

KEPPEL LTD

**“BLURRY” VISION 2030:
DIVIDENDS ARE JUST ILLUSORY**

APRIL 2026

**CORPORATE
MONITOR LIMITED**



CORPORATE MONITOR
—ACTIVISM+—

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Table of Contents

ABOUT CORPORATE MONITOR LIMITED	2
TABLE OF CONTENTS.....	3
EXECUTIVE SUMMARY	4
2025 RESULTS ANALYSIS	7
1. INTRODUCTION	9
2. FREE CASH FLOW HAS BEEN LOW OR NEGATIVE.....	9
2.1 OPERATING CASH FLOW	9
2.2 INVESTING CASH FLOW.....	10
3. ROE REMAINS SUB-PAR	12
3.1 KEPPEL'S ASSET BASE.....	14
3.2 KEPPEL'S DEBT	15
3.3 "NON-CONSOLIDATED" DEBT	16
4. CONCLUSION	19
APPENDIX	20
KEPPEL'S FUM AND FEE TO FUM RATIO	20

EXECUTIVE SUMMARY

Higher dividends are usually taken as a signal that the company is doing well, but Keppel should be treated as an exception. Shareholders should question whether Keppel really has the cash to pay for the ordinary and special dividends, announced together with its 2025 results.

Keppel reported a 16% lower net profit in 2025 compared to 2024, yet it celebrated the achievement of “New Keppel”, whose profit increased by 39% year on year, return on equity (ROE) was 18.7%, and net debt to EBITDA was only 2x. In reality, group ROE was 7.3%, net debt to EBITDA was 5x. Keppel is essentially claiming that its Vision 2030 strategy is showing good progress, and it is just the legacy business that is weighing it down. “New Keppel” is a label used for the first time, although it is no different from Vision 2030 announced 6 years ago.

Corporate Monitor Ltd (CML) is of the view that its Vision 2030 strategy is not succeeding, and even “New Keppel” is not showing the performance that Keppel envisioned. The first sign is that “New Keppel” continued to invest heavily, as much as S\$1.0 billion in 2025. An asset-light model should have little investment and capital expenditure (capex). If we add in the capex for the “non-core” business, Keppel group spent S\$1.3 billion on investment and capex in 2025.

Keppel’s ability to generate cash from operations has been poor. Over a 5-year period (2021-2025), cumulative cash flow from operations was only S\$829 million, 10.7% of the reported net profits of S\$7.7 billion. Such operating cash flows are insufficient to finance capex. As a result, Keppel has to keep selling assets (S\$14.5 billion since October 2020), while bank debt stayed high at S\$11.3 billion. The debt does not include the “non-consolidated” debt of companies Keppel owns as much as 50% of, but does not control. Keppel is the most leveraged company among SGX companies of similar market capitalisation (see **section 3.3**). Since Keppel’s debt cannot be segregated, the narrative about “New Keppel’s” lower net debt to EBITDA ratio is just optics.

Without asset sales and relying on bank debt, Keppel could not afford the dividend and share buyback, given the heavy capex and poor operating cash flow. Keppel touts asset sales as a virtue, but it is actually a necessity. In 2025, New Keppel actually generated negative free cash flow of S\$58 million¹. yet it paid out a dividend of S\$617 million (S\$0.34 per share). Such a “generous” dividend is not sustainable.

Against its target of 15%, Keppel’s ROE has been below 10% since 2016, weighed down by its bloated balance sheet, with “non-core” assets accounting for 50% of total assets. Such “non-core assets”, which reported a loss of S\$84 million for 2025, are dragging down Keppel’s profit and asset efficiency. Keppel touts that “New Keppel” has an ROE of 18.4%, but would not share its computation.

¹ Keppel’s definition of “free cash inflow” includes a S\$235 million financing arrangement which is NOT normally included in the common usage of free cash flow. Keppel explained that this is for “illustration purpose”. CML is of the view that this is misleading.

A crucial metric for Vision 2030 is funds under management (FUM). In 2025, FUM increased by a net S\$7 billion, similar to the annual organic growth in the past 5 years. At this pace, Keppel will not reach the S\$200 billion target by 2030 organically. It is not clear what is Keppel's right to win in asset management, especially since the market for raising private funds (about 70% of Keppel's FUM today) continues to be challenging for smaller players, as behemoths like Blackstone and Brookfield are dominating (please see [CML's report](#)). Keppel claims it has the operator advantage. However, M1, which Keppel took private in 2019 at a cost of S\$1.2 billion, saw its net profit and ROE decline continually thereafter. In 2025, Keppel had to recognise a loss of S\$222 million on the carrying value of M1. There are many other examples where "operator advantage" was not proven (please see [CML's report](#)).

Keppel has a generous definition of FUM and not all of its FUM is generating fee revenue. (In summary, Keppel counts debt in asset level investment and assumes all private funds are fully invested). Fee basis on Keppel's FUM has dropped from 0.55% in 2021 to 0.48% in 2025. This is why FUM in 2025 grew by 8% but fee revenue only grew by 4%. Chasing FUM without the commensurate fee revenue is meaningless. Please refer to the **Appendix** for the full explanation of Keppel's FUM definition and calculation of the fee-to-FUM ratio.

Even if it did achieve S\$200 billion FUM by 2030 (probably through acquisitions), asset management's contribution to revenue then will be S\$1 billion, based on Keppel's own projection (assuming no further fee to FUM reduction). CML estimated that net profit is likely in the [neighbourhood of S\\$400 million](#), even assuming a profit margin higher than global peers. Equally if not more important is the quality of such profit. If it still requires massive investment² and capex, it is not solving the cash flow, asset and debt issues that Keppel now faces.

Compounding the cash flow and debt issues is a downside scenario where Keppel crystallises more losses when it sells its "non-core" assets, many of which have been sitting in Keppel's books for a long time. The offshore and marine business has been restructured at least 3 times since 2021, including the RigCo transaction in 2023 which CML [wrote about](#). Yet, the legacy offshore and marine assets still totalled S\$4.8 billion, or 36% of the S\$13.5 billion "non-core assets" as at end-2025. Keppel also has not addressed write-downs of its China real estate assets, which are a material part of its "non-core" real estate assets. When a peer such as CapitaLand Investment has impaired its China assets by S\$1.6 billion over 5 years, Keppel's opaqueness is glaring.

A significant asset write-down and/or crystallised losses will further expose Keppel's over-leveraged position. Selling assets to pay dividends while keeping debt high will no longer be feasible.

Keppel has come a long way since 2014, but not for the better. The financial numbers in the following table paints two highly contrasting pictures of Keppel in 2014 (old) versus 2025 (new and old).

² Part of New Keppel's investment is in its private funds & REITs (10% to 15%) as sponsor. As Keppel increases its FUM, its investment will only grow.

Snapshot of Keppel's Key Financial Numbers (2014 & 2025)

(In S\$ Billions)	2014	2025	% Change
Revenue	13.3	6.0	-54.9%
Total Net Profit	1.9	0.8	-58.1%
Capex & Investments	1.0	1.3	34.8%
Long-Term Assets	10.4	19.3	85.8%
Current Assets	21.2	7.8	-63.4%
Total Assets	31.6	27.1	-14.3%
Current Liabilities (Excluding debt)	9.0	3.9	-57.1%
Long-Term Liabilities (Excluding debt)	0.5	0.7	58.1%
Total Debt	7.4	11.3	53.3%
Equity	14.7	11.2	-24.0%
Total Liabilities & Equity	31.6	27.1	-14.3%

Source: Keppel's Annual Reports

The first observation is revenue in 2025 is barely half of that in 2014, and profit also fell by 58% over this period. Keppel earned S\$789 million in 2025, a far cry from the profit of S\$1.9 billion in 2014. Secondly, capex continued to be heavy in recent years, amounting to S\$1.3 billion, versus only S\$994 million in 2014, when old Keppel was an asset-heavy and capital-intensive business. So, Keppel spent heavily on capex but yet saw substantial revenue and profit declines. Shareholders should demand answers on what this capex has achieved.

Thirdly, the balance sheet has been transformed while total assets reduced by only 14%. Keppel's long-term assets shot up nearly 86% to S\$19.3 billion, the result of years of capex and investments. There is very little liquidity in Keppel's assets. Fourthly, debt has increased while equity decreased, resulting in substantial increase in leverage. Keppel has increasingly relied on debt to support the bloated asset base which failed to produce any growth in revenue and profit.

To put it bluntly, Keppel has seen lower profit, higher debt, and lower equity over the last 11 years. Shareholders should re-examine the narrative and promises of Vision 2030 and take a hard look at what these numbers are telling them.

2025 Results Analysis

Keppel claims a strong 2025, with funds under management ("FUM") at S\$95 billion, half of the S\$200 billion target by 2030. "New Keppel"³ achieved a net profit of S\$1.1 billion in 2025, a 39% increase over 2024. Assets monetised amounted to S\$2.9 billion for 2025, and shareholders are rewarded with a special dividend of approximately S\$0.13 per share. It appears that Keppel has turned the page in the Brazilian corruption allegations with a US\$422 million resolution with the Department of Justice of the United States of America.

We will argue that the reality is, in fact, quite worrisome, for the following reasons:

- Far from being the asset-light asset manager model that Keppel would like shareholders to value it as, even "New Keppel" continues to spend heavily on investments and capital expenditures ("capex"). Investment and capex remained high at S\$1 billion in 2025 for "New Keppel". As New Keppel invests in its private funds (10% to 15%) and REITs as a sponsor, its investment will increase with FUM. As of 2025, Keppel's cumulative commitment in its private funds and REITs totalled S\$1.5 billion, compared to S\$1.06 billion in 2023. Such commitments will translate into investments in future years.
- Keppel group's actual net profit for 2025 was only S\$789 million (a 16% year-on-year decline), due mainly to the S\$222 million loss on M1's divestment.
- Keppel's total debt for 2025 continued to be high, at S\$11.3 billion, in order to fund legacy assets and the capex of both "New Keppel" and "non-core" assets. Keppel claims that "New Keppel" only has a net debt to EBITDA ratio of 2x. However, it is Keppel that is liable for the total debt, whether New or Old. Keppel group's net debt to EBITDA ratio is more than 5x, which is the highest among comparable SGX-listed blue-chip companies.
- Keppel's FUM only grew by S\$7 billion in 2025, similar to the S\$5 billion to S\$8 billion organic⁴ FUM growth per year since 2020. At this rate, Keppel is unlikely to meet its S\$200 billion target organically in the next 4 years. The fundraising environment continues to be very challenging and is dominated by behemoths such as BlackRock, KKR etc. Keppel touts its operator advantage, but M1, taken private in 2019, was divested in 2025 at a loss, after years of profit declines.
- The quality of Keppel's FUM is deteriorating, as the fee revenue to FUM declined to 0.48% in 2025, from 0.5% in 2024. This is also why fee revenue only grew by 4% year on year while FUM grew by 8% year on year. [Please refer to the **Appendix** for the analysis of Keppel's FUM definition]
- More importantly, the asset management business has not become the key earnings driver although FUM is already near S\$100 billion. In 2025, after including 100% contribution from Aermont Capital, asset management profit was S\$189 million, just S\$24 million higher than in 2024 (+15% year on year or 18.6% of total net profit from continuing operations).

³ "New Keppel" excludes the Non-Core Portfolio for Divestment and Discontinued Operations.

⁴ Excludes the acquisition of Aermont Capital in 2024.

- While absolute earnings may not be the most important, an asset-light business model should deliver high ROE due to a low asset base, but this is not the case with Keppel. Its balance sheet is bloated due to the heavy capex (as mentioned before), with non-core assets of S\$13.5 billion, accounting for 50% of the total assets, Keppel indirectly acknowledges that its balance sheet is too large. Given the loss of S\$84 million from its non-core assets in 2025 (the loss in 2024 was “only” S\$6 million), such assets are a deadweight dragging down Keppel’s ROE.
- For 2025, Keppel celebrates the ROE of 18.7% for “New Keppel” but would not disclose how it was computed. Even if we use the group’s “core” net profit excluding discontinued operations as the numerator, ROE was only 7.4% in 2025, and was less than 10% in the preceding 4 years.
- There was no progress on selling the legacy rig assets, and only some of them are chartered out and producing cash flow. Keppel in 2023 sold the legacy rig assets to an obscure RigCo and ended up with a note receivable of S\$4.3 billion on its books. CML questioned this deal (see [report](#) dated 5 January 2025). But in 2024, Keppel took RigCo back on its balance sheet. At that time, it floated the idea of launching a private fund into which to inject the rig assets, but to date, there has been no follow up on this idea. Keppel has not articulated a concrete plan to dispose of the rig assets, which amounted to S\$4.8 billion in 2025, or 36% of the total “non-core” assets.
- There was no material write-down of asset value except the S\$222 million on M1. The rig assets have not been written down. Keppel also has not addressed the write-down of its China (mainly real estate) assets, valued at S\$3.5 billion. By contrast, CapitaLand Investment Limited (CLI) wrote down the value of its China assets by about S\$1.6 billion over the past 5 years. In 2025 alone, CLI saw the valuation of its China assets decrease by 5%, or S\$545 million, amid challenging market conditions that weighed on rental rates and occupancies. By contrast, Keppel’s S\$30.3 million impairment loss on China properties was lumped together with the upward revaluation in property values for Singapore. Keppel’s opaqueness is unacceptable.
- Most worrisome is “New Keppel’s” poor cash flow. Excluding the S\$235 million “financing component”, “New Keppel’s” cash inflow was negative S\$58 million in 2025 after dividend income and divestments. Yet, Keppel is paying out S\$617 million in dividends, or 78% of net profit of S\$789 million. Keppel even announced that it would pay out 10% to 15% of the gross value of future monetisation as dividends in future.
- Keppel’s dividends and share buybacks are only possible because of asset sales, as operating cashflow is modest and capex and investments are high. Asset divestments are a necessity, not an option. Shareholders should consider if this is sustainable, given Keppel’s already high leverage.

While we have quoted the 2025 financial numbers, the issues mentioned above have been recurring since the unveiling of the Vision 2030 strategy.

1. INTRODUCTION

Keppel unveiled its Vision 2030 strategic plan in May 2020 to transform into an integrated business, supported by an asset-light business model that generates recurring revenue and cash flows. Keppel also set a long-term target to achieve an ROE of 15%.

While Keppel would like to trumpet the profits and ROE of “New Keppel”, the fact is that “New Keppel” exhibits none of the characteristics of an asset-light business. To understand this, the following sections dive deep into Keppel’s cash flow, capex, asset, debt and finally ROE, which are all inter-related.

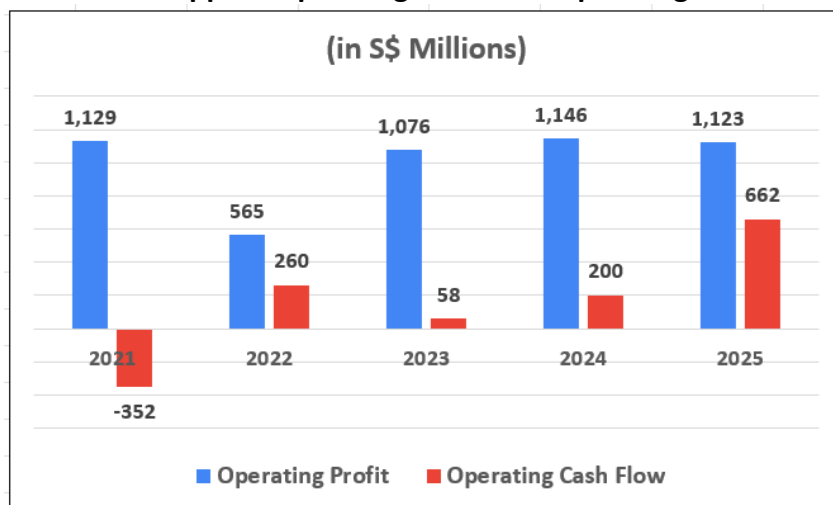
2. FREE CASH FLOW HAS BEEN LOW OR NEGATIVE

A business's free cash flow is defined as its operating cash flow net of capital expenditure (capex). In most cases, operating cash flow should move in tandem with EBITDA (earnings before interest, taxes, depreciation and amortisation). Operating cash flow is the lifeblood of any business and the most dependable, because external financing such as debt and equity may not be available when the business needs it.

2.1 Operating Cash Flow

We find Keppel's operating cash flow to be weak. Keppel’s reported accounting operating profit ranged between S\$565 million and S\$1.1 billion between 2021 and 2025, yet operating cash flows were far lower, at between negative S\$352 million and positive S\$661.5 million (see **Exhibit 1**). In aggregate, the 5-year cumulative operating profit was S\$5 billion, yet aggregate operating cashflow was only S\$829 million.

Exhibit 1: Keppel’s Operating Profit and Operating Cash Flow



Source: Keppel Ltd

2.2 Investing Cash Flow

Every going concern business needs to spend on capex, at least to maintain the current business, especially in industries that face obsolescence risks. More capex will be required if the business aims to grow. Some businesses are asset/capex heavy, such as Old Keppel's offshore and marine, as well as the real estate divisions, for example. However, Keppel's Vision 2030 strategy aims to move away from such asset and capex-heavy businesses, and into the asset-light asset management business, which also has the advantage of recurring revenues and profit.

However, based on the capex figures in Keppel's cashflow statements, it is hard to find evidence of such a transition towards an asset and capex-light business model. Keppel's investment and capex regularly exceeded S\$1 billion per annum (please see next paragraph for explanation for 2024). In fact, capex in 2022 reached a high of S\$1.6 billion, or nearly 25% of the Company's revenue. There is no consistent downtrend in capex to reflect the evolution towards the asset/capex-light model.

Exhibit 2 shows that from 2021 to 2025, Keppel has a capex to revenue ratio of 11.7% to 24.4%, significantly higher than the ratio of 7.5% for "Old Keppel" in 2014 when capex-heavy offshore/marine and real estate dominated. Note that 2024 (highlighted) was an anomalous year⁵ when Keppel saw a large cash inflow from the acquisition of RigCo⁶, which had a large cash balance, thus offsetting the regular capex and investments.

Exhibit 2: Keppel's Capex and Capex/Revenue

	Capex & Investments	Revenue	
Year	S\$ Millions	S\$ Millions	Capex/Revenue
2014	993.6	13,283.0	7.5%
2021	772.0	6,611.3	11.7%
2022	1,616.0	6,619.7	24.4%
2023	1,399.0	6,966.1	20.1%
2024	70.0	5,784.1	1.2%
2025	1,337.0	5,983.0	22.3%

Source: Keppel Ltd

In 2025, capex for "New Keppel" totalled S\$1.0 billion, which, according to Keppel, was largely for investments in Keppel's private funds and REITs (payment for the Aermont acquisition was only S\$92 million). If we add up the S\$313 million capex for the non-core portfolio, total capex by Keppel in 2025 was S\$1.3 billion.

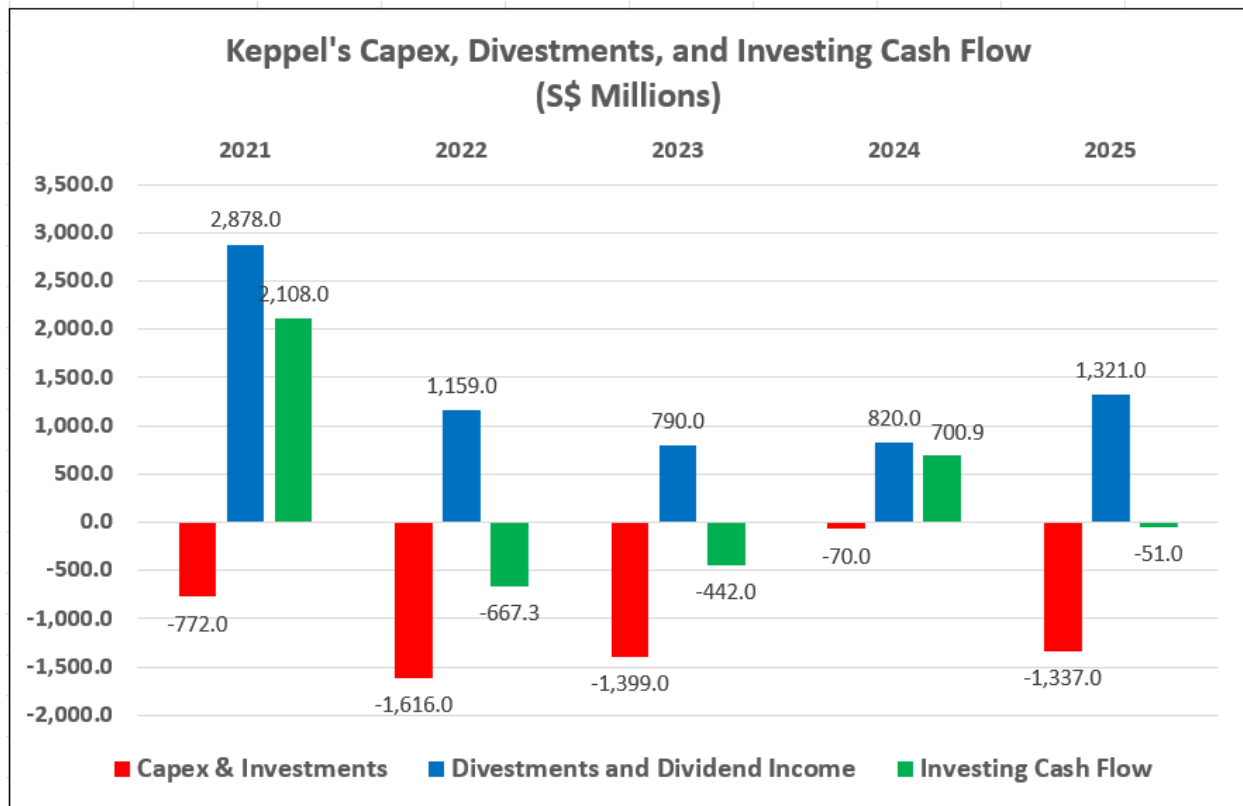
⁵ Excluding this large cash inflow, capex/revenue would have been around 17%.

⁶ Keppel counted RigCo's cash balance as a positive investing cash flow, which offsets the usual negative capex and investments.

If an asset-light business model still requires more than S\$1 billion in capex, is this strategy working? As Keppel raises private funds, it commits 10% to 15% as sponsor, as well as co-invests in specific assets. As of 2025, cumulative commitments to its private funds totalled S\$1.5 billion, compared to S\$1.3 billion in 2024 and S\$1.06 billion in 2023. As such commitments are called, Keppel's capex and investment will only grow or stay high.

This leads us to divestment, the second most important number in Keppel's investing cashflow. As we see from the following chart (**Exhibit 3**), Keppel has been relying on asset sales to partially pay for the capex.

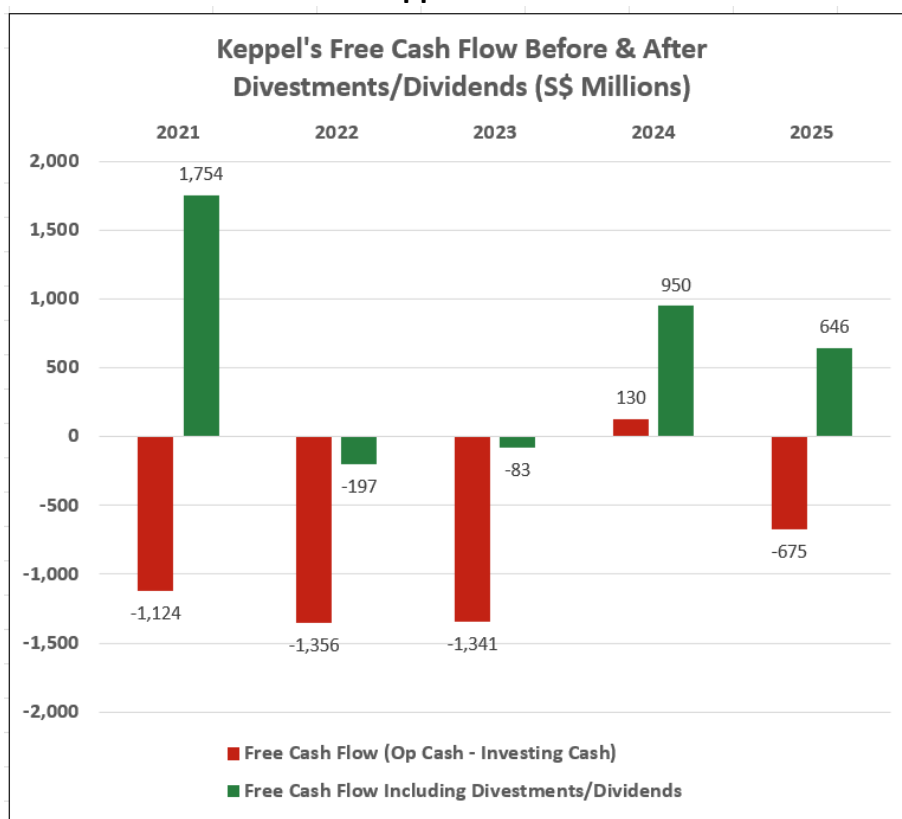
Exhibit 3: Keppel's Capex, Divestments, and Investing Cash Flow



Source: Keppel's published financials and annual reports

Exhibit 4 (below) shows 2 key numbers – Keppel's free cash flow, before and after divestments and dividend income. It's clear that apart from 2024, Keppel's free cash flow was consistently negative without asset sales. Even after adding divestments and dividend income, Keppel's cash flow was positive in just 3 out of 5 years.

The cash flows after divestments were used to pay dividends. Between 2021 and 2025, total cash flow after divestments was S\$6.9 billion (much of it boosted by the S\$1.7 billion in 2021), whereas dividends and share buybacks totalled S\$3.4 billion. Free cash flow without divestments totalled negative S\$4.4 billion. So, far from a signal of strength, the payment of dividend is actually a weakness because it is not funded by operating cash flow but by selling off assets.

Exhibit 4: Keppel's Free Cash Flow

Source: Keppel Ltd

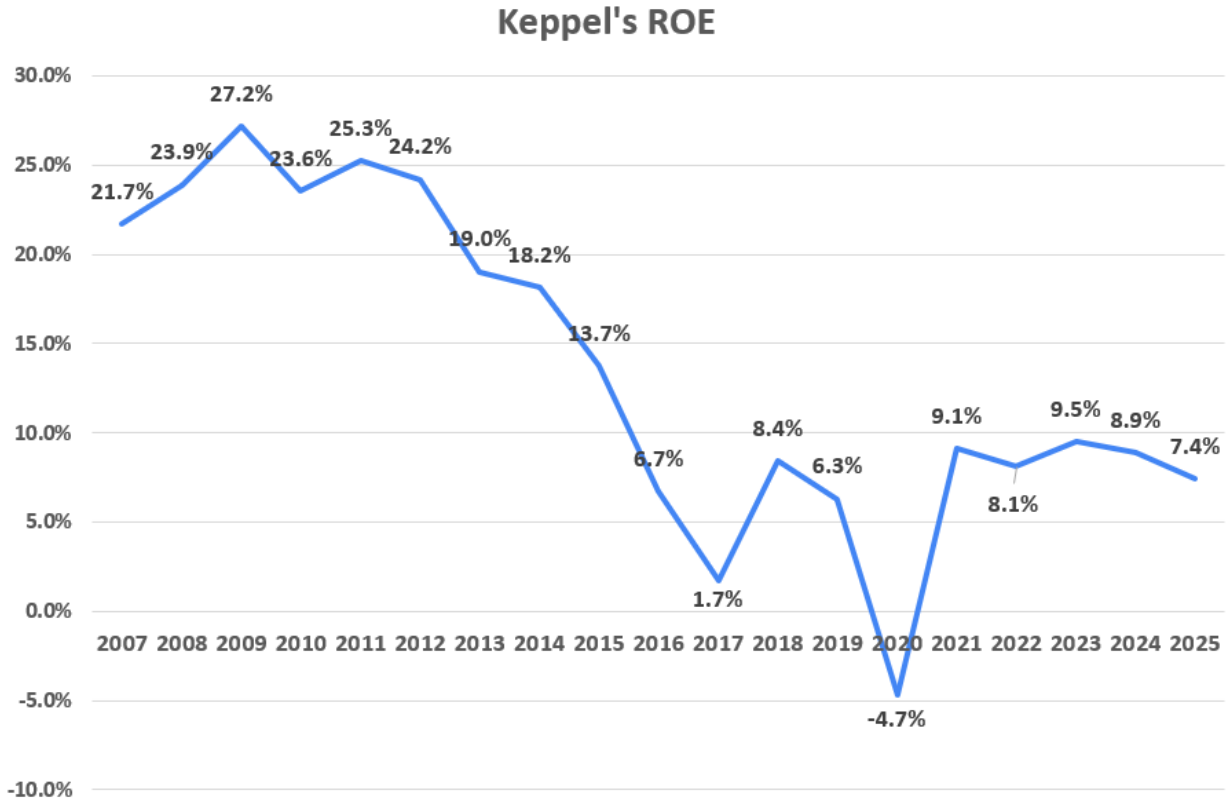
This explains why Keppel's debt has stayed high over the years. Keppel's debt was S\$12 billion in 2020, and was little changed at S\$11.3 billion in 2025, even after the cumulative asset monetisation of S\$14.5 billion.

To put things in perspective, in 2014, "Old Keppel" had a debt load of S\$7.4 billion. This is 35% lower than the debt of S\$11.3 billion owed by Keppel in 2025. The narrative that "New Keppel" has low net debt to EBITDA is misleading as the debt is owed by Keppel as a group.

3. ROE REMAINS SUB-PAR

Keppel touts "New Keppel's" ROE of 18.7%, but the group's ROE was only 7.4%. This is much lower than the 15% target Keppel has set. In fact, Keppel's ROE has not exceeded 10% since 2016 (we exclude a large non-cash profit from the divestment of the offshore marine business in 2023⁷). There is no visible improvement since the unveiling of the Vision 2030 strategy, as shown in **Exhibit 5** below:

⁷ Keppel's ROE for 2023 was 37.9% after including the gain from the sale of its Offshore and Marine division.

Exhibit 5: Keppel's ROE Trend (2007 to 2025)

Source: Keppel's Financial Statements and Presentation Slides

The ROE of "New Keppel" cannot be validated and Keppel would not share how it is computed.

CML used the DuPont model⁸ to analyse the drivers for Keppel's low ROE. In summary, the large asset base is dragging down Keppel's group ROE, although profit margin is decent and high leverage mathematically boosts ROE. In fact, Keppel's low ROE is all the more concerning because its leverage is high, which increases its financial risk.

⁸ The DuPont model for ROE is calculated using 3 variables – net profit margin, asset turnover, and leverage multiplier. Net profit margin = net profit / revenue; asset turnover = revenue / total assets and leverage multiplier = total assets / total shareholder equity.

3.1 Keppel's Asset Base

Keppel's asset base is bloated and inefficient. It is not translating into revenues from which profits can be made. One way to measure such efficiency is the ratio of revenue to total assets. Such a ratio, called "asset turnover", has been low since 2020, at around 22%. In fact, Keppel's revenue has been declining in recent years. In 2020, revenue was S\$6.6 billion, declining to S\$6.0 billion in 2025. This is odd as an asset management model implies that Keppel should be able to generate higher revenue and profit with a lower (or minimal) level of assets.

There are two reasons for the high asset base. Firstly, the need to continue investing capex for both "New" and "Old" Keppel, as discussed in section 2.2. Secondly, of the total assets of S\$27.0 billion in 2025, exactly 50%, or S\$13.5 billion, is designated "non-core". Keppel disclosed that such "non-core" assets generated a loss of S\$84 million in 2025. With half of its total assets generating a loss, it is hard for the Keppel group to achieve decent ROE.

In addition to the drag on ROE, Keppel's assets, especially the "non-core" assets, may be worth less than their book value. If so, the loss will be crystallised in a divestment, when some or all of the debt associated with them may become due and Keppel may not have sufficient cash flow to service/repay the maturing debt.

There are three main reasons for our concern about the asset value. Firstly, at a high level, assets that are loss-making or struggling could be expected to sell for less. As an example, for 6 years Keppel has been carrying M1 at a value of S\$1.3 billion, including goodwill of close to S\$1 billion, although M1's profit and ROE have been declining due to the intense competition in Singapore's mobile market. With the announcement of the sale of M1 to Simba in 2025, Keppel finally recognised a loss of S\$222 million.

Secondly, of particular concern are the legacy rig and offshore assets totalling S\$4.8 billion, or 35.6% of the "non-core" assets of S\$13.5 billion. Keppel could/would not articulate a clear plan for selling them, but acknowledged that only some of them are chartered out. Getting all of them chartered out is the near-term goal. In other words, a significant portion of such rig assets are not producing revenue, profit or cash flow. CML issued [a report](#) in 2025 and raised a series of questions on the 2022 transaction where Keppel sold the legacy rigs to RigCo (it is also referred to as "AssetCo") in a S\$4.4 billion transaction:

- ❖ The buyer RigCo is 75%-owned by a special purpose vehicle ("SPV"), 15% by a Temasek company and the balance 10% by Keppel. The SPV is, in turn, owned by a fund manager which, based on CML's research, had neither the financial resources nor the operating/management expertise in offshore marine assets.
- ❖ Keppel did not conduct a market process to find the best price for the rigs.
- ❖ RigCo did not carry out an independent valuation of the rig assets but bought them based on Keppel's carrying value. For a deal of this magnitude (S\$4.4 billion), it is customary that a buyer would perform a thorough due diligence as part of its fiduciary duties.

- ❖ Keppel provided essentially all of the funding to RigCo, on very favourable terms. This includes a vendor note of S\$4.3 billion, which did not have to be paid down for 15 years⁹, and a perpetual loan of S\$120 million. Even the interest could be deferred in an arrangement called payment-in-kind where interest is repaid by the issuance of more notes.
- ❖ In 2023, Keppel disclosed that the independent valuation of the vendor note was S\$3 billion, 30% below the carrying value of S\$4.3 billion. Keppel, however, did not write down the vendor note.
- ❖ Keppel, however, wrote off the S\$120 million perpetual loan in 2023. Both the perpetual loan and the vendor note were owed by RigCo, but Keppel did not explain why it wrote off one but not the other.
- ❖ In 2024, Keppel took back the rig assets, less than 2 years after the transaction. Keppel stated its intention of raising an offshore asset fund to inject these rigs into. Based on the CEO's replies to questions raised during the analyst meetings in February 2025 and February 2026, such a plan was not actively pursued.

This series of events appear to be inconsistent with a well-thought-out strategy of a blue-chip conglomerate. The 2022 RigCo transaction was not the first attempt to dispose of the rig assets. In 2020/2021, Keppel announced a restructuring of the offshore and marine division to form RigCo, DevelopCo, and OperatingCo. After so many years, it is reasonable to expect the ageing rigs to be harder to sell, given that there has been no meaningful recovery in the offshore market.

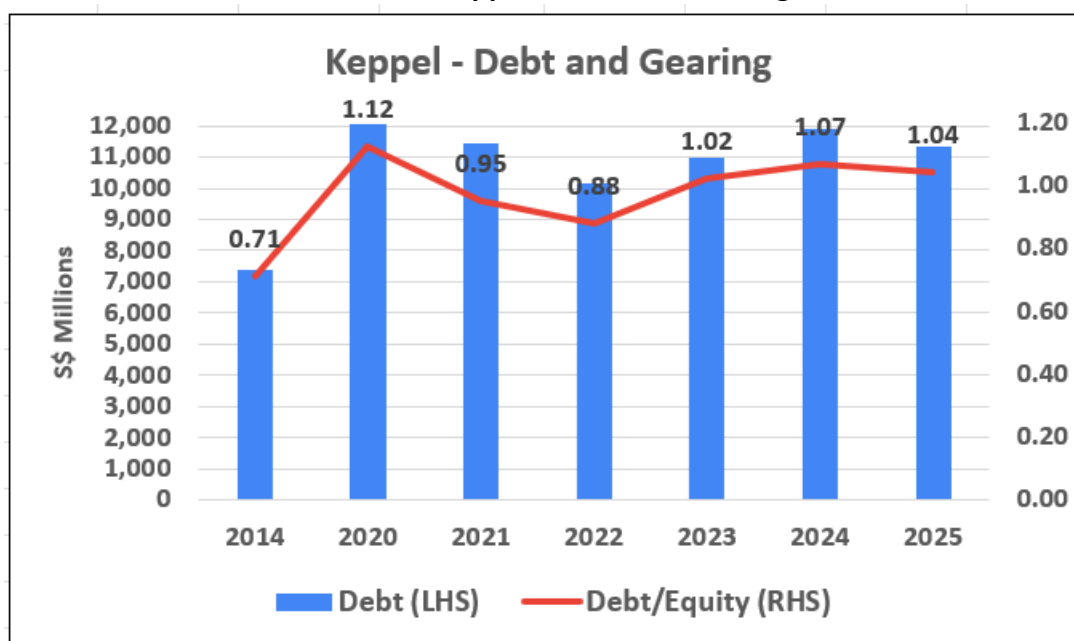
Thirdly, there are another S\$8.1 billion of "non-core" assets in the real estate sector. We do not have information to dive deep into them. However, Keppel has S\$3.5 billion of China non-current assets. It is common knowledge that the China real estate market has been in a slump since 2021. Major real estate players like Vanke and Evergrande are nearly or effectively bankrupt. CapitaLand Investment has written down its China assets by a cumulative S\$1.6 billion over the last 5 years. With such a large real estate holding in China, CML expected Keppel to be more proactive in disclosing its China impairment losses and/or write-downs. Instead, the impairment loss for its China properties was offset by the upward revaluation of its Singapore properties. With Keppel choosing to be opaque about the extent of its China assets, investors cannot obtain a complete picture of its China problems even though this issue should be at the top of most investors' minds.

3.2 Keppel's Debt

Keppel's debt remained stubbornly high and with it, its debt-to-equity ratio, as shown in **Exhibit 6** below.

⁹ For these vendor notes, there was also no amortisation of the principal amount.

Exhibit 6: Keppel's Debt and Gearing



Source: Keppel Ltd

Such debt is necessary to support the large and inefficient asset base (as much as 50% are "non-core"). Again, asset disposal is a necessity, and not an option, since the recurringly high capex every year is adding to the asset base. It was only in 2021, on the back of S\$2.6 billion of divestment and dividend income, that Keppel's debt reduced meaningfully by S\$1.3 billion. However, debt crept up again from 2022 onwards, from S\$10.2 billion to S\$11.3 billion in 2025.

Keppel would like investors to believe the debt attributable to "New Keppel" was substantially lower by presenting that net debt to EBITDA of "New Keppel" was only 2x in 2025. However, it is Keppel that is liable for the total debt, whether New or Old. To draw such distinction is meaningless and is, in fact, misleading.

3.3 "Non-Consolidated" Debt

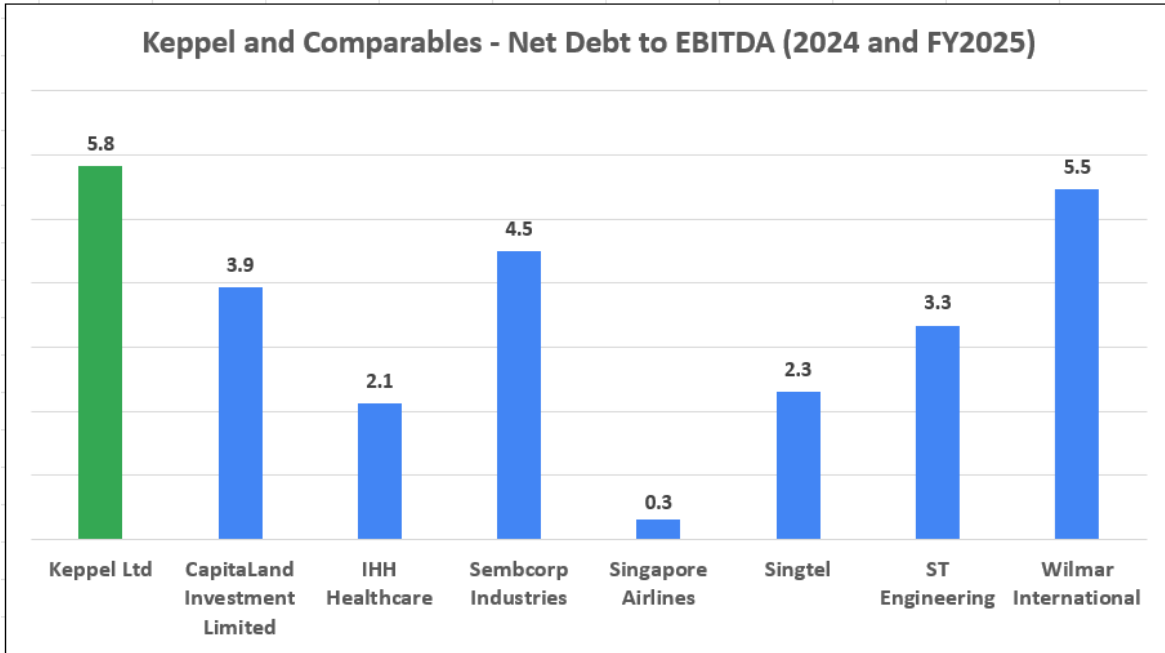
Keppel's debt on its balance sheet excludes substantial debt owed by entities Keppel technically does not control. The largest of which is Floatel International, in which Keppel owns 50%, far larger than the next largest shareholder at 10%. Floatel has been struggling operationally due to the downturn in the offshore oil and gas market, reporting losses in 4 of the last 5 years. Its debt was last restructured in 2021 and Keppel made some significant concessions then. As of 31 December 2025, Floatel's debt totalled US\$318.2 million (S\$404.1 million), which does not appear in Keppel's balance sheet.

Another large "non-consolidated" debt was the S\$288 million owed by Marina East Water, which was 100% owned by Keppel until it sold 50% to Keppel Infrastructure Trust (which is sponsored

by Keppel) in 2024. After the sale, the S\$288 million debt does not appear in the balance sheet of either Keppel or Keppel Infrastructure Trust.

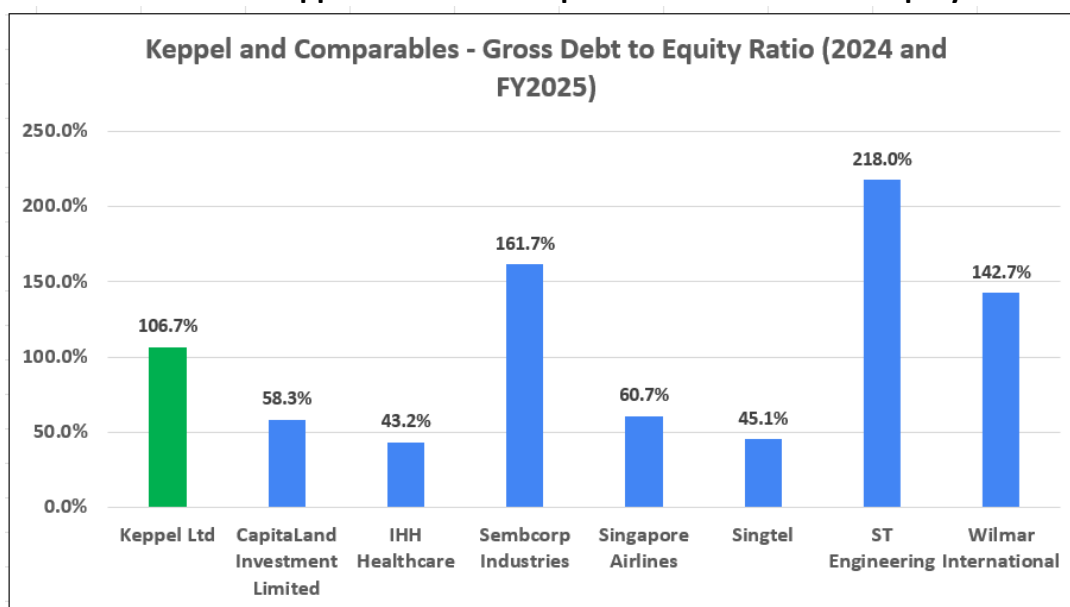
Even with the "non-consolidation" of such debts, Keppel's net debt to EBITDA ratio is substantially higher than other SGX-listed companies of comparable or higher market capitalisation. Please see **Exhibits 7 and 8** for the comparison¹⁰. Keppel's debt-to-equity ratio is also among the highest.

Exhibit 7: Keppel Versus its Comparables: Net Debt to EBITDA



Source: Annual reports of respective companies

¹⁰ Note: 2024's numbers were used as some of Keppel's comparable companies have not released their 2025 financials as of the date of this report. For Singtel and Singapore Airlines, their fiscal 2025 (FY2025) financials were used as they have 31 March fiscal year-ends.

Exhibit 8: Keppel Versus its Comparables: Gross Debt to Equity

Source: Annual reports of respective companies

Keppel emphasizes the net debt to EBITDA ratio instead of the debt-to-equity ratio in presenting its leverage. However, we note that Keppel made inconsistent adjustments in its computation. For example, in 2022, Keppel included the share of EBITDA from associate companies. In our view, such adjustment is indefensible because Keppel excluded the debt of such associate companies (as mentioned above) from the debt calculation but included their EBITDA, so the ratio has a double boost of lower numerator and larger denominator.

The adjustment did not stop here. In 2023, Keppel also excluded from its definition of net debt, the carrying value of non-income-producing undeveloped land and properties held for sale. Such carrying value amounted to over S\$2.1 billion, or 18% of the outstanding debt of Keppel. As a result of excluding such a meaningful amount of debt from the numerator, Keppel quoted an adjusted net debt to EBITDA of 4.6x, which is already higher than the peer group. In our view, land and property that are non-income generating and undeveloped are the hardest to value because several valuation methodologies relying on income yield or discounted cash flow do not work. They are also harder to sell, so it is not market norm to exclude such illiquid assets. In fact, only cash is typically netted off to arrive at net debt.

The consequence of such a heavy debt load is that Keppel spent between S\$300 million to S\$400 million per annum (from 2023 to 2025) to service its debt. To put this in perspective, Keppel made S\$1 billion in net profit in 2025 before interest expense.

4. CONCLUSION

Based on our analysis, Vision 2030 has not been a success, as Keppel is not achieving the fundamental objectives of an asset-light business model, which should come with the benefits of growing revenues and profits, minimal capex, and lower fixed assets and debt. The reality is just the opposite. Group debt is consistently high and ROE is consistently low. Total debt was S\$11.3 billion in 2025, little changed from the S\$12 billion in 2020. Keppel's ROE has been stuck at less than 10% since 2016, much lower than the 15% target and the more than 20% from 2007 to 2012 (including a peak of 27% in 2009). Half of the total assets are non-core and produced a loss of S\$84 million in 2025, which drags down ROE but keeps debt high. It is likely that when some of these assets are sold, Keppel may have to recognise the loss, just like the S\$222 million loss on the divestment of M1, which ironically was a core asset.

No one denies the challenge that Keppel faces in transforming from an industrial conglomerate. However, it has been nearly 6 years since the launch of the new strategy. Legacy rigs and other offshore assets still amounted to S\$4.8 billion, or 36% of the non-core assets. With the offshore market not seeing a meaningful recovery and with some of these assets not generating revenue, it is reasonable to question their book values. Likewise, Keppel is not transparent about the write down of its China non-current assets, totalling S\$3.5 billion as of end-2025, much of it real estate.

The key challenge for Keppel is its negative or meagre free cash flows, which in turn stems from its heavy investments and capex. Even "New Keppel" generated negative free cash flow of S\$58 million. As Keppel raises more private funds, it commits 10% to 15% as sponsor. Such commitment amounted to S\$1.5 billion in 2025, an increase from S\$1.3 billion in 2024 and S\$1 billion in 2023. As such commitments are drawn, "New Keppel's" investments will stay high.

Instead of solving this key fundamental problem, Keppel chooses to pay more dividends and undertake share buybacks. Investors should remember that Keppel's free cash flows have been negative, and dividends were, in effect, funded by debt and asset sales. The game will get harder for Keppel as debt is already very high, and asset sales will get more difficult when it comes to those that have been on the books the longest.

A sound business should not rely on asset sales to service debt and still pay a dividend to shareholders. It is time Keppel stops touting asset sales as a reason to celebrate. It is a necessity, not an option. To declare a special dividend to project an image of strength is not a prudent corporate finance decision.

The dividends are just illusory.

APPENDIX

Keppel's FUM and Fee to FUM Ratio

Calculation of fee-to-FUM ratio

Year	FUM (S\$ Bil)	Fees (S\$ Mil)	Fee to FUM Ratio
2020	37	180	0.49%
2021	42	233	0.55%
2022	50	267	0.53%
2023	55	283	0.51%
2024	88	436	0.50%
2025	95	453	0.48%

Illustration of Keppel private fund FUM

1. Keppel's definition of private fund FUM is "gross asset value of investments and uninvested capital commitments on a leveraged basis is used to project fully-invested FUM".
2. Assume Keppel raised a S\$1 billion private fund in Year 1.
3. In Year 2, Keppel invested in an asset using S\$200 million from the private fund as equity and borrowing S\$300 million. The gross value of this asset is S\$500 million (ratio of 40% equity to 60% debt).
4. The uninvested commitment for this private fund is S\$800 million (S\$1 billion minus S\$200 million).
5. Keppel projects that this S\$800 million is invested, using another S\$1.2 billion of debt (using the same proportion of 40% equity to 60% debt).
6. In the annual report of year 2, FUM is the sum of S\$500 million plus S\$800 million plus S\$1.2 billion, or S\$2.5 billion, or 250% of the private fund FUM of S\$1 billion.
7. In most private funds, fee is chargeable only on the amount committed and invested (i.e. on the S\$1 billion), not on the S\$2.5 billion FUM per Keppel's terminology. Assuming management fee is 1.5% or 150 basis points (bps), Keppel's revenue will be S\$15 million, which is 0.6% or 60 bps of FUM (per Keppel's definition) of S\$2.5 billion.