

Singapore

ADD (no change)

Consensus ratings*: Buy 10 Hold 1 Sell 0

Current price:	S\$2.66
Target price:	S\$2.96
Previous target:	S\$2.96
Up/downside:	11.2%
CGS-CIMB / Consensus:	0.6%
Reuters:	SCIL.SI
Bloomberg:	SCI SP
Market cap:	US\$3,482m
	S\$4,736m
Average daily turnover:	US\$8.24m
	S\$11.14m
Current shares o/s:	1,788m
Free float:	50.0%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9	32.3	47
Relative (%)	14.2	28.7	42.4

Major shareholders

	% held
Temasek Holdings	49.5

Sembcorp Industries

Insulated from rising costs

- Rising feedstock prices may have positive implications for SCI, particularly for its Singapore power plants that are fuelled by gas and are on cost-plus terms.
- Its India capacity backed by long-term PPAs, is supported by allocated local coal and runs on a cost passed-through model.
- The remaining capacity is priced on the spot market or IEX, which is up 47% since Dec 21, mitigating rising imported coal costs.
- Persistent tightness in the energy market could lead to upside for SCI's conventional energy profits. Reiterate Add and SOP-based TP of S\$2.96.

Singapore power plants to benefit from high crude oil prices

Around 95% of Singapore's electricity is generated by imported natural gas. Singapore's electricity tariff is regulated by the Energy Market Authority (EMA) and is calculated using the average of daily natural gas prices over the first two-and-a-half-month period in the preceding quarter. Piped natural gas (PNG) prices are linked to high sulphur fuel oil (HSFO) while LNG is linked to Brent and Japan/Korea Marker (JKM). Rising prices may have positive implications for SCI's Singapore energy segment (gas and power). For its gas sales, ASPs are pegged to HSFO and on a cost passed-through method. For power sales on contracts, SCI hedges a portion of its fuel costs up to a year ahead. For power sales dispatched to the pool, SCI could benefit from better spark spreads with blended fuel mix optimisation relative to peers as it is a key PNG importer and supplier.

India PPAs insulated from high coal cost from cost passed-through

Currently, 81% of SCI's India coal plant 1 is backed by purchase power agreements (PPA), which go up to 2040. From 2Q22, plant 2 will also have 81% of its capacity backed by PPAs till 2033/2034. If we include other unannounced short-term contracts, 85% of SCI's plant 1 and 2 will be backed by long-term and mid-term contracts. PPAs employ cost-passed through models. Power sales in the spot market (Indian Energy Exchange) are driven by market forces which typically reflect the coal cost from spot e-auction of local coal and imported coal. IEX tariff has risen by 47% since Dec 21 to an average of Rs5.19/kwhr in Mar 22 on the back of increased demand ahead of summer and competition buying in anticipation of shortage due to the Russia-Ukraine war.

Upside to our conventional energy earnings forecasts

SCI's conventional energy (CE) segment, which includes Singapore power, gas and India coal power, delivered a core profit of S\$218m in 2H21 (+18% hoh, +85% yoy). This excludes S\$30m provisions made for remedial obligations in UK. Our calculated core profit for CE for FY21 was S\$407m (+66% yoy). The strong performance was premised on high HSFO, Uniform Singapore Energy Price (USEP) and IEX prices. Persistent tightness in the energy market could translate into strong CE earnings in 1H22F. Our forecasts include a 15% yoy fall in FY22F revenue, which we maintain given the uncertain global geopolitical scene.

Analyst(s)



LIM Siew Khee

T (65) 6210 8664

E siewkhee.lim@cgs-cimb.com

izabella TAN

T (65) 6210 8897

E izabella.tan@cgs-cimb.com

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)	30.25	17.02	11.08	9.62	9.18
DPS (S\$)	0.040	0.050	0.072	0.083	0.087
Dividend Yield	1.50%	1.88%	2.71%	3.12%	3.27%
EV/EBITDA (x)	9.83	8.73	8.58	7.43	7.09
P/FCFE (x)	NA	10.79	NA	NA	NA
Net Gearing	193%	154%	156%	148%	143%
P/BV (x)	1.42	1.26	1.15	1.02	0.92
ROE	3.1%	7.9%	10.8%	11.3%	10.6%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			0.99	1.01	1.02

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Glossary >

Uniform Singapore Energy Price (USEP): Effectively represents the market 'pool price' of all electricity sold to the grid. The USEP is the weighted average price in the wholesale electricity market and is determined through the interaction of offers made by generation companies and consumer demand.

Vesting contracts (VC): A unique form of bilateral contracts between Singapore Power Services and generation companies. Implemented in order to rein in the large generation companies by preventing them from withholding capacity and thus pushing up spot wholesale electricity prices. Determined by the authority every two years, a specific amount of electricity, i.e. the vesting contract (VC) level, has to be sold at a fixed price, i.e. the vesting contract price. The vesting contract price is based on the long-run marginal cost of the most efficient technology, currently determined as the 'F' class CCGT (combined cycle gas turbine) power plant, which accounts for at least 25% of the system demand in Singapore. The vesting contract level fell from the peak of 60% in 2011 to 20% in 2016-2019. Prior to the decline, VC prices were always higher than USEP to ensure generation companies were adequately compensated (read: profitable).

Currently only LNG VC remains in the market with volume being fixed by the government. LNG VC are pegged to dated Brent. The entire VC regime will be phased out from 1 Jul-23.

High sulphur fuel oil (HSFO): A form of residual (heavy) fuel oil with a high sulphur content, used as a proxy for fuel costs. HSFO 180 CST is used as a benchmark as it is widely utilised given its emission standards. As Singapore's electricity is mainly generated from natural gas, the prices of natural gas as set out in commercial gas contracts signed by generation companies are indexed to fuel oil prices.

Spark spread is a common metric for estimating the profitability of natural gas-fired electric generators. The spark spread is the difference between the price received by a generator for electricity produced and the cost of the natural gas needed to produce that electricity. Spark spreads have not been disclosed since 2013. From our database, some of the generation companies' blended spark spreads were S\$40/MW in 2013 when crude oil prices were at US\$110/bbl.

The **Indian Energy Exchange (IEX)** is an Indian electronic power trading exchange regulated by the Central Electricity Regulatory Commission (CERC). Essentially, this provides the daily average spot power price, which is a function of demand from various DISCOM (Distribution Company India) and supply from thermal power plants that are exposed to imported coal prices/supplies.

Singapore USEP trending up, tracking high LNG and crude oil prices >

Singapore relies on imported natural gas for almost 95% of its electricity supply. This means energy developments around the world will naturally have an impact on Singapore's electricity prices.

Since 2014, the USEP has been depressed below the full cost of producing electricity due to intense competition among power generation companies (gencos), which had over-invested in generation capacity and over-contracted for gas. However, this has reversed since 2H21.

According to EMA, a global energy crunch since Sep 21 due to a confluence of increased gas consumption, recovering economic activity, stockpiling for winter months, severe weather events and a series of gas production outages has led to a surge in the price of liquefied natural gas. Domestically, Singapore’s electricity demand has also increased, with a new peak in demand above 7,600MW recorded in Oct 21 (from an average of 7,376MW in 2020). Meanwhile, there was unplanned curtailment of piped natural gas from West Natuna and low landing pressure of gas supplied from South Sumatra due to upstream production issues during the months of Sep-Dec 2021. In addition, gencos in Singapore experienced some unplanned prolonged maintenance.

Accordingly, USEP spiked to an average of S\$448 MW/hr from Oct 21 to Jan 22. Although gas supply has since resumed at contractual levels, crude oil/LNG prices remained elevated at c.S\$262 MW/hr in Feb and Mar 22 (+160% yoy).

Figure 1: Asia LNG cargo swap price up 66% yoy

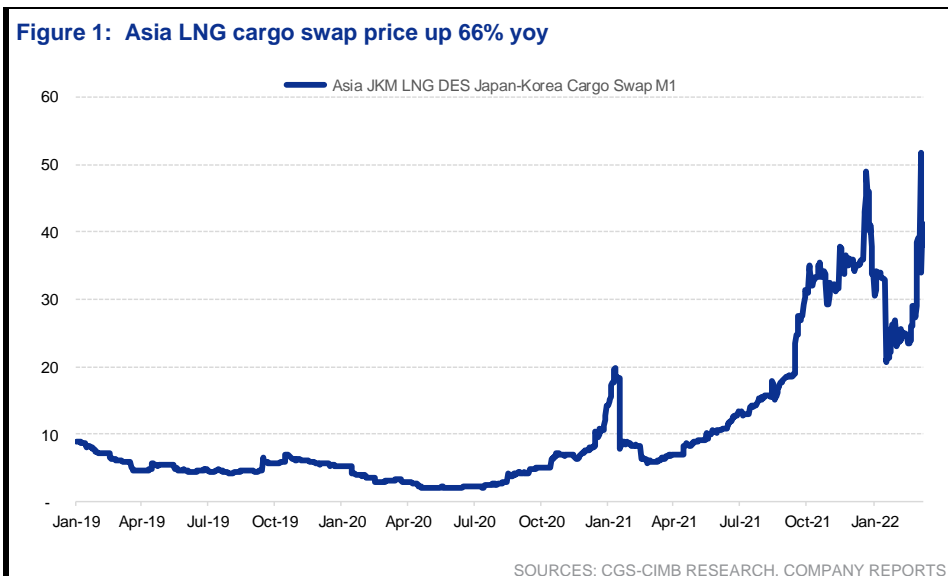
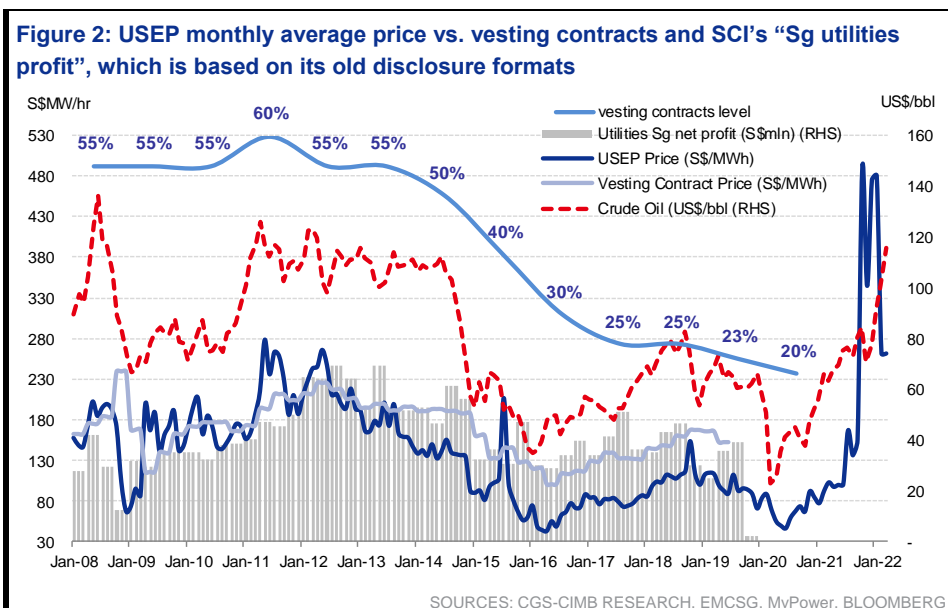


Figure 2: USEP monthly average price vs. vesting contracts and SCI’s “Sg utilities profit”, which is based on its old disclosure formats



Then and now ➤

Recall that under its old disclosure format, Singapore’s utilities (which include power, gas & steam, water and waste) delivered annual profit of c.S\$220m in 2011-2014 when oil prices were at US\$120/bbl and vesting contracts capacity

was 55-60%. We estimate power/gas and steam made up about 70% of the Singapore profits then.

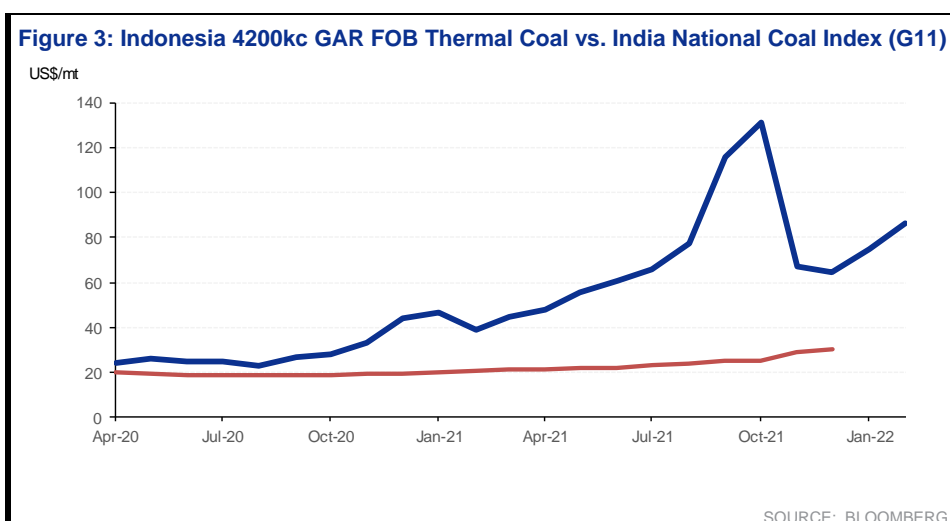
Gas no longer in oversupply >

In 2008, BG Singapore Gas Marketing (BG) was selected as the LNG aggregator for Singapore. BG aggregates demand for regasified LNG from all end-users in Singapore and targeted 3mtpa (million metric tonnes per annum) LNG supply starting from 2013. Six companies (Senoko Energy, PowerSeraya, Tuas Power, Sembcorp Cogen, Keppel Merlimau Cogen and Island Power Company) entered a long-term gas purchase agreement with BG to purchase c.2mtpa of regasified LNG for a period of 10 years, or up to 2023, whichever was earlier. We believe that these contracts have been gradually rolled off, resulting in a more balanced gas situation in Singapore.

For SCI, two contracts were signed by Sembcorp Cogen in 2010 for the purchase of a total 42 BBtud (Billion British thermal units per day) of LNG. The agreements have a term of 10 years with an option to extend the term by two successive periods of five years each subject to fulfilment of conditions set in the agreements.

Feedstock arrangement for India coal plants >

SCI utilises a blend of domestic and imported coal to meet its fuel requirements. As of Dec 21, domestic coal was more than 200% cheaper than international coal imported from Indonesia.



For domestic coal, SCI entered into a fuel supply agreement (FSA) with Mahanadi Coalfields Limited (MCL), a subsidiary of Coal India Limited, for 4.27mtpa coal for a period of 20 years from 2013. The price of coal under the FSA consists of a notified base price and other charges, including transportation charges, sizing, crushing, rapid loading charges and statutory charges. If the quantity of coal delivered falls below the set threshold level under the FSA, MCL is required to pay compensation to SCI in accordance with the FSA. Similarly, in the event that SCI purchases less coal than the threshold contracted quantity of coal from MCL, SCI will be required to compensate MCL.

For imported coal, SCI entered into a coal sales and purchase agreement (CSPA) with PT Bayan Resources TBK Indonesia for the supply of 1.06mtpa of coal for a period of 10 years from 2015. The CSPA may be terminated if either party fails to perform its obligations under the contract or in certain other circumstances. For the portion of power without PPA, that is, fuel priced on the spot market, SCI utilises imported coal from Indonesia, South Africa and other countries.

Cost passed through for PPAs >

Under the terms of the PPAs, a substantial portion of SCI's coal cost is recoverable as it is either passed through to customers or recoverable in the form of fuel cost escalation. As a result, it is not exposed to significant risks relating to coal price fluctuations.

Spot market reflects higher coal costs in a timely manner >

For power sold on the spot market, the tariff is determined based on the prevailing demand and supply conditions and price fluctuations. IEX prices usually reflect the coal availability as well as a combination of imported and domestic coal prices. As imported coal prices increased, IEX has risen 47% since Dec 21 to Rs5.19/kwhr in Mar 22.

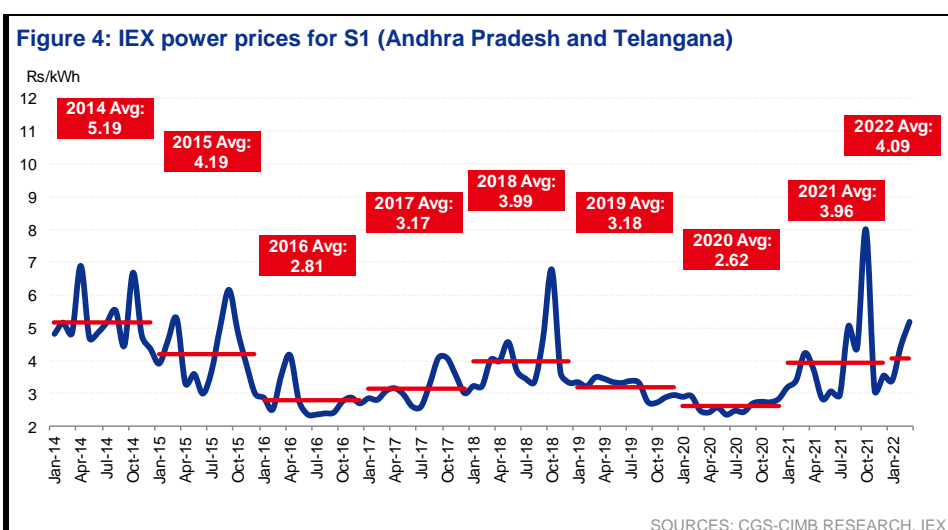


Figure 5: SCI's CE segment (including Singapore gencos and India's coal power plants) 2H21 core profit up 18% hoh and 85% yoy

Net profit (\$m) before EI	1H20	2H20	1H21	2H21	hoh	yoy	Comments for 2H21
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	218	**	18%	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	(1)	12	13	12	-8%	0%	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
Total	149	151	252	250	-1%	66%	

** excluding S\$30m provision for remedial obligations in UK

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Including unannounced short-term contracts, 85% SCI's India coal power plants are backed by PPAs in 2022

Asset Name (Location)	Stake	Gross Installed Capacity (MW)	Contracted Capacity (MW)	Net Electricity Generated (GWh)		Plant Availability Factor (%)		Contract tenure	Customers	Energy Source
				FY21	FY20	FY21	FY20			
Sembcorp Energy India Project 1, India	100%	1,320	570	9,156	8,590	92%	85%	2016-2024	Telangana DISCOMS	Coal, Diesel
			500					2013-2040	Telangana and Andhra Pradesh DISCOMS	Coal, Diesel
Sembcorp Energy India Project 2, India	100%	1,320	250	7,790	8,201	88%	96%	2019-2033	Bangladesh Power Development Board	Coal, Diesel
			200					2Q22 to 2033	Bangladesh Power Development Board	Coal, Diesel
			625					2023-2034	Andhra Pradesh DISCOMS	Coal, Diesel
Sirajgani Unit 4, Bangladesh	71%	440	414			93%	96%	2016-2041	Bangladesh Power Development Board	Gas
Shanghai Cao Jing	30%	658		3,539	3,380					Gas
Chongqing Songzao Sembcorp	49%	1,320		4,175	3,838					Coal, Diesel
			5,058	2,559	24,660	24,009				

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Key catalysts and risks ►

Key re-rating catalysts: stronger margins from the merchant market, earnings-accretive M&A and divestment of coal power plants in India. Key downside risks: unplanned shutdown, global shortage of gas and unfavourable regulatory changes affecting plants operations.

Figure 7: Utilisation of SEIL 2 improved from the low of 26% in Dec 21 to 69% in Mar 22

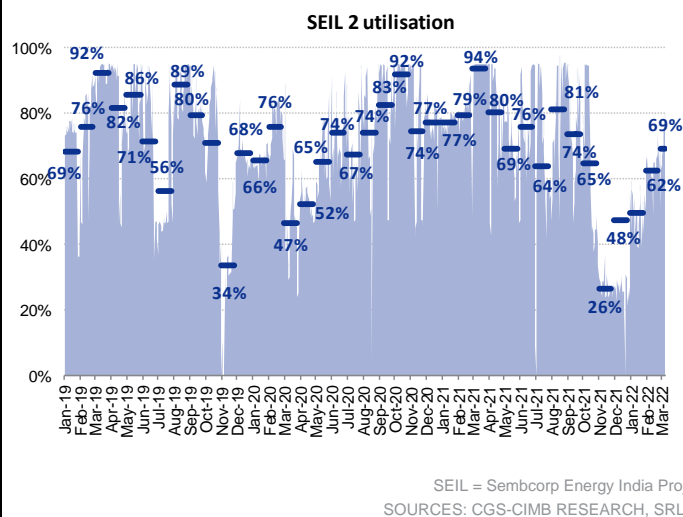


Figure 8: Utilisation of SEIL 1 averaged at 77% in Jan-Feb 22. Mar 22's low utilisation of 47% due to 5 days of shutdown

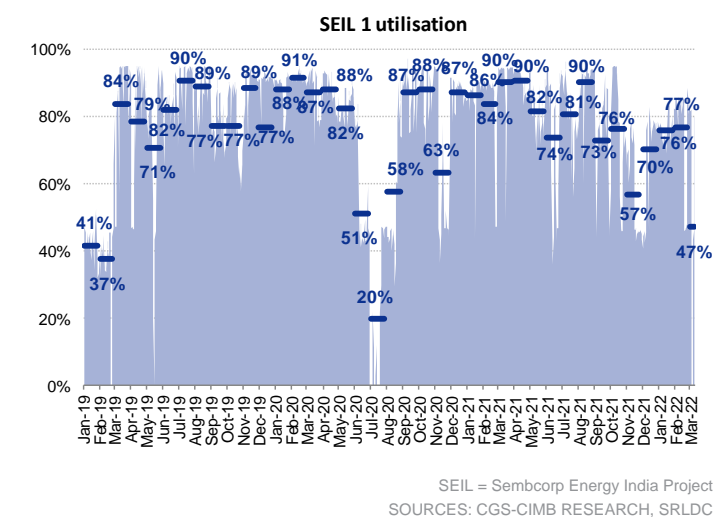


Figure 9: Forecasts by segment

	2H20	1H21	2H21	FY21	FY22F	FY23F
Revenue (S\$m)						
Renewables	144.0	146.0	208.0	354.0	314.6	366.0
yoy change in Renewables (%)		1.4%			-11.1%	16.3%
Integrated Urban Solutions (incl. was	225.0	218.0	247.0	465.0	465.0	469.7
yoy change in IUS (%)		-3.1%			0.0%	1.0%
Conventional Energy	2,358.0	2,756.0	3,923.0	6,679.0	5,677.2	6,017.8
yoy change in CE (%)		16.9%			-15.0%	6.0%
Other Business	103.0	170.0	127.0	297.0	305.9	321.2
yoy change in Other Business (%)		65.0%			3.0%	5.0%
Total revenue	2,830.0	3,290.0	4,505.0	7,795.0	6,762.4	7,174.9
yoy change in Total Revenue (%)		16.3%	59.2%	43.1%	-13.2%	6.1%
Adjusted EBITDA (S\$m)						
Renewables	119.0	125.0	150.0	278.0	248.0	316.8
yoy change in Renewables (%)		5.0%			-10.8%	27.7%
Integrated Urban Solutions	110.0	107.0	133.0	240.0	239.4	248.5
yoy change in IUS (%)		-2.7%			-0.2%	3.8%
Conventional Energy	527.0	525.0	520.0	1,045.0	878.2	965.4
yoy change in CE (%)		-0.4%			-16.0%	9.9%
Other Business and Corporate	9.0	(13.0)	(53.0)	(69.0)	(69.3)	(63.2)
yoy change in Other Business (%)		-244.4%			0.5%	-8.9%
Total Adjusted EBITDA	765.0	744.0	750.0	1,494.0	1,296.4	1,467.5
yoy change in Total Adjusted EBITDA (%)		-2.7%	-2.0%	5.4%	-13.2%	13.2%
Net profit (S\$m)						
Renewables	13.0	24.0	32.0	56.0	66.7	86.1
yoy change in Renewables (%)		84.6%			19.2%	29.1%
Integrated Urban Solutions	74.0	69.0	92.0	161.0	149.7	151.3
yoy change in IUS (%)		-6.8%			-7.0%	1.0%
Conventional Energy	149.0	(27.0)	201.0	174.0	317.1	348.5
yoy change in CE (%)		-118.1%			82.2%	9.9%
Other Business	10.0	13.0	12.0	25.0	25.0	25.0
yoy change in Other Business (%)		30.0%			0.0%	0.0%
Corporate	(48.0)	(33.0)	(104.0)	(137.0)	(130.2)	(117.1)
yoy change in Corporate (%)					-5.0%	-10.0%
Total net profit after EI	198.0	46.0	233.0	279.0	428.3	493.8
yoy change in net profit after EI (%)		-76.8%	18%	77.7%	53.5%	15.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: SOP valuations


	Renewables	Urban	CE	Others	Total
(S\$m)					
FY23F Adjusted EBITDA	316.8	248.5	965.4	(63.2)	1,467.5
EV/EBITDA (CY23F Asian peers' average)	15.0		8.0		
EV	4,752.0		7,722.9		12,474.9
Less: net debt					6,403.8
Market cap					6,071.0
Add: BV of Urban Solutions as of FY22		1,930.4			1,930.4
Add: BV of Others as of FY21				(2,696.0)	(2,696.0)
Sum of parts					5,305.5
Number of shares (millions)					1,787.5
Target price (S\$)					2.96

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Sector / Peer Comparison

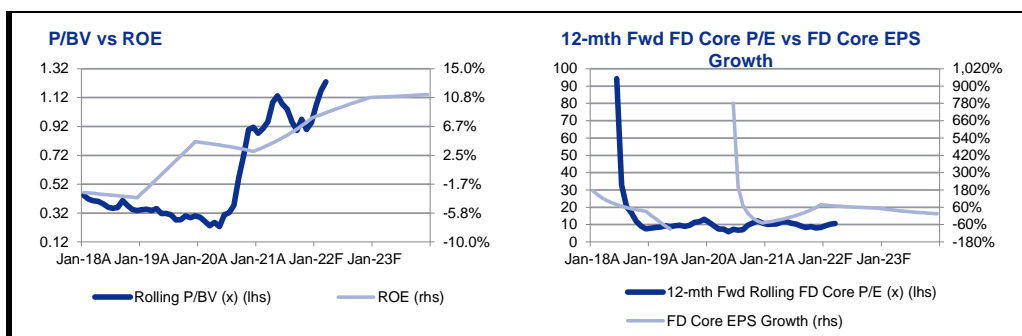
Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	EV/EBITDA (x)			Recurring ROE (%)	Dividend Yield (%)
						CY21F	CY22F	CY23F		CY21F	CY22F	CY23F	CY21F	CY21F
Perusahaan Gas Negara	PGAS IJ	Add	1,405	2,300	2,382	7.7	8.1	7.7	na	6.4	5.2	5.0	13.0%	0.0%
NTPC Ltd	NTPC IN	NR	131.3	NA	16,635	8.2	7.9	6.7	11.0%	8.7	7.6	6.9	12.0%	4.8%
Power Grid Corp of India Ltd	PWGR IN	NR	211.7	NA	19,294	11.5	10.4	9.5	9.5%	7.5	7.3	7.0	18.3%	5.3%
Tata Power Co Ltd/The	TPWR IN	NR	231.8	NA	9,677	55.6	30.2	25.3	34.7%	17.7	14.1	12.5	8.0%	0.7%
GAIL India Ltd	GAIL IN	NR	151.7	NA	8,801	11.1	7.2	7.3	10.4%	5.6	5.9	5.8	16.5%	6.0%
Petronet LNG Ltd	PLNG IN	NR	205.5	NA	4,027	10.5	9.3	8.5	7.9%	5.5	5.8	5.5	24.8%	5.4%
Adani Green Energy Ltd	ADANIGR IN	NR	1,839	NA	37,588	1070.1	na	na	na	na	na	na	na	na
Simple Average (India)						194.5	13.0	11.5	14.7%	9.0	8.1	7.5	15.9%	4.5%
Cypark Resources Bhd	CYP MK	Hold	0.82	0.96	114	6.6	6.1	6.1	-1.5%	15.9	11.6	10.4	7.0%	0.0%
Gas Malaysia Berhad	GMB MK	Add	2.66	3.00	814	13.6	15.7	14.4	1.8%	8.6	9.5	9.2	22.8%	6.6%
Malakoff Corporation	MLK MK	Add	0.60	1.16	693	8.6	8.9	8.5	6.5%	5.4	4.9	5.4	8.3%	7.4%
Petronas Gas	PTG MK	Hold	17.12	16.75	8,074	16.7	18.1	17.5	-1.4%	9.2	8.9	8.9	15.8%	4.8%
Taiworks Corporation	TWK MK	Add	0.93	1.06	444	23.8	24.5	22.8	11.2%	18.3	15.0	15.2	8.4%	7.1%
Tenaga Nasional	TNB MK	Add	8.94	13.30	12,201	10.6	10.8	10.0	6.6%	5.1	4.7	4.5	8.6%	4.5%
YTL Power International	YTLP MK	Add	0.59	0.81	1,139	14.2	12.4	11.5	18.5%	9.9	9.9	9.8	2.6%	6.7%
Simple Average (Malaysia)						13.4	13.8	13.0	5.9%	10.3	9.2	9.0	10.2%	5.3%
Sermang Power Corporation	SSP TB	Add	11.50	15.60	393	13.1	9.6	10.2	13.1%	10.8	9.1	9.8	18.0%	0.1%
B Grimm Power PCL	BGRIM TB	NR	34.00	NA	2,651	47.2	32.7	22.9	21.2%	14.6	12.9	11.0	11.1%	0.4%
Banpu Power PCL	BPP TB	NR	16.20	NA	1,477	15.8	10.6	9.9	10.5%	264.4	51.3	40.7	7.2%	2.2%
BCPG PCL	BCPG TB	NR	12.10	NA	1,048	15.8	14.0	22.5	-16.4%	15.0	12.8	14.2	8.1%	2.7%
Energy Absolute PCL	EA TB	NR	85.50	NA	9,540	52.1	37.7	31.3	25.1%	36.0	26.3	22.3	20.2%	0.4%
Global Power Synergy PCL	GPSC TB	NR	68.75	NA	5,799	24.4	23.6	20.4	8.2%	13.5	15.0	13.8	6.9%	1.5%
Gulf Energy Development PCL	GULF TB	NR	48.25	NA	16,935	na	46.2	37.5	48.8%	44.6	34.8	28.5	9.6%	0.8%
Ratch Group PCL	RATCH TB	NR	45.00	NA	1,952	8.4	10.0	9.7	2.4%	15.1	13.9	13.6	11.9%	5.3%
TPI Polene Power PCL	TIPIP TB	NR	3.94	NA	990	7.9	7.4	8.0	-2.9%	8.2	7.9	8.3	14.0%	3.0%
Super Energy Corp PCL	SUPER TB	NR	0.91	NA	745	na	na	na	na	na	na	na	13.2%	0.0%
Simple Average (Thailand)						23.1	21.3	19.1	12.2%	46.9	20.4	18.0	12.2%	1.6%
Beijing Jingneng Clean Energy	579 HK	NR	2.12	NA	2,232	5.5	4.7	3.9	17.0%	6.7	5.6	4.8	9.9%	5.1%
China Datang Corp Renewable Pc	1798 HK	NR	3.22	NA	2,991	13.3	10.1	8.1	35.9%	9.7	8.3	7.4	7.1%	1.7%
China Longyuan Power Group Cor	916 HK	NR	15.60	NA	29,262	16.6	14.0	12.0	21.4%	13.8	11.9	10.1	10.4%	1.2%
China Gas Holdings Ltd	384 HK	NR	10.08	NA	7,127	5.0	5.6	4.9	1.7%	6.5	6.3	5.7	16.5%	5.3%
China Resources Gas Group Ltd	1193 HK	NR	27.35	NA	8,084	10.1	9.2	8.4	12.2%	5.7	5.2	4.8	15.9%	4.1%
China Resources Power Holdings	836 HK	NR	14.82	NA	9,106	12.6	6.8	5.6	19.0%	8.2	5.8	5.0	6.3%	3.3%
CGN Power Co Ltd	1816 HK	NR	2.04	NA	20,930	8.3	7.8	7.3	6.0%	10.9	10.7	10.5	10.3%	5.3%
Huaneng Power International In	902 HK	NR	4.00	NA	16,409	na	8.8	7.5	120.5%	14.6	8.8	8.1	-5.0%	2.0%
Simple Average (China)						10.2	8.4	7.2	29.2%	9.5	7.8	7.0	8.9%	3.5%
AC Energy Corp	ACEN PM	NR	8.14	NA	5,948	na	37.0	27.9	7.8%	42.3	27.5	19.2	8.7%	0.6%
Aboitiz Power Corporation	AP PM	Add	34.90	41.30	4,912	12.6	9.7	8.4	33.0%	8.9	7.0	5.9	15.0%	2.4%
Manila Electric Co	MER PM	NR	360.6	NA	7,751	17.3	15.7	15.0	18.5%	10.9	9.8	9.4	26.9%	1.4%
Simple Average (Philippines)						15.0	20.8	17.1	19.8%	20.7	14.8	11.5	16.9%	1.5%
Orsted AS	ORSTED DC	NR	880.0	NA	54,289	36.2	30.4	41.3	-16.0%	17.2	14.7	17.1	14.1%	1.4%
NextEra Energy Inc	NEE US	NR	79.30	NA	155,646	31.1	28.5	26.3	26.4%	32.3	18.2	16.8	9.7%	1.9%
Brookfield Renewable Partners	BEP US	NR	41.01	NA	19,207	na	577.6	154.8	na	29.7	27.4	25.6	-4.7%	3.1%
Azure Power Global Ltd	AZRE US	NR	18.68	NA	1,135	na	35.7	15.7	na	14.2	10.9	8.9	-4.2%	na
Simple Average (US and Europe)						33.7	168.1	59.5	5.2%	23.4	17.8	17.1	3.7%	2.2%
Average (ex US and Europe)						16.3	14.9	13.2	17.3%	20.7	12.1	10.8	11.6%	3.3%
Average (all)						17.4	31.5	18.2	16.6%	21.0	12.8	11.5	10.7%	3.2%
Sembcorp Industries	SCI SP	Add	2.66	2.96	3,482	17.0	11.1	9.6	47.3%	8.7	8.6	7.4	7.9%	1.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

<div style="display: flex; justify-content: space-between; align-items: center;"> <div data-bbox="67 291 351 336"> <h2>ESG in a nutshell</h2> </div> <div data-bbox="606 201 766 336">  </div> <div data-bbox="1021 190 1292 235"> <h3>Refinitiv ESG Scores</h3> </div> <div data-bbox="798 235 1516 336"> <table border="1" style="border-collapse: collapse; text-align: center;"> <tr> <td style="background-color: #90EE90;">C+</td> <td style="background-color: #90EE90;">B</td> <td style="background-color: #90EE90;">C+</td> <td style="background-color: #FFD700;">C</td> <td style="background-color: #90EE90;">C+</td> <td style="background-color: #90EE90;">A-</td> </tr> <tr> <td style="font-size: 8px;">ESG Score</td> <td style="font-size: 8px;">ESG Controversies Score</td> <td style="font-size: 8px;">ESG Combined Score</td> <td style="font-size: 8px;">ESG Environment Pillar Score</td> <td style="font-size: 8px;">ESG Social Pillar Score</td> <td style="font-size: 8px;">ESG Government Pillar Score</td> </tr> </table> </div> </div>		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
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>Keep your eye on</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>Implications</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>ESG highlights</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 2.7mtCO₂e by 2030F, from the current 26.5mtCO₂e. 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 sustainabilitylinked-bond (SLB) raising S\$675m with IFC which involved pledging its performance to tailor-made ESG targets.</p>	<p>Implications</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>Trends</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>Implications</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
Total Net Revenues	5,447	7,795	6,763	7,175	7,496
Gross Profit	1,362	1,559	1,422	1,490	1,545
Operating EBITDA	1,017	1,071	1,084	1,216	1,247
Depreciation And Amortisation	(575)	(457)	(466)	(475)	(485)
Operating EBIT	442	614	618	741	762
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
Profit Before Tax (pre-EI)	211	423	383	444	463
Exceptional Items			0	0	0
Pre-tax Profit	211	423	383	444	463
Taxation	(32)	(123)	(139)	(118)	(119)
Exceptional Income - post-tax					
Profit After Tax	179	300	244	326	344
Minority Interests	(22)	(21)	184	167	174
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	157	279	428	494	517
Recurring Net Profit	157	279	428	494	517
Fully Diluted Recurring Net Profit	157	279	428	494	517

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	1,017	1,071	1,084	1,216	1,247
Cash Flow from Inv. & Assoc.	(233)	(206)	(212)	(251)	(291)
Change In Working Capital	1,188	1,206	219	544	311
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,378)	(816)	(439)	(629)	(488)
Net Interest (Paid)/Received	(447)	(300)	(447)	(548)	(591)
Tax Paid	(103)	(36)	(181)	(139)	(118)
Cashflow From Operations	44	919	24	193	71
Capex	(318)	(282)	(327)	(337)	(347)
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
Cash Flow From Investing	(1,349)	(130)	(327)	(337)	(347)
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)	0	0	0
Cash Flow From Financing	570	(525)	(25)	29	29
Total Cash Generated	(735)	264	(328)	(114)	(247)
Free Cashflow To Equity	(415)	440	(274)	(114)	(247)
Free Cashflow To Firm	(790)	1,119	170	424	332

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	1,016	902	655
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
Total Current Assets	3,004	3,933	3,077	4,418	3,643
Fixed Assets	7,204	7,094	6,955	6,816	6,678
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
Total Non-current Assets	10,558	10,462	10,535	10,647	10,800
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	401	380	381
Total Current Liabilities	2,127	2,905	1,902	3,000	2,005
Total Long-term Debt	7,135	6,637	6,666	6,695	6,724
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	824	935	935	935	935
Total Non-current Liabilities	7,959	7,572	7,601	7,630	7,659
Total Provisions	0	0	0	0	0
Total Liabilities	10,086	10,477	9,503	10,630	9,664
Shareholders' Equity	3,339	3,767	4,142	4,635	5,153
Minority Interests	137	151	(33)	(200)	(374)
Total Equity	3,476	3,918	4,109	4,435	4,779

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)	(3.67)	(3.82)
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%	6.51%
ROCE (%)	3.19%	5.69%	5.64%	6.50%	6.46%
Return On Average Assets	3.11%	4.16%	4.39%	5.45%	5.65%

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

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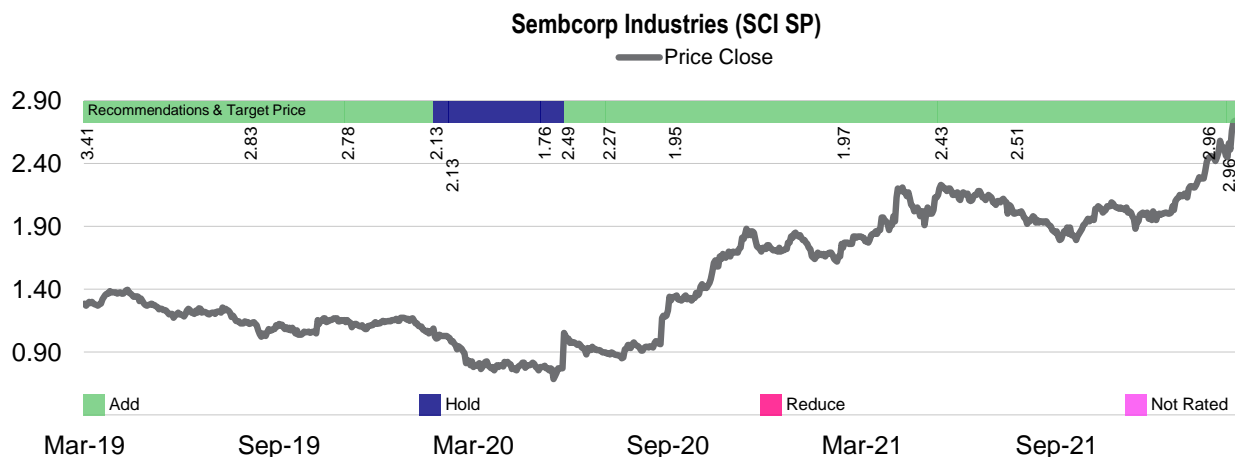
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

