

## Singapore

### ADD (no change)

Consensus ratings\*: Buy 9 Hold 2 Sell 0

Current price:	S\$2.46
Target price:	S\$2.96
Previous target:	S\$2.96
Up/downside:	20.3%
CGS-CIMB / Consensus:	7.7%
Reuters:	SCIL.SI
Bloomberg:	SCI SP
Market cap:	US\$3,254m S\$4,379m
Average daily turnover:	US\$5.82m S\$8.18m
Current shares o/s:	1,788m
Free float:	50.0%

\*Source: Bloomberg

### Key changes in this note

- FY24 forecasts introduced.
- FY22-23F EPS raised by 0.4-6.0%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.8	22.4	48.2
Relative (%)	7.8	17.3	30.8

Major shareholders	% held
Temasek Holdings	49.5

### Analyst(s)



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# Sembcorp Industries

## Give credit where credit is due

- 2H21 core profit of S\$220m (-13% hoh, +46% yoy) was 7% above our forecast, mainly on strong conventional energy prices in UK, SG, and India.
- No impairment loss (but slight gain) is a testament to well executed plans. Future impairment risk is low for India with the recent long-term PPA secured.
- Catalysts: contract wins or investments in new renewable assets. Reiterate Add. Discount gap with peers to narrow on consistent earnings track record.

### Will conventional energy be as strong in FY22F?

All segments turned in stronger hoh earnings growth in 2H21 with urban solutions delivering the highest hoh growth of 46% (record land sales in China and higher land prices) and a net profit of S\$92m. Conventional energy (CE) exceeded management's guidance of a weaker 2H21 (plant shutdown), delivering a steady 2% hoh increase in net profit to S\$188m. Strong merchant market tariffs (USEP) in Singapore and India (IEX) in 4Q21 resulted in a higher spark spread (Figs 2 and 3). In Singapore, we believe cogen power plant turned profitable in FY21 from stronger ASPs and favourable operating leverage as contracts are generally on cost-plus basis. CE 2H21 net profit would have been higher excluding a S\$30m provision for remedial obligations in the UK. The volatility of renewable energy in UK in 4Q21 also resulted in stronger demand for UKPR's flexible energy, helping CE's performance. In Feb 22, Singapore's USEP is down 40% while India's IEX is down 20% from the peak of 4Q21's average. We are factoring an average 15% decline in profits for CE in FY22F on conservative grounds.

### Turnaround hopes in India

The two recent contracts secured in India (12-year contract of 625MW for Andhra Pradesh state starting 2023 and 1-year contract of 200MW for Bangladesh starting 1H22), coupled with strong market prices have lifted value-in-use for SCI's coal power plants. We believe this could reduce the need for significant impairment if there is any corporate action (divestment, reduction in stake or spin-off) to meet the group's decarbonisation target. If IEX remains at current levels (averaged Rs3.80/kwhr YTD), SCI's coal plant 2 could turn around with the new power purchase agreement (PPA) from Bangladesh. Plant 2 has recorded losses since FY16, with S\$52m losses in FY20.

### Renewable plans on track

2H21 renewable profit of S\$32m (+33% hoh, +146% yoy) was stronger than our S\$25m forecast, mainly due to green credit from India wind, stronger margin from battery storage in UK as well as the seasonally strong winds in India. There was also S\$11m development charge incurred during the year for M&A activities in 2H21.

### Reiterate Add and TP of S\$2.96, implies 10.5x FY23 P/E

We lift our FY22-23F EPS by 0.4-6% on higher conventional energy profits, offset by higher corporate costs (revamped incentives to align with group's transformation targets). At 9x CY23F P/E, SCI still trades below blended trading band of 14x for Asian peers.

### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (S\$m)	5,447	7,795	6,763	7,175	7,496
Operating EBITDA (S\$m)	1,017	1,071	1,084	1,216	1,247
Net Profit (S\$m)	157.0	279.0	428.3	493.8	517.5
Core EPS (S\$)	0.09	0.16	0.24	0.28	0.29
Core EPS Growth	(48.5%)	77.8%	53.5%	15.3%	4.8%
FD Core P/E (x)	27.98	15.74	10.25	8.89	8.49
DPS (S\$)	0.040	0.050	0.072	0.083	0.087
Dividend Yield	1.63%	2.03%	2.93%	3.37%	3.54%
EV/EBITDA (x)	9.48	8.39	8.25	7.16	6.73
P/FCFE (x)	NA	9.98	NA	NA	NA
Net Gearing	193%	154%	156%	148%	141%
P/BV (x)	1.32	1.17	1.06	0.95	0.85
ROE	3.1%	7.9%	10.8%	11.3%	10.6%
% Change In Core EPS Estimates			5.97%	0.40%	
CGS-CIMB/Consensus EPS (x)			1.05	1.08	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

### Land sales in China and higher land prices lifted urban solutions

Integrated urban solutions' net profit of S\$92m (+46% hoh, +88% yoy) was mainly due to record land sales achieved in China with the sale of nine plots of Industrial & Business and Commercial & Residential land types at Sino-Singapore Nanjing Eco Hi-tech Island. The outperformance was also helped by the stronger land prices in Vietnam and Indonesia. In addition, higher turnover from the consolidation of Veolia also helped.

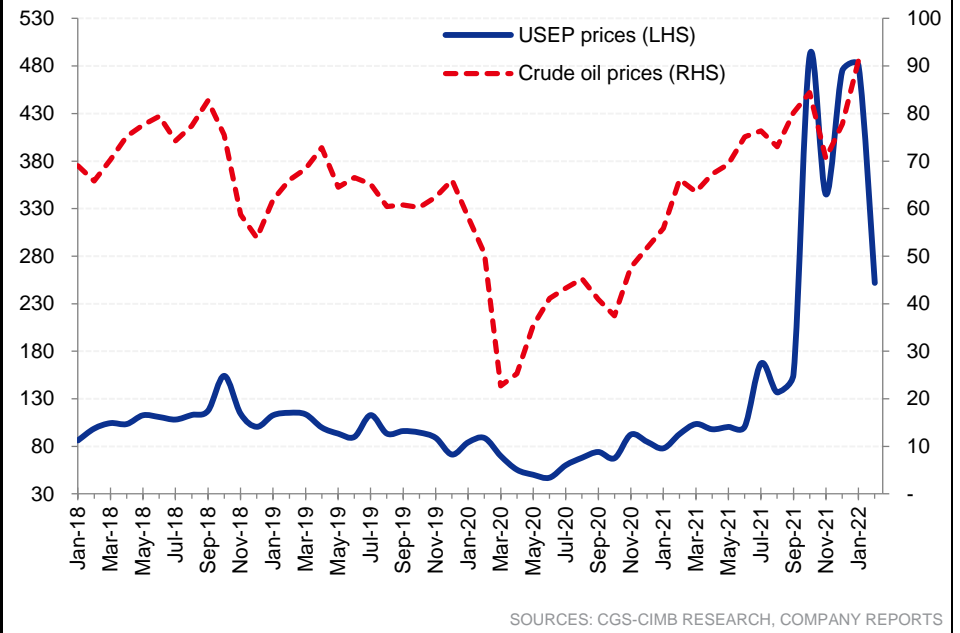
Downside risks: significant impairments, unplanned plant shutdowns and unfavourable regulatory changes.

Figure 1: Segmental breakdown

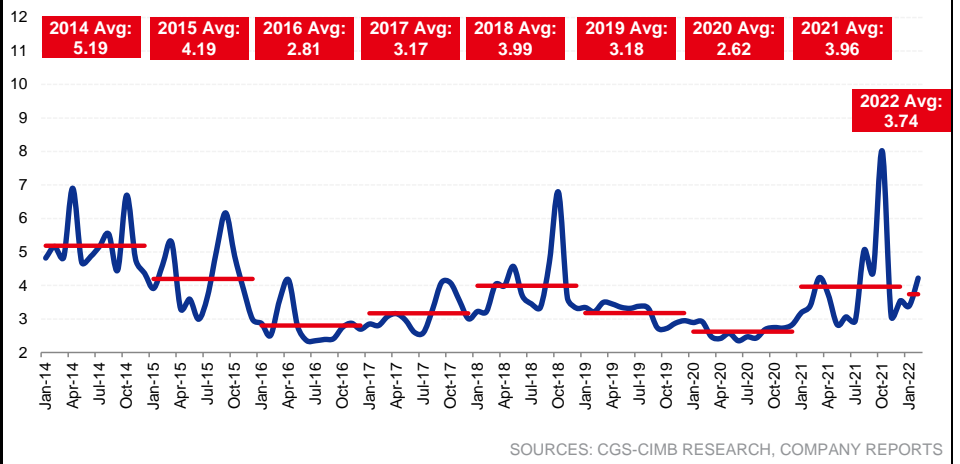
	1H20	2H20	1H21	2H21	hoh	yoy	Comments for 2H21
<b>Revenue (S\$m)</b>							
Renewables	137	144	146	208	42%	44%	Higher contribution from India wind and green credit in India.
Integrated Urban Solutions	197	225	218	247	13%	10%	Stronger Waste and Waste-to-resource businesses - additional contribution fr Veolia
Conventional Energy	2,213	2,358	2,756	3,923	42%	66%	Higher turnover in Singapore, India, and the UK, driven by higher energy demand, and higher prices esp in 4Q21
Other Business	70	103	170	127	-25%	23%	
<b>Total</b>	<b>2,617</b>	<b>2,830</b>	<b>3,290</b>	<b>4,505</b>	<b>37%</b>	<b>59%</b>	
<b>Adjusted EBITDA (S\$m)</b>							
Renewables	133	119	125	150	20%	26%	Higher contribution from India wind and green credit in India, stronger margin from battery storage in UK
Integrated Urban Solutions	100	110	107	133	24%	21%	Higher land sale in China (industrial and resi), higher land prices in Vietnam and Indonesia and additional contribution fr Veolia
Conventional Energy	467	527	525	520	-1%	-1%	Stronger India (Plant 2 exposed to strong IEX), SG (USEP peaked in 4Q21) and UKPR (volatile renewable plants in UK led to more demand for flexible energy)
Other Business and Corporate	(49)	9	(13)	(53)	308%	-689%	
<b>Total</b>	<b>651</b>	<b>765</b>	<b>744</b>	<b>750</b>	<b>1%</b>	<b>-2%</b>	
<b>Net profit (S\$m) before EI</b>							
Renewables	33	13	24	32	33%	146%	Higher contribution from India wind and green credit in India, stronger margin from battery storage in UK but offset by c. S\$11m development costs for M&A
Integrated Urban Solutions	64	49	63	92	46%	88%	Better performance by the Urban business as well as the Waste and Waste-to-resource businesses.
Conventional Energy	127	118	185	188	2%	59%	Stronger India (Plant 2 exposed to strong IEX), SG (USEP peaked in 4Q21) and UKPR (volatile renewable plants in UK led to more demand for flexible energy); Offset by S\$30m provision for remedial obligations in UK
Other Business	(1)	12	13	12	-8%	0%	Steady hoh contribution from Sembcorp Specialised Construction, which was impacted by Covid-19 in 2020.
Corporate Costs	(74)	(41)	(33)	(104)	215%	154%	S\$10m contribution to sustainability efforts, revamped incentives and higher compensations for staff
<b>Total</b>	<b>149</b>	<b>151</b>	<b>252</b>	<b>220</b>	<b>-13%</b>	<b>46%</b>	
<b>Net profit (S\$m) after EI</b>							
Renewables	33	13	24	32	33%	146%	
Integrated Urban Solutions	66	74	69	92	33%	24%	
Conventional Energy	(36)	149	(27)	201	-844%	35%	Lifted by S\$13m gain from UK land sales and connection fee income
Other Business	(31)	10	13	12	-8%	20%	
Corporate Costs	(74)	(48)	(33)	(92)	179%	92%	
<b>Total</b>	<b>(42)</b>	<b>198</b>	<b>46</b>	<b>233</b>	<b>407%</b>	<b>18%</b>	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Singapore USEP monthly average prices**



**Figure 3: IEX power prices**



**Figure 4: Results comparison**

FYE Dec (S\$m)	2HFY21	2HFY20	yoy %	1HFY21	FY21	hoh%	Prev.	Comments on 2H21
	Cum	Cum	chg		Cum	chg	FY21F	
<b>Revenue</b>	<b>4,505.0</b>	<b>2,830.0</b>	<b>0.6</b>	<b>3,290.0</b>	<b>7,795.0</b>	<b>36.9%</b>	<b>6,252.8</b>	Higher CE revenue from India and Singapore from strong merchant market
Operating costs	(3,857.0)	(2,179.0)	0.8	(2,650.0)	(6,507.0)	45.5%	(5,029.6)	
EBITDA	648.0	651.0	(0.0)	640.0	1,288.0	1.3%	1,223.1	
Depn & amort.	(234.0)	(227.0)	0.0	(223.0)	(457.0)	4.9%	(446.0)	
<b>EBIT</b>	<b>414.0</b>	<b>424.0</b>	<b>(0.0)</b>	<b>417.0</b>	<b>831.0</b>	<b>-0.7%</b>	<b>777.1</b>	In line at 53% of our FY21F.
Interest expense	(208.0)	(243.0)	(0.1)	(215.0)	(423.0)	-3.3%	(620.8)	
Interest & invt inc	12.0	16.0	(0.3)	14.0	26.0	-14.3%	35.0	
Associates' contrib	102.0	114.0	(0.1)	104.0	206.0	-1.9%	207.5	In line at 49% of our FY21F.
Exceptionals	13.0	-		(206.0)	(193.0)	-106.3%	(206.0)	S\$13m land sales and connection fee income in the UK.
Pretax profit	312.0	222.0	0.4	111.0	423.0	181.1%	398.8	Slightly above from stronger CE, urban solutions , offset by corp
Tax	(66.0)	(9.0)	6.3	(57.0)	(123.0)	15.8%	(114.0)	
Tax rate (%)	(0.2)	(0.0)	4.2	(0.5)	(0.7)	-58.8%	(0.3)	
Minority interests	13.0	15.0	(0.1)	8.0	21.0	62.5%	33.0	
Net profit	233.0	198.0	0.2	46.0	279.0	406.5%	251.8	
EPS (cts)	13.1	11.1	0.2	2.6	15.6	406.2%	14.1	
<b>Core profit</b>	<b>220.0</b>	<b>198.0</b>	<b>0.1</b>	<b>252.0</b>	<b>472.0</b>	<b>-12.7%</b>	<b>251.8</b>	Core slightly above our expected S\$206m
Core EPS (cts)	13.1	11.1	0.2	2.6	15.6	406.2%	14.1	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: EPS changes**


FYE Dec (S\$)	New			Old		% change	
	FY22F	FY23F	FY24F	FY22F	FY23F	FY22F	FY23F
Revenue	6,762.7	7,174.6	7,496.3	5,518.0	6,261.0	22.6%	14.6%
<b>Gross profit</b>	<b>956.1</b>	<b>1,014.3</b>	<b>1,059.8</b>	<b>943.6</b>	<b>1,070.6</b>	1.3%	-5.3%
Gross profit margin (%)	14.1%	14.1%	14.1%	17.1%	17.1%	-17.3%	-17.3%
EBIT	618.0	740.7	762.3	615.7	757.1	0.4%	-2.2%
<b>Reported PATMI</b>	<b>428.3</b>	<b>493.8</b>	<b>517.5</b>	<b>404.2</b>	<b>491.8</b>	6.0%	0.4%
Core PATMI	428.3	493.8	517.5	404.2	491.8	6.0%	0.4%
NPM (%)	6.3%	6.9%	6.9%	7.3%	7.9%	-13.5%	-12.4%
EPS (Scts)	23.8	27.4	28.7	22.5	27.3	6.0%	0.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Peers Comparison

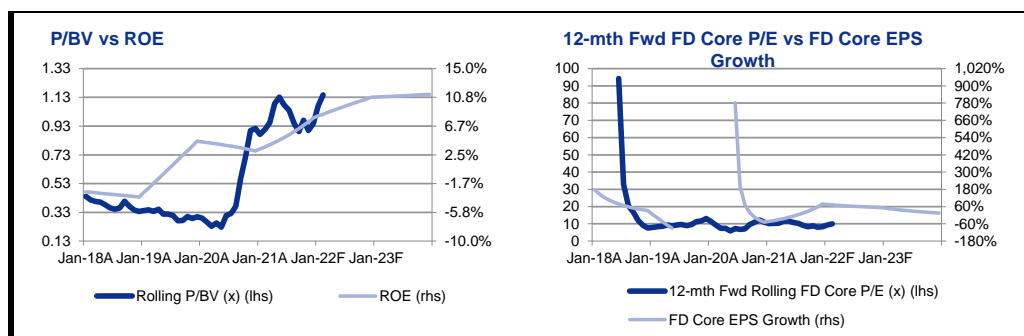
Company	Bbg Ticker	Recom.	Price		Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	EV/EBITDA (x)			Recurring ROE (%)	Dividend Yield (%)
			(lcl curr)	Target Price (lcl curr)		CY21F	CY22F	CY23F		CY21F	CY22F	CY23F		
Perusahaan Gas Negara	PGAS J	Add	1,405	2,300	2,371	7.7	8.1	7.6	na	6.4	5.2	4.9	13.0%	0.0%
NTPC Ltd	NTPC IN	NR	141.2	NA	18,294	8.9	8.5	7.2	11.4%	8.9	7.9	7.1	11.9%	4.5%
Power Grid Corp of India Ltd	PWGR IN	NR	214.0	NA	19,952	11.7	10.5	9.9	8.5%	7.6	7.3	7.0	18.4%	5.2%
Tata Power Co Ltd/The	TPWR IN	NR	250.6	NA	10,703	60.1	33.9	29.1	32.0%	17.9	13.8	12.0	8.4%	0.7%
GAIL India Ltd	GAIL IN	NR	145.7	NA	8,647	10.7	7.1	7.0	10.3%	5.4	5.8	5.6	15.6%	5.1%
Petronet LNG Ltd	PLNG IN	NR	213.6	NA	4,282	10.9	10.3	9.5	5.5%	6.3	6.0	5.7	24.1%	5.2%
Adani Green Energy Ltd	ADANIGR IN	NR	1,916	NA	40,059	1114.8	na	na	na	na	na	na	na	na
<b>Simple Average (India)</b>						<b>202.8</b>	<b>14.1</b>	<b>12.5</b>	<b>13.5%</b>	<b>9.2</b>	<b>8.2</b>	<b>7.5</b>	<b>15.7%</b>	<b>4.2%</b>
Cypark Resources Bhd	CYP MK	Hold	0.87	0.96	122	7.0	6.5	6.5	-1.5%	16.1	11.8	10.5	7.0%	0.0%
Gas Malaysia Berhad	GMB MK	Add	2.76	3.00	847	14.1	16.3	14.9	1.8%	8.9	9.8	9.5	22.8%	6.3%
Malakoff Corporation	MLK MK	Add	0.71	1.05	823	10.6	10.6	10.1	6.0%	5.9	5.5	6.1	6.1%	7.5%
Petronas Gas	PTG MK	Hold	17.18	16.75	8,123	16.7	18.2	17.5	-1.4%	9.3	8.9	8.9	15.8%	4.8%
Taliworks Corporation	TWK MK	Add	0.93	1.06	448	23.9	24.6	22.9	11.2%	18.4	15.0	15.3	8.4%	7.1%
Tenaga Nasional	TNB MK	Add	9.02	10.88	12,342	10.3	10.4	9.9	7.3%	5.8	5.7	5.6	8.8%	5.3%
YTL Power International	YTLP MK	Add	0.63	0.82	1,220	14.1	12.5	12.1	19.1%	9.9	9.9	9.9	2.8%	6.7%
<b>Simple Average (Malaysia)</b>						<b>13.8</b>	<b>14.2</b>	<b>13.4</b>	<b>6.1%</b>	<b>10.6</b>	<b>9.5</b>	<b>9.4</b>	<b>10.2%</b>	<b>5.4%</b>
Sermsang Power Corporation	SSP TB	Add	12.00	18.80	408	13.2	9.5	9.2	17.9%	12.3	8.7	8.7	20.0%	1.7%
B Grimm Power PCL	BGRIM TB	NR	36.00	NA	2,830	33.8	28.3	20.6	28.0%	13.1	12.0	10.2	9.1%	1.4%
Banpu Power PCL	BPP TB	NR	17.10	NA	1,571	13.8	10.4	9.6	13.7%	89.6	56.9	43.1	9.1%	3.9%
BCEPG PCL	BCEPG TB	NR	12.90	NA	1,126	16.6	15.7	21.4	-13.1%	15.9	13.5	15.1	9.4%	3.3%
Energy Absolute PCL	EA TB	NR	92.25	NA	10,375	54.8	41.0	34.4	24.3%	36.2	27.8	23.8	20.1%	0.4%
Global Power Synergy PCL	GPSC TB	NR	78.75	NA	6,696	26.8	23.9	21.8	10.7%	15.3	15.1	14.3	7.6%	2.0%
Gulf Energy Development PCL	GULF TB	NR	50.50	NA	17,866	75.3	49.6	39.5	48.5%	46.3	35.1	29.9	10.2%	0.8%
Ratch Group PCL	RATCH TB	NR	44.75	NA	1,957	9.1	10.6	10.1	0.6%	14.8	12.5	12.2	11.0%	5.7%
TPI Polene Power PCL	TPIPP TB	NR	4.18	NA	1,059	7.8	7.9	8.5	-2.9%	8.6	8.8	9.2	15.2%	9.3%
Super Energy Corp PCL	SUPER TB	NR	0.94	NA	775	na	na	na	na	na	na	na	na	na
<b>Simple Average (Thailand)</b>						<b>27.9</b>	<b>21.9</b>	<b>19.5</b>	<b>14.2%</b>	<b>28.0</b>	<b>21.2</b>	<b>18.5</b>	<b>12.4%</b>	<b>3.2%</b>
Beijing Jingneng Clean Energy	579 HK	NR	2.25	NA	2,379	5.9	5.0	4.1	17.0%	6.8	5.7	4.9	9.9%	4.7%
China Datang Corp Renewable P	1798 HK	NR	3.15	NA	2,939	13.1	9.9	8.0	35.9%	9.7	8.3	7.4	7.1%	1.8%
China Longyuan Power Group Cc	916 HK	NR	15.74	NA	27,089	16.8	14.3	12.2	21.4%	13.0	11.0	9.1	10.4%	1.2%
China Gas Holdings Ltd	384 HK	NR	13.24	NA	9,401	6.5	7.2	6.2	2.9%	7.6	7.4	6.7	16.8%	4.2%
China Resources Gas Group Ltd	1193 HK	NR	39.00	NA	11,575	14.4	13.1	11.9	12.5%	7.9	7.2	6.6	16.0%	2.9%
China Resources Power Holdings	836 HK	NR	18.92	NA	11,674	12.7	8.3	6.9	20.3%	8.6	6.5	5.5	7.4%	3.1%
CGN Power Co Ltd	1816 HK	NR	2.15	NA	20,887	8.8	8.4	7.8	6.0%	10.9	10.6	10.2	10.2%	4.9%
Huaneng Power International In	902 HK	NR	4.10	NA	15,266	47.7	8.1	7.6	122.6%	13.5	8.7	8.0	-2.5%	2.6%
<b>Simple Average (China)</b>						<b>15.7</b>	<b>9.3</b>	<b>8.1</b>	<b>29.8%</b>	<b>9.7</b>	<b>8.2</b>	<b>7.3</b>	<b>9.4%</b>	<b>3.2%</b>
AC Energy Corp	ACEN PM	NR	9.50	NA	7,130	51.9	42.0	32.2	8.2%	48.9	31.8	23.0	8.7%	0.5%
Aboitiz Power Corporation	AP PM	Add	36.00	41.30	5,148	13.0	10.0	8.6	33.0%	9.1	7.1	6.0	15.0%	2.4%
Manila Electric Co	MER PM	NR	329.2	NA	7,268	16.0	15.3	14.4	16.6%	10.3	9.4	9.1	27.8%	4.3%
<b>Simple Average (Philippines)</b>						<b>27.0</b>	<b>22.4</b>	<b>18.4</b>	<b>19.3%</b>	<b>22.8</b>	<b>16.1</b>	<b>12.7</b>	<b>17.2%</b>	<b>2.4%</b>
Orsted AS	ORSTED DC	NR	718.2	NA	45,842	29.6	28.8	32.8	-15.2%	14.4	13.6	14.0	14.1%	1.7%
NextEra Energy Inc	NEE US	NR	77.73	NA	152,517	30.5	28.1	25.9	26.3%	31.8	17.2	15.8	9.7%	2.0%
Brookfield Renewable Partners	BEP US	NR	33.09	NA	15,515	na	209.4	168.8	na	26.1	24.1	22.4	-1.7%	3.7%
Azure Power Global Ltd	AZRE US	NR	13.82	NA	668	na	28.5	12.6	na	11.5	8.9	7.2	-5.1%	na
<b>Simple Average (US and Europe)</b>						<b>30.0</b>	<b>73.7</b>	<b>60.0</b>	<b>5.5%</b>	<b>21.0</b>	<b>15.9</b>	<b>14.8</b>	<b>4.3%</b>	<b>2.5%</b>
<b>Average (ex US and Europe)</b>						<b>20.2</b>	<b>15.7</b>	<b>13.9</b>	<b>17.6%</b>	<b>15.8</b>	<b>12.6</b>	<b>11.2</b>	<b>11.8%</b>	<b>3.6%</b>
<b>Average (all)</b>						<b>20.8</b>	<b>21.9</b>	<b>18.9</b>	<b>16.9%</b>	<b>16.4</b>	<b>13.0</b>	<b>11.6</b>	<b>11.0%</b>	<b>3.5%</b>
<b>Sembcorp Industries</b>	<b>SCI SP</b>	<b>Add</b>	<b>2.46</b>	<b>2.96</b>	<b>3,254</b>	<b>15.7</b>	<b>10.2</b>	<b>8.9</b>	<b>47.7%</b>	<b>8.4</b>	<b>8.3</b>	<b>7.2</b>	<b>7.9%</b>	<b>2.0%</b>

SOURCES: CGS-CIMB, COMPANY REPORTS, BLOOMBERG

		Refinitiv ESG Scores					
ESG in a nutshell		C+	B	C+	C	C+	A-
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score
<p>With the completion of its divestment of Sembcorp Marine in 2020 and the clear communication (during its investor day in May) of its intention to grow the profit contribution from its sustainable solutions portfolio, our assessment is that SCI's overall ESG strategy will likely continue to improve. SCI achieved an A grade in the MSCI ESG Rating as of end-2020 and a B for climate change score in 2021, based on the guided recommendations by CDP (formerly known as Carbon Disclosure Project). We think the gradual increase in its gross installed renewable energy to 10GW, from 2.6GW currently (comprising wind, solar and energy storage), over the next five years, as well as the potential reduction/exit from the coal power plant business, could be the key catalyst to boost SCI's ESG ranking.</p>							
<p><b>Keep your eye on</b></p> <p>As of 1H21, conventional energy accounted for more than 50% of its overall installed capacity, which could continue to put a cap on SCI's environmental score across various ESG related rating agencies due to CO2 equivalent emissions. The changes of CEO and CFO in the past 5 years are also a point to note in terms of strategic direction as management departure forms part of the evaluation of the "workforce" element in the social category of ESG investment.</p>	<p><b>Implications</b></p> <p>The current CEO is more intent on increasing SCI's renewable energy mix, in our view. If this is executed well, it should work in SCI's favour.</p>						
<p><b>ESG highlights</b></p> <p>SCI targets to grow the profit contribution from its sustainable solutions from 40% in 2021F to 70% by 2025F. Its plans to cut its greenhouse gas emissions by 9% over the same period through reduced exposure to fossil fuels. SCI plans to cut its greenhouse gas (GHG) emissions by 90% to 2.7mtCO<sub>2</sub>e by 2030F, from the current 26.5mtCO<sub>2</sub>e. SCI in its latest investor day in May 2021 said the group will not make any further investments in coal energy. In Sep, it successfully launched a sustainability-linked-bond (SLB) raising S\$675m with IFC which involved pledging its performance to tailor-made ESG targets.</p>	<p><b>Implications</b></p> <p>Successful decarbonisation efforts over the next three to five years could lead to premium valuations ascribed to SCI as it is the only pure renewable energy proxy in Singapore.</p>						
<p><b>Trends</b></p> <p>SCI has made tremendous progress in climate change score with CDP over the last five years, with a marked improvement from C- in 2017 to B in 2020, a rating it has maintained in 2021, in line with peers such as Keppel Corp (B) and Global Power Synergy Thailand (B).</p>	<p><b>Implications</b></p> <p>We expect SCI to be a high ESG-ranked company with the proper execution of its ESG strategy. We see potential upside to its valuation, towards the level of its European peers, beyond the next five years.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## BY THE NUMBERS



### Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>5,447</b>	<b>7,795</b>	<b>6,763</b>	<b>7,175</b>	<b>7,496</b>
<b>Gross Profit</b>	<b>1,362</b>	<b>1,559</b>	<b>1,422</b>	<b>1,490</b>	<b>1,545</b>
<b>Operating EBITDA</b>	<b>1,017</b>	<b>1,071</b>	<b>1,084</b>	<b>1,216</b>	<b>1,247</b>
Depreciation And Amortisation	(575)	(457)	(466)	(475)	(485)
<b>Operating EBIT</b>	<b>442</b>	<b>614</b>	<b>618</b>	<b>741</b>	<b>762</b>
Financial Income/(Expense)	(464)	(397)	(447)	(548)	(591)
Pretax Income/(Loss) from Assoc.	233	206	212	251	291
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>211</b>	<b>423</b>	<b>383</b>	<b>444</b>	<b>463</b>
Exceptional Items			0	0	0
<b>Pre-tax Profit</b>	<b>211</b>	<b>423</b>	<b>383</b>	<b>444</b>	<b>463</b>
Taxation	(32)	(123)	(139)	(118)	(119)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>179</b>	<b>300</b>	<b>244</b>	<b>326</b>	<b>344</b>
Minority Interests	(22)	(21)	184	167	174
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>157</b>	<b>279</b>	<b>428</b>	<b>494</b>	<b>517</b>
Recurring Net Profit	157	279	428	494	517
<b>Fully Diluted Recurring Net Profit</b>	<b>157</b>	<b>279</b>	<b>428</b>	<b>494</b>	<b>517</b>

### Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>1,017</b>	<b>1,071</b>	<b>1,084</b>	<b>1,216</b>	<b>1,247</b>
Cash Flow from Inv. & Assoc.	(233)	(206)	(212)	(251)	(291)
Change In Working Capital	1,188	1,206	189	514	281
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,378)	(816)	(409)	(599)	(458)
Net Interest (Paid)/Received	(447)	(300)	(447)	(548)	(591)
Tax Paid	(103)	(36)	(181)	(139)	(118)
<b>Cashflow From Operations</b>	<b>44</b>	<b>919</b>	<b>24</b>	<b>193</b>	<b>71</b>
Capex	(318)	(282)	(326)	(336)	(346)
Disposals Of FAs/subsidiaries	204	311	0	0	0
Acq. Of Subsidiaries/investments	(176)	(293)	0	0	0
Other Investing Cashflow	(1,059)	134	0	0	0
<b>Cash Flow From Investing</b>	<b>(1,349)</b>	<b>(130)</b>	<b>(326)</b>	<b>(336)</b>	<b>(346)</b>
Debt Raised/(repaid)	890	(349)	29	29	29
Proceeds From Issue Of Shares	599	0	0	0	0
Shares Repurchased	(15)	0	0	0	0
Dividends Paid	(62)	(124)	(54)	0	0
Preferred Dividends					
Other Financing Cashflow	(842)	(52)	1	(54)	65
<b>Cash Flow From Financing</b>	<b>570</b>	<b>(525)</b>	<b>(24)</b>	<b>(25)</b>	<b>94</b>
Total Cash Generated	(735)	264	(326)	(167)	(181)
<b>Free Cashflow To Equity</b>	<b>(415)</b>	<b>440</b>	<b>(273)</b>	<b>(113)</b>	<b>(246)</b>
<b>Free Cashflow To Firm</b>	<b>(790)</b>	<b>1,119</b>	<b>171</b>	<b>425</b>	<b>332</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## BY THE NUMBERS... cont'd

### Balance Sheet

(S\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	1,032	1,344	1,018	874	717
Total Debtors	1,571	1,986	1,100	2,174	1,247
Inventories	196	222	580	961	1,360
Total Other Current Assets	205	381	381	381	381
<b>Total Current Assets</b>	<b>3,004</b>	<b>3,933</b>	<b>3,079</b>	<b>4,390</b>	<b>3,705</b>
Fixed Assets	7,204	7,094	6,923	6,784	6,644
Total Investments	1,723	1,738	1,950	2,202	2,492
Intangible Assets	348	390	390	390	390
Total Other Non-Current Assets	1,283	1,240	1,240	1,240	1,240
<b>Total Non-current Assets</b>	<b>10,558</b>	<b>10,462</b>	<b>10,503</b>	<b>10,615</b>	<b>10,767</b>
Short-term Debt	593	754	754	754	754
Current Portion of Long-Term Debt					
Total Creditors	1,159	1,708	747	1,866	870
Other Current Liabilities	375	443	371	320	439
<b>Total Current Liabilities</b>	<b>2,127</b>	<b>2,905</b>	<b>1,872</b>	<b>2,940</b>	<b>2,062</b>
Total Long-term Debt	7,135	6,637	6,666	6,695	6,695
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	824	935	935	935	935
<b>Total Non-current Liabilities</b>	<b>7,959</b>	<b>7,572</b>	<b>7,601</b>	<b>7,630</b>	<b>7,630</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>10,086</b>	<b>10,477</b>	<b>9,473</b>	<b>10,570</b>	<b>9,693</b>
Shareholders' Equity	3,339	3,767	4,142	4,635	5,153
Minority Interests	137	151	(33)	(200)	(374)
<b>Total Equity</b>	<b>3,476</b>	<b>3,918</b>	<b>4,109</b>	<b>4,435</b>	<b>4,779</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(19.1%)	43.1%	(13.2%)	6.1%	4.5%
Operating EBITDA Growth	(23.7%)	5.3%	1.2%	12.2%	2.6%
Operating EBITDA Margin	18.7%	13.7%	16.0%	17.0%	16.6%
Net Cash Per Share (S\$)	(3.75)	(3.39)	(3.59)	(3.68)	(3.77)
BVPS (S\$)	1.87	2.11	2.32	2.60	2.89
Gross Interest Cover	0.89	1.45	1.31	1.31	1.25
Effective Tax Rate	15.2%	29.1%	36.2%	26.5%	25.6%
Net Dividend Payout Ratio	45.5%	32.0%	30.0%	30.0%	30.0%
Accounts Receivables Days	121.6	83.3	83.3	83.3	83.5
Inventory Days	26.07	12.23	27.41	49.47	71.37
Accounts Payables Days	179.3	83.9	83.9	83.9	84.1
ROIC (%)	2.30%	4.70%	5.60%	6.47%	6.49%
ROCE (%)	3.19%	5.69%	5.64%	6.50%	6.46%
Return On Average Assets	3.11%	4.16%	4.40%	5.46%	5.66%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue growth (%)	-19.1%	43.1%	-13.2%	6.1%	4.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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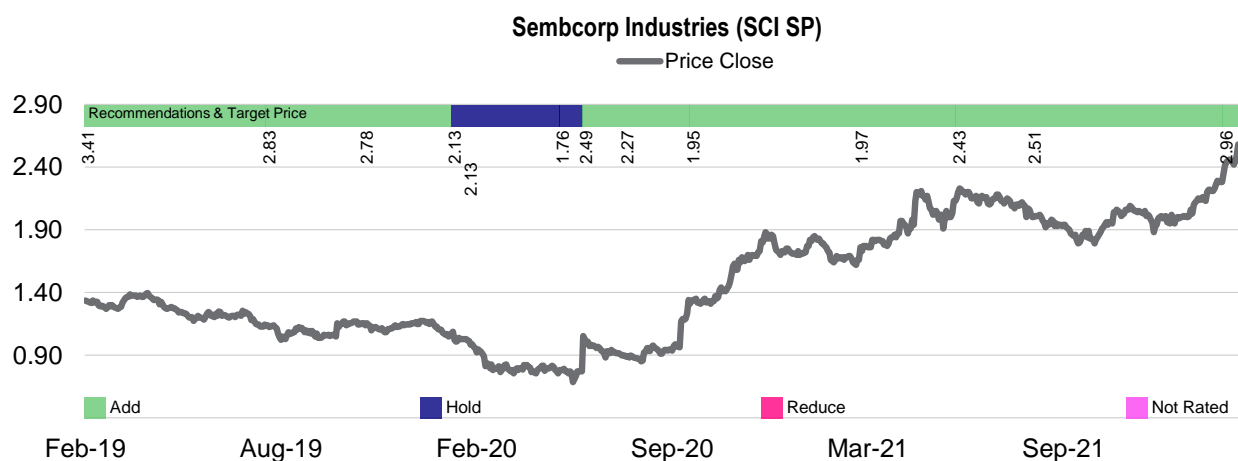
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

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



### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework	
<b>Stock Ratings</b>	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
<b>Sector Ratings</b>	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
<b>Country Ratings</b>	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

