

Keppel DC REIT

Accretive acquisitions power growth



StocksBnB.com

SINGAPORE | REAL ESTATE (REIT) | 1Q25 UPDATE

21 April 2025

- 1Q25 DPU of 2.503 Singapore cents (+14.2% YoY) was in line, forming 25% of our FY25e estimates. The YoY growth in DPU was driven by the acquisitions of KDC SGP 7 & 8 and Tokyo DC 1, as well as lower finance costs from reduced interest rates and loan repayments.
- KDCREIT achieved healthy portfolio rental reversions of +7% in 1Q25, despite no major contract renewals during the quarter. Gearing improved to 30.2% following the completion of the divestment of Kelsterbach Data Centre in March 2025. It is expected to rise to c.35% with the planned debt drawdown to finance the land lease extensions for KDC SGP 7 and 8.
- We upgrade to ACCUMULATE with an unchanged DDM-derived target price of S\$2.25 due to the recent share price performance. We expect rental reversions to be strong in 2Q25, possibly exceeding 30%, as major colocation contracts in Singapore are up for renewal. The collection of c.S\$35mn in overdue rent from Bluesea is a potential catalyst, but it remains unresolved. The share is currently trading at an FY25e DPU yield of 5%. Our estimates remain unchanged.

Results at a glance

(SGD mn)	1Q25	1Q24	YoY	Comments
Gross revenue	102.2	83.4	22.6%	Contributions from the acquisitions of KDC SGP 7 & 8 and Tokyo DC 1, higher rent from contract renewals and escalations, partially offset by the divestment of Intellicentre Campus and the absence of one-off DXC settlement sum.
Net property inc.	88.1	71.0	24.1%	Guangdong DCs 1Q25 rental income recognised under gross revenue is net off via loss allowance in property expenses.
Finance costs	(12.5)	(13.0)	-4.1%	Interest savings from loan repayments and lower interest rates, partially offset by new loans taken for acquisitions.
Distributable inc.	61.8	38.8	59.4%	
DPU (cents)	2.50	2.19	14.2%	Loss allowance in relation to the Guangdong DCs impacted 1Q25 DPU by 0.249 Scts.

Source: Company, PSR

The Positives

+ Portfolio occupancy remained healthy at 96.5% (4Q24: 97.2%). 13.6% of leases are up for renewal in FY25, most of which are Singapore colocation leases. We expect a positive rental reversion of c.30% for 2Q25, driven by the renewal of a major Singapore colocation contract. Singapore's strong demand and limited supply continue to provide landlords with significant pricing power.

+ Lower finance costs. The average cost of debt remained stable QoQ at 3.1% (3Q24: 3.3%), with 68% of debt on a fixed rate. We expect the cost of debt to remain at similar levels in FY25e. Most of the foreign-sourced income is hedged until the end of 2025.

The Negative

- Rentals arrears continue to accumulate at the Guangdong DCs. To date, Bluesea, the master lessee, owes over S\$35mn in overdue rent. There remains no clear timeline or assurance on when, or if, payment will be received.

ACCUMULATE (Upgraded)

LAST CLOSE PRICE	SGD 2.030
FORECAST DIV	SGD 0.095
TARGET PRICE	SGD 2.250
TOTAL RETURN	15.5%

COMPANY DATA

BLOOMBERG CODE:	KDCREIT SP
O/S SHARES (MN):	2,256
MARKET CAP (USD mn / SGD mn):	3491 / 4579
52 - WK HI/LO (SGD):	2.36 / 1.61
3M Average Daily T/O (mn):	10.29

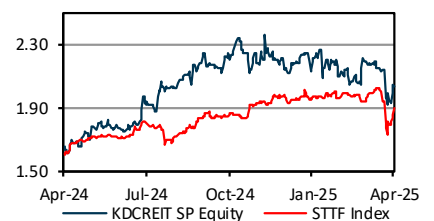
MAJOR SHAREHOLDERS (%)

KEPPEL CORP LTD	20.2%
BLACKROCK INC	6.8%
VANGUARD GROUP INC	3.0%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(6.4)	(6.0)	(5.6)
STTF RETURN	(4.5)	(3.5)	(2.7)

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (SGD mn)	281	310	413	435
NPI (SGD mn)	245	260	359	383
Dist. Inc. (SGD mn)	168	173	237	257
P/NAV (x)	1.51	1.33	1.33	1.33
DPU, adj (cents)	9.38	9.45	10.15	11.03
Dist. Yield	4.6%	4.7%	5.0%	5.4%

Source: Company Data, PSR

VALUATION METHOD

DDM (Cost of Equity: 6.83%; Terminal g: 1.75%)

Darren Chan (+65 6212 1849)
Senior Research Analyst
darrenchanrx@phillip.com.sg

Outlook

Evolving AI governance and geopolitical developments, such as US tariffs, may add regulatory complexity and uncertainty to data centre demand. Nonetheless, demand remains resilient amid inflationary pressures, with no indications from KDCREIT's tenants pulling back. Management does not anticipate any material impact on the portfolio from chip supply restrictions, as their data centres do not handle training AI workloads, and any GPU requirements are not expected to reach the heavily regulated thresholds.

Upgrade to ACCUMULATE with an unchanged DDM TP of S\$2.25

KDCREIT's largest tenants are some of the biggest internet enterprises in the world, with its largest contributing 40.8% of rental income. The current share price implies an FY25e DPU yield of 5%.

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
Gross revenue	277	281	310	413	435
Property expenses	(25)	(36)	(50)	(54)	(52)
Net property income	253	245	260	359	383
Net Finance (Expense)/Inc	(22)	(38)	(36)	(34)	(36)
Manager's fees	(26)	(27)	(28)	(37)	(38)
Other items	1	(7)	(8)	(14)	(14)
FV change, Inv. Properties	68	(28)	121	-	-
Total Return Before Tax	265	138	341	274	295
Taxation	(31)	(16)	(27)	(25)	(27)
Total Return After Tax	234	122	314	249	268
Unitholders	231	119	301	236	255
Non-controlling interest	3	4	13	13	13
Distribution adjustments	(46)	49	(128)	1	2
Income available for distribution	185	168	173	237	257

Per unit data

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
NAV (\$\$)	1.40	1.34	1.53	1.52	1.53
DPU (cents)	10.21	9.38	9.45	10.15	11.03

Cash Flow

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
CFO					
Total Return After Tax	234	122	314	249	268
Adjustments	(2)	111	(55)	71	75
WC changes	(4)	(14)	(12)	(77)	6
Cash generated from ops	228	220	247	243	349
Others	(10)	(9)	(23)	(25)	(27)
Cashflow from ops	218	211	224	219	322

CFI

Acquisitions	(247)	-	(1,097)	-	-
Capex, net	(48)	(26)	(58)	(39)	(40)
Others	(4)	11	89	11	11
Cashflow from investments	(299)	(15)	(1,066)	(28)	(29)

CFF

Share issuance, net	-	-	1,001	-	-
Distributions	(178)	(226)	(206)	(267)	(286)
Others	261	(11)	206	(17)	(12)
Cashflow from financing	84	(236)	1,001	(284)	(299)

Net change in cash	3	(41)	158	(94)	(5)
Effects of exchange rate	(9)	0	(1)	-	-
Ending cash	190	150	311	217	212

Source: Company, Phillip Securities Research (Singapore) estimates

Balance Sheet

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Investment properties	3,639	3,656	4,904	4,943	4,983
Others	206	141	191	187	183
Total non-current assets	3,845	3,797	5,096	5,130	5,166
Cash	190	150	317	217	212
Trade receivables	61	54	106	144	151
Others	11	6	25	8	8
Total current assets	263	209	448	369	372
Total Assets	4,108	4,007	5,543	5,499	5,538
LIABILITIES					
Borrowings	175	72	87	87	87
Trade payables	63	70	287	248	261
Others	7	6	12	12	12
Total current liabilities	245	149	387	347	360
Borrowings	1,300	1,408	1,628	1,628	1,628
Others	106	96	101	94	87
Total non-current liabilities	1,406	1,504	1,730	1,723	1,715
Total Liabilities	1,651	1,653	2,116	2,069	2,076
Net assets	2,457	2,354	3,427	3,430	3,462
Represented by:					
Unitholders' funds	2,414	2,311	3,372	3,366	3,389
Non-controlling interest	43	43	55	64	73

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	1.45	1.51	1.33	1.33	1.33
Distribution Yield	5.0%	4.6%	4.7%	5.0%	5.4%
NPI yield	7.2%	6.7%	6.1%	7.3%	7.7%

Growth & Margins (%)

Growth					
Revenue	2.3%	1.4%	10.3%	33.0%	5.4%
Net property income (NPI)	1.8%	-3.0%	6.3%	37.9%	6.6%
Distributable income	7.7%	-9.3%	3.0%	37.4%	8.4%
DPU	3.7%	-8.1%	0.7%	7.3%	8.7%
Investment Property	7.0%	0.5%	34.1%	0.8%	0.8%

Margins

NPI margin	91.1%	87.1%	83.9%	87.0%	88.0%
------------	-------	-------	-------	-------	-------

Key Ratios

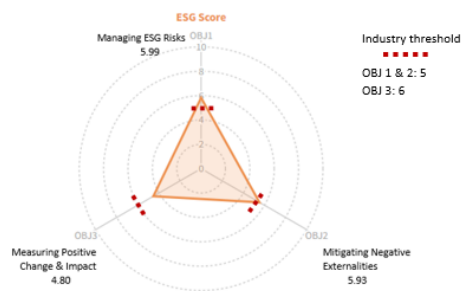
Gearing (%)	35.9%	37.0%	30.9%	31.2%	31.0%
-------------	-------	-------	-------	-------	-------

KDC	ESG Rating	Jan 2025	A-
------------	-------------------	-----------------	-----------

SGX: AJBU | Keppel DC REIT



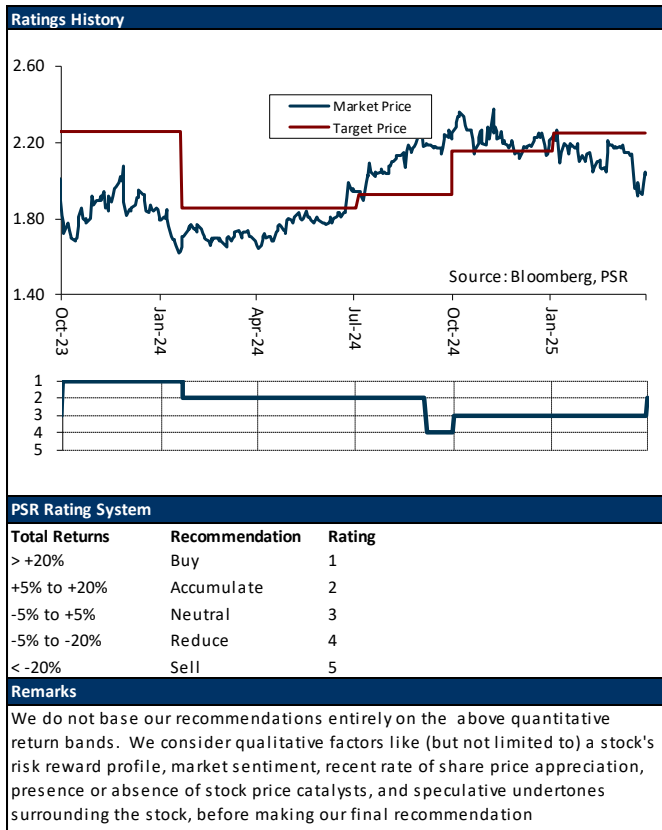
Company ESG Risk Rating Report



Objective 1 Managing ESG Risks (Positive input)	Objective 2 Mitigating Negative Externalities (Positive influence)	Objective 3 Measuring Positive Change and Impact (Positive impact)
5.99	5.93	4.80

Quarterly Update

- Top 3 ESG indicators that influence our rating. We will continue to monitor for updates on the following:
 1. Disclosure of financial impacts of physical climate risks.
 2. Energy optimisation measures to reduce energy consumption, identify and prevent leakage.
 3. Reductions across Scope 1, 2 and 3 emissions.



Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli - qystina@phillip.com.sg

Technical Analyst

Zane Aw – zaneawyx@phillip.com.sg

Property | REITs

Darren Chan – darrenchanrx@phillip.com.sg

Property | REITs

Liu Miaomiao – liumm@phillip.com.sg

Banking & Finance

Glenn Thum – glenthumjc@phillip.com.sg

Construction

Yik Ban Chong (Ben) – chongyb@phillip.com.sg

US Tech Analyst (Hardware/E-commerce/ETF)

Helena Wang – helenawang@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler

Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.