

## Singapore

**ADD** (no change)

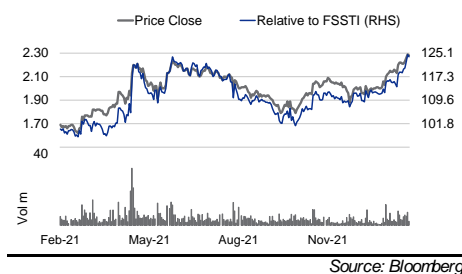
Consensus ratings\*: Buy 9 Hold 2 Sell 0

Current price:	S\$2.28
Target price:	S\$2.96
Previous target:	S\$2.51
Up/downside:	30.0%
CIMB / Consensus:	13.3%
Reuters:	SCIL.SI
Bloomberg:	SCI SP
Market cap:	US\$3,013m
	S\$4,058m
Average daily turnover:	US\$4.40m
	S\$5.97m
Current shares o/s:	1,788m
Free float:	50.0%

\*Source: Bloomberg

### Key changes in this note

- FY21F EPS decreased by 22.9%.
- FY22F EPS increased by 36.1%
- FY23F EPS increased by 54.4%.



Price performance	1M	3M	12M
Absolute (%)	14	13.4	38.2
Relative (%)	10	11.8	26.2

Major shareholders	% held
Temasek Holdings	49.5

### Analyst(s)



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# Sembcorp Industries

## Stacking up against renewable peers

- Our competitive analysis of SCI's gearing shows that its balance sheet position is in line with peers with similar renewable portfolio and aspirations.
- On average, SCI's net debt/EBITDA of 5.5x in FY21F is close to Thai (6.1x) and China (5.9x) companies but higher than US/European listed peers (4x).
- We believe the discount gap between SCI and peers may narrow if SCI starts to deliver a consistent earnings track record and improve its interest cover.
- Based on SCI's new segment reporting, we adjust our valuation methodology from P/E to SOP, raising our TP to S\$2.96. Reiterate Add.

### SCI's net gearing is acceptable in the industry

We attempt to address some investor concerns about SCI's high net gearing position by performing a competitive analysis comparing SCI's efforts in expanding into renewable assets vs. peers with similar geographical and portfolio mix (combination of conventional energy and renewable energy as well as those that SCI aspires to become). The headline net gearing of the sector is generally high at 1.3-1.4x (based on last reported year and consensus forecast). On average, SCI's net debt/EBITDA of 5.5x in FY21F is close to Thai (6.1x) and China (5.9x) companies, but higher than peers listed in the US and Europe (4x) that have more mature track records and higher portions of renewable energy portfolio.

### Profitability of renewable segment to grow 26%yoy in FY23F

We think consistent delivery of earnings (with no significant impairment) could put SCI's earnings profile ahead of peers as we forecast its 3-year EPS CAGR of 47% (regional peers: 17%). The earnings profile will better reflect its renewable efforts in FY23F as this segment should achieve 26% yoy net profit growth, mainly from the full-year contribution of recent renewable acquisitions – CGN Capital Partners and SDIC New Energy in China.

### Reaching c.66% of 10GW renewable target

SCI is on track to meet its renewable assets target of gross capacity of 10GW by FY25F. In FY21, SCI added c.2.9GW of wind assets and c.0.9GW of solar assets into its portfolio, bringing total gross renewable capacity to c.6.6GW upon completion. On a net basis, we estimate SCI will have 4,972MW attributable renewable energy (or c.53% of its portfolio) by FY23F. Moving forward, we think China still presents the greatest opportunity for growth for SCI due to its sizeable market and favourable government policies encouraging investments in renewable projects.

### Retain Add; TP raised to S\$2.96 on SOP valuations

We up our FY22-23F EPS by 36-54% for renewable energy acquisitions in China as well as long-term power contract secured in India and coal contract in India. FY21F EPS is cut by c.23% on higher corporate costs and lower urban development profits in 2H21. Our TP implies c.11x FY23F P/E, still below blended trading band of Asian renewable and conventional energy peers of 14x. Re-rating catalysts: decarbonisation of conventional energy assets and consistent earnings. We expect SCI to achieve a S\$252m net profit in 2H21F (results expected on 23 Feb 2022). Downside risks: significant impairments, unfavourable regulatory changes.

### Financial Summary

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue (S\$m)	6,735	5,447	6,253	5,518	6,261
Operating EBITDA (S\$m)	1,333	1,017	1,223	1,071	1,221
Net Profit (S\$m)	305.0	157.0	251.8	404.2	491.8
Core EPS (S\$)	0.17	0.09	0.14	0.23	0.28
Core EPS Growth		(48.5%)	60.4%	60.5%	21.7%
FD Core P/E (x)	13.35	25.93	16.16	10.07	8.27
DPS (S\$)	0.050	0.040	0.042	0.068	0.083
Dividend Yield	2.19%	1.75%	1.86%	2.98%	3.63%
EV/EBITDA (x)	9.32	9.16	7.66	8.44	7.29
P/FCFE (x)	39.53	NA	3.61	NA	NA
Net Gearing	115%	193%	182%	171%	167%
P/BV (x)	0.59	1.22	1.16	1.04	0.92
ROE	4.5%	3.1%	7.3%	10.9%	11.8%
% Change In Core EPS Estimates			(22.9%)	36.1%	54.4%
CGS-CIMB/Consensus EPS (x)			0.88	1.02	1.11

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Who are the peers?

We compare SCI's renewable exposure to some of the peers in the region. In general, SCI's operations are similar to those in China and Thailand with a mix of both conventional fuel (thermal, gas, fuel) with renewable growth targets – see Figure 1. Most of these companies have an average of 30-40% renewable energy exposure vs. SCI's 45%. We note that SCI also aspires to become like those companies that are listed in Europe and the US where renewable energy makes up more than 70% of their energy portfolio with active capital recycling plans.

Figure 1: SCI's renewable vs. regional peers

	As of	Type	Current equity installed renewable (MW)	Current Renewable/conventional mix	Renewable under development/construction	Target completion by	Current equity installed conventional energy (MW)
<b>Sembcorp Industries</b>	Dec-21	Solar, wind, batteries	3,625	45%	1,347	2022-2023	4,433
<b>Europe</b>							
Azure Power Global	Sep-21	Solar	6,955	100%	745		
Orsted*	Nov-21	Offshore wind, Onshore wind, solar	10,600	84%	5,937	2027	2,078
Nextera Energy	Oct-21	Wind, energy storage	15,890	80%	11,955	2024	3,858
Brookfield Renewable Partners*	Sep-21	Hydro, wind, solar	15,705	77%	6,739	2026	4,810
<b>China</b>							
CGN Power	Jun-21	Solar, wind	658	100%	-		-
China Datang	Jun-21	Solar, wind	12,203	100%	-		5
China Longyuan*	Dec-20	Solar, wind, biomass	23,032	92%	-		1,875
Beijing Jingneng	Jun-21	Solar, wind	2,740	38%	-		4,499
China Resources Power Holding	Jun-21	Solar, wind, hydro	14,936	24%	-		47,117
Huaneng Power International	Jun-21	Solar, wind, hydro, biomass	21,047	21%	-		78,901
<b>Thailand</b>							
BCPG Public Co	Nov-21	Solar, wind	503	100%	471	2024	-
Sermuang Power Corporation	Nov-21	Solar/wind	213	100%	74	2024	-
Super Energy Corp	Sep-21	Solar, wind, WTE	1,426	100%	377	2023	-
Global Power Synergy Public Co	Sep-21	Solar, wind, hydro	2,199	34%	-	2021	4,314
B.Grimm Power	Nov-21	Solar	605	32%	184	2023	1,314
<b>India</b>							
Adani Green Energy	Dec-21	Solar, wind	5,410	100%	20,284	2022-2025	-
<b>The Philippines</b>							
AC Energy	Nov-21	Solar, wind, battery storage	1,606	76%	903	2022-2023	519

\* Gross installed capacity

\*\* Proportionate Long-Term Average generation

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Gearing level similar to peers

The headline net gearing of the sector is generally high at 1.3-1.4x (based on last reported year and consensus forecast). We believe the more relevant ratio should be net debt to EBITDA to level the cash flow generation ability.

On average, SCI's net debt/EBITDA of 5.5x in FY21F is close to Thai (6.1x) and China (5.9x) companies, but higher than peers listed in the US and Europe (4x) that have more mature track records and higher portions of renewable energy portfolio (Fig 2).

There are some exceptions to the peers, with low gearing levels such as Orsted AS (ORSTED DC, NR), which also has a more sophisticated funding composition, such as hybrid bonds (50% debt and 50% equity) which helps to stabilize financial profile resulting in a 0.9-1x net debt/EBITDA. The closest peer in the Philippines, Ace Energy (ACEN PM, NR) has a net cash position forecasted by consensus in FY22F mainly due to SRO (stock rights offering) and FOO (follow-on offer) proceeds amounting to Php7.07bn in 2021.

**Figure 2: Our SCI estimates vs Peers net gearing, profitability and valuations as at 3<sup>rd</sup> Feb 2022, based on various company reports.**

Bbg Code	Mkt cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)	Recurr ROE (%)	EV/ EBITDA (x)	DVD Yield (%)	Net debt/Total equity (x)			Net debt/EBITDA (x)			EBITDA cover (x)			Renewable portfolio as at Dec 2021	
		CY22F	CY23F						Last FY (Actual)	FY+1	FY+2	Last FY (Actual)	FY+1	FY+2	Last FY (Actual)	FY+1	FY+2		
<b>Sembcorp Industries</b>	<b>SCI SP</b>	<b>3,013</b>	<b>10.1</b>	<b>8.3</b>	<b>47.6%</b>	<b>1.0</b>	<b>10.8%</b>	<b>8.4</b>	<b>3.0%</b>	<b>1.9</b>	<b>1.8</b>	<b>1.7</b>	<b>6.6</b>	<b>5.5</b>	<b>6.3</b>	<b>2.2</b>	<b>2.1</b>	<b>2.4</b>	<b>45%</b>
Azure Power Global Ltd	AZRE US	668	28.5	12.6	na	1.58	8.4%	8.89	na	3.8	4.6	4.5	12.0	7.4	6.0	0.9	1.8	2.2	100%
Orsted AS	ORSTED DC	45,842	28.8	32.8	-15.2%	3.16	10.4%	13.60	1.9%	0.1	0.2	0.3	0.6	0.9	1.2	8.2	12.1	12.9	84%
NextEra Energy Inc	NEE US	152,517	28.1	25.9	26.3%	3.52	12.8%	17.18	2.2%	1.1	1.2	1.3	5.0	5.5	4.7	5.2	5.5	6.9	80%
Brookfield Renewable Partners	BEP US	15,515	209.4	168.8	na	1.57	1.4%	24.06	3.9%	0.8	0.8	0.8	7.0	9.5	9.0	2.6	2.0	2.1	77%
<b>Simple Average (Europe and US)</b>			<b>73.7</b>	<b>60.0</b>	<b>6%</b>	<b>2.5</b>	<b>8.2%</b>	<b>15.9</b>	<b>2.6%</b>	<b>0.9</b>	<b>1.1</b>	<b>1.2</b>	<b>4.6</b>	<b>4.0</b>	<b>3.7</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	
CGN Power Co Ltd	1816 HK	20,887	8.4	7.8	6.0%	0.82	10.1%	10.59	5.2%	1.4	1.4	1.4	5.8	5.8	5.7	4.6	4.5	4.7	100%
China Datang Corp Renewable	1798 HK	2,939	9.9	8.0	35.9%	1.05	7.8%	8.29	2.4%	1.8	1.9	2.1	6.6	5.9	5.6	3.7	4.3	5.1	100%
China Longyuan Power Group C	916 HK	27,089	14.3	12.2	21.4%	1.49	11.1%	10.98	1.4%	1.3	1.4	1.6	4.8	4.4	4.4	6.1	7.3	8.3	92%
Beijing Jingneng Clean Energy	579 HK	2,379	5.0	4.1	17.0%	0.53	10.9%	5.68	5.3%	1.3	1.6	2.0	4.9	5.6	6.0	6.3	7.0	8.4	38%
China Resources Power Holdings	836 HK	11,674	8.3	6.9	20.3%	0.94	10.9%	6.46	4.7%	0.9	1.0	1.1	2.6	4.1	3.6	12.6	8.7	11.1	24%
Huaneng Power International Inc	902 HK	15,266	8.1	7.6	122.6%	0.42	5.5%	8.72	5.7%	1.5	1.7	1.8	6.8	8.6	6.0	3.8	3.4	5.2	21%
<b>Simple Average (China)</b>			<b>9.0</b>	<b>7.8</b>	<b>37%</b>	<b>0.9</b>	<b>9.4%</b>	<b>8.5</b>	<b>4.1%</b>	<b>1.3</b>	<b>1.4</b>	<b>1.6</b>	<b>5.0</b>	<b>5.9</b>	<b>5.2</b>	<b>5.4</b>	<b>5.0</b>	<b>6.2</b>	
BCPG PCL	BCPG TB	1,126	15.7	21.4	-13.1%	1.40	9.1%	13.49	3.3%	0.7	0.5	0.3	4.8	3.2	1.8	4.3	4.6	5.3	100%
Sermasang Power Corporation	SSP TB	412	9.8	9.5	17.9%	2.12	23.3%	8.86	3.1%	2.0	2.1	1.8	6.1	6.0	4.1	5.2	4.8	4.9	100%
Super Energy Corp	SUPER TB	775	na	na	na	na	na	na	na	0.2	na	na	1.0	na	na	3.6	na	na	100%
Global Power Synergy PCL	GPSC TB	6,696	23.9	21.8	10.7%	1.95	8.0%	15.14	2.2%	0.8	0.8	0.8	4.1	4.0	4.0	na	na	na	34%
B Grimm Power PCL	BGRIM TB	2,830	28.3	20.6	28.0%	3.03	10.3%	11.97	1.5%	1.5	1.6	1.9	4.7	4.8	5.1	4.5	4.8	5.2	32%
Banpu Power PCL	BPP TB	1,571	10.4	9.6	13.7%	1.12	12.3%	56.90	4.6%	0.1	0.1	0.1	5.8	5.1	4.9	n.m.	n.m.	n.m.	21%
Gulf Energy Development PCL	GULF TB	17,866	49.6	39.5	48.5%	6.62	14.0%	35.07	1.1%	1.7	2.5	2.6	11.4	10.5	8.3	3.2	5.4	6.9	10%
<b>Simple Average (Thailand)</b>			<b>22.9</b>	<b>20.4</b>	<b>18%</b>	<b>2.7</b>	<b>12.8%</b>	<b>23.6</b>	<b>2.6%</b>	<b>1.0</b>	<b>1.3</b>	<b>1.4</b>	<b>5.5</b>	<b>6.1</b>	<b>5.6</b>	<b>5.8</b>	<b>7.3</b>	<b>8.1</b>	
Adani Green Energy	ADANIGR IN	40,059	na	na	na	na	na	na	na	10.6	na	na	10.1	na	na	1.4	na	na	100%
<b>Simple Average (India)</b>										<b>10.6</b>	<b>na</b>	<b>na</b>	<b>10.1</b>	<b>na</b>	<b>na</b>	<b>1.4</b>	<b>na</b>	<b>na</b>	
Ace Energy Philippines	ACEN PM	7,130	42.0	32.2	8.2%	3.43	8.7%	31.84	0.6%	1.3	(0.0)	0.2	4.6	(0.1)	0.4	3.8	5.2	7.2	76%
<b>Simple Average (Philippines)</b>										<b>1.3</b>	<b>(0.0)</b>	<b>0.2</b>	<b>4.6</b>	<b>(0.1)</b>	<b>0.4</b>	<b>3.8</b>	<b>5.2</b>	<b>7.2</b>	
<b>Simple Average (Global, excl SCI)</b>			<b>36.9</b>	<b>30.1</b>	<b>17%</b>	<b>2.4</b>	<b>9.8%</b>	<b>20.0</b>	<b>2.5%</b>	<b>1.3</b>	<b>1.4</b>	<b>1.5</b>	<b>5.5</b>	<b>5.3</b>	<b>4.8</b>	<b>3.8</b>	<b>4.1</b>	<b>4.9</b>	

SOURCES: CGS-CIMB RESEARCH ESTIMATES FOR SCI, BLOOMBERG CONSENSUS ESTIMATES FOR THE OTHERS

## Better profitability than peers

We forecast a 3-year EPS CAGR till FY23F of 47% for SCI. FY22F's growth of 60% yoy is largely derived from a cleaner slate with the absence of impairment amounting to S\$212m taken in 1H21 mainly for its Chongqing Song Zao coal plant in China (Fig 3). The growth in renewable is more evident in FY23F (+26% yoy growth in net profit) from the full-year contribution of recent renewable acquisitions – CGN Capital Partners and SDIC New Energy in China. On a blended basis, SCI's profitability is superior vs. regional peers 3-year CAGR of 17%. We believe that consistent delivery of earnings with no significant impairment is a key catalyst for SCI.

**2H21F preview (23 Feb 2022); expect S\$252m net profit after EI:** We forecast SCI to deliver c.S\$3bn of revenue in 2H21F (-11% hoh., +5% yoy) and net profit after exceptional items to reach S\$206m (+3% yoy), swinging from a net loss of S\$46m in 1H21 (Fig 3).

Conventional energy revenue could see a slight drop with the planned maintenance shutdowns for several of its plants, including the energy-from-waste plant in Singapore, the Sembcorp Myingyan power plant in Myanmar and the two coal plants in India. This could also be offset by higher high sulfur fuel oil (HSFO) and power prices in Singapore and India. Renewables operations should remain stable hoh, with steady contributions from solar (Vietnam, Singapore) and wind (India).

**Figure 3: New segment forecasts**

	1H20	1H21	2H21F	FY21F	FY22F	FY23F
<b>Revenue (S\$m)</b>						
Renewables	137.0	146.0	149.5	295.5	314.6	366.0
<i>yoy change in Renewables (%)</i>		6.6%			6.5%	16.3%
Integrated Urban Solutions	197.0	218.0	218.0	436.0	449.1	462.6
<i>yoy change in IUS (%)</i>		10.7%			3.0%	3.0%
Conventional Energy	2,213.0	2,756.0	2,425.3	5,181.3	4,404.1	5,064.7
<i>yoy change in CE (%)</i>		24.5%			-15.0%	15.0%
Other Business and Corporate	70.0	170.0	170.0	340.0	350.2	367.7
<i>yoy change in Other Business (%)</i>		142.9%			3.0%	5.0%
<b>Total revenue</b>	<b>2,617.0</b>	<b>3,290.0</b>	<b>2,962.8</b>	<b>6,252.8</b>	<b>5,517.9</b>	<b>6,261.3</b>
<i>yoy change in Total Revenue (%)</i>		25.7%	4.7%	14.8%	-11.8%	13.5%
<b>Adjusted EBITDA (S\$m)</b>						
Renewables	133.0	125.0	137.2	262.2	263.5	331.6
<i>yoy change in Renewables (%)</i>		-6.0%			0.5%	25.9%
Integrated Urban Solutions	100.0	107.0	101.5	208.5	214.2	220.6
<i>yoy change in IUS (%)</i>		7.0%			2.8%	3.0%
Conventional Energy	467.0	525.0	472.4	997.4	846.5	961.8
<i>yoy change in CE (%)</i>		12.4%			-15.1%	13.6%
Other Business and Corporate	(49.0)	(13.0)	(24.5)	(37.5)	(40.0)	(42.0)
<i>yoy change in Other Business (%)</i>		-73.5%			6.6%	5.1%
<b>Total Adjusted EBITDA</b>	<b>651.0</b>	<b>744.0</b>	<b>686.6</b>	<b>1,430.6</b>	<b>1,284.3</b>	<b>1,472.0</b>
<i>yoy change in Total Adjusted EBITDA (%)</i>		14.3%	-10.4%	1.0%	-10.2%	14.6%
<b>Net profit (S\$m)</b>						
Renewables	33.0	24.0	24.6	48.6	49.0	61.6
<i>yoy change in Renewables (%)</i>		-27.3%			0.7%	25.9%
Integrated Urban Solutions	66.0	69.0	59.2	128.2	139.0	143.2
<i>yoy change in IUS (%)</i>		4.5%			8.5%	3.0%
Conventional Energy	(36.0)	(27.0)	169.0	142.0	283.2	354.0
<i>yoy change in CE (%)</i>		-25.0%			99.4%	25.0%
Other Business	(31.0)	13.0	13.0	26.0	26.0	26.0
<i>yoy change in Other Business (%)</i>		-141.9%			0.0%	0.0%
Corporate	(74.0)	(33.0)	(60.0)	(93.0)	(93.0)	(93.0)
<i>yoy change in Corporate (%)</i>		-55.4%			0.0%	0.0%
<b>Total net profit after EI</b>	<b>(42.0)</b>	<b>46.0</b>	<b>205.8</b>	<b>251.8</b>	<b>404.2</b>	<b>491.8</b>
<i>yoy change in net profit after EI (%)</i>		-209.5%	3%	60.4%	60.5%	21.7%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

## A recap of SCI's FY21 renewables progress

In a bid to transform its portfolio from brown to green, SCI won projects, acquired existing assets, and signed collaboration agreements totalling c.3.8GW, of which c.2.9GW are wind assets and c.0.9GW solar assets (Fig 4). Upon completion of confirmed projects by FY22F, SCI will have c.6.6GW of renewable assets (wind: c.5.1GW; solar: c.1.4GW; batteries: c.0.12GW) (Fig 5). With this, SCI has more than doubled its renewable assets since end-FY20 when they only possessed c.2.6GW.

**Figure 4: SCI added c.3.8GW into its renewable portfolio in FY21 (wind: c.2.9GW; solar: c.0.9GW)**

Date	Event	Status/Est. completion	Increase in gross installed capacity (MW)		
			Wind	Solar	Batteries
8-Jan-21	SEIL won a 400MW capacity solar power project	Mid-FY22F		400	
12-Mar-21	Awarded a 60MW solar energy project by HDB and EDB, and other commercial solar deals totalling	End FY21F		82	
13-Jul-21	Collaboration agreement with Zero Degrees Whitetail Development Ltd to produce 300MW Net Zero emissions NET Power station at Wilton	Pending confirmation			
14-Jul-21	Launch of Sembcorp Tengeh Floating Solar Farm	Completed		60	
04-Oct-21	Signed MOU with Chiyoda and Mitsubishi to explore a commercial-scale supply chain to deliver	Pending confirmation			
22-Oct-21	Awarded a 180MW wind power project in India	In progress	180		
25-Oct-21	Exclusive joint development agreement with PT PLN Batam and Suryagen to develop a large-scale integrated solar (c.1GWp) and energy storage	Pending confirmation			
12-Nov-21	SCI to acquire 98% interest in 658MW of wind and solar assets from CGN Capital Partners	1H22F	418	240	
02-Dec-21	SCI to acquire 35% interest in 1.9GW of wind and solar assets from SDIC	1H22F	1,730	148	
09-Dec-21	Collaboration agreement with BCGE to develop 1.5 GW of wind and solar projects in Vietnam. As of now, 550MW of wind assets have been confirmed as the first phase of the collaboration	2H22F	550		
14-Dec-21	SCI to construct a 360MW energy storage system at Wilton International on Teesside	Pending confirmation			
	<b>Total confirmed projects</b>		<b>2,878</b>	<b>930</b>	<b>-</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: SCI will have c.6.6GW upon completion of projects under development**

<b>Solar</b>			
	<b>Stake</b>	<b>Gross Installed Capacity (MW)</b>	<b>Attributable Installed Capacity (MW)</b>
Sembcorp Solar Singapore	100%	158	158
Sembcorp Solar Vietnam	100%	20	20
Vietnam-Singapore Smart Energy Solutions	54%	2	1
Sembcorp Green Infra - Solar	100%	35	35
		215	214
<b>Under development</b>			
Sembcorp Green Infra	100%	580	580
Sembcorp Solar Singapore	100%	152	152
Sembcorp Solar Vietnam	100%	12	12
Vietnam-Singapore Smart Energy Solutions	54%	5	3
		749	747
<i>CGN Capital Partners</i>	98%	240	235
<i>SDIC New Energy</i>	35%	148	52
<b>Total Solar</b>		<b>1,352</b>	<b>1,248</b>
<b>Wind</b>			
	<b>Stake</b>	<b>Gross Installed Capacity (MW)</b>	<b>Contracted Capacity (MW)</b>
Sembcorp Green Infra - Wind	100%	1,694	1,694
Guohua Sembcorp	49%	725	355
		2,419	2,049
<b>Under development</b>			
Collaboration with BCG in Vietnam	100%	550	550
		550	550
<i>CGN Capital Partners</i>	98%	418	410
<i>SDIC New Energy</i>	35%	1,730	606
<b>Total Wind</b>		<b>5,117</b>	<b>3,614</b>
<b>Batteries</b>			
	<b>Stake</b>	<b>Gross Installed Capacity (MW)</b>	<b>Contracted Capacity (MW)</b>
Flexible Generation Assets - Batteries	100%	70	60
		70	60
<b>Under development</b>			
Flexible Generation Assets - Batteries	100%	50	50
		50	50
<b>Total Energy Storage</b>		<b>120</b>	<b>110</b>
<b>Total operational projects</b>		<b>5,240</b>	<b>3,625</b>
<b>Total projects under development</b>		<b>1,349</b>	<b>1,347</b>
<b>Total all projects</b>		<b>6,589</b>	<b>4,972</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Reaching 10GW ahead of target

At c.66% of its 10GW renewables target, we think SCI may reach 10GW well before FY25F through more projects and/or acquisitions. A pipeline of confirmed projects is illustrated in Fig 6. Even so, we believe SCI will continue in its pursuit of renewables, exceeding its original 10GW target.

**Figure 6: A pipeline of SCI's renewables projects**

Gross installed capacity (MW)	Total incl	1H21	FY21	FY22F	FY23F	FY24F
<b>Renewable energy</b>						
Wind	5,117	2,419	2,419	5,117	5,117	5,117
Solar	1,352	215	229	616.7	1,349	1,349
Batteries	120	60	70	120	120	120
	<b>6,589</b>	<b>2,694</b>	<b>2,718</b>	<b>5,854</b>	<b>6,586</b>	<b>6,586</b>
<b>New capacity coming on line by year</b>						
Wind				2,698		
Solar			14	388	732	
Batteries				50		
			<b>14</b>	<b>3,136</b>	<b>732</b>	
<b>Attributable installed capacity (MW)</b>						
<b>Renewable energy</b>						
Wind	3,614	2,049	2,049	3,614	3,614	3,614
Solar	1,248	214	229	516	1,248	1,248
Batteries	110	60	60	110	110	110
	<b>4,972</b>	<b>2,323</b>	<b>2,338</b>	<b>4,240</b>	<b>4,972</b>	<b>4,972</b>
<b>New capacity coming on line by year</b>						
Wind				1,565		
Solar			15	287	732	
Batteries				50		
			<b>15</b>	<b>1,902</b>	<b>732</b>	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Here, we analyse potential spaces/targets/types of renewables SCI may venture into, among endless possibilities in the market, based on:

1. Market demand and supply; and
2. Country's energy targets and policies implemented.

### SCI may expand its presence in China and the rest of Asia ►

There is no doubt that governments are pivoting towards renewable energy. According to GlobalData's forecasts, the forecasted market size for renewables is expected to double from 649GW in 2020 to 1,295GW in 2025F. This represents a 5-year CAGR of 15%, with a total addressable market opportunity of 646GW between FY20-25, according to SCI on its investor day.

Moving forward, we think China presents the greatest opportunity for growth, followed by India. While we do not rule out potential expansion into Europe, we think expanding closer to home presents more benefits for SCI in terms of entrenching the group's already sizable foothold in the region.

### Why China?

Based on the four countries that SCI currently has vested interest in for renewable energy (China, India, Vietnam, and Singapore), we compare various benchmarks, such as existing government policies, to estimate SCI's future expansion plans in the renewable space (Fig 7).

China seems most compelling, due to the following reasons:

- **China serves the largest market.** According to the International Energy Agency (IEA), China accounted for 50% of the global renewable demand and supply in FY21. China consumes the most energy and has goals to increase gross installed capacity of renewable energy to more than 1,200GW by 2030 (Fig 8).
- **China likely enjoys economies of scale.** Housing the world's largest renewable market, China is the largest manufacturer of solar panels and wind turbines. It is also the world's largest supplier of raw materials needed for constructing renewable assets, such as silicon, glass, steel, and copper, according to IEA.
- Unlike its other heavily regulated industries, China softened policies for its renewable energy industry by **welcoming foreign direct investments**. In Dec 2020, China released a white paper announcing plans to open the energy sector during the 14<sup>th</sup> Five Year Plan period from 2021-2025, through reducing restrictions on foreign investment on new energy businesses. Furthermore, China is also developing a green bond market to finance the renewable energy industry.

**Figure 7: China presents the greatest opportunity for growth in renewable energy for SCI**

	China	India	Vietnam	Singapore
<b>Existing renewables</b>	Wind, solar, hydropower, bio power	Wind, solar, thermal, hydropower	Wind, solar	Solar
<b>Population as of FY21 (millions)</b>	1,447	1,400	99	6
<b>Energy consumption in 2020 (GWh)</b>	40,518,896	1,249,326	1,136,111	50,800
<b>Forecasted energy demand in 2022 (GWh)</b>	Not specified	Not specified	1,288,350	58,100
<b>Total gross installed renewable capacity as of 1H21 (GW)</b>	Wind: 292.13 Solar: 268 Hydropower: 378 Bio power: 32	Wind: 15 Solar: 7 Hydropower: 149	Wind: 0.6 Solar: 17	Solar: 0.5
<b>Energy targets</b>	- To achieve peak carbon emission before 2030 and carbon neutrality by 2060 - To cut reliance on fossil fuels to <20% by 2060, meaning that renewables will contribute c.80% of China's total energy mix - To raise total installed capacity of wind and solar power to >1,200GW by 2030	- Eliminate net carbon emissions by 2070 - To increase renewable power capacity from 91.4GW in 2020 to 310.9GW in 2030, at a CAGR of 13%	By 2030: to raise total installed capacity to: - Wind: 18-19GW - Solar 19-20GW - Other renewables sources: 2.6-2.8GW	- Increase solar energy deployment by five-fold to at least 2 GWp by 2030 - 200 MW of energy storage systems deployment beyond 2025 - Diversified electricity supply with clean electricity imports
<b>Policies to achieve its targets</b>	- Newly installed renewable energy projects and industrial raw materials producers will be exempt from energy volume and intensity caps - Welcoming foreign direct investments	- Steep import duties - Subsidies for companies to build factories at home - Additional funding of INR10b and INR15b to SECI* and IREDA** respectively	- Amend the Electricity Law to meet the requirements of power development moving forward - Develop a competitive power market - Develop new mechanisms to attract investments and capital mobilisations	- To import 30% of electricity from low-carbon or renewable sources by 2035 - Awarded S\$55m under the Low-Carbon Energy Research Funding Initiative to support 12 projects on low-carbon energy technology solutions

\* SECI: Solar Energy Corporation of India Limited  
\*\* IREDA: Indian Renewable Energy Development Agency Limited

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

### Brownfield or greenfield? It depends on asset location ►

SCI's most recent two activities are brownfield projects in China (acquisition of wind and solar assets from CGN Capital Partners and SDIC New Energy).

In SCI's analyst briefings regarding the acquisitions from CGN-Capital Partners and SDIC New Energy, management guided that it would consider brownfield and greenfield projects depending on the location of the assets.

For example, China presents more opportunities for brownfield projects. SCI currently operates 725MW of wind assets in a 49%/51% joint venture with Guohua AES (Huanghua) Wind Power. We think SCI is able to leverage on relationships with state-owned enterprises (SOEs) to add more assets into its renewable



portfolio. However, high costs of acquisition may threaten SCI's net gearing position.

On the other hand, SCI would focus on greenfield projects in India. With 35MW of solar and 1,694MW of wind assets under Sembcorp Green Infra, SCI has a developed and mature platform for renewable energy in India. From a knowledge standpoint, SCI is looking to export its platform capabilities from India to countries such as Vietnam and Indonesia, according to management. However, management also cautioned that new greenfield projects in India are getting increasingly competitive, despite SCI's greater risk appetite in India.

A compilation of possible upcoming solar projects that SCI may tender for are illustrated in Fig 8. Based on our research, there are currently no available bids for wind projects in India.

**Figure 8: Possible solar projects SCI may tender for in India**

Type	Tender issuer	Location in India	Capacity (MW)	Deadline for tender submission
Solar	Rajasthan Electronics and Instruments Limited (REIL)	Not disclosed	150	08-Jan-22
Solar	Jamshedpur Notified Area Committee (JNAC)	Various government institutions	Not disclosed	15-Jan-22
Solar	Gujarat Urban Development Company (GUDC)	Gujarat	8	18-Jan-22
Solar	Odisha Renewable Energy Development Agency (OREDA)	50 Odisha Aadarsha Vidyalaya premises across ten districts	1	19-Jan-22
Solar	NTPC Limited	Bhadla Solar Park in Rajasthan	260	19-Jan-22
Solar	Mumbai Metropolitan Region Development Authority (MMRDA)	Mumbai Monorail Stations	2	19-Jan-22
Solar	Solar Energy Corporation of India (SECI)	Not stated	1,800	21-Jan-22
Solar	Maharashtra State Electricity Distribution Company Limited (MSEDCL)	Maharashtra	500	24-Jan-22
Solar	Tata Memorial Center	Homi Bhabha Cancer Hospital and Research Center in Mohali, Punjab	1	28-Jan-22
Solar	THDC India (formerly Tehri Hydro Development Corporation)	Across India	200	03-Feb-22
Solar	Gujarat Urja Vikas Nigam Limited (GUVNL)	Across India	500	03-Feb-22
Solar	NTPC Renewable Energy Limited (NTPC REL)	Across India	1,000	03-Feb-22
Solar	Durgapur Projects Limited (DPL)	West Bengal	5	05-Feb-22
Solar	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Ramsar Chota Village in Bikaner, Rajasthan	2,000	10-Feb-22
Solar	Solar Energy Corporation of India (SECI)	V.O. Chidambaranar Port Trust (VOCPT) in Tuticorin, Tamil Nadu	5	11-Feb-22

SOURCES: CGS-CIMB RESEARCH, MERCOM INDIA

## Changed segment reporting

In 1H21, SCI changed its segment reporting from Energy, Urban, and Others/Corporate to Renewables, Integrated Urban Solutions, Conventional Energy, and Other Business & Corporate (Fig 9).

**Figure 9: SCI changed its segment reporting in 1H21**

Old segment reporting	New segment reporting
Energy	Renewables
Urban	Integrated Urban Solutions
Others/Corporate	Conventional Energy
	Other Business & Corporate

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 10: EPS changes**

FYE Dec (\$)	New			Old			% change		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Revenue	6,252.8	5,518.0	6,261.0	5,151.2	5,333.7	5,526.9	21.4%	3.5%	13.3%
<b>Gross profit</b>	<b>1,069.2</b>	<b>943.6</b>	<b>1,070.6</b>	<b>932.1</b>	<b>895.9</b>	<b>927.9</b>	14.7%	5.3%	15.4%
Gross profit margin (%)	17.1%	17.1%	17.1%	18.1%	16.8%	16.8%	-5.5%	1.8%	1.9%
EBIT	777.1	615.7	757.1	726.1	682.5	706.8	7.0%	-9.8%	7.1%
<b>Reported PATMI</b>	<b>251.8</b>	<b>404.2</b>	<b>491.8</b>	<b>329.1</b>	<b>299.1</b>	<b>320.8</b>	-23.5%	35.2%	53.3%
Core PATMI	251.8	404.2	491.8	329.1	299.1	320.8	-23.5%	35.2%	53.3%
NPM (%)	4.0%	7.3%	7.9%	6.4%	5.6%	5.8%	-37.0%	30.6%	35.3%
EPS (Scts)	14.1	22.6	27.6	18.3	16.6	17.8	-22.9%	36.1%	54.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Our new TP of S\$2.96 is based on SOP valuations. We value its Renewables segment based on 15x EV/EBITDA (FY23F average Chinese and Thai peers) and 8x EV/EBITDA for its Conventional Energy (CE) segment (FY23F average of pure conventional utilities peers in Asia). Our TP implies c.11x CY23F P/E, still at a discount to the whole renewable energy/utilities (ex US/Europe) industry's average of 14x. Downside risks: significant impairments on their conventional energy segment may affect overall net profit, unfavourable regulatory changes affecting their acquisitions and/or development of renewable assets.

**Figure 4: We derive a TP of S\$2.96 based on SOP valuations**

	Renewables	Urban	CE	Others	Total
<b>(S\$m)</b>					
FY23F Adjusted EBITDA	331.6	220.6	961.8	(42.0)	1,472.0
EV/EBITDA (CY23F Asian peers' average)	15.0		8.0		
EV	4,974.4		7,694.3		12,668.7
Less: net debt					7,068.5
<b>Market cap</b>					<b>5,600.2</b>
Add: BV of Urban Solutions as of 1H21		1,521.0			1,521.0
Add: BV of Others as of 1H21				(1,822.0)	(1,822.0)
<b>Sum of parts</b>					<b>5,299.2</b>
Number of shares (millions)					1,787.5
Target price (S\$)					<b>2.96</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Peers Comparison as at 3<sup>rd</sup> Feb 2022

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	EV/EBITDA (x)			Recurring ROE (%)	Dividend Yield (%)
						CY21F	CY22F	CY23F		CY21F	CY22F	CY23F	CY21F	CY21F
Perusahaan Gas Negara	PGAS IJ	Add	1,360	2,300	2,296	7.4	7.8	7.4	na	6.3	5.1	4.8	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	0.85	0.96	119	6.8	6.3	6.3	-1.5%	16.0	11.7	10.5	7.0%	0.0%
Gas Malaysia Berhad	GMB MK	Add	2.68	2.99	822	15.4	16.5	15.1	2.2%	9.5	9.6	9.4	20.5%	5.9%
Malakoff Corporation	MLK MK	Add	0.73	1.05	852	11.0	11.0	10.4	6.0%	6.0	5.6	6.1	6.1%	7.3%
Petronas Gas	PTG MK	Hold	16.98	16.80	8,028	16.6	17.7	17.3	-1.3%	8.8	8.6	8.7	15.6%	4.2%
Talworks Corporation	TWK MK	Add	0.91	1.06	436	24.1	23.9	22.3	11.2%	26.6	14.4	14.6	7.9%	7.3%
Tenaga Nasional	TNB MK	Add	9.16	10.88	12,532	10.4	10.6	10.1	7.3%	5.9	5.8	5.7	8.8%	5.3%
YTL Power International	YTLP MK	Add	0.63	0.82	1,210	14.0	12.4	12.0	19.1%	9.8	9.9	9.9	2.8%	6.8%
<b>Simple Average (Malaysia)</b>						<b>14.0</b>	<b>14.1</b>	<b>13.4</b>	<b>6.1%</b>	<b>11.8</b>	<b>9.4</b>	<b>9.3</b>	<b>9.8%</b>	<b>5.2%</b>
Sermsang Power Corporation	SSP TB	Add	12.40	18.80	412	13.7	9.8	9.5	17.9%	12.5	8.9	8.9	20.0%	1.6%
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%
BCPG PCL	BCPG 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	TIPIP 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>28.0</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>3.1%</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 Pc	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 Cor	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	34.20	33.60	4,930	18.1	15.8	15.9	9.0%	9.4	8.3	8.1	10.2%	2.1%
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>28.7</b>	<b>24.4</b>	<b>20.8</b>	<b>11.2%</b>	<b>22.9</b>	<b>16.5</b>	<b>13.4</b>	<b>15.6%</b>	<b>2.3%</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>20.4</b>	<b>15.8</b>	<b>14.1</b>	<b>16.9%</b>	<b>16.0</b>	<b>12.6</b>	<b>11.2</b>	<b>11.5%</b>	<b>3.6%</b>
<b>Average (all)</b>						<b>21.0</b>	<b>22.1</b>	<b>19.1</b>	<b>16.2%</b>	<b>16.6</b>	<b>13.0</b>	<b>11.6</b>	<b>10.8%</b>	<b>3.5%</b>
<b>Sembcorp Industries</b>	<b>SCI SP</b>	<b>Add</b>	<b>2.28</b>	<b>2.96</b>	<b>3,013</b>	<b>16.2</b>	<b>10.1</b>	<b>8.3</b>	<b>47.6%</b>	<b>7.7</b>	<b>8.4</b>	<b>7.3</b>	<b>7.4%</b>	<b>1.9%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG  
Note: All estimates for Not Rated companies are Bloomberg consensus estimates



## ESG in a nutshell

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.

### Keep your eye on

As of 1H21, conventional energy accounted for more than 50% in 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.

### Implications

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.

### ESG highlights

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

### Implications

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.

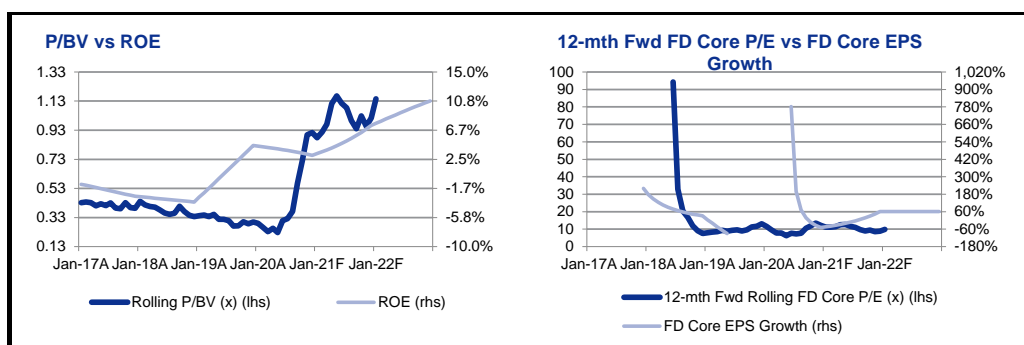
### Trends

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).

### Implications

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

SOURCES: CGS-CIMB RESEARCH

**BY THE NUMBERS**

**Profit & Loss**

(\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
<b>Total Net Revenues</b>	<b>6,735</b>	<b>5,447</b>	<b>6,253</b>	<b>5,518</b>	<b>6,261</b>
<b>Gross Profit</b>	<b>1,609</b>	<b>1,362</b>	<b>1,515</b>	<b>1,398</b>	<b>1,535</b>
<b>Operating EBITDA</b>	<b>1,333</b>	<b>1,017</b>	<b>1,223</b>	<b>1,071</b>	<b>1,221</b>
Depreciation And Amortisation	(627)	(575)	(446)	(455)	(464)
<b>Operating EBIT</b>	<b>706</b>	<b>442</b>	<b>777</b>	<b>616</b>	<b>757</b>
Financial Income/(Expense)	(444)	(464)	(586)	(451)	(585)
Pretax Income/(Loss) from Assoc.	186	233	207	214	251
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>448</b>	<b>211</b>	<b>399</b>	<b>378</b>	<b>423</b>
Exceptional Items				0	0
<b>Pre-tax Profit</b>	<b>448</b>	<b>211</b>	<b>399</b>	<b>378</b>	<b>423</b>
Taxation	(115)	(32)	(114)	(126)	(132)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>333</b>	<b>179</b>	<b>285</b>	<b>253</b>	<b>291</b>
Minority Interests	(28)	(22)	(33)	152	201
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>305</b>	<b>157</b>	<b>252</b>	<b>404</b>	<b>492</b>
Recurring Net Profit	305	157	252	404	492
<b>Fully Diluted Recurring Net Profit</b>	<b>305</b>	<b>157</b>	<b>252</b>	<b>404</b>	<b>492</b>

**Cash Flow**

(\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
<b>EBITDA</b>	<b>1,333</b>	<b>1,017</b>	<b>1,223</b>	<b>1,071</b>	<b>1,221</b>
Cash Flow from Invt. & Assoc.	(184)	(233)	(207)	(214)	(251)
Change In Working Capital	2,152	1,188	735	639	236
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(2,225)	(1,378)	(669)	(641)	(478)
Net Interest (Paid)/Received	(440)	(447)	(586)	(451)	(585)
Tax Paid	(99)	(103)	(157)	(114)	(126)
<b>Cashflow From Operations</b>	<b>537</b>	<b>44</b>	<b>339</b>	<b>290</b>	<b>18</b>
Capex	(925)	(318)	(316)	(326)	(336)
Disposals Of FAs/subsidiaries	493	204	0	0	0
Acq. Of Subsidiaries/investments	(578)	(176)	0	0	0
Other Investing Cashflow	455	(1,059)	30	0	0
<b>Cash Flow From Investing</b>	<b>(555)</b>	<b>(1,349)</b>	<b>(286)</b>	<b>(326)</b>	<b>(336)</b>
Debt Raised/(repaid)	121	890	1,075	(90)	(90)
Proceeds From Issue Of Shares	19	599	0	0	0
Shares Repurchased	(4)	(15)	0	0	0
Dividends Paid	(91)	(62)	(72)	0	0
Preferred Dividends					
Other Financing Cashflow	(193)	(842)	0	0	0
<b>Cash Flow From Financing</b>	<b>(148)</b>	<b>570</b>	<b>1,003</b>	<b>(90)</b>	<b>(90)</b>
Total Cash Generated	(166)	(735)	1,056	(126)	(408)
<b>Free Cashflow To Equity</b>	<b>103</b>	<b>(415)</b>	<b>1,128</b>	<b>(126)</b>	<b>(408)</b>
<b>Free Cashflow To Firm</b>	<b>526</b>	<b>(790)</b>	<b>674</b>	<b>450</b>	<b>300</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Cash And Equivalents	1,767	1,032	2,088	1,963	1,555
Total Debtors	2,048	1,571	1,547	1,205	1,917
Inventories	386	196	533	827	1,164
Total Other Current Assets	1,894	205	175	175	175
<b>Total Current Assets</b>	<b>6,095</b>	<b>3,004</b>	<b>4,344</b>	<b>4,169</b>	<b>4,811</b>
Fixed Assets	12,203	7,204	7,074	6,946	6,817
Total Investments	1,824	1,723	1,724	1,938	2,189
Intangible Assets	630	348	348	348	348
Total Other Non-Current Assets	2,500	1,283	1,283	1,283	1,283
<b>Total Non-current Assets</b>	<b>17,157</b>	<b>10,558</b>	<b>10,430</b>	<b>10,515</b>	<b>10,637</b>
Short-term Debt	2,643	593	593	593	593
Current Portion of Long-Term Debt					
Total Creditors	2,844	1,159	1,125	861	1,418
Other Current Liabilities	525	375	332	344	350
<b>Total Current Liabilities</b>	<b>6,012</b>	<b>2,127</b>	<b>2,050</b>	<b>1,798</b>	<b>2,361</b>
Total Long-term Debt	8,157	7,135	8,210	8,120	8,031
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,204	824	824	824	824
<b>Total Non-current Liabilities</b>	<b>9,361</b>	<b>7,959</b>	<b>9,034</b>	<b>8,944</b>	<b>8,855</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>15,373</b>	<b>10,086</b>	<b>11,084</b>	<b>10,742</b>	<b>11,216</b>
Shareholders' Equity	6,871	3,339	3,519	3,923	4,415
Minority Interests	1,008	137	170	18	(183)
<b>Total Equity</b>	<b>7,879</b>	<b>3,476</b>	<b>3,689</b>	<b>3,942</b>	<b>4,233</b>

### Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue Growth	(42.4%)	(19.1%)	14.8%	(11.8%)	13.5%
Operating EBITDA Growth	99.9%	(23.7%)	20.3%	(12.5%)	14.1%
Operating EBITDA Margin	19.8%	18.7%	19.6%	19.4%	19.5%
Net Cash Per Share (S\$)	(5.06)	(3.75)	(3.76)	(3.78)	(3.96)
BVPS (S\$)	3.85	1.87	1.97	2.20	2.47
Gross Interest Cover	1.46	0.89	1.25	1.27	1.22
Effective Tax Rate	25.7%	15.2%	28.6%	33.2%	31.2%
Net Dividend Payout Ratio	29.3%	45.5%	30.0%	30.0%	30.0%
Accounts Receivables Days	118.1	121.6	91.0	91.0	91.0
Inventory Days	32.01	26.07	28.10	60.27	76.86
Accounts Payables Days	206.9	179.3	88.0	88.0	88.0
ROIC (%)	3.31%	2.30%	6.96%	5.38%	6.56%
ROCE (%)	3.99%	3.19%	6.85%	5.17%	6.19%
Return On Average Assets	2.85%	3.11%	5.44%	4.26%	5.15%

### Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue growth (%)	-42.4%	-19.1%	14.8%	-11.8%	13.5%

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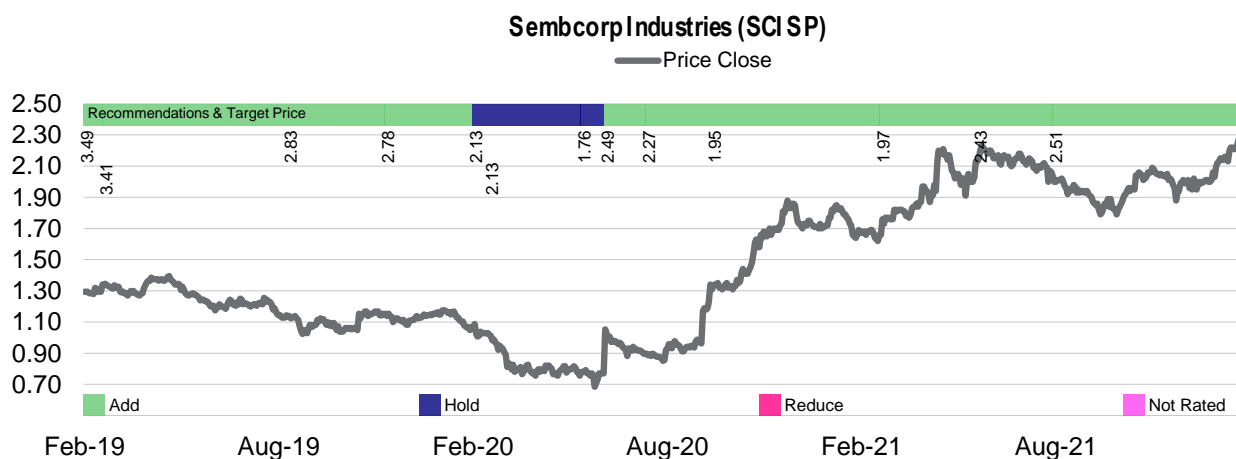
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

