

Keppel DC REIT

Yet another quarter of exceptional rental reversion



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SINGAPORE | REAL ESTATE (REIT) | 2Q25 RESULTS

28 July 2025

NEUTRAL (Downgraded)

LAST CLOSE PRICE	SGD 2.320
FORECAST DIV	SGD 0.104
TARGET PRICE	SGD 2.330
TOTAL RETURN	4.9%

COMPANY DATA

BLOOMBERG CODE:	KDCREIT SP
O/S SHARES (MN):	2,256
MARKET CAP (USD mn / SGD mn):	4085 / 5235
52 - WK HI/LO (SGD):	2.38 / 1.84
3M Average Daily T/O (mn):	9.10

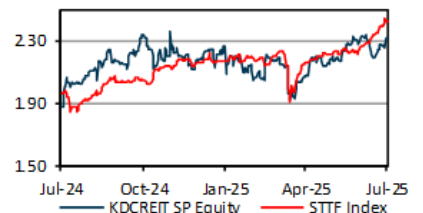
MAJOR SHAREHOLDERS (%)

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

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	0.9	11.5	6.8
STTF RETURN	7.8	12.1	15.0

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (SGD mn)	281	310	424	447
NPI (SGD mn)	245	260	369	389
Dist. Inc. (SGD mn)	168	173	247	266
P/NAV (x)	1.73	1.52	1.56	1.55
DPU, adj (cents)	9.38	9.45	10.38	11.16
Dist. Yield	4.0%	4.1%	4.5%	4.8%

Source: Company Data, PSR

VALUATION METHOD

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

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Results at a glance

(SGD mn)	1H25	1H24	YoY	Comments
Gross revenue	211.3	157.2	34.4%	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 Kelsterbach DC and the absence of one-off DXC settlement sum.
Net property inc.	182.8	132.6	37.8%	
Finance costs	24.5	25.9	-5.3%	Lower interest rates and interest savings from loan repayments, partially offset by new loans taken for acquisitions.
Distributable inc.	127.1	80.9	57.2%	Contributions from acquisitions and strong portfolio performance.
DPU (cents)	5.13	4.55	12.8%	Loss allowance in relation to the Guangdong DCs impacted 1H25 DPU by 0.492 cents.

Source: Company, PSR

The Positives

+ Exceptionally strong positive rental reversions of 51% in 1H25. A major contract renewal at KDC SGP 4 secured a c.58% positive rental reversion in 2Q25. With no major renewals expected for the remainder of the year, we expect rental reversions to moderate from these high levels. Portfolio occupancy dipped slightly to 95.8% in 2Q25, from 96.5% in the prior quarter.

+ Lower finance costs. The average cost of debt declined to 3% in 2Q25 (1Q25: 3.1%; 3Q24: 3.3%), with 76% of borrowings on fixed rates. We expect the cost of debt to continue trending downward, bringing the FY25e average to c.2.9%. KDCREIT has no debt maturing in 2025, and most of its foreign-sourced income is hedged until the end of 2026.

The Negative

- **Rental arrears continue to accumulate at the Guangdong DCs, with no clear timeline for resolution.** To date, Bluesea, the master lessee, owes over S\$40mn in overdue rent.

Outlook

Global data centre demand remains robust, driven by accelerating adoption of AI, including agentic AI, alongside continued growth in cloud computing and digitalisation across industries. The manager is actively pursuing third-party acquisitions in established data centre hubs such as Japan, South Korea, and Europe, with a focus on hyperscale facilities. The divestment of Basis Bay Data Centre is expected to be completed by 3Q25.

Downgrade from ACCUMULATE to NEUTRAL with a higher DDM TP of S\$2.33 (prev. S\$2.25)

KDCREIT's largest tenants are some of the world's biggest internet enterprises, with its most significant contributing 45.3% of rental income. The current share price implies an FY25e DPU yield of 4.5%.

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
Gross revenue	277	281	310	424	447
Property expenses	(25)	(36)	(50)	(55)	(58)
Net property income	253	245	260	369	389
Net Finance (Expense)/Inc	(22)	(38)	(36)	(32)	(33)
Manager's fees	(26)	(27)	(28)	(38)	(38)
Other items	1	(7)	(8)	(14)	(14)
FV change, Inv. Properties	68	(28)	121	-	-
Total Return Before Tax	265	138	341	285	304
Taxation	(31)	(16)	(27)	(26)	(27)
Total Return After Tax	234	122	314	260	277
Unitholders	231	119	301	246	263
Non-controlling interest	3	4	13	13	13
Distribution adjustments	(46)	49	(128)	1	2
Income available for distribution	185	168	173	247	266

Per unit data

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
NAV (\$\$)	1.40	1.34	1.53	1.49	1.50
DPU (cents)	10.21	9.38	9.45	10.38	11.16

Cash Flow

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
CFO					
Total Return After Tax	234	122	314	260	277
Adjustments	(2)	111	(55)	70	72
WC changes	(4)	(14)	(12)	(74)	6
Cash generated from ops	228	220	247	256	355
Others	(10)	(9)	(23)	(26)	(27)
Cashflow from ops	218	211	224	230	327

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)	(271)	(292)
Others	261	(11)	206	(17)	(12)
Cashflow from financing	84	(236)	1,001	(288)	(304)

Net change in cash	3	(41)	158	(86)	(5)
Effects of exchange rate	(9)	0	(1)	-	-
Ending cash	190	150	311	225	220

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	225	220
Trade receivables	61	54	106	147	155
Others	11	6	25	8	8
Total current assets	263	209	448	381	383
Total Assets	4,108	4,007	5,543	5,511	5,549
LIABILITIES					
Borrowings	175	72	87	87	87
Trade payables	63	70	287	254	268
Others	7	6	12	12	12
Total current liabilities	245	149	387	354	367
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	2,076	2,083
Net assets	2,457	2,354	3,427	3,435	3,467
Represented by:					
Unitholders' funds	2,414	2,311	3,372	3,371	3,393
Non-controlling interest	43	43	55	64	73

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	1.65	1.73	1.52	1.56	1.55
Distribution Yield	4.4%	4.0%	4.1%	4.5%	4.8%
NPI yield	7.2%	6.7%	6.1%	7.5%	7.8%

Growth & Margins (%)

Growth					
Revenue	2.3%	1.4%	10.3%	36.6%	5.4%
Net property income (NPI)	1.8%	-3.0%	6.3%	41.7%	5.4%
Distributable income	7.7%	-9.3%	3.0%	43.3%	7.4%
DPU	3.7%	-8.1%	0.7%	9.9%	7.5%
Investment Property	7.0%	0.5%	34.1%	0.8%	0.8%

Margins

NPI margin	91.1%	87.1%	83.9%	87.0%	87.0%
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Key Ratios

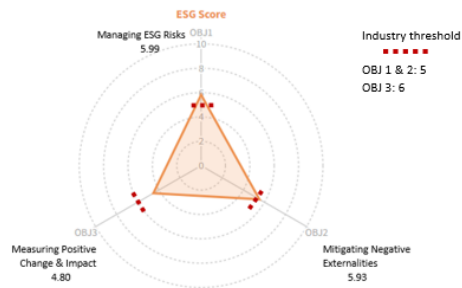
Gearing (%)	35.9%	37.0%	30.9%	31.1%	30.9%
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KDC	ESG Rating	Jan 2025	A-
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SGX: AJBU | Keppel DC REIT



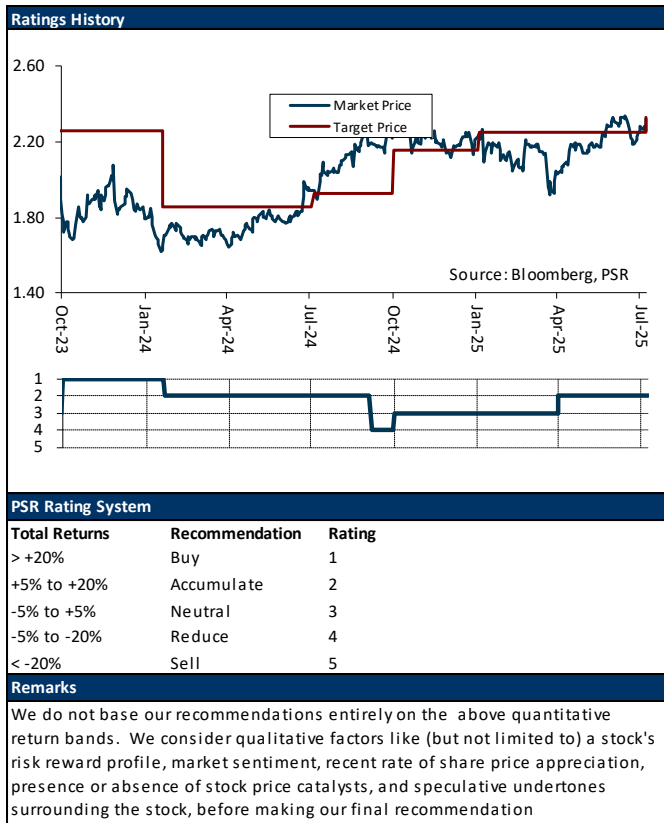
Company ESG Risk Rating Report



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:
 - Disclosure of financial impacts of physical climate risks.
 - Energy optimisation measures to reduce energy consumption, identify and prevent leakage.
 - Reductions across Scope 1, 2 and 3 emissions.



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