

## Singapore

### ADD (no change)

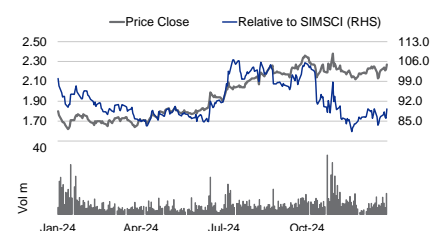
Consensus ratings\*: Buy 8 Hold 6 Sell 0

Current price:	S\$2.27
Target price:	S\$2.48
Previous target:	S\$2.48
Up/downside:	9.3%
CGSI / Consensus:	3.5%
Reuters:	KEPE.SI
Bloomberg:	KDCREIT SP
Market cap:	US\$3,697m
	S\$5,015m
Average daily turnover:	US\$13.08m
	S\$17.76m
Current shares o/s:	2,209m
Free float:	76.5%

\*Source: Bloomberg

### Key changes in this note

- FY25F DPU decreased by 0.05%.
- FY26F DPU decreased by 1.3%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.1	-3.0	22.7
Relative (%)	2.1	-12.3	-14.7

### Major shareholders

	% held
Keppel Corp Ltd	21.3
Cohen & Steers	5.0
Matthews International Capital	4.9

### Analyst(s)



**LOCK Mun Yee**  
T (65) 6210 8606  
E munyee.lock@cgsi.com

# Keppel DC REIT

## Strong rental reversion tailwinds

- 2H24/FY24 DPU of 4.902/9.451 Scts were above expectations, at 53.7%/103.7% of our FY24F forecast.
- Rental reversion was strong at about +39% in FY24. We expect the robust momentum to extend into FY25F, underpinned by Singapore renewals.
- Reiterate Add rating with an unchanged TP of S\$2.48.

### 2H24/FY24 results highlights

KDCREIT reported 8.8% and 8.5% yoy increases in revenue and NPI to S\$153.1m and S\$127.6m, respectively, in FY24, on strong rental reversions from Singapore contract renewals and contributions from Tokyo DC1, but partly offset by the sale of Intellicentre Campus. 2H24 distributable income grew by 20.2% yoy to S\$91.9m, translating into a DPU of 4.902 Scts, +13.2% yoy. KDCREIT revalued up its overall portfolio, with a 3.4% uplift to its end-FY24 portfolio value, on a same-store basis.

### KDCREIT saw a +39% rental reversion in FY24

Portfolio occupancy stood at 97.2% at end-Dec 2024 (vs. 97.6% in 3Q). KDCREIT enjoyed strong portfolio rental reversion exceeding 30% in 4Q24, and about +39% for FY24. Management has guided that Singapore's rental reversion outlook remains robust in FY25F, which bodes well for its lease expiries of 22.1% this year. In addition to the upcoming lease expiry of SGP4 DC (remaining WALE 0.5 years at end-FY24), management has indicated that there are a number of larger leases in Singapore due to be re-contracted. Hence, KDCREIT's robust rental reversion momentum will likely extend into FY25F, in our view.

### Low gearing of 31.5% positions KDCREIT well for inorganic growth

KDCREIT's gearing fell to 31.5% at end-Dec 2024 following its equity fund raising exercise to purchase SGP7 and SGP8 DC and, as such, we think the REIT remains well positioned to continue seeking inorganic growth. Management has indicated that it will continue to look for value creation opportunities via strategic acquisitions, and leverage on positive market trends, including generative AI. Some markets on its radar include Japan, South Korea and the developed markets in Europe. KDCREIT's average cost of debt slipped to 3.1% in 4Q24 and management guided that it expects funding cost to remain in the low 3% range for FY25F. Interest coverage ratio improved qoq to 5.3x at end-FY24.

### Reiterate Add rating

We tweak our FY25-26F DPU by 0.05-1.3% post results and keep our DDM-based TP of S\$2.48 unchanged. Potential re-rating catalysts for the stock over the next 12 months could come from greater exposure to the robust Singapore DC market, potential earnings upside from greater tax transparency on the earnings for new DCs SGP7 and SGP8, as well as the possibility of adding another 1.5 floors of data centre hall space at SGP8. Other rating catalysts include collection of arrears from Bluesea and higher-than-forecast rental reversions. Downside risks: lower-than-forecast portfolio occupancy, affecting its topline, and potential devaluation of its China portfolio, raising its gearing ratio.

Financial Summary	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Gross Property Revenue (S\$m)	281.2	310.3	367.9	389.7	402.4
Net Property Income (S\$m)	245.0	260.3	324.8	344.2	355.9
Net Profit (S\$m)	126.8	300.7	205.5	221.6	230.5
Distributable Profit (S\$m)	167.7	172.7	220.1	228.6	237.4
Core EPS (S\$)	0.07	0.17	0.09	0.10	0.10
Core EPS Growth	(47%)	132%	(46%)	8%	4%
FD Core P/E (x)	30.79	14.84	24.44	22.73	21.89
DPS (S\$)	0.09	0.09	0.10	0.10	0.11
Dividend Yield	4.13%	4.16%	4.37%	4.54%	4.71%
Asset Leverage	37.0%	30.9%	29.9%	29.6%	29.3%
BVPS (S\$)	1.34	1.53	1.68	1.70	1.71
P/BV (x)	1.69	1.49	1.35	1.34	1.33
Recurring ROE	5.4%	10.6%	5.8%	5.9%	6.1%
% Change In DPS Estimates			(0.05%)	(1.30%)	
DPS/Consensus DPS (x)			0.99	0.95	0.92

SOURCES: CGSI RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**

FYE Dec (\$\$ m)	2H FY24	2H FY23	yoy chg	hoh chg	FY24	FY23	yoy chg	Prev. FY24F	Comments
Gross revenue	153.1	140.7	8.8%	-2.6%	310.3	281.2	10.3%	274.6	Above. 2H/FY24 numbers at 55.8%/113% of our FY24F forecast
Property operating exp	(25.5)	(23.1)	10.0%	3.8%	(50.0)	(36.3)	37.9%	(22.1)	
Net Property Income	127.6	117.6	8.5%	-3.8%	260.3	245.0	6.3%	252.4	Broadly in line. 2H/FY24 numbers at 50.6%/103.1% of our FY24F forecast
NPI margin (%)	83.4	83.6			83.9	87.1		91.9	
Finance costs	(25.6)	(25.8)	-0.8%	-1.2%	(51.5)	(48.5)	6.2%	(52.8)	
Finance income	9.9	5.4	84.0%	80.2%	15.4	10.9	0.0%	11.9	
Distributable income	91.9	76.4	20.2%	13.6%	172.7	167.7	3.0%	157.4	
DPU (Scts)	4.90	4.33	13.2%	7.8%	9.45	9.38	0.7%	9.14	Above. 2H/FY24 numbers at 53.7%/103.4% of our FY24F forecast

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 2: Key earnings revisions**

FYE Dec (\$\$m)	Previous		New		% chg	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Gross revenue	367.9	389.7	367.9	389.7	0.0%	0.0%
Distribution income	215.4	226.4	220.1	228.6	2.2%	1.0%
DPU (Scts)	9.93	10.44	9.93	10.30	-0.05%	-1.30%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 3: SREIT peer comparison table**

SREIT	Bloomberg Ticker	Rec.	Price (LC) as at	Target Price (LC) (DDM- based)	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Dividend Yield (%)		
			24 Jan 25	FY24F					FY25F	FY26F	
Hospitality											
CapitaLand Ascott Trust	CLAS SP	Add	0.88	1.18	\$2,455	38.3%	1.13	0.77	7.0%	7.2%	7.8%
CDL Hospitality Trust	CDREIT SP	Add	0.87	1.16	\$804	38.8%	1.48	0.58	6.2%	7.4%	7.2%
Far East Hospitality Trust	FEHT SP	Add	0.61	0.78	\$908	30.8%	0.92	0.66	6.9%	6.9%	6.9%
Frasers Hospitality Trust	FHT SP	NR	0.55	NA	\$773	39.3%	0.65	0.85	4.1%	4.4%	4.8%
Simple Average						36.8%		0.72	6.0%	6.5%	6.7%
Industrial											
AIMS AMP	AAREIT SP	NR	1.27	NA	\$754	33.4%	1.30	0.98	7.4%	7.3%	7.5%
CapitaLand Ascendas REIT	CLAR SP	Add	2.58	3.23	\$8,391	38.9%	2.26	1.14	6.0%	6.1%	6.3%
ESR-REIT	EREIT SP	Add	0.26	0.36	\$1,547	42.8%	0.28	0.95	8.6%	8.6%	8.6%
Frasers Logistics & Commercial Trust	FLT SP	Add	0.88	1.35	\$2,447	36.0%	1.13	0.78	7.7%	7.6%	7.8%
Keppel DC REIT	KDCREIT SP	Add	2.22	2.48	\$3,625	31.5%	1.53	1.45	4.3%	4.5%	4.6%
Mapletree Industrial Trust	MINT SP	Add	2.21	2.82	\$4,651	39.8%	1.74	1.27	6.1%	6.3%	6.4%
Mapletree Logistics Trust	MLT SP	Add	1.26	1.73	\$4,710	40.3%	1.34	0.94	7.1%	6.4%	6.0%
Stoneweg European REIT	SERT SP	Add	1.59	1.92	\$933	40.2%	1.33	1.20	9.0%	8.5%	7.8%
Sabana Shariah	SSREIT SP	NR	0.36	NA	\$291	37.0%	0.52	0.68	0.0%	0.0%	0.0%
Simple Average						37.8%		1.04	6.2%	6.1%	6.1%
Office											
Keppel REIT	KREIT SP	Add	0.86	1.15	\$2,443	41.9%	1.27	0.68	6.9%	7.2%	7.2%
OUE REIT	OUEREIT SP	Hold	0.30	0.34	\$1,218	39.3%	0.59	0.51	6.8%	6.9%	7.1%
Suntec REIT	SUN SP	Hold	1.21	1.38	\$2,613	42.3%	2.05	0.59	5.1%	5.4%	5.9%
Simple Average						41.2%		0.59	6.3%	6.5%	6.8%
Retail											
CapitaLand Integrated Commercial	CICT SP	Add	1.94	2.45	\$10,465	39.4%	2.13	0.91	5.6%	5.9%	6.2%
Frasers Centrepoint Trust	FCT SP	Add	2.12	2.68	\$2,848	39.3%	2.23	0.95	5.7%	5.7%	5.8%
Lendlease Global Commercial REIT	LREIT SP	Add	0.55	0.71	\$976	40.7%	0.76	0.72	7.1%	7.2%	7.3%
Mapletree Pan Asia Commercial Trust	MPACT SP	Add	1.19	1.53	\$4,630	38.2%	1.73	0.69	7.5%	6.8%	7.0%
Paragon REIT	PGNREIT SP	Hold	0.88	0.92	\$1,847	35.9%	0.94	0.94	5.0%	5.4%	5.6%
Starhill Global REIT	SGREIT SP	Add	0.50	0.60	\$846	36.2%	0.69	0.72	7.3%	7.2%	7.3%
Simple Average						38.3%		0.82	6.3%	6.4%	6.5%
Overseas-centric											
CapitaLand China Trust	CLCT SP	NR	0.73	NA	\$916	41.6%	1.33	0.55	8.4%	8.5%	8.6%
Elite UK REIT	ELITE SP	Add	0.31	0.34	\$221	45.5%	0.39	0.78	9.1%	9.2%	9.5%
Manulife US REIT	MUST SP	Add	0.10	0.22	\$172	56.3%	0.34	0.29	0.0%	0.0%	46.8%
Sasseur REIT	SASSR SP	Add	0.67	0.93	\$619	25.5%	0.85	0.79	9.2%	9.6%	10.1%
Simple Average						42.2%		0.60	6.7%	6.8%	18.8%
Healthcare											
Parkway Life REIT	PREIT SP	Add	3.88	4.91	\$1,871	37.5%	2.30	1.69	3.9%	4.0%	4.3%

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

NR estimates are based on Bloomberg consensus forecasts

## ESG in a nutshell



### LSEG ESG Scores

C+	A+	C+	C+	C+	B-
ESG Grade	ESG Controversies Grade	ESG Combined Grade	ESG Environment Pillar Grade	ESG Social Pillar Grade	ESG Governance Pillar Grade

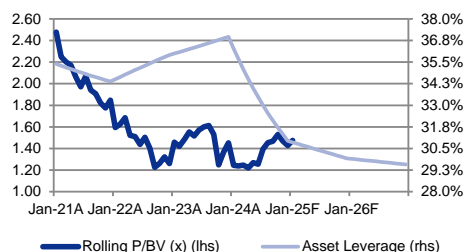
LSEG assigned KDC REIT a C+ for its combined ESG score in 2023, with a B- in the Environmental and Governance categories and C for its Social pillar. It also achieved A+ for ESG Controversies. In 2023, KDC retained its AA in the MSCI ESG Ratings assessment for a second year in a row. Four out of KDC's five colocation assets in Singapore achieved the Building and Construction Authority (BCA) Green Mark Gold (one asset) and Platinum (three assets) ratings. All of KDC's colocation facilities in Singapore have attained BCA certifications for their energy and water management systems.

Keep your eye on	Implications
Various sources have reported that data centres collectively account for around 1-5% of global greenhouse gas (GHG) emissions. According to Singapore's Ministry of Trade and Industry (MTI), data centres took up 7% of the nation's total energy consumption in 2020, leading to a moratorium on new data centres since 2019. Singapore lifted the moratorium on data centres in 2022 and could progressively enforce measures to raise the efficiency of existing data centres over time. This means that KDC may have to comply with additional requirements if it has not done so already. Keep an eye on the energy efficiency of KDC REIT's data centres.	The REIT's slower-than-expected implementation of responsible environmental practices could be a drag on its share price. On this front, it has set targets internally to improve its resource efficiency and reduce its impact on the environment. Its sponsor, Keppel Telecommunications & Transportation, also continues to explore ways to reduce the carbon footprint of data centres. These include studies to develop a near-shore Floating Data Centre Park in Singapore, as well as various projects to explore the use of liquefied natural gas and hydrogen to power and cool data centres. Our current valuation of KDC REIT does not ascribe any premium/discount to its ESG matters.
ESG highlights	Implications
Based on LSEG's score, KDC REIT is ranked 18th among the 26 REITs in Singapore. It is ranked 57th among 104 companies in Singapore. KDC is committed to reducing its combined Scope 1 and 2 emissions by 50% from the 2019 baseline by 2030. In 2023 KDC reduced Scope 1 and 2 Greenhouse Gases (GHG) Emissions by 13.6% compared to 2019 baseline. KDC also aims to introduce renewable energy to at least 50% of the colocation assets by 2030. As of 2023, 17% of total electricity consumed at its colocation assets was sourced from renewable sources, such as wind energy used at its Dublin assets.	We believe KDC REIT has demonstrated its commitment to ESG by preparing its sustainability report in accordance with global reporting initiative standards, attaining ESG certifications, such as the Morgan Stanley Capital International (MSCI) ESG ratings and participating in various associations — REIT Association of Singapore (REITAS), Large Industry Energy Network (LIEN) and Principles for Responsible Investment (PRI). It has also set internal targets for ESG.
Trends	Implications
In 2023, KDC entered into two sustainability-linked loans totalling S\$150m.	More efforts to improve its ESG score will have a positive impact on its operations, financials and reputation in the longer term, in our view.

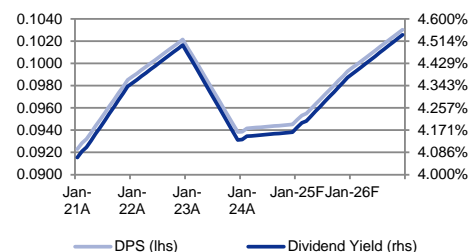
SOURCES: CGSI RESEARCH, LSEG

## BY THE NUMBERS

**P/BV vs Asset Leverage**



**Dividend Yield vs Net DPS**



### Profit & Loss

(\$m)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Rental Revenues	277.0	305.7	367.9	389.7	402.4
Other Revenues	4.2	4.6	0.0	0.0	0.0
<b>Gross Property Revenue</b>	<b>281.2</b>	<b>310.3</b>	<b>367.9</b>	<b>389.7</b>	<b>402.4</b>
Total Property Expenses	(36.3)	(50.0)	(43.1)	(45.5)	(46.4)
<b>Net Property Income</b>	<b>245.0</b>	<b>260.3</b>	<b>324.8</b>	<b>344.2</b>	<b>355.9</b>
General And Admin. Expenses					
Management Fees	(26.8)	(27.8)	(35.6)	(38.9)	(40.0)
Trustee's Fees	(0.5)	(0.6)	(0.8)	(0.8)	(0.8)
Other Operating Expenses	(34.0)	145.0	(9.7)	(10.3)	(10.7)
<b>EBITDA</b>	<b>183.7</b>	<b>376.9</b>	<b>278.7</b>	<b>294.2</b>	<b>304.4</b>
Depreciation And Amortisation	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>183.7</b>	<b>376.9</b>	<b>278.7</b>	<b>294.2</b>	<b>304.4</b>
Net Interest Income	(37.6)	(36.1)	(39.3)	(40.7)	(41.0)
Associates' Profit					
Other Income/(Expenses)	0.0	0.0	4.2	0.0	0.0
Exceptional Items					
<b>Pre-tax Profit</b>	<b>146.1</b>	<b>340.8</b>	<b>243.6</b>	<b>253.4</b>	<b>263.5</b>
Taxation	(15.6)	(26.8)	(24.4)	(17.7)	(18.4)
Minority Interests	(3.7)	(13.3)	(13.7)	(14.1)	(14.5)
Preferred Dividends					
<b>Net Profit</b>	<b>126.8</b>	<b>300.7</b>	<b>205.5</b>	<b>221.6</b>	<b>230.5</b>
<b>Distributable Profit</b>	<b>167.7</b>	<b>172.7</b>	<b>220.1</b>	<b>228.6</b>	<b>237.4</b>

### Cash Flow

(\$m)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
<b>Pre-tax Profit</b>	<b>146.1</b>	<b>340.8</b>	<b>243.6</b>	<b>253.4</b>	<b>263.5</b>
Depreciation And Non-cash Adj.	37.6	36.1	39.3	40.7	41.0
Change In Working Capital	(13.9)	(11.9)	(195.1)	0.2	0.7
Tax Paid	(8.9)	(23.2)	(24.4)	(17.7)	(18.4)
Others	40.1	(145.3)	15.1	7.6	7.7
<b>Cashflow From Operations</b>	<b>201.0</b>	<b>196.5</b>	<b>78.5</b>	<b>284.3</b>	<b>294.3</b>
Capex	(26.4)	(35.4)	(35.4)	(35.4)	(35.4)
Net Investments And Sale Of FA	0.0	(1,119.9)	(350.0)	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(26.4)</b>	<b>(1,155.3)</b>	<b>(385.4)</b>	<b>(35.4)</b>	<b>(35.4)</b>
Debt Raised/(repaid)	(10.0)	216.1	376.9	46.5	34.5
Equity Raised/(Repaid)	0.0	1,001.3	0.0	0.0	0.0
Dividends Paid	(175.7)	(153.0)	(220.1)	(228.6)	(237.4)
Cash Interest And Others	(39.6)	(44.3)	(24.8)	(27.6)	(28.1)
<b>Cash Flow From Financing</b>	<b>(225.2)</b>	<b>1,020.1</b>	<b>132.1</b>	<b>(209.7)</b>	<b>(231.0)</b>
Total Cash Generated	(50.7)	61.4	(174.9)	39.2	27.9
Free Cashflow To Firm	185.5	(943.4)	(292.4)	262.0	271.8
Free Cashflow To Equity	128.5	(777.8)	45.2	267.8	265.3

SOURCES: CGSI RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(\$m)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Investments	3,656	4,904	5,289	5,325	5,360
Intangible Assets	18	17	17	17	17
Other Long-term Assets	123	175	175	175	175
Total Non-current Assets	3,797	5,096	5,481	5,516	5,552
Total Cash And Equivalents	150	317	122	148	163
Inventories					
Trade Debtors	54	106	121	128	132
Other Current Assets	6	25	8	8	8
<b>Total Current Assets</b>	<b>209</b>	<b>448</b>	<b>251</b>	<b>284</b>	<b>303</b>
Trade Creditors	70	287	107	114	119
Short-term Debt	72	87	87	87	87
Other Current Liabilities	6	12	12	12	12
<b>Total Current Liabilities</b>	<b>149</b>	<b>387</b>	<b>206</b>	<b>214</b>	<b>218</b>
Long-term Borrowings	1,408	1,628	1,628	1,628	1,628
Other Long-term Liabilities	96	101	101	101	101
Total Non-current Liabilities	1,504	1,730	1,730	1,730	1,730
Shareholders' Equity	2,311	3,372	3,727	3,775	3,810
Minority Interests	43	55	69	83	97
Preferred Shareholders Funds					
<b>Total Equity</b>	<b>2,354</b>	<b>3,427</b>	<b>3,796</b>	<b>3,857</b>	<b>3,907</b>

### Key Ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Gross Property Revenue Growth	1.4%	10.3%	18.6%	5.9%	3.2%
NPI Growth	(3.0%)	6.3%	24.8%	6.0%	3.4%
Net Property Income Margin	87.1%	83.9%	88.3%	88.3%	88.5%
DPS Growth	(8.14%)	0.72%	5.05%	3.78%	3.67%
Gross Interest Cover	3.79	7.32	5.18	5.47	5.66
Effective Tax Rate	10.7%	7.9%	10.0%	7.0%	7.0%
Net Dividend Payout Ratio	132%	57%	107%	103%	103%
Current Ratio	1.41	1.16	1.22	1.33	1.39
Quick Ratio	1.41	1.16	1.22	1.33	1.39
Cash Ratio	1.01	0.82	0.59	0.69	0.75
Return On Average Assets	3.13%	6.30%	3.65%	3.84%	3.96%

### Key Drivers

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Occupancy rate (%)	88.6%	98.1%	97.6%	97.9%	97.9%
Rental rate (\$ psf)	8.9	7.6	9.8	10.3	10.7

SOURCES: CGSI RESEARCH, COMPANY REPORTS



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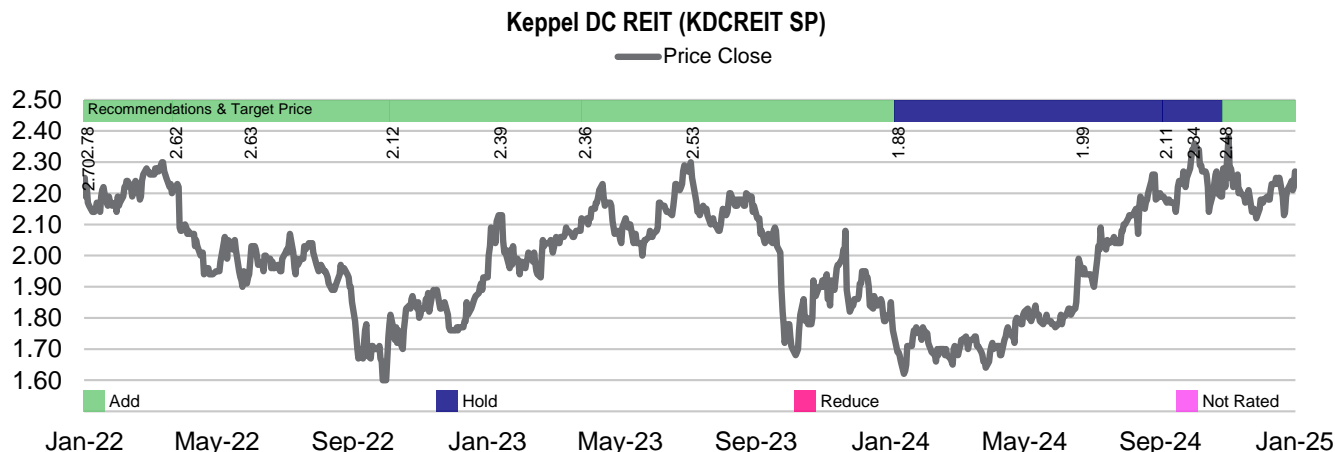
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	Rating Distribution (%)	Investment Banking clients (%)
Add	67.4%	0.8%
Hold	22.2%	0.8%
Reduce	10.4%	0.3%

### Spitzer Chart for stock being researched ( 2 year data )



### Recommendation Framework

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