

## COMPANY RESULTS

### Keppel DC REIT (KDCREIT SP)

1Q25: Contributions From SGP7 And SGP8 Kick In

KDCREIT reported a solid DPU growth of 14.2% yoy in 1Q25, which is in line with our expectation. Growth would have been more pronounced if not for elevated capex reserve, estimated at S\$6m and equivalent to 10% of distributable income. The upsurge in positive rental reversion for colocation leases in Singapore is expected to continue in 2025 and 2026. Management is also mulling enhancing and expanding SGP1 into an Al-capable data centre. Maintain BUY with a target price of S\$2.55.

#### 1Q25 RESULTS

Year to 31 Dec (\$m)	1Q25	yoy % chg	Remarks
Gross Revenue	102.2	+22.6	Contributions from newly-acquired SGP7, SGP8 and Tokyo DC 1.
Net Property Income (NPI)	88.1	+24.1	Partially offset by divestment of Intellicentre Campus in Sydney.
Distributable income	61.8	+59.4	Finance costs declined 4.1% yoy.
DPU (S cent)	2.503	+14.2	Provision for Guangdong DCs is equivalent to DPU of 0.249 S cents.

Source: KDCREIT, UOB Kay Hian

#### RESULTS

- Keppel DC REIT (KDCREIT) reported DPU of 2.503 S cents for 1Q25 (+14.2% yoy), which is in line with our expectation.
- Benefitting from data centre acquisitions in Singapore and Japan.** We attribute the strong growth to: a) full-quarter contributions from newly-acquired SGP7 and SGP8 (completion: 27 Dec 24), b) the acquisition of Tokyo Data Centre 1 (completion: 31 Jul 24), and c) contract renewals and rental escalation in 2024. This was partially offset by the divestment of Intellicentre Campus in Sydney, Australia (completion: 24 Jun 24). Distributable income grew 59.4% yoy to S\$61.8m.
- No major renewal in 1Q25.** KDCREIT clocked a positive rental reversion of 7% for renewals in Dublin and smaller leases in Singapore during 1Q25. There was no major contract renewal. Leases renewed in 1Q25 accounted for only 1.8% of rental income.
- Portfolio WALE lengthened with lease renewals.** Portfolio occupancy eased marginally by 0.7ppt qoq to 96.5% due to lower occupancy at SGP1 in Singapore and divestment of Kelsterbach Data Centre in Frankfurt, Germany (completion: 24 Mar 25). KDCREIT provides stable cash flows due to its long portfolio WALE weighted by lettable area of 7.1 years (Dec 24: 6.3 years).
- Resilient balance sheet.** Aggregate leverage dipped 1.3ppt qoq to 30.2% as of Mar 25 as sponsor subscription of S\$85m was completed in Feb 25. Average cost of debt was stable at 3.1% in 1Q25. About 68% of KDCREIT's borrowings are hedged to fixed interest rates. Management expects cost of debt to maintain at low-3% in 2025.
- Setting aside funds for future capex.** Capex reserve was elevated at an estimated S\$6m in 1Q25, equivalent to 10% of distributable income, for SGP2, SGP7 and SGP8. Capex reserve should normalise towards 5-7% in subsequent quarters.

#### KEY FINANCIALS

Year to 31 Dec (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	277	306	426	432	434
EBITDA	208	214	299	325	342
Operating profit	208	214	299	325	342
Net profit (rep./act.)	114	296	259	261	276
Net profit (adj.)	143	127	243	261	276
EPU (S\$ cent)	8.3	6.5	10.9	11.6	12.2
DPU (S\$ cent)	9.4	9.5	10.7	11.5	12.1
PE (x)	24.4	31.5	18.6	17.5	16.6
P/B (x)	1.5	1.3	1.3	1.3	1.3
DPU Yld (%)	4.6	4.7	5.3	5.7	6.0
Net margin (%)	41.3	96.9	60.8	60.5	63.7
Net debt/(cash) to equity (%)	57.6	41.5	51.3	52.1	52.8
Interest cover (x)	5.5	5.9	8.0	7.4	7.6
ROE (%)	4.8	10.4	7.6	7.5	7.9
Consensus DPU (S\$ cent)	-	-	10.1	11.0	11.3
UOBKH/Consensus (x)	-	-	1.06	1.04	1.07

Source: Keppel DC REIT, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$2.03
Target Price	S\$2.55
Upside	25.6%

#### COMPANY DESCRIPTION

Keppel DC REIT invests in a diversified portfolio of income-producing real estate assets used primarily for data centre purposes. It was listed on the SGX on 12 Dec 14 as the first pure-play data centre REIT in Asia.

#### STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	KDCREIT SP
Shares issued (m):	2,255.5
Market cap (S\$m):	4,578.7
Market cap (US\$m):	3,489.4
3-mth avg daily t'over (US\$m):	16.3

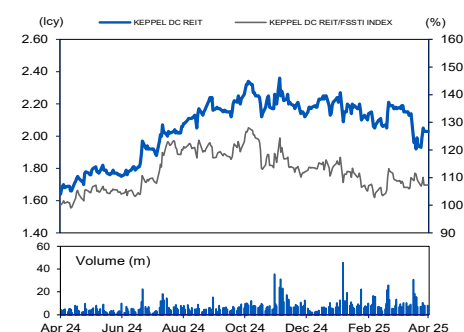
#### Price Performance (%)

52-week high/low				S\$2.37/S\$1.61
1mth	3mth	6mth	1yr	YTD
(7.3)	(5.1)	(9.8)	22.3	(6.9)

#### Major Shareholders

Temasek Hldgs	21.8
FY25 NAV/Share (S\$)	1.54
FY25 Net Debt/Share (S\$)	0.79

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- **Not directly affected by reciprocal tariffs.** There was no visible impact from reciprocal tariffs imposed by the Trump Administration. Singapore remains capacity-constrained, while demand in Europe remains robust. Management continues to work hard to deliver good results for unitholders.
- **Continuing to scout for acquisitions.** Management will actively rebalance KDCREIT's portfolio to capitalise on structural trends, such as generative AI. KDCREIT is scouting for opportunities to acquire data centres in its preferred markets, such as Japan, South Korea and Europe. It aims to pivot towards hyperscale data centres with capacity of 20-50MW. KDCREIT focuses on AI inference workloads, where Singapore has competitive advantage due to excellent connectivity. It does not handle AI training workloads, which are affected by recent innovations to improve algorithmic efficiency and reduce computational costs.
- **Singapore remains supply-constrained** and the tight vacancy is expected to persist in 2025 and 2026. Infocomm Media Development Authority awarded four data centre operators, namely Equinix, GDS, Microsoft and AirTrunk-ByteDance Consortium, with capacity of 80MW in Jul 23. Only two of the companies, Equinix and GDS, have recently acquired land. Equinix's nine-storey SG6 with capacity of 20MW is expected to commence operations in 1Q27. GDS acquired 21 Jalan Buroh, a three-storey warehouse with a nine-storey office block in Oct 24. The redeveloped data centre is expected to be operational in 4Q26. Thus, the small increase in new supply would come on stream largely in 2027. KDCREIT's positive rental reversion upsurge is expected to sustain into 2025 and 2026.
- **Potential AEI for SGP1.** Occupancy at SGP1 in Singapore slipped marginally by 2.7ppt qoq to 72.2% in 1Q25. Occupancy is expected to drop below 60% after DXC fully vacates from its remaining space at SGP1 in 2Q25. The large amount of vacant space provides an opportunity for KDCREIT to enhance SGP1 to become AI-capable, including: a) securing a larger power supply for capacity expansion, and b) converting non-data centre space into data centre space.

### VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.55 is based on DDM (cost of equity: 7.0%, terminal growth: 2.5%).

### EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

### SHARE PRICE CATALYST

- Demand for colocation space arising from AI applications.
- Acquisitions of hyperscale data centres in Japan, South Korea and Europe.
- Backfilling of vacant spaces for data centres in Guangdong, China.

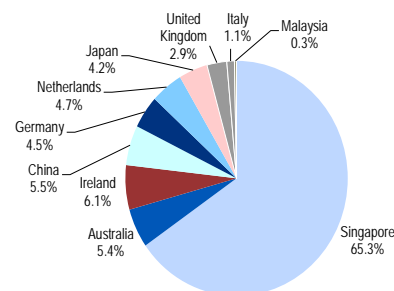
### KEY OPERATING METRICS

	1Q24	2Q24	3Q24	4Q24	1Q25	yoy % Chg	qoq % Chg*
DPU (S cents)	0.00	4.55	n.a.	4.90	n.a.	n.a.	n.a.
Occupancy	98.3%	97.5%	97.6%	97.2%	96.5%	-1.8ppt	-0.7ppt
Aggregate Leverage	37.6%	35.8%	39.7%	31.5%	30.2%	-7.4ppt	-1.3ppt
Average Cost of Debt	3.5%	3.5%	3.3%	3.1%	3.1%	-0.4ppt	0ppt
WALE by NLA (years)	7.4	6.4	6.3	6.2	7.1	-0.3yrs	0.9yrs
Average Debt Maturity (years)	3.2	3.1	2.9	3.2	3.1	-0.1yrs	-0.1yrs
% of Borrowings in Fixed Rates	73%	74%	71%	66.0%	68.0%	-5ppt	2ppt

\* hoh % chg for DPU

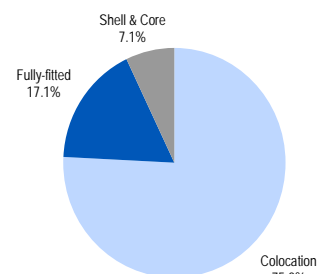
Source: KDCREIT, UOB Kay Hian

### INVESTMENT PROPERTIES



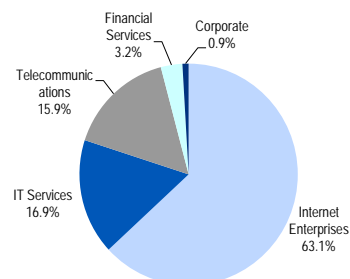
Source: KDCREIT

### RENTAL INCOME BY CONTRACT TYPE



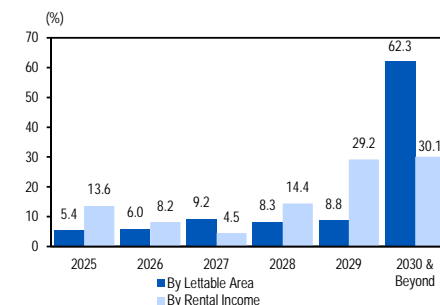
Source: KDCREIT

### RENTAL INCOME BY TRADE SECTOR



Source: KDCREIT

### LEASE EXPIRY PROFILE



Source: KDCREIT

### PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	305.7	425.6	431.8	433.9
EBITDA	214.2	299.1	324.9	341.8
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	214.2	299.1	324.9	341.8
Total other non-operating income	158.1	15.6	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(36.1)	(37.2)	(43.8)	(44.7)
<b>Pre-tax profit</b>	<b>336.2</b>	<b>277.5</b>	<b>281.1</b>	<b>297.1</b>
Tax	(26.8)	(15.7)	(16.9)	(17.8)
Minorities	(13.3)	(3.0)	(3.0)	(3.0)
Perpetual Securities	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>296.1</b>	<b>258.8</b>	<b>261.2</b>	<b>276.3</b>
Net profit (adj.)	126.8	243.2	261.2	276.3

### BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	4,904.0	5,229.0	5,259.0	5,289.0
Other LT assets	175.0	175.0	175.0	175.0
Cash/ST investment	316.7	154.3	156.3	159.0
Other current assets	147.6	111.1	112.5	112.9
<b>Total assets</b>	<b>5,543.2</b>	<b>5,669.4</b>	<b>5,702.8</b>	<b>5,735.8</b>
ST debt	87.3	87.3	87.3	87.3
Other current liabilities	299.4	101.0	102.2	102.6
LT debt	1,628.1	1,850.0	1,880.0	1,910.0
Other LT liabilities	101.4	101.4	101.4	101.4
Shareholders' equity	3,372.0	3,474.7	3,476.9	3,479.6
Minority interest	54.9	54.9	54.9	54.9
<b>Total liabilities &amp; equity</b>	<b>5,543.2</b>	<b>5,669.4</b>	<b>5,702.8</b>	<b>5,735.8</b>

### CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>223.7</b>	<b>135.0</b>	<b>321.3</b>	<b>337.5</b>
Pre-tax profit	314.0	261.8	264.2	279.3
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	162.6	(178.4)	(0.2)	(0.1)
Non-cash items	5.0	9.7	10.2	10.4
Other operating cashflows	(257.8)	42.0	47.1	47.8
<b>Investing</b>	<b>(1,066.3)</b>	<b>(309.4)</b>	<b>(30.0)</b>	<b>(30.0)</b>
Capex (growth)	(1,097.4)	(350.0)	0.0	0.0
Capex (maintenance)	(57.9)	(30.0)	(30.0)	(30.0)
Proceeds from sale of assets	75.1	70.6	0.0	0.0
Others	13.9	0.0	0.0	0.0
<b>Financing</b>	<b>1,004.7</b>	<b>12.0</b>	<b>(289.2)</b>	<b>(304.8)</b>
Distribution to unitholders	(153.0)	(241.1)	(259.0)	(273.6)
Issue of shares	1,001.3	85.0	0.0	0.0
Proceeds from borrowings	692.8	221.9	30.0	30.0
Loan repayment	(474.8)	0.0	0.0	0.0
Others/interest paid	(61.6)	(53.7)	(60.3)	(61.2)
<b>Net cash inflow (outflow)</b>	<b>162.2</b>	<b>(162.4)</b>	<b>2.0</b>	<b>2.6</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>149.7</b>	<b>316.7</b>	<b>154.3</b>	<b>156.3</b>
Changes due to forex impact	4.8	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>316.7</b>	<b>154.3</b>	<b>156.3</b>	<b>159.0</b>

### KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	70.1	70.3	75.2	78.8
Pre-tax margin	110.0	65.2	65.1	68.5
Net margin	96.9	60.8	60.5	63.7
ROA	6.2	4.6	4.6	4.8
ROE	10.4	7.6	7.5	7.9
<b>Growth</b>				
Turnover	10.4	39.2	1.4	0.5
EBITDA	2.8	39.6	8.6	5.2
Pre-tax profit	151.7	(17.5)	1.3	5.7
Net profit	159.0	(12.6)	1.0	5.8
Net profit (adj.)	(11.5)	91.8	7.4	5.8
EPU	(22.5)	68.9	6.3	5.6
<b>Leverage</b>				
Debt to total capital	33.4	35.4	35.8	36.1
Debt to equity	50.9	55.8	56.6	57.4
Net debt/(cash) to equity	41.5	51.3	52.1	52.8
Interest cover (x)	5.9	8.0	7.4	7.6

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