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Company – Results | Singapore

Thursday, 03 September 2026

Keppel DC REIT (KDCREIT SP)

Building Scale In Hyperscale DCs

Highlights

- KDCREIT is acquiring two freehold, hyperscale fully fitted (colocation) data centres (DC) located in Inzai City, Greater Tokyo, Japan. The two DCs are 100% occupied and provide an attractive built-in contractual rental escalation of 2.8%. Management estimated the acquisition to be accretive by 2.6%.
- KDCREIT continues to build scale in hyperscale DCs. Potential acquisitions from sponsor pipeline, such as SGP9 in Singapore and a DC in Western Tokyo, are likely to materialise in 2028.
- KDCREIT has a resilient Singapore-centric portfolio and is well supported by sponsor Keppel. Maintain BUY. Target price: S$2.99.

Analysis

- **Continuation of pivot towards hyperscale DCs.** Keppel DC REIT (KDCREIT) has entered into agreement to acquire 88.6% effective interest in Tokyo Data Centre 4 and Tokyo Data Centre 5, two freehold, hyperscale fully fitted (colocation) DCs located in Inzai City, Greater Tokyo, Japan. The two DCs provide NPI yield of 4-5%, compared with other comparable transactions at low-4%. The aggregate purchase consideration (100% basis) of JPY190.0b (S$1,548.5m) represents a 2.1% discount to the latest assets' valuation.
- **Benefitting from built-in contractual rental escalation of 2.8%.** The two DCs are 100% occupied by four investment grade internet enterprise and IT services clients, of which three are new to KDCREIT. The assets benefit from a contracted average annual rental escalation of 2.8%, which is attractive for DC transactions in Japan. In-place rents are estimated to be more than 30% below prevailing market rents. KDCREIT will be able to benefit from positive rental reversion when >5% of income is due for renewal in 2028 and 2029. WALE is 4.5 years for Tokyo Data Centre 4 and 10.6 years for Tokyo Data Centre 5. Portfolio contracted power capacity utilisation will improve by 1ppt to 96%.
- **Building scale in hyperscale DCs.** KDCREIT's AUM will expand by 21% to S$7.6b. The Japan portfolio will account for 23% of rental income post-acquisition, compared with 9% previously. Hyperscale tenants continue to account for 70% of KDCREIT's rental income. KDCREIT remains well anchored in Singapore, which still accounts for 60% of rental income.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	306	435	502	570	580
EBITDA	214	325	377	426	434
Operating profit	214	325	377	426	434
Net profit (rep./act.)	296	422	309	335	342
Net profit (adj.)	127	247	309	335	342
EPU (S$ cent)	6.5	10.6	11.9	12.2	12.4
DPU (S$ cent)	9.5	10.4	11.3	11.5	11.7
PE (x)	33.9	20.6	18.4	18.0	17.7
P/B (x)	1.4	1.3	1.2	1.2	1.2
DPU yld (%)	4.3	4.7	5.2	5.3	5.3
Net margin (%)	96.9	96.9	61.6	58.8	58.9
Net debt/(cash) to equity (%)	41.5	48.9	56.9	58.1	58.2
Interest cover (x)	5.9	9.7	7.4	6.5	6.5
ROE (%)	10.4	11.2	6.9	6.9	7.0
Consensus DPU (S$ cent)	-	-	11.1	11.7	12.0
UOBKH/Consensus (x)	-	-	1.02	0.98	0.97

Source: Keppel DC REIT, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$2.17
Target Price	S$2.99
Upside	37.8%
Previous TP	S$2.95

Stock Data

Sector	Real Estate
Bloomberg ticker	KDCREIT SP
Shares issued (m)	2,447.6
Market cap (S$m)	5,360.3
Market cap (US$m)	4,208.4
3-mth avg daily t'over (US$m)	23.0

Price Performance (%)

52-week high/low: S$2.44/S$2.14

1mth	3mth	6mth	1yr	YTD
(1.8)	(3.9)	(4.4)	(6.4)	(2.7)

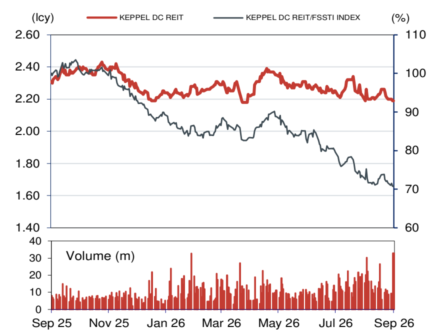
Major Shareholders (%)

Temasek Hldgs	20.9

Balance Sheet Metrics

FY26 NAV/Share (S$)	1.77
FY26 Net Debt/Share (S$)	1.01

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.

- **Funding mix between equity and debt is 43:57.** KDCREIT has completed a private placement of 297.6m new units at S$2.10 each to raise gross proceeds of S$625m on 1 Sep 26. Its cost of new JPY-denominated four-year term loan is estimated at 2.9%. On a pro forma basis, management estimated that the acquisition is accretive to 2025 DPU by 2.6%. NAV per unit is expected to increase by 2.3% to S$1.75. Aggregate leverage is estimated to increase 4ppt to 38%. The acquisition is expected to complete in 4Q26.

Valuation/Recommendation

- **Pivoting to hyperscale DCs.** KDCREIT's preferred markets are Singapore (yield: 6.0-6.5%), Japan (yield: 4-5%), 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 DCs in Seoul, South Korea and Melbourne, Australia.
- **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 DC in Western Tokyo, are also likely to materialise in 2028 after these DCs are stabilised.
- **Maintain BUY.** We raised our target price from S$2.95 to S$2.99 based on DDM (cost of equity: 6.5%, terminal growth: 2.8%).

Earnings Revision/Risk

- We raised our existing DPU forecast by 1.3% for 2027 and 1.7% for 2028.

Share Price Catalyst

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

Tokyo Data Centre 4 & 5

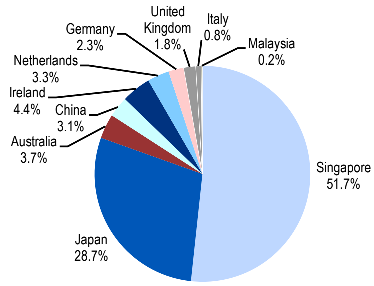
Source: KDCREIT

Overview – Tokyo Data Centre 4 & 5

	Tokyo DC 4	Tokyo DC 5
Title	Freehold	Freehold
Effective Interest	88.62%	88.62%
NLA (sf)	62,134	101,160
Number of clients	3	2
Lease Type	Fully Fitted (colocation)	Fully Fitted (colocation)
Occupancy	100%	100%
WALE	4.5 years	10.6 years
Completion	2021	2024
Purchase Price	88.62% effective interest: JPY168.4b (S$1,372.3m)	
Valuation	100% effective interest: JPY194.0b (S$1,581.1m)	

Source: KDCREIT

AUM Breakdown After Acquisition



Source: KDCREIT

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	**435.2**	**502.3**	**569.8**	**580.2**
EBITDA	325.3	376.9	425.8	434.3
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	325.3	376.9	425.8	434.3
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)	(51.0)	(65.6)	(67.1)
Pre-tax profit	**466.5**	**326.1**	**360.2**	**367.2**
Tax	(38.0)	(12.9)	(15.1)	(15.4)
Minorities	(6.9)	(4.0)	(10.0)	(10.0)
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	**421.6**	**309.3**	**335.0**	**341.7**
Net profit (adj.)	246.8	309.1	335.0	341.7

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	6,133.4	7,723.4	7,807.4	7,837.4
Other LT assets	85.3	167.0	167.0	167.0
Cash/ST investment	351.9	254.0	254.0	258.9
Other current assets	218.1	175.7	192.3	194.9
Total assets	**6,788.7**	**8,320.1**	**8,420.7**	**8,458.1**
ST debt	312.8	164.0	164.0	164.0
Other current liabilities	145.6	135.8	148.3	150.3
LT debt	2,077.5	2,855.0	2,925.0	2,942.0
Other LT liabilities	115.2	121.5	121.5	121.5
Shareholders' equity	4,168.5	4,858.1	4,876.3	4,894.8
Minority interest	61.7	185.7	185.7	185.7
Total liabilities & equity	**6,881.2**	**8,320.1**	**8,420.7**	**8,458.1**

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	**262.8**	**537.8**	**412.9**	**424.6**
Pre-tax profit	434.7	315.3	345.0	351.7
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)	47.3	(4.2)	(0.6)
Non-cash items	9.9	19.8	22.5	22.7
Other operating cashflows	69.9	155.5	49.5	50.8
Investing	**(1,125.6)**	**(1,535.1)**	**(84.0)**	**(30.0)**
Capex (growth)	(1,165.4)	(1,599.0)	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**	**899.4**	**(328.9)**	**(389.8)**
Distribution to unitholders	(204.0)	(287.7)	(316.9)	(323.2)
Issue of shares	489.5	625.0	0.0	0.0
Proceeds from borrowings	1,284.1	628.7	70.0	17.0
Loan repayment	(595.1)	0.0	0.0	0.0
Others/interest paid	(88.0)	(66.6)	(82.0)	(83.5)
Net cash inflow (outflow)	**23.7**	**(97.9)**	**(0.0)**	**4.9**
Beginning cash & cash equivalent	**316.7**	**351.9**	**254.0**	**254.0**
Changes due to forex impact	11.5	0.0	0.0	0.0
Ending cash & cash equivalent	**351.9**	**254.0**	**254.0**	**258.9**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	74.8	75.0	74.7	74.8
Pre-tax margin	107.2	64.9	63.2	63.3
Net margin	96.9	61.6	58.8	58.9
ROA	6.8	4.1	4.0	4.0
ROE	11.2	6.9	6.9	7.0
Growth				
Turnover	42.4	15.4	13.4	1.8
EBITDA	51.9	15.8	13.0	2.0
Pre-tax profit	38.8	(30.1)	10.4	1.9
Net profit	42.4	(26.6)	8.3	2.0
Net profit (adj.)	94.7	25.2	8.4	2.0
EPU	64.6	12.2	2.2	1.7
Leverage				
Debt to total capital	36.1	37.4	37.9	37.9
Debt to equity	57.3	62.1	63.3	63.5
Net debt/(cash) to equity	48.9	56.9	58.1	58.2
Interest cover (x)	9.7	7.4	6.5	6.5