# Keppel DC REIT (KDCREIT SP)

## 1H26: Outlook Brightens In 2028

| | |
|---|---|
| **BUY** (Maintained) | |
| Share Price | S$2.30 |
| Target Price | S$2.95 |
| Upside | 28.3% |
| Previous TP | S$2.99 |

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## Highlights

- Rent reversion should improve substantially in 2028 due to renewal for several large colocation leases. Potential acquisitions from sponsor pipeline, such as SGP9 in Singapore and a data centre in Western Tokyo, are also likely to materialise in 2028 after these data centres are stabilised.
- Revenue contribution from Gore Hill Data Centre is expected to more than double when new tenants move in by end-26, helping KDCREIT to clock positive rental reversion in the low teens in 3Q26.
- Maintain BUY on resiliency of the data centre market in Singapore (62.8% of AUM) and support from sponsor Keppel. Target price: S$2.95.

## Analysis

**1H26 Results**

| Year to 31 Dec (S$m) | 1H26 | yoy % Chg | Remarks |
|---|---|---|---|
| Gross Revenue | 242.0 | +14.5 | Acquisition of Tokyo Data Centre 3 was completed on 19 Nov 25. |
| Net Property Income | 210.4 | +15.1 | Clocked positive rental reversion of 10% in 1H26. |
| Finance Costs | (30.7) | +25.2 | Acquisition loans drawn down in 4Q25. |
| Distributable Income | 150.7 | +18.5 | |
| DPU (S cents) | 5.714 | +11.3 | Preferential offering raised S$405m in Oct 25. |

*Source: KDCREIT, UOB Kay Hian*

- Keppel DC REIT (KDCREIT) reported a DPU of 5.714 S cents for 1H26 (+11% yoy), which is marginally above our expectation.
- **NPI grew 15% yoy in 1H26** due to: a) full six-month contribution from the newly acquired Tokyo Data Centre 3 (completion: 19 Nov 25), and b) contract renewals and rental escalation. This was partially offset by the divestment Kelsterbach Data Centre in Germany (completion: 24 Mar 25). NPI margin expanded slightly by 0.4ppt yoy to 86.9% in 1H26. Growth in distributable income and DPU was aided by the acquisition of remaining interests in SGP3 (10%) and SGP4 (1%).
- **Clocked healthy positive reversion.** KDCREIT achieved positive rental reversion of 10% during 1H26 (1Q26: 51%, 2Q26: 5%). It renewed leases in Singapore and Australia in 2Q26, which lengthened portfolio WALE weighted by lettable area by 0.2 years to 6.7 years. Portfolio occupancy eased 3.1ppt qoq to 92.5% as of Jun 26 due to contract expiry at Cardiff Data Centre (a small asset accounting for 0.1% of portfolio valuation). Based on power capacity, 95% of portfolio capacity remains contracted.

**Key Financials**

| Year to 31 Dec (S$m) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 306 | 435 | 481 | 488 | 496 |
| EBITDA | 214 | 325 | 363 | 365 | 371 |
| Operating profit | 214 | 325 | 363 | 365 | 371 |
| Net profit (rep./act.) | 296 | 422 | 299 | 298 | 302 |
| Net profit (adj.) | 127 | 247 | 299 | 298 | 302 |
| EPU (S$ cent) | 6.5 | 10.6 | 12.2 | 12.1 | 12.3 |
| DPU (S$ cent) | 9.5 | 10.4 | 11.3 | 11.4 | 11.5 |
| PE (x) | 35.7 | 21.7 | 18.8 | 19.0 | 18.7 |
| P/B (x) | 1.5 | 1.3 | 1.3 | 1.3 | 1.3 |
| DPU yld (%) | 4.1 | 4.5 | 4.9 | 4.9 | 5.0 |
| Net margin (%) | 96.9 | 96.9 | 62.2 | 61.0 | 61.0 |
| Net debt/(cash) to equity (%) | 41.5 | 48.9 | 47.5 | 48.9 | 48.9 |
| Interest cover (x) | 5.9 | 9.7 | 8.0 | 8.5 | 8.4 |
| ROE (%) | 10.4 | 11.2 | 7.1 | 7.0 | 7.1 |
| Consensus DPU (S$ cent) | - | - | 10.9 | 11.4 | 12.0 |
| UOBKH/Consensus (x) | - | - | 1.04 | 1.00 | 0.96 |

*Source: Keppel DC REIT, Bloomberg, UOB Kay Hian*

**Stock Data**

| | |
|---|---|
| GICS Sector | Real Estate |
| Bloomberg ticker | KDCREIT SP |
| Shares issued (m) | 2,446.2 |
| Market cap (S$m) | 5,626.2 |
| Market cap (US$m) | 4,360.4 |
| 3-mth avg daily t'over (US$m) | 19.0 |

**Price Performance (%)**

52-week high/low S$2.44/S$2.15

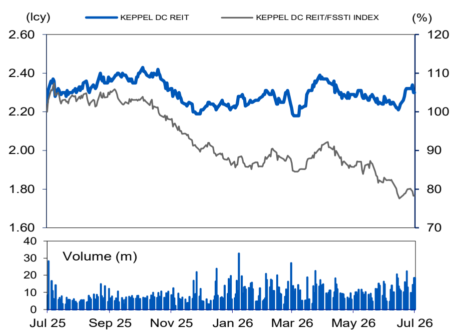
| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| 2.7 | (3.4) | 3.6 | 1.3 | 2.2 |

| Major Shareholders | % |
|---|---|
| Temasek Hldgs | 20.9 |

**Balance Sheet Metrics**

| | |
|---|---|
| FY26 NAV/Share (S$) | 1.73 |
| FY26 Net Debt/Share (S$) | 0.82 |

**Price Chart**




*Source: Bloomberg*

**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.

- **Positive leasing momentum in Australia.** KDCREIT has secured new and renewal contracts at Gore Hill Data Centre at strong rates, which would contribute starting from 2H26. Revenue contribution from Gore Hill is expected to more than double when the new tenants move in by end-26. It is actively engaging several potential new tenants that could help bring occupancy back to 100%. The positive leasing momentum in Australia is expected to help KDCREIT clock positive rental reversion in the low teens in 3Q26.
- **Conservative capital management.** Aggregate leverage receded 1.1ppt qoq to 34.0% as of Jun 26, providing sizeable debt headroom of S$673m before hitting its limit on gearing of 40%. Average cost of debt eased 0.3ppt yoy to 2.7% in 2Q26 due to the drawdown of Japanese yen and Singapore dollar acquisition loans in 4Q25. KDCREIT has increased the proportion of debt hedged to fixed interest rates from 85% to 87%. Management guided for stable cost of debt at 2.6-2.8% for 2026.
- **KDCREIT raised proportion of management fees paid in units** to 41% in 1H26 (2025: 26%). Management elected to pay fees for Tokyo DC3 and additional stakes in SGP3 (10%) and SGP4 (1%) by issuing new units.
- **Further expansion in Singapore.** Sponsor Keppel is developing SGP9, its third data centre within the Keppel Data Centre Campus at Genting Lane, together with its private data centre funds (Keppel Data Centre Funds II and III). SGP9 is designed to meet growing demand for hyperscale, AI-ready and carrier-neutral data centres. Keppel will commence construction of SGP9 by end-26. SGP9 is likely to be ready for service by 2028. Once stabilised, SGP9 could potentially be injected into KDCREIT.
- **Further expansion in Japan.** Keppel Data Centre Fund II (KDCF II) has a framework agreement with Mitsui Fudosan for the forward purchase of a data centre currently being developed in Western Tokyo. Mitsui Fudosan will develop the core and shell, while KDCF II will undertake the fit-out works. The data centre is expected to be ready for service in 2028.
- **Redeveloping SGP1 to improve PUE.** KDCREIT plans to enhance SGP1 by converting non-data centre space, which accounted for 30% of lettable area, into revenue-generating data centre halls. SGP1 at Serangoon North Avenue 5 could be upgraded to improve power usage effectiveness (PUE), enabling SGP1 to take on more tenants. SGP1 contributed rental income of S$16.5m in 2025 (3.8% of total revenue). KDCREIT has extended SGP1's land lease for another 30 years in Sep 25. The redevelopment could commence in early-28.

## Valuation/Recommendation

- **Positive outlook for 2028.** Colocation leases expiring in 2028 accounted for 4.2% of lettable area and 13.1% of rental income. Several of these expiries are large colocation leases with potential to generate significant positive rental reversion. Potential acquisitions from KDCREIT's sponsor pipeline, such as SGP9 in Singapore and a data centre in Western Tokyo, are also likely to materialise in 2028 after these data centres are stabilised.
- **Pivoting to hyperscale data centres.** KDCREIT's preferred markets are Singapore (yield: 6.0-6.5%), Japan (yield: 4%), South Korea (yield: 5-6%) and Europe (yield: 5-6%). Hyperscale tenants currently account for 70% of rental income. Over the longer term, sponsor Keppel is developing a pipeline of data centres in Seoul, South Korea and Melbourne, Australia.
- **Maintain BUY.** Our target price of S$2.95 is based on DDM (cost of equity: 6.5%, terminal growth: 2.8%).

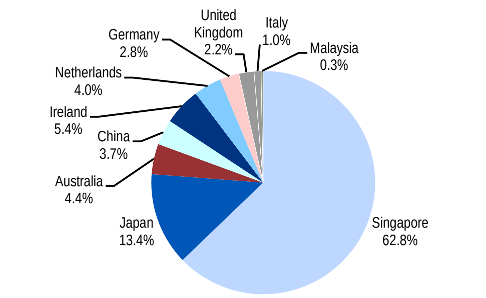
## Earnings Revision/Risk

- We trim our DPU forecast by 0.8% for 2026 and 1.7% for 2027 due to depreciation of the JPY and EUR by 3% and 2.2% respectively in 1H26.

## Share Price Catalyst

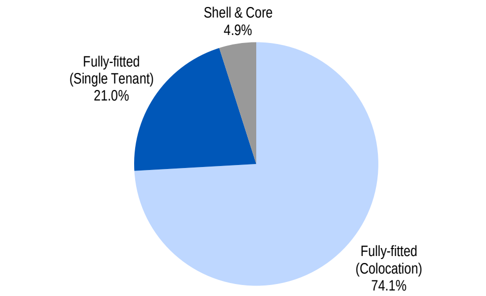
- a) Rising demand driven by AI applications, b) acquisitions of hyperscale data centres in Singapore, Japan, South Korea, Australia and Europe.

### AUM Breakdown



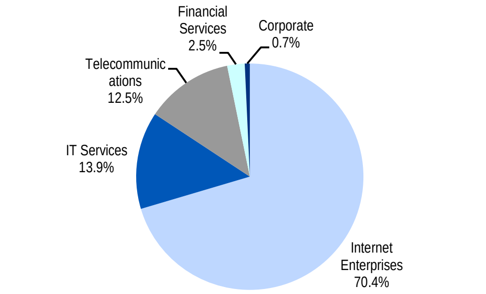

Source: KDCREIT

### Rental Income By Contract Type



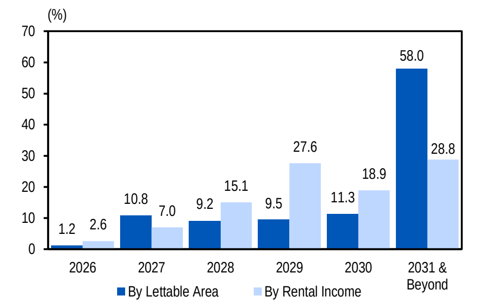

Source: KDCREIT

### Rental Income By Trade Sector




Source: KDCREIT

### Lease Expiry Profile




Source: KDCREIT

## Profit & Loss

| Year to 31 Dec (S$m) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Net turnover | 435.2 | 481.2 | 488.0 | 495.9 |
| EBITDA | 325.3 | 363.1 | 365.0 | 371.3 |
| Deprec. & amort. | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 325.3 | 363.1 | 365.0 | 371.3 |
| Total other non-operating income | 174.8 | 0.2 | 0.0 | 0.0 |
| Associate contributions | 0.0 | 0.0 | 0.0 | 0.0 |
| Net interest income/(expense) | (33.6) | (45.3) | (42.7) | (44.1) |
| Pre-tax profit | 466.5 | 318.0 | 322.3 | 327.2 |
| Tax | (38.0) | (16.9) | (22.6) | (22.9) |
| Minorities | (6.9) | (2.0) | (2.0) | (2.0) |
| Perpetual Securities | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 421.6 | 299.1 | 297.7 | 302.3 |
| Net profit (adj.) | 246.8 | 298.9 | 297.7 | 302.3 |

## Balance Sheet

| Year to 31 Dec (S$m) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Fixed assets | 6,133.4 | 6,174.9 | 6,258.9 | 6,288.9 |
| Other LT assets | 85.3 | 167.0 | 167.0 | 167.0 |
| Cash/ST investment | 351.9 | 161.9 | 161.0 | 164.7 |
| Other current assets | 218.1 | 161.6 | 164.9 | 166.5 |
| Total assets | 6,788.7 | 6,665.4 | 6,751.8 | 6,787.1 |
| ST debt | 312.8 | 164.0 | 164.0 | 164.0 |
| Other current liabilities | 145.6 | 125.3 | 127.7 | 129.0 |
| LT debt | 2,077.5 | 2,010.0 | 2,075.0 | 2,090.0 |
| Other LT liabilities | 115.2 | 121.5 | 121.5 | 121.5 |
| Shareholders' equity | 4,168.5 | 4,233.9 | 4,252.9 | 4,272.0 |
| Minority interest | 61.7 | 10.7 | 10.7 | 10.7 |
| Total liabilities & equity | 6,881.2 | 6,665.4 | 6,751.8 | 6,787.1 |

## Cash Flow

| Year to 31 Dec (S$m) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Operating | 262.8 | 350.4 | 356.0 | 362.4 |
| Pre-tax profit | 434.7 | 303.1 | 299.7 | 304.3 |
| 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 | (251.6) | 50.8 | (0.8) | (0.4) |
| Non-cash items | 9.9 | 18.0 | 18.4 | 18.6 |
| Other operating cashflows | 69.9 | (21.4) | 38.7 | 40.0 |
| Investing | (1,125.6) | 13.4 | (84.0) | (30.0) |
| Capex (growth) | (1,165.4) | (50.5) | 0.0 | 0.0 |
| Capex (maintenance) | (42.2) | (28.6) | (84.0) | (30.0) |
| Proceeds from sale of assets | 65.5 | 92.5 | 0.0 | 0.0 |
| Others | 16.6 | 0.0 | 0.0 | 0.0 |
| Financing | 886.5 | (553.8) | (272.9) | (328.7) |
| Distribution to unitholders | (204.0) | (276.6) | (278.8) | (283.1) |
| Issue of shares | 489.5 | 0.0 | 0.0 | 0.0 |
| Proceeds from borrowings | 1,284.1 | (216.3) | 65.0 | 15.0 |
| Loan repayment | (595.1) | 0.0 | 0.0 | 0.0 |
| Others/interest paid | (88.0) | (60.9) | (59.1) | (60.6) |
| Net cash inflow (outflow) | 23.7 | (190.0) | (0.9) | 3.7 |
| Beginning cash & cash equivalent | 316.7 | 351.9 | 161.9 | 161.0 |
| Changes due to forex impact | 11.5 | 0.0 | 0.0 | 0.0 |
| Ending cash & cash equivalent | 351.9 | 161.9 | 161.0 | 164.7 |

## Key Metrics

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 74.8 | 75.5 | 74.8 | 74.9 |
| Pre-tax margin | 107.2 | 66.1 | 66.0 | 66.0 |
| Net margin | 96.9 | 62.2 | 61.0 | 61.0 |
| ROA | 6.8 | 4.4 | 4.4 | 4.5 |
| ROE | 11.2 | 7.1 | 7.0 | 7.1 |
| | | | | |
| Growth | | | | |
| Turnover | 42.4 | 10.6 | 1.4 | 1.6 |
| EBITDA | 51.9 | 11.6 | 0.5 | 1.7 |
| Pre-tax profit | 38.8 | (31.8) | 1.3 | 1.5 |
| Net profit | 42.4 | (29.1) | (0.5) | 1.5 |
| Net profit (adj.) | 94.7 | 21.1 | (0.4) | 1.5 |
| EPU | 64.6 | 15.1 | (0.7) | 1.2 |
| | | | | |
| Leverage | | | | |
| Debt to total capital | 36.1 | 33.9 | 34.4 | 34.5 |
| Debt to equity | 57.3 | 51.3 | 52.6 | 52.8 |
| Net debt/(cash) to equity | 48.9 | 47.5 | 48.9 | 48.9 |
| Interest cover (x) | 9.7 | 8.0 | 8.5 | 8.4 |