

**Singapore**

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**HOLD** (no change)

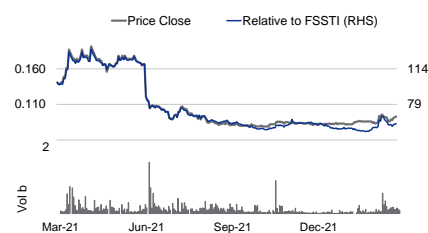
Consensus ratings\*: Buy 1 Hold 5 Sell 2

Current price:	S\$0.093
Target price:	S\$0.09
Previous target:	S\$0.09
Up/downside:	-3.2%
CGS-CIMB / Consensus:	-1.6%
Reuters:	SCMN.SI
Bloomberg:	SMM SP
Market cap:	US\$2,151m
	S\$2,919m
Average daily turnover:	US\$3.90m
	S\$5.29m
Current shares o/s	31,388m
Free float:	45.4%

\*Source: Bloomberg

**Key financial forecasts**

	Dec-22F	Dec-23F	Dec-24F
Net Profit (S\$m)	(389.4)	(106.0)	(81.0)
Core EPS (S\$)	(0.012)	(0.003)	(0.003)
Core EPS Growth	(85.2%)	(72.8%)	(23.6%)
FD Core P/E (x)	NA	NA	NA
Recurring ROE	(10.2%)	(3.0%)	(2.3%)
P/BV (x)	0.81	0.83	0.85
DPS (S\$)	-	-	-
Dividend Yield	0%	0%	0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.1	14.8	-33.7
Relative (%)	9.6	6.3	-40.8

Major shareholders	% held
Temasek	54.6

**Analyst(s)**

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# Sembcorp Marine

## Moving in the right wind direction

- SMM announced its first contract for the year, the company's first wind turbine installation vessel. The vessel is scheduled for delivery in 2025.
- Given the lead time of construction, we believe the contract to worth US\$300-500m based on the latest transactions by Keppel, China and Korean yards.
- We believe this project could yield 5-6% EBIT margin as it is SMM's first.
- Order book stood at S\$1.3bn at end-21 and we project S\$2bn order wins for 2022. Its share price could react positively. Reiterate Hold, TP of S\$0.09.

### First wind turbine installation vessel, no amount disclosed

- SMM has secured a contract for the construction of a wind turbine installation vessel (WTV), which will be based on its in-house design in collaboration with the customer.
- The WTV is scheduled for completion in early-2025. SMM said it will tap its technological bench strength and offshore engineering competencies to build a highly efficient WTV capable of handling the next generation of wind turbines that are scaled up in size with longer, lighter rotor blades, taller towers, more reliable drivetrains, performance-optimising control systems, and multi-megawatt power generation.

### How much could it cost?

- In Apr 21, China Raffles CIMC secured an order of US\$184.8m for its 3060 WTV series vessel (2,200-tonne crane and capability of installing up to 20MW) for 1Q23 delivery.
- In May 21 and Dec 21, Eneti Inc awarded two mega WTV (2,600-tonne crane and capable of installing up to 20MW turbines) for US\$330m and US\$326m, respectively.
- In Dec 20, Keppel AMFELS secured a contract for a WTV with a 2,200-tonne crane with 12MW and above handling capacity for US Dominion Energy at S\$600m. The vessel is Jones-Act compliant and scheduled for 2023 delivery.

### Increased demand for wind installation vessels

- According to Rystard Energy, global demand for offshore WTVs (excluding China) is expected to increase to 79 vessel years by 2030 from 11 vessel years in 2021. Most of the demand in 2030 (62 vessels) will be 9-MW-plus turbines. Currently, there are a handful of purpose-built vessels suitable for 10-MW-plus turbines, which generally need a 1,500-tonne crane with 150-metres lifting height. Several vessels are upgrading to 1,600-tonne cranes over 2022-2024 and new builds will also start being delivered.

### Reiterate Hold and TP of S\$0.09

- We peg SMM at 0.8x CY22F P/BV (20% discount to 3-year historical average of 1x). We see scope for narrower discount on consistent order win momentum, earnings recovery or a clear strategy from larger entity with KEP O&M. Key catalysts: more order wins, faster-than-expected project deliveries, and clarity on merger with KEP O&M. Key risks: further manpower shortage due to Covid-19 impact, cancellation of orders.

**Figure 1: Recent WTVs contracts by competitors**

Contract date	No.	Crane tonnage	MW	Builder	Customer	Price (US\$ m)	Delivery
02-Dec-21	1	2,600	20	DSME	Eneti	326	2Q25
23-Nov-21	1		20	CIMC-Raffle	J.P. Morgan Global Alternatives and Havfram AS		2024
01-Oct-21	1	> 3,000	20	CIMC-Raffle	Van Oord	1,160	2024
12-May-21	1	2,600	20	DSME	Eneti	330	3Q24
17-Apr-21	Multiple	2,200		CIMC-Raffle	Boqiang Heavy Industry Group	184.8	1Q23
17-Dec-20	1	2,200	12	KEP O&M	Dominion Energy	442	2023
4Q20	1	1,500		DSME	Eneti	265-290	2023

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Sector / Peers Comparison**

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY22F	CY23F	CY24F		CY22F	CY23F		
Keppel Corporation	KEP SP	Add	6.41	7.20	8,505	13.6	14.1	14.5	-10.5%	0.94	0.91	7.0%	4.1%
Sembcorp Marine	SMM SP	Hold	0.09	0.09	2,151	na	na	na	na	0.81	0.83	-13.0%	0.0%
<b>Singapore offshore - big cap simple average</b>						<b>13.6</b>	<b>14.1</b>	<b>14.5</b>	<b>-10.5%</b>	<b>0.87</b>	<b>0.87</b>	<b>-3.0%</b>	<b>2.0%</b>
COSCO SHIPPING International S	COS SP	NR	0.25	na	421	na	na	na	na	na	na	na	na
Yangzijiang Shipbuilding	YZJSGD SP	Add	1.40	1.78	4,037	7.3	5.5	5.6	12.1%	0.65	0.60	9.2%	3.7%
<b>Chinese Shipbuilder simple average</b>						<b>7.3</b>	<b>5.5</b>	<b>5.6</b>	<b>12.1%</b>	<b>0.65</b>	<b>0.60</b>	<b>9.2%</b>	<b>3.7%</b>
SATS Ltd	SATS SP	Add	3.96	4.77	3,274	46.7	21.8	na	272.8%	2.84	2.77	6.1%	2.3%
Sembcorp Industries	SCI SP	Add	2.63	2.96	3,451	11.0	9.5	9.1	32.3%	1.13	1.01	10.9%	2.7%
ST Engineering	STE SP	Add	4.10	4.70	9,403	21.3	18.1	16.6	10.8%	5.09	4.70	24.4%	3.9%
SIA Engineering	SIE SP	Add	2.22	2.92	1,836	36.7	32.8	na	20.4%	1.52	1.53	4.2%	3.6%
<b>Industrial conglomerate simple average</b>						<b>28.9</b>	<b>20.5</b>	<b>12.8</b>	<b>84.1%</b>	<b>2.65</b>	<b>2.50</b>	<b>11.4%</b>	<b>3.1%</b>
CSE Global	CSE SP	Add	0.47	0.57	177	12.0	9.8	8.7	26.9%	1.23	1.16	10.4%	5.9%
Ezion Holdings Ltd	EZI SP	NR	0.04	na	160	na	na	na	na	na	na	na	na
Mermaid Maritime PCL	MMT SP	NR	0.08	na	84	na	na	na	na	na	na	na	na
MTQ Corp Ltd	MTQ SP	NR	0.23	na	37	na	na	na	na	na	na	na	na
<b>Singapore OSV owner simple average</b>						<b>12.0</b>	<b>9.8</b>	<b>8.7</b>	<b>26.9%</b>	<b>1.23</b>	<b>1.16</b>	<b>10.4%</b>	<b>5.9%</b>
Bumi Armada	BAB MK	Add	0.43	0.55	595	4.3	4.3	4.5	-6.4%	0.55	0.49	13.7%	0.0%
Velesto Energy Berhad	VEB MK	Hold	0.11	0.14	214	25.6	14.4	14.8	na	0.39	0.38	1.5%	0.0%
Yinson Holdings	YNS MK	Add	4.95	8.03	1,250	13.1	6.7	na	60.9%	1.37	1.16	10.4%	1.2%
Coastal Contracts Bhd	COCO MK	NR	1.85	na	228	9.5	9.3	na	26.1%	na	na	8.3%	na
Dialog Group Bhd	DLG MK	NR	2.74	na	3,709	25.7	23.7	na	8.8%	3.01	2.78	12.0%	1.4%
Malaysia Marine and Heavy Engi	MMHE MK	NR	0.38	na	144	na	38.0	14.1	na	0.35	0.36	1.8%	0.0%
Petronas Dagangan Bhd	PETD MK	NR	21.04	na	4,998	28.9	26.3	24.7	22.4%	3.80	3.78	12.6%	3.2%
Uzma Bhd	UZMA MK	NR	0.47	na	39	8.5	6.1	na	35.3%	0.32	0.30	4.0%	na
Wah Seong Corp Bhd	YNS MK	NR	0.64	na	118	9.3	7.7	4.7	na	0.64	0.60	9.5%	0.8%
<b>Malaysia offshore simple average</b>						<b>15.6</b>	<b>15.2</b>	<b>12.5</b>	<b>24.5%</b>	<b>1.30</b>	<b>1.23</b>	<b>8.2%</b>	<b>0.9%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS

### Profit & Loss

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>1,862</b>	<b>1,135</b>	<b>1,622</b>	<b>2,083</b>
<b>Gross Profit</b>	<b>(1,082)</b>	<b>(397)</b>	<b>(49)</b>	<b>0</b>
<b>Operating EBITDA</b>	<b>(1,396)</b>	<b>(236)</b>	<b>101</b>	<b>126</b>
Depreciation And Amortisation	(172)	(186)	(182)	(178)
<b>Operating EBIT</b>	<b>(1,567)</b>	<b>(422)</b>	<b>(81)</b>	<b>(52)</b>
Financial Income/(Expense)	(32)	(49)	(49)	(49)
Pretax Income/(Loss) from Assoc.	1	2	2	3
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>(1,598)</b>	<b>(469)</b>	<b>(128)</b>	<b>(98)</b>
Exceptional Items	0	0	0	0
<b>Pre-tax Profit</b>	<b>(1,598)</b>	<b>(469)</b>	<b>(128)</b>	<b>(98)</b>
Taxation	79	70	19	15
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>(1,518)</b>	<b>(399)</b>	<b>(109)</b>	<b>(83)</b>
Minority Interests	5	9	3	2
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>(1,514)</b>	<b>(389)</b>	<b>(106)</b>	<b>(81)</b>
Recurring Net Profit	(1,514)	(389)	(106)	(81)
<b>Fully Diluted Recurring Net Profit</b>	<b>(1,514)</b>	<b>(389)</b>	<b>(106)</b>	<b>(81)</b>

### Balance Sheet

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	1,104	1,146	473	154
Total Debtors	471	315	451	579
Inventories	67	95	135	174
Total Other Current Assets	1,384	965	1,372	1,756
<b>Total Current Assets</b>	<b>3,026</b>	<b>2,521</b>	<b>2,430</b>	<b>2,662</b>
Fixed Assets	3,993	3,857	3,775	3,696
Total Investments	256	256	256	256
Intangible Assets	198	198	198	198
Total Other Non-Current Assets	1,827	1,364	1,364	1,364
<b>Total Non-current Assets</b>	<b>6,274</b>	<b>5,674</b>	<b>5,592</b>	<b>5,514</b>
Short-term Debt	842	842	842	842
Current Portion of Long-Term Debt				
Total Creditors	1,514	870	758	950
Other Current Liabilities	178	116	164	209
<b>Total Current Liabilities</b>	<b>2,533</b>	<b>1,828</b>	<b>1,763</b>	<b>2,000</b>
Total Long-term Debt	2,513	2,513	2,513	2,513
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	210	210	210	210
<b>Total Non-current Liabilities</b>	<b>2,722</b>	<b>2,722</b>	<b>2,722</b>	<b>2,722</b>
Total Provisions	19	19	19	19
<b>Total Liabilities</b>	<b>5,275</b>	<b>4,569</b>	<b>4,505</b>	<b>4,742</b>
Shareholders' Equity	4,001	3,612	3,506	3,425
Minority Interests	24	14	12	10
<b>Total Equity</b>	<b>4,025</b>	<b>3,626</b>	<b>3,518</b>	<b>3,435</b>

### Cash Flow

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	(1,396)	(236)	101	126
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	295	305	(647)	(314)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	(54)	(49)	(49)	(49)
Tax Paid	(5)	70	19	15
<b>Cashflow From Operations</b>	<b>(1,159)</b>	<b>91</b>	<b>(576)</b>	<b>(222)</b>
Capex	(46)	(50)	(100)	(100)
Disposals Of FAs/subsidiaries	4	0	0	0
Acq. Of Subsidiaries/investments	(2)	0	0	0
Other Investing Cashflow	0	0	0	0
<b>Cash Flow From Investing</b>	<b>(44)</b>	<b>(50)</b>	<b>(100)</b>	<b>(100)</b>
Debt Raised/(repaid)	(512)	0	0	0
Proceeds From Issue Of Shares	1,499	0	0	0
Shares Repurchased	(0)	0	0	0
Dividends Paid	(0)	0	0	0
Preferred Dividends				
Other Financing Cashflow				
<b>Cash Flow From Financing</b>	<b>986</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Cash Generated	(217)	41	(676)	(322)
<b>Free Cashflow To Equity</b>	<b>(1,715)</b>	<b>41</b>	<b>(676)</b>	<b>(322)</b>
<b>Free Cashflow To Firm</b>	<b>(1,140)</b>	<b>141</b>	<b>(575)</b>	<b>(221)</b>

### Key Ratios

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	23.3%	(39.1%)	43.0%	28.4%
Operating EBITDA Growth	259%	(83%)	N/A	25%
Operating EBITDA Margin	(74.9%)	(20.8%)	6.2%	6.1%
Net Cash Per Share (\$)	(0.12)	(0.07)	(0.09)	(0.10)
BVPS (\$)	0.22	0.12	0.11	0.11
Gross Interest Cover	(18.97)	(4.19)	(0.81)	(0.52)
Effective Tax Rate	0%	0%	0%	0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Accounts Receivables Days	106.8	126.5	86.1	90.4
Inventory Days	10.00	19.24	25.09	27.13
Accounts Payables Days	154.0	264.5	159.9	135.6
ROIC (%)	(23.5%)	(6.7%)	(1.4%)	(0.8%)
ROCE (%)	(20.3%)	(5.1%)	(0.4%)	(0.0%)
Return On Average Assets	(16.3%)	(4.0%)	(0.7%)	(0.4%)

EFAC ChartValnBig2

### Key Drivers

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Order win (\$bn)	1.0	2.0	2.5	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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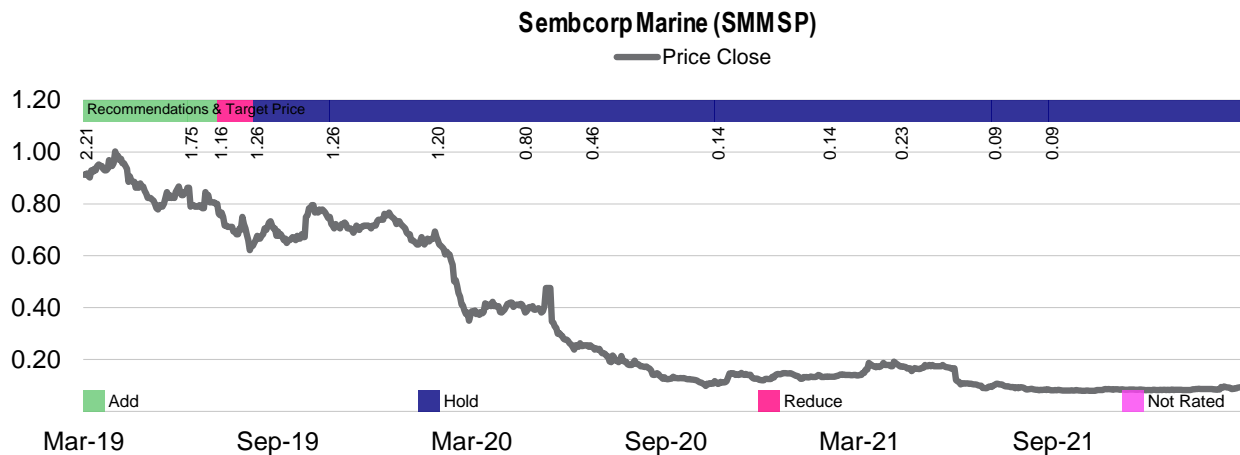
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Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%



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.

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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.

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.

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**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.

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