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BT: Keppel Infrastructure Trust
(Trustee-manager: Keppel Infrastructure Fund Management Pte. Ltd.)

Stock code: A7RU

Meeting details:

Date: 11 Dec 2024

Time: 10.30 a.m.

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

Q1. As stated in the circular to unitholders dated 26 November 2024, the pro forma financial effects of the proposed acquisition of Marina East Water Pte. Ltd. (MEW)s are as follows:

	Actual for FY2023	Adjusted for the proposed acquisition	Increase
Funds from operations (FFO) (S\$ million)	287.9	298.4	10.5 (3.6%)
Distribution per unit (DPU) (S\$ cents)	3.86	3.87	0.01 (0.4%)
Net gearing (%)	39.8	40.2	0.4

Based on total issued units of 5.63 billion, the increase in distributable income is approximately \$563,000, i.e. a DPU increase of \$0.0001/unit.

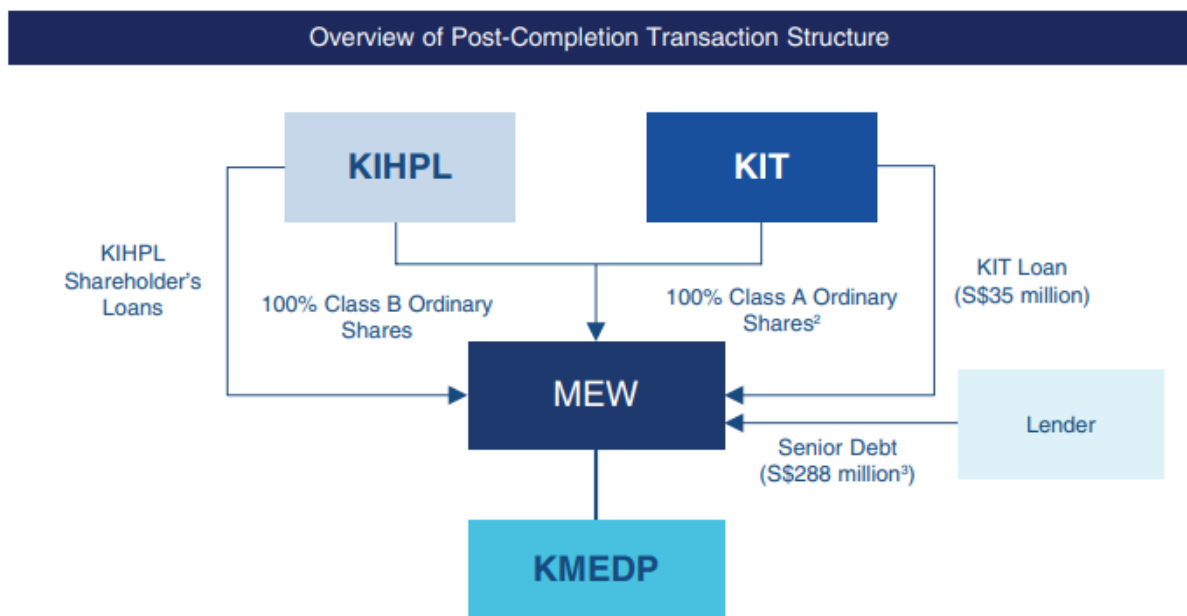
- (i) **Could the trustee-manager clarify why the Funds from Operations (FFO) increase of 3.6% translates into only a 0.4% increase in DPU? To aid unitholders' understanding, could a graphical representation, such as a waterfall chart, be provided to reconcile FFO to distributable income/DPU?**

The increase in FFO is estimated to be \$10.5 million on a pro forma basis. The term loan facility has an outstanding amount of \$288.2 million as at the latest practicable date.

- (ii) **What is the scheduled repayment amount of the term loan facility? Will the loan be fully repaid at the end of the 22-year amortisation period, or are there any balloon repayments expected?**
- (iii) **With 21 years remaining on the concession period (to June 2045), will MEW generate sufficient cash flows to provide meaningful returns to unitholders?**
- (iv) **Have the independent directors thoroughly evaluated the risk-reward profile of the proposed acquisition? Could they elaborate on the justification for proceeding with the acquisition despite the limited pro forma benefits?**
- (v) **Given the current interest rate environment, how does the trustee-manager assess the sensitivity of the acquisition's DPU accretion to interest rate fluctuations? Could a detailed sensitivity analysis be shared to illustrate the potential impact of varying interest rate scenarios? What is the threshold interest rate at which the acquisition ceases to be accretive?**
- (vi) **What is the expected increase in base and performance fees associated with the proposed acquisition? Could the trustee-manager clarify how these fees compare with the incremental value delivered to unitholders through this transaction?**

Q2. The business trust will acquire 50% equity interest in MEW which owns the Keppel Marina East Desalination plant. The enterprise value of MEW is approximately \$323 million, with an outstanding term loan facility of \$288.2 million.

- (i) **Could the board provide detailed information on the Water Purchase Agreement between PUB and MEW? Are there price review mechanisms built into the agreement?**
- (ii) **How will Marina East Water O&M Pte. Ltd. (“MEWOM”) be compensated and how will the performance of MEWOM be assessed?**



(Source: EGM circular dated 26 November 2024)

- (iii) **Can the trustee-manager elaborate on the rationale of KIHPL retaining an equity stake in MEW considering that KIHPL will receive zero economic benefits after the proposed transaction? What are KIHPL’s legal, operational, and financial obligations following the acquisition?**
- (iv) **Can the board confirm whether the \$288 million senior debt held by MEW will be consolidated into the trust’s accounts? If the debt is not consolidated, does this imply that KIT’s gearing, reported at 40.2% on a pro forma basis, does not reflect its full exposure? In the unlikely event of a default, will KIT’s liability extend only to its 50% equity stake, or could the trust face exposure to the entire loan amount?**
- (v) **Why is the trust providing \$35 million in a non-interest-bearing shareholder loan to MEW to repay KIHPL?**

- (vi) **Why was this acquisition structured as a partial equity purchase with a shareholder loan, instead of an outright asset purchase? What specific advantages—legal, tax, financial, or operational—does this structure offer the trust and its unitholders? Were alternative transaction structures evaluated, and if so, what were the key considerations?**

- (vii) **Are contingency plans in place to manage downside scenarios, such as underperformance of the desalination plant or challenges with debt servicing?**

Q3. The independent financial adviser (IFA) and independent valuer are Ernst & Young Corporate Finance Pte Ltd and RSM SG Corporate Advisory Pte. Ltd, respectively.

- (i) **Could the board elaborate on the criteria and due diligence process used to shortlist and select Ernst & Young Corporate Finance Pte Ltd as the independent financial adviser (IFA) and RSM SG Corporate Advisory Pte Ltd as the independent valuer?**
- (ii) **Has Ernst & Young Corporate Finance Pte Ltd provided any advisory or other professional services to the trust, Keppel group or any entities in the group over the past 3-5 years? If so, how did the board assess the independence of the IFA to ensure its opinions are unbiased and aligned with the interests of unitholders?**

The audit and risk committee (ARC) of the trustee-manager comprises Mr Mark Andrew Yeo Kah Chong, Mr Daniel Cuthbert Ee Hock Huat and Mr Adrian Chan Pengee. The statement of the ARC is as follows:

6. STATEMENT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (with Mr Daniel Cuthbert Ee Hock Huat and Mr Adrian Chan Pengee abstaining as each of them is a director of certain subsidiaries of Temasek), having reviewed, among other things, the terms and rationale for the Proposed Acquisition, and after considering the advice of the IFA as set out in **Appendix A** to this Circular, concurs with the IFA and is of the opinion that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of KIT and its minority Unitholders.

(Source: EGM circular dated 26 November 2024)

- (iii) **Could the ARC clarify whether the committee's opinion reflects the view of only the sole non-conflicted member, Mr Mark Andrew Yeo Kah Chong, given the conflicted positions of Mr Daniel Cuthbert Ee Hock Huat and Mr Adrian Chan Pengee? If so, how robust were the deliberations, and what measures were taken to ensure comprehensive evaluation and governance in this process?**
- (iv) **Has the ARC been able to effectively discharge its responsibilities, given that two out of its three members are conflicted?**

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