



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Keppel DC REIT Management Pte. Ltd.

Security: Keppel DC REIT

Meeting details:

Date: 16 April 2019

Time: 3.00 p.m.

Venue: Suntec Singapore Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard Suntec City, Singapore 039593

Company Description

Listed on 12 December 2014, Keppel DC REIT is the first pure-play data centre REIT listed in Asia and on the Singapore Exchange (SGX-ST). Keppel DC REIT's investment strategy is to principally invest, directly or indirectly, in a diversified portfolio of income-producing real estate assets which are used primarily for data centre purposes, as well as real estate related assets, with an initial focus on Asia Pacific and Europe. Its current portfolio comprises 15 high-quality data centres strategically located in key data centre hubs. With an aggregate lettable area of approximately 1,111,991 sq ft, the portfolio spans 10 cities in eight countries in Asia Pacific and Europe. Keppel Telecommunications & Transportation Ltd (Keppel T&T), the Sponsor of the REIT, has also granted Rights of First Refusal (ROFR) to the REIT for future acquisition opportunities of its data centre assets. The REIT is managed by Keppel DC REIT Management Pte. Ltd. Keppel Capital Holdings Pte. Ltd. (Keppel Capital) has a 50% interest in the Manager, with the remaining interest held by Keppel T&T. Keppel Capital is a premier asset manager in Asia with assets under management comprising real estate, infrastructure and data centre properties in key global markets. The Manager's key objectives are to provide the REIT's Unitholders with regular and stable distributions, as well as achieve long-term growth while maintaining an optimal capital structure.

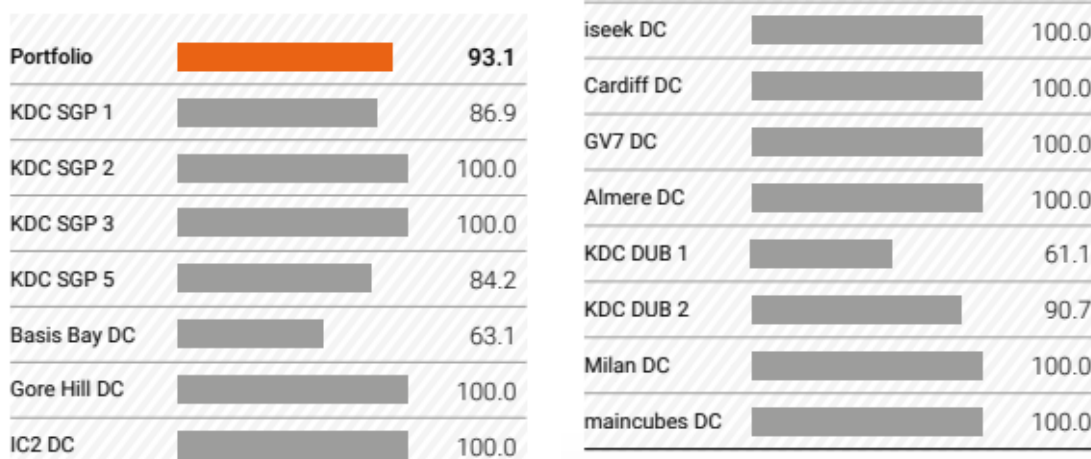
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AJBU)

1. As noted in the Chairman’s statement (pages 4 to 7 of the annual report), the REIT continued its expansion with the acquisition of Keppel DC Singapore 5 (KDC SGP 5) and maincubes Data Centre (maincubes DC) in Offenbach am Main, Germany. The REIT also announced the addition of Intellicentre 3 East Data Centre when it is completed in 2020.

These developments follow the two acquisitions made in 2017 by the REIT, namely Keppel DC Singapore 3 and Keppel DC Dublin 2.

As shown in the Portfolio review (page 34), the average occupancy rates of the portfolio stood at 93.1% as at 31 December 2018.

Occupancy Rates (%)
as at 31 December 2018



(Source: adapted from the 2018 Annual report)

- (i) **Would the manager help unitholders understand the risk of an oversupply of data centres in Singapore and globally?**
- (ii) **In the event that there is an oversupply of data centres in Singapore and in the key cities, what would be the impact on the REIT in terms of growth and earnings?**
- (iii) **Given that the REIT is a niche player in the data centre segment with limited/no diversification of asset class, what are the levers available to the manager should there be a supply glut?**

Specifically, for KDC SGP 1, KDC SGP 5, Basis Bay DC and KDC DUB 1, the occupancy rates appear to be sub-optimal. For instance, Basis Bay DC’s occupancy rate has not improved since 2017 and the occupancy rate for KDC DUB 1 has improved marginally from 55.8% in 2016, to 56.6% in 2017 and to 61.1% in 2018.

- (iv) **How does the REIT manager address the issue of sub-optimal occupancy rates in some of its assets? Is this an early warning indicator that the market is experiencing excess supply and over-capacity?**

2. To support the REIT's growth, the manager launched a private placement to raise \$303.1 million to partially fund the acquisition of KDC SGP 5 in May 2018. An earlier pro-rata preferential offering to raise net proceeds of approximately \$275.7 million was carried out in November 2016 to fund the acquisition of KDC SGP 3.

- (i) Having done a private placement and a preferential offering, what experience has the REIT manager gained? What are the pros and cons of each way of fund raising?**
- (ii) Does the REIT manager have a targeted unitholder base that it wants to achieve, for example quality global institutional investors or long term pension fund?**
- (iii) Does the REIT have the cash/debt headroom to support the planned acquisitions of Intellicentre 3 East Data Centre and the remainder of the 999-year (from 1 January 2000) leasehold interest in Keppel DC Dublin 1?**

The REIT has also issued €50 million in floating rate notes due 2023 pursuant to the \$500 million Multicurrency Medium Term Note Programme established in 2017.

- (iv) What is the level of natural hedging for the REIT's foreign assets?**

To safeguard distributions against exchange rates fluctuations, forecasted foreign-sourced distributions have been hedged with foreign currency forward contracts till the first half of 2020.

- (v) Can the manager clarify if it has put in place hedges for its net investment in foreign operations? If not, would it consider doing so?**

3. During the financial year, there have been several changes to the board composition. In April 2018, Ms Christina Tan succeeded Mr Chan Hon Chew as chairman of the board following the resignation of Mr Chan Hon Chew.

Mr Richard Teo Cheng Hiang retired as independent director and Mr Leong Weng Chee has indicated his intention to retire as independent director following conclusion of the annual general meeting (AGM) on 17 April 2019.

Board composition was refreshed with new independent directors, Mr Low Huan Ping and Mr Kenny Kwan, in February 2019.

- (i) Given the changes in the board, including the board chairmanship, has the REIT made further refinement to its long term strategies, including the pace of its growth?**

The trust is one of the few REITs on the Singapore Exchange to allow its unitholders to endorse the appointments of directors by way of an ordinary resolution at the AGM of Unitholders. As set out in the Notice of annual general meeting, Mr Dileep Nair, Mr Low



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Huan Ping and Mr Kenny Kwan would be seeking their endorsement/re-endorsement from unitholders.

- (i) Would the nominating and remuneration committee (“NRC”) elaborate further on the search and nomination process for directors, especially independent directors?**
- (ii) Did the NRC leverage external help (including search consultants, open advertisement) as doing so will allow the REIT to cast a wider net to reach out to possibly a more diverse and deeply-experienced candidate pool?**