppel has strong expertise. Drawing on our deep domain expertise and operating capabilities, we will continue to build on Keppel's unique value proposition to drive stronger returns for our limited partners and greater value for our shareholders.

Our CFO, Kevin will now take over -- will take you through details of the company's financial performance. Kevin?

Kevin Chng

Thank you, CEO, and a very good morning to all. I shall now take you through Keppel's financial performance. For first half 2024, Keppel's net profit was $304 million as compared to $3.6 billion in first half 2023. First half 2023 included $3.2 billion of profits from discontinued operations, mainly due to the gain on disposal of Keppel Offshore & Marine of approximately $3.3 billion.

Excluding discontinued operations, net profit was $304 million as compared to $445 million in first half 2023. The lower year-on-year results was largely due to higher net loss from legacy Offshore & Marine assets amounting to $209 million. This arose from fair value losses on the remaining Seatrium shares in our segregated account as compared to gains in first half 2023, as well as a higher share of loss of an associate.

For context, around 60% of our holdings in Seatrium shares will monetize in 2023 at an average price of around $2.60. In first half 2024, we also recognized higher financing costs and amortization of day 1 fair value loss on note receivables as the Asset Co transaction was completed at the end of February 2023.

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In the next few slides, I will present the financials, excluding the effects of legacy O&M assets. So as to provide greater clarity on the financial performance of the new capital as a global asset manager and operator. Net profit for the first 6 months of 2024 improved 7% to $513 million from $481 million in first half 2023. All 3 segments were profitable with better performance in infrastructure and connectivity segments. Annualized ROE increased to 9.8% in first half 2024 from 8.7% in first half 2023.

I will further elaborate on the performance of each segment later. Adjusted net debt to EBITDA was 3.7x as at end of June 2024 as compared to 3.3x as at end 2023. This was mainly due to increase in net debt as a result of dividend payments, investments and additions of fixed assets and investment properties, partly offset by divestments during the period. Free cash flow was $216 million as compared to free cash outflow of $732 million in the same period last year.

In first half 2024, there was lower net cash used in operating activities driven by healthy operational cash flows and lower working capital requirements. Net cash used in investing activities was also lower in the current period as first half 2023 saw a net cash outflow arising from the divestment of Corp. First half 2024 net profit was supported by positive contributions from all income streams, underpinned by robust asset management earnings as well as stronger operating performance from infrastructure and connectivity.

Recurring income grew 14% to $388 million from $340 million in the same period last year. Valuation gains of $167 million was higher compared to $22 million in the prior year, supported by higher fair value gains from investment properties in Singapore.

Development and EPC earnings were lower year-on-year, mainly due to a decrease in profits from trading projects in Singapore and China. Due to lower asset monetization, gains from capital recycling decreased by $12 million.

Net loss from corporate activities was higher than that of first half 2023, mainly due to lower net interest income and higher share plan expense. Moving on to segmental performance. The infrastructure segment achieved a net profit of $363 million in first half 2024, 25% or $72 million higher than the $291 million in first half 2023.

This was led by strong asset management earnings growth from $4 million in first half 2023 to $44 million in first half 2024, mainly due to fees from better performance achieved by Keppel Infrastructure Trust, which is managed by Keppel, acquisition fees in relation to KIT's acquisition of a German solar portfolio and an Australian transportation business, as well as higher management fees earned during the period.

Our integrated power business continued to deliver robust operating income growth driven by higher contracted spreads. This was partly offset by lower contributions from an associated company in Europe and lower distributions from KIT. The segment also recorded fair value gains from sponsor stakes in the infrastructure private funds in first half 2024. Amidst challenging market conditions, real estate recorded a net profit of $129 million, 31% lower than the $186 million in first half 2023.

Asset Management net profit was comparable year-on-year, arising from stable fee revenues, as well as the maiden contribution from Aermont Capital, which were offset by higher overheads. The decline in operating income was a result of higher interest expense and lower contributions from our sponsor stakes, mainly in Keppel REIT, partly due to our reduced unit holding interest following the dividend in specie paid out to Keppel shareholders in November 2023.

Valuation gains were $112 million higher, largely from fair value gains on investment properties in Singapore, partly offset by share of fair value loss from Keppel REIT on its investment properties in first half 2024. Development earnings were $140 million lower year-on-year, mainly due to a decrease in profits from trading projects in Singapore and China. As compared to first half 2023, which had benefited from unlocked sales of projects in India and Vietnam, there were no divestment gains recognized in first half 2024.

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Net profit from the connectivity segment of $76 million, was more than double $37 million recorded in first half 2023. Asset Management net profit was higher year-on-year, mainly due to divestments and acquisition fees in relation to Keppel DC REIT's data center asset in Australia as well as lower overheads. The higher operating income was a result of higher project management fees and lower overheads. Earnings from N1 was stable year-on-year.

The segment also recorded higher fair value gains from sponsor stakes in private funds, as well as higher gains from disposal of noncore assets and the share of Keppel DC REIT's gain from disposal of its data center asset.

Net loss from corporate activities was $55 million as compared to $33 million in first half 2023. This is mainly due to lower fair value gains on investments, lower net interest income from corporate treasury operations and higher share plan expenses in first half 2024. These were partly offset by divestment gains from the sale of noncore assets. With that, we have come to the end of the presentation, and I shall hand the time back to CEO for the Q&A session. Thank you.

Question-and-Answer Session

A - Loh Chin Hua

Thanks, Kevin. So, we move on to the Q&A session. Of course, open for Q&A, but I'd like to give priority for those of you who make the effort to come down. Yes. You're both from the same bank, you can decide who goes first. Ladies first, okay. Maybe you can just say your name.

Pei Hwa Ho

Pei Hwa Ho from DBS. I have two questions. Firstly, is on the loss for the legacy O&M contracts assets. Is it possible to give us further breakdown as to how much is for the Seatrium shares, for Dyna-Mac and then the vendor notes? Second is on infrastructure.

Integrated Power business is still very strong, just more slightly from second half last year. How should we think about the business dynamic ahead?

Loh Chin Hua

Thank you for the question. Maybe the first question, I ask CFO to respond to that.

Kevin Chng

Thanks for the question. So just on the breakdown of the $209 million on the offshore legacy of about approximately $67 million of that is due to the fair value losses from Seatrium shares. These are relatively volatile. I'll cover that a little bit later on. On the other associates, Floatel and Dyna-Mac was about $34 million.

And then the remaining $108 million was the result of the vendor notes interest, vendor notes portion of it. That adds up to the 209 million. Just coming back to the Seatrium shares, I mean, it is relatively volatile. I mean if you look at the closing price and stem shares has done very well over the course of the last couple of weeks. The variance that we're looking at in terms of the some -- if you look at the closing price of yesterday, we would have returned back approximately $21 million in terms of the timing of the closing of the price.

Loh Chin Hua

Okay. Thanks, Kevin. Cindy, you want to provide some insights.

Cindy Lin

Thank you, CEO. Thanks, Pei Hwa. I think if you were to compare with second half 2023, as your question alluded to, there's always seasonality when it comes to energy and power performance. In terms of how we look at the integrated power business, suffice to say that based on the breakdown of our long-term contracts that we have secured for the power business, you will see 60% of our contracted capacity is signed on a more than 3 years' panel.

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I think this augurs very well because this will give us predictability of future cash flow.

The second very important point is beyond the healthy contracted spread that we have secured, we are also very laser focused on improving the operating margin by enhancing the efficiency of our generation units as well as ensuring high reliability, especially in a very volatile market, you do want to have reliability issue when it comes to outages. As what CEO presented earlier, we have planned for and we'll also be embarking on the turbine upgrade comes early next year.

This is at the back of a very successful performance of the first turbine upgrade, such continuous planning and investment behind upgrade of our generation unit will position us very well entering in the quarters ahead.

Loh Chin Hua

Thanks, Cindy. I think, Derek, you were next.

Derek Tan

Derek from DBS. I got three questions. The first one is on earnings. I'm looking at your asset management revenues for real estate. It has a nice jump.

But on the profit side, it appears quite flattish. I'm just curious whether with the contribution for Aermont, how does it look like on the profit -- from the profit and go. Is there any one-off that we are we should be aware of? If not, cost appears quite high on the other side? The second question is on -- could you give us some color on your size of your data centers, AUM, both from the private fund side?

And do you have any ambitions that you can share in terms of growth, in terms of AUM. I know you're doing a lot of stuff there. Then you can give us a growth target would be helpful. My last question is on Genting in data centers. I think it's toping nicely.

Just wondering whether is it time that you should be thinking of monetizing that?

Loh Chin Hua

Thank you, Derek. Can I invite Christina to address?

Christina Tan

With regards to our asset management revenue, the contribution from RV, I think from Aermont, I think we have talked about -- in terms of revenue, it's about $30 million because we only recorded since April of this year when we closed, it's only for 3 months. And then for the profitability, we actually also netted off amortization because it's like accounting -- I mean, in accounting terms, you standards, you have to apply some amortization business that you have acquired.

So, it's not just pure profits. It's actually the net profit less amortization With regards to data center, I think we have actually run very successfully on the first fund and second fund, so that both funds would actually be roughly AUM about $5 billion. So now we're looking to raise the third fund.

We said stated goal of $2 billion in terms of equity in U.S. dollar terms. So that will be probably another $10 billion from here. So, I think the data center space is increasingly becoming very attractive. It's one of the hottest sectors right now.

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Most of the investors are actually also chasing for it. So even before we actually finish all our documentation to prepare for the data room, we have a lot of investors actually wait listing and then asking us like when can we go into the data role. So that's a good interest, I think, in the funds itself. On Jerson divestment, I mean, on the asset in Genting Lane, I think the team is always looking at maximizing it for the private funds. And then at the right time, we will look to exit to the data center REIT.

Loh Chin Hua

Maybe just to supplement a bit on what Chris has said. I think if you look at the 3 sectors that we have, we are getting very good tailwinds on infrastructure as well as connectivity. But the real estate side is still facing some headwinds. So, in terms of acquisitions for real estate, we have not been as quick because we're waiting for the bid-ask spread to narrow. So as a result of that, the cost side is still there because we have overhead cost.

But on the revenue side, quite a number of the deals have been pushed to the right. And so, we expect that as deals close in the second half and in next year, we will expect the profitability on the RE FMI to improve. On the data center side, I think what Chris said is quite right. There's a lot of tailwinds there, a lot of interest. There are also quite a number of folks now coming into the space.

But I think where Keppel kind of stands out is that we have a very strong operating capabilities on the data center side. We are not just doing powered shelves, but we can actually do equipping and we have a long track record of operating these data centers very well for the customers. And for the customers, these are all mission-critical assets. So, they need to make sure that the operator is strong.

And then, of course, now increasingly, data centers is also about power. And increasingly, it's about green power. So, whether it's cooling, green power, that's where I think infrastructure site can also come in. And so that's the uniqueness about Keppel, how we are able to differentiate ourselves, vis-a-vis our peers. Sorry, Siew Khee, you had a question.

Lim Siew Khee

I have quite a fair bit of questions. I'll just go through segment by segment. For infrastructure…

Loh Chin Hua

Maybe you do two or three first because I can write down now others, then I'll come back to you again we answer the questions.

Lim Siew Khee

So I just ask 3 first. For infrastructure, why is associated lining infrastructure so weak because it's a loss? And also, I guess, you might answer on why is the carmen solution. Because compared to the past 2 halves, profit were about $50 million, but this half is significantly lower. And in terms of floating data center, I know that you achieved -- I mean, you hope to achieve FID by second half this year, but would you be able to share the capacity and also the CapEx plan? Maybe just finish off on infrastructure. The spread that you're actually closing half on half, how does it actually compare first half versus second half last year?

Loh Chin Hua

So maybe I ask Cindy to answer the question 1 and 3.

Cindy Lin

If you're referring to the co-investment and sponsor stake, you're talking about the negative, it should be read in parallel with the valuation column because we do have some co-investment stake and sponsors stake, which so I see accounted differently under the fund. So, it should be read in conjunction with the valuation column as well. On the second question regarding the associated weaker performance as well as pick up. I think that is one of our investment, one of our associates in Europe.

There's no seasonality in earnings, in particular, when you look at the renewable sector, half-on-half is not a good comparison. In terms of contracted spreads for the integrated power business, suffice to say, it is healthy, but it is also very challenging. So, we remain, like I said earlier, we're focused on managing it at a portfolio basis. In terms of tenure of the contract as well as the quality of the customer that we are working with.

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You would have also been aware that there are customers that, for example, over Foundry, we saw long term, 15 years PPE big into the contract. There are other value-added services that we bring to the customer beyond just selling power.

Loh Chin Hua

Thank you, Cindy. So, Siew Khee, your second question is actually connectivity. So, we have been working on this floating data center module for a bit of time now. It's quite innovative. So, it takes a bit longer to get all the approvals.

But happy to say that we are quite close to all the -- getting all the approvals in which case, we will have -- expect to get a final investment decision in the second half. We don't disclose -- have not disclosed the power of this module. But we are in very advanced discussions with a hyper scaler who will probably take the entire capacity. Next question.

Brandon Lee

Brandon from Citi. Just have a few questions. Basically, first one on China. I think if you look at the business for you, the operating income side has been quite negative for a few periods now. Do you have any new strategy there in China, given what we are seeing in the market isn't -- so is hard.

That's my first one. My second one would be more on the -- this is your pipeline, right? You've sort of doubled it to $27 billion. Any chance of letting us know the conversion rate of this $27 billion? And also, the last question would be, do you have any optimal contribution level from asset management.

So, we saw in this half year that they contributed close to 20% of your recurring pay.

Loh Chin Hua

Okay. I'll try and address your first and third question and then maybe ask Chris to talk on the pipeline, give some color on the pipeline conversion. First and foremost, China is quite complex. It's obviously going through some difficult challenges at the moment, both for its economy and also for its -- on the real estate market as well. But if you look at the longer term, medium to longer-term, I think it is still a market that we strongly believe in.

We think that there's still a lot of opportunities there. You will recall that last year, we announced that we have revised our playbook for China, moving more towards what we believe China needs today compared to what it was before. And more importantly, areas where Keppel can actually make a positive contribution, right? So, this would be in areas like energy transition, data centers, et cetera. And you would have seen that we just recently announced Energy as a Service, which is our kind of a breakthrough contract with perineal in China.

So, we are starting to embark or starting to execute on this new playbook, but it takes time. So, it's not going to just happen overnight, right? But what is also useful for us is what has been very extremely helpful for us is that we have actually started to derisk our portfolio on China for the last few years. As you know, we have actually sold about $3 billion worth of land bank booking about $1 billion in profit in the last few years. And also, more importantly, we have also taken back about CNY 5 billion that used to be there where we popped it there because we were actively buying land.

But since we are no longer actively buying land, we brought it back. So, I think we have kind of derisked from China. So, we are now executing on this new playbook, and we see good opportunities. So, I think that's kind of where I will leave it. Maybe I'll ask Chris. Do you want to address?

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Christina Tan

On the pipeline itself of together with Aermont, we are actually looking at quite interesting deals. I think Aermont has been spending a lot of time looking at new platforms in Europe, and they have been very successful in executing those strategies, resulting in some of them reaching 10x last time where we disclosed out the performance. So, I think in terms of Aermont's acquisition pipeline, we are quite close.

We are looking at those deals where there was more than 50% chance of conversion because they have actually cleared these through the IC itself as well as our pre-due kind of approval process. With regards to the rest of the group, we are looking at deals in infrastructure.

It's more a global play as well. And we are looking at things where we are playing to our strength.

Actually, yesterday, we just signed some -- another deal for infrastructure. It's part of our ecosystem that we're looking at for digital infrastructure. So, I think we are looking at things where actually, Keppel has very unique strength and positioning in terms of creating value for the various platforms that we're looking at.

In terms of our data centers and connectivity divisions, I think data centers, we are also starting to look at platforms besides asset acquisitions. Like I think we've just announced some in Japan. We'll continue to explore more in some of these countries as well. We're seeing a lot of good collaboration between us and our partners in Japan as well. I think real estate, besides the office platforms or office assets, we are looking at things like education sectors.

So, we've been getting a lot of investors' interest in that area as well as getting very good traction talking to the international schools and operators, which actually the education assets generate really high yields compared to most sectors. We're looking at like 7% yield on cost and all that, even in countries like Japan. So, I think this is a very interesting sector because we are one of the first early movers in this area.

We are also looking at living sectors now going forward, whether it's multifamily, student housing, because of our close ties with the international operators, a lot more deal flows became available as well. So together of all this, most of these deals would have cleared initial pre-IC.

Loh Chin Hua

So your third question -- thanks, Chris. Your third question was on the contribution or what's the projected deal -- autumn target. Actually, how I do it is as high as possible, right? But I think what's more important is to look at how this home business model of ours work. On the asset management fees, Chris had mentioned that we have a lot of new funds that we are raising.

We had some more difficult time raising money, I think, a year ago, I think along with everyone else. But I think now we are starting to see good traction. So, as we raise more funds and more importantly, as we deploy the funds, then we will see the contributions from asset management fees and profit will grow, right? So, as we grow from what it is currently, now it's 85, we hit 100 and ultimately, 200, then I would expect the asset management fees to grow. And you can -- assuming that we achieve our so-called retain our 55 basis points on FUM, you can work out the numbers.

But what's also important is that as we grow these funds under management, it also creates space for our operating division because as we build more by front, we built more hydrogen ready power plants. You will create opportunities on the operating division, and we are no longer tied to our balance sheet for growth. So, which means that as we monetize, we are more able to provide -- to reward our shareholders going forward. So, I think the model is working out well as intended. And I think given where we sit here, day 1 was 6 months ago or 7 months ago.

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I think we made good progress. But I think this model is definitely something that we'll continue to execute on.

Brandon Lee

I just want to follow up on what Christina say on this IC approval and all, right? So, can I assume that 50% chance of going through means we should see like, what, $13 billion to $14 billion of this $27 billion panning out?

Christina Tan

I think in terms of like the deals we find it attractive enough and to clear that IC, just pre approvals, but we will still have to do follow through with our due diligence and negotiations with the partners. So, I think we are quite rigorous in terms of our underwriting and in terms of our negotiations, making sure that it's the right deal and making sure that there's good cash flows for our investor base. So, I mean, there's a good chance of conversion, but I guess it has to take all the boxes as well.

Loh Chin Hua

So, this is also something that I think is important. Whilst we do see this as a way for us as we increase -- as we buy more or we do more acquisitions, we create more fees. But at the same time, we have to be mindful that as what Chris says, we must always be looking after the interest of the investors. So, we only do deals that we think checks all the boxes make sense, fits the funds strategy, the risk/reward is there.

Because ultimately, we also have to look very closely at making sure that our investment performance continues to be good. Because when you have good investment performance, then there will be more capital that will come. So, I think this is kind of short-term versus long-term. We want to do deals. We are very active. I think there is a very strong pipeline.

We believe we can convert a significant part of that.

But ultimately, we'll have to be dependent on competition for the deals and making sure that the deals are the right deals that we are going to do for the funds and for the REITs that we run.

Mayank Maheshwari

It's Mayank from Morgan Stanley. Just a bit of a question around the EBITDA growth target that you talked about going from $40 million to more than $100 million per annum on the power side. Can you just give us a bit of a building blocks in terms of how we are getting there, like whether it's efficiency, whether it's more than that to it. And I think the second question was more in terms of capital allocation now. You kind of touched earlier a bit on this.

But like when you look at now going forward, I think you had a cash outflow even for the first half right now. So, when do you see that free cash flow positive at the capital level kind of coming through? Can we expect that in the second half this year?

Loh Chin Hua

I think the first question, it's probably not really power sector. It's really some of the new areas that we're in, but I'll ask Cindy to address that.

Cindy Lin

Yes, indeed, it is not the power business, we call it our Engine 2, which is the decarbonization and sustainability solutions platform. You have seen in the past few quarters, we have deliberately shared the long-term contract that we have secured in provision of solutions and services related to decarbonization and sustainability. This includes Energy as a Service, such as providing cooling to space and premise owners, solarization of rooftop as well as EV charging infrastructure.

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On top of that, also providing technological solutions for sophisticated and advanced waste treatment facilities. And of course, this includes essential services for operation and maintenance of waste-to-energy plant, water treatment plants.

So, this long-term contract has grown pretty interestingly in the past few quarters. And today, as you see, year-to-date, we have grown it by a further 20% to $5.3 billion of secured contracts to be delivered over the next 10 to 15 years. This will over time translate to EBITDA. And this is where we are very confident that the EBITDA growth by 2027 would be more than 2.5x. So, our target is about $100 million from this Engine 2. I hope this answers your question.

Loh Chin Hua

Thanks, Cindy. Mayank, on your second question on capital allocation. we don't really allocate capital in the traditional way, like, say, someone like a sovereign wealth fund or a pension fund. But certainly, I think we do keep a very close watch on the cash flow -- cash inflow and cash outflow. I think if you look at the first half, I think both infrastructure and connectivity was positive, but real estate was a bit negative.

So, there are some challenges there, as I've highlighted. I think we will obviously look for the right opportunities to reaccelerate our monetization. I think that is, as I mentioned in my speech, there is a very key platform that our Vision 2030 is on, is anchored on, and we will need to find the right areas that we can -- so currently, I think on the real estate side, I think Louis and his team is looking at some asset monetization opportunities in Singapore and in Vietnam. China is tough, but we're looking at Singapore and Vietnam. So, I think we will definitely be keeping an eye on that.

If you don't mind those people on -- can you wait a second, I would like to address some of the questions online from the very patient retail investors that have called in to pose some questions. I'll come back to the audience here. First question is from Nicholas Lim, a retail investor. Nicholas says, congratulations on the commendable results for continuing operations profits. He has 2 questions.

First question, what is your direction on the sustainability of Keppel's $0.34 per year dividend? So, he's referring to $0.15 from this year, as well or last year and $0.19 the final dividend. Will it be a level you were absolutely defend? So first and foremost, Nicholas, we know that dividends are quite important. And as we see most of our earnings are becoming increasingly recurring.

It gives us more confidence in terms of declaring dividends. But I cannot predict what the next second half will be. Certainly, we are aware that dividends is important. And you can see from our track record, we have been quite aware that it is really about total shareholders' returns. So, it's not just about share price performance, which is important, obviously, but also in terms of what we can distribute in terms of dividends and special dividends.

Second question, Nicholas has is, given gearing has been inching up to 0.94 currently, will dividends be cut to par gearing or is management very comfortable with the gearing of 1.0 as previously mentioned? So first and foremost, we are now saying, "Hey, look, our business model has changed." You can see again that compared to, say, 5 years ago, our recurring income is now actually quite a significant part. Last year was 88% for the whole last year.

This year, I believe, is in the 70s for the first half. So, we changed the model.

So, we are not really looking so much at net gearing, although I know that that's something that some analysts continue to focus on. We believe that a more appropriate measure will be to look at the net debt to EBITDA, which is currently at 3.7x, which is, we believe, quite comfortable. We believe that we are quite comfortable with the interim dividend. That's why we declared it.

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And we also bear in mind what we see to -- for the rest of the year. But of course, nothing is for sure, but based on what we can see. So, we are quite comfortable paying that $0.15 interim dividend.

Second question is from Yi Tian Cho, AMAT Singapore. Can you help provide more information with regards to the O&M asset monetization progress? Why not dispose it earlier than later as the capital can be deployed to more productive users. Completely agree. I think this is something that we are very focused on.

How do we monetize this sooner rather than later. I think maybe a few results, brief things ago. Someone asked me whether -- how much profit we can make from this. And I think my reply then and my replay now is our focus is really on monetization. If we make some profit along the way, there's a bonus because this is legacy assets.

This is not our core business. So, our goal is to monetize as soon as we can. But having said that, I think we also can see that it takes time for the market to -- an offshore market to improve or recover, I should say. And we are already seeing all the inputs are all in the right direction. CapEx from oil majors are likely to increase.

And we are also seeing that, yes, energy transition will continue, but it will take place together with fossil fuel. So, rigs are still required. In these rigs that we have, they represent the most advanced generation rigs that's available in the marketplace. The utilization rates are also improved -- have improved tremendously. They are all in excess of 90%. And general rule of thumb in the industry is that when you see utilization rates hit 85% and above, charter rates will usually go up, and we have seen that happen as well.

The industry has also gone through a lot of consolidation, the oil drillers. Share price that they have is improving, so which means the ability to pay has also gone up. So, we are actively fielding inquiries. And the sooner we can get it done, we will. So maybe I come back to the audience.

Joy Wang

Joy from HSBC. Just following up on sort of O&M segment. On asset coal, I think you mentioned in the past, there's a bit of a cash sitting at the asset co level. Any possibility of sort of extracting some capital towards year-end. And you mentioned that you prefer not to look at gearing, but if we look 6 months forward, will we see sort of monetization picking up and then gearing actually sitting lower versus where we are today? And then second question on the AUM business. Can we get a bit of a breakdown between the fees. So, what are sort of event-driven based on acquisition divestment as well as promotes, and what are sort of the core recurring base fee? And then lastly, on real estate. The development income has been very lumpy for the last few half years.

What should we think about this part of the business and your thoughts generally on how real estate business should look at like going forward?

Loh Chin Hua

If you don't mind, I will get my colleague who's been sitting there, really to answer question. We'll start first. Louis, you want to take the question?

Lu-yi Lim

Thank you for the question. I'm varying to go. I think as you point out, development is lumpy. I think for that very reason, we have been talking for quite a while now about pivoting away from the lumpy traditional trading and development profits and looking at more recurring income sources. So hence, we still have land bank that we will continue to develop in markets where we see opportunity for development.

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So, for example, in Vietnam, we're still investing with our funds on developing land bank. But noticeably, it will continue to be lumpy, but we will see a shift towards other sources of income for real estate.

Loh Chin Hua

Okay. Thank you. On the first question on the cash in the Asset Co. I guess there is quite a bit of cash there. But of course, Asset Co does have some requirements for the use of the cash.

But as we sell more assets or Asset Co, some more assets, I think there will be more cash coming in. So, I think we have actually worked with Asset Co to have an early return of -- I think it was a dividend, right? We paid back earlier this year.

And our goal is to continue to engage with Asset Co to see how we can accelerate that. In terms of your other question, which is on what is the likely gearing, I cannot tell you because there's a projection.

But I did share that our goal would be to look at accelerating our monetization. So hopefully, some of this will come through in the second half, and that will help on our net debt to EBITDA. On the fee -- sorry. Chris is also waiting to answer the question.

Christina Tan

On the fees wise, actually, because acquisition fees is all this is actually part of our -- the way we have structured both whether it's the REIT or for the funds. So, we don't see it as like just event-driven is we think it's more a recurring basis because we have it every year in terms of our acquisition fees, is from both the REITs as well as the private funds as part of the feature of the fund structure. But it's roughly about 10%, I would say. And then in terms of performance fees, it's also a feature that we have in our REITs and trusts as well as in our private funds. So that to us is all actually a recurring basis, that's about 12%.

Loh Chin Hua

Okay. Thank you, Chris. Zhiwei, you have a question

Zhiwei Foo

Zhiwei from Macquarie. I have 3 questions. So, the first one is on capital recycling. It's, of course, slowed down in the first half. I think you've kind of forewarn us about it.

How do we think about the second half? Should we see an acceleration? And can you talk about some of your plans apart from, say, spin-off of DC 7 or even the Asset Co? Second question is on -- second question is on infrastructure. So, there was a half-on-half decline in earnings from operation for infrastructure from about $350 million to about $307 million.

Can you just share some color on what happened down there, right? And then the third question is that on Slide 9, you talk about that infrastructure EBITDA growth target. Why EBITDA, why not profit? Should we be thinking about some, say, higher cost ramp-up that will kind of mute the sort of earnings trajectory?

Loh Chin Hua

So, I think for us, we are always looking -- of course, you can express it in different ways. But I think the way -- why we expressed this in EBITDA form is that it's a recurring business, right? So, this order book that Cindy's division have generated or has grown from scratch, now it's 5.2 billion. It is not a one-off in the traditional sense, right? So, if it's one-off like an EPC, then you will say what's the profit margin.

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So, we're really looking more at a recurring business that will generate EBITDA because these are contracts. Many of these are contracts that are multiyear, right? And some of them quite long dated. And this is exactly the type of business that we are pursuing, okay? So maybe on the second question on infrastructure performance, Cindy, I think you've covered some of that, but maybe you can see whether any additional color you want to provide.

Cindy Lin

There are seasonality if you were to compare half-on-half, especially on renewable power and renewables. That includes not just our Singapore business performance, but also our associated company in Europe. So, I think you appreciate that there are seasonality in energy performance -- energy business performance half-on-half. But let's look at it on a full year basis, talk about it, where we show the we result. Just a supplement a bit on the EBITDA representation or the target growth.

We use EBITDA because this is really quasi cash. So, think about it this way. This long-term contracts for provision of solutions and services will be built on a monthly basis with cash payment from clients. So, this is an important point to note. And we have this visibility for the next 10 to 15 years to be delivered.

Second item is that such long-term contracts for solutions and services have indeed picked in indexation. So, we also will be insulated from inflationary cost pressure as you deliver such services and solution over the subsequent years. So, this a very too important point to look.

Loh Chin Hua

Thank you. Now, your first question was on capital recycling. I guess, we call that monetization. So, as I mentioned, we are looking for opportunities to reaccelerate. I think there's -- it's always a fine line that we take.

I mean, it's like my earlier answer to the question on Rig Co. We do want to monetize as soon as we can. The market is coming towards us. So, it's a question of do we do it now? Do we do it 6 months later, then we can see what's the difference in terms of what we call wholesale analysis, right?

But fundamentally, we are driven to monetize because I think this is a very key part of our growth strategy. Our funds under management is really the one that is providing the ammunition for us to grow. But then within our own balance sheet, the assets that we have identified for monetization. Our goal will be to monetize them as soon as we can provided the pricing is correct, right? So, I think you mentioned about DC 7, I think Chris has already addressed that already.

Genting Lane. No. You shake your head? What other Assets Co besides DC. I think I mentioned.

Kevin Chng

Singapore assets, Vietnam assets, we're looking at those in the real estate space as well.

Loh Chin Hua

Good. Okay. Siew Khee, you have another question.

Lim Siew Khee

I have a few questions.

Loh Chin Hua

So, three and then after that, I'll come back to you again.

Lim Siew Khee

Just go back to infrastructure. Just wanted to check, you mentioned that half-on-half is not a good gauge to look at because there are seasonality. But if we just look at the cut alone, first half last year was extraordinarily strong, and you actually noted that $53 million was extraordinary. So, I just wanted to check that what was so extraordinary last year and whether that can actually continue this year? Just also -- this is not part of the question.

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This is just a follow-up earlier on. So, I'm still on my first question. You mentioned earlier at the beginning of the briefing on Singapore also have seasonality. Did I catch that wrong? Like Singapore shouldn't have seasonality, right? Okay. Then just on connectivity. Is data center network segment profitable? And how much is the profit? And back to real estate, there's a valuation gain in first half this year, which assets are these?

And also in second half last year, also a strong gain, but we didn't get to ask you. So, what were the properties this half and last half that had real gain?

Loh Chin Hua

So, you have three questions on infra, connectivity and real estate. Maybe Cindy, you want to do the first one?

Cindy Lin

So specifically, first half 2023, the majority of the impact is due to the contribution from an associated company in Europe. So, the associated company in Europe business in base integrated energy business player. So, we treat our associate company trade in gas and electricity. As you can -- if you recall, in the last 2 years, Europe has experienced very volatile energy market, thanks to not just the hot wall in U.K. and Russia, but also weather.

So, I think that extraordinary contribution from our associated company is now muted in first half of 2024 -- sorry, second half 2023 versus first half '24, half and half. But you can see that there's no seasonality because whether it's also one constrain, gas price performance is also another. That's at a market level. But in terms of our contracted portfolio, we are diligently insulating ourselves from seasonality, right? Making sure our contracted portfolio is resilience in us.

Loh Chin Hua

Okay. Thanks, Cindy. Kevin, do you want to answer this on profitability.

Kevin Chng

Just on profitability for data, DCN for first half, it is a slight positive yes.

Loh Chin Hua

Louis?

Lu-yi Lim

Sure. So, for this half, we don't really disclose it at the asset level, the adjustments. But I think as you would expect in a market like China, we have made some downward adjustments, but these have been more than offset by fair value gains in markets like Singapore and some other markets outside in this region that we've been playing in. Similarly, last half, most of the fair value gains were from the commercial office and retail assets that were closer to completion. So, what I can point out quite clearly is, as you know, Keppel South Central and Singapore is close to completion.

So, we have adjusted the valuation method for that asset, and that's contributed to the gain in this half.

Loh Chin Hua

Do you have more questions?

Lim Siew Khee

Okay. So just on Floatel, the losses is quite wide. What is the plan for Floatel and what's the book value that we have in the company? Actually, I can't remember that maybe to just refresh our memory on hotel book value they're recognized and what's the plan? And whether it was actually making losses second half last year.

Kevin Chng

Just on Floatel. Maybe I'll just take -- answer the question in 2 parts. The losses that you -- that we see for first half this year is primarily due to 2, I guess, unbudgeted events where they recently refinanced a bond stack in order to consolidate everything into one stack and had to incur additional upfront interest. That's point number one. Point number two is one of your vessels have actually gone through an unexpected sort of repair to get it ready for charter.

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Floatel itself is actually doing very well.

As far as the 4 vessels goes and they're quite well chartered, for quite long periods actually. If you look at your current order book now that is fixed, it's almost close to slightly north of $400 million as far as order book goes for the next couple of years. I'm sorry, the other question.

Loh Chin Hua

Just on losses for Floatel last year.

Kevin Chng

Yes. Depreciation is still high. So, we continue to see P&L being negative, but we expect them to turn around very soon with most of the charters coming live from second half of this year onwards.

Loh Chin Hua

Okay. Thank you. There's a question from the floor.

Felicia Tan

I'm Felicia from the edge. I have one question on the Bifrost cable system. Do you have the completion rate and any expected ROI on that?

Loh Chin Hua

Expected what, sorry? ROI. Okay. I think it's about -- more than almost 80% late. So, we are quite at very advanced stages.

We're still going -- we still have a few landing stations to complete. Currently, we expect it to be ready for service first half of next year. ROI, we don't really disclose this, but it's been a good investment, I think, for Keppel and for the fund -- for the investors in the fund. The inquiry for the 5-fiber pad or from the fiber pads that we have has been good. And as we get closer to ready for service, we've seen that the rates have actually gone up significantly.

So, this is one investment that should perform significantly above underwriting. Maybe I move on to the -- there are 2 questions that have been there from online for a while. So maybe I address that first. First question is from Miyoko Thani of Nikkei. Thank you for the presentation. On your plans in China, specifically in the real estate sector, what is your stance and plans amid the prolonged market environment?

Are there any specific types of properties that you think have better potential and you are keen to pursue? I think I kind of addressed this earlier on. We believe that what China needs today is quite different from when we first entered the market 30 years ago. So, we have kind of put up a new playbook for China, focusing on what China needs today. and also, where Keppel can contribute effectively.

You will have heard from my remarks that we're no longer just kind of looking at real estate deals per se, but we're actually providing services, including helping looking at sustainability, looking at master planning in Suzhou and Jinan. So, these are all part of our real estate as a service.

Of course, there are other areas outside real estate that we are keen on, as I mentioned. Energy transition, data centers, connectivity. So, all these are areas that I think will be important. There will still be a market for real estate in China. But increasingly, it is really more China for China.

So, we are starting to see -- as the market bottoms out there's demand -- investor demand. But increasingly, this investor demand are more local, meaning coming from the local investors in China rather than from overseas. And as an asset manager, this would be the area that we will be tapping on.

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So, the next question is from Paul Chiu of Philips Securities. How much of the $203 million asset management fee were transaction related? I think Chris has already addressed that. Any updates on the performance of Rig Co? I think I will also address that.

I think the thing about the vendor notes that we have or the credit notes that we have on Rig Co, there are some accounting treatments there that sometimes we get interest on the credit notes, but there are some accounting amortization, et cetera, first day loss. So, sometimes it can be quite difficult, not so clear to see. But maybe one way to look at it is that it's about $4 billion. So, it's sitting on our books. We have associated with that.

If you work out on our interest cost, it's about $170 million a year, right? But if you look at the charter that we -- charter income that we get from the jackup rigs, only the jackup rigs that we have chartered out, we are getting about $70-odd million a year. So of course, the other rigs are not chartered out. So that's why there's still -- so I think maybe there's one way to kind of look at it. Of course, our goal is not just to charter our goal is to monetize.

If chattering is a way for -- to lead to monetization, then that's the way that we'll pursue it. So maybe that's one way of looking at that. Ke Yan.?

Ke Yan

Just two more questions, right. I realize that in this few days ago, you bought this Paramount asset in the hope of warehousing. Correct me if I'm wrong, we have not seen capital doing that for a while now because a lot of your assets have been bought by your funds and third-party capital. So, has there been a change in the strategy? So that's my first one.

And second one I think, Christina, you mentioned that the third data center fund, the FUM is $10 billion. Is that a number that you said? Because it's another $10 billion.

Christina Tan

Yes, I think we're talking more about the GAV, because in terms of the equity raised and then you will do a leverage on a leverage basis, so actually the GAV is much higher.

Ke Yan

Okay. So, my second question would be, can you sort of give us a sense of what's the FUM from the private credit fund as well as the other fund that you're targeting to launch, which is education fund. So, if you were to add up together, you're actually already above that $100 billion by 2026, right?

Christina Tan

I don't keep increasing my target.

Loh Chin Hua

I think you're not wrong. I think at the end, the $100 billion target is just as an interim milestone, right? I think our goal is really 200, it's not 100 million. So, if Christina and the F&I side can achieve 100 earlier or more than 100 by 2026, who is going to argue with her, right? So, you had a question on warehousing.

So generally, as a rule, we do not like to warehouse, generally, because I think if we have funds that are raised that can invest in that particular asset, then that's the best way to do it. But sometimes, there are opportunities that come up, that look interesting to us. And we may find that it's easier to have launch a fund with some seed assets. And then this is something that where Paramount fits in. Paramount fits in, in other ways as well.

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I think we are going to apply our solutions that we think we can improve the performance. It's really quite well. I mean, it's finished. When was it completed?

Lu-yi Lim

Two years ago. And it's already up to about 80% leased, and we believe we can lease the most of it out before we put as a seed asset for an India office fund.

Loh Chin Hua

So, it's quite well leased and it's also recurring income. So, in a way, even when it sits on our books, it should pay for itself because the yield is quite good. And so, it doesn't cause a burden as far as servicing the debt is concerned. And we'll look to put it into a fund. I mean, that's the goal.

Okay. Any further questions? If not thank you very much.

Operator

Ladies and gentlemen, we have come to the end of our conference. Thank you for joining us today.

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