

Singapore

June 14, 2022 - 10:17 AM

HOLD (no change)

Consensus ratings*: Buy 1 Hold 3 Sell 4

Current price:	S\$0.114
Target price:	S\$0.09
Previous target:	S\$0.09
Up/downside:	-21.1%
CGS-CIMB / Consensus:	-7.8%
Reuters:	SCMN.SI
Bloomberg:	SMM SP
Market cap:	US\$2,576m
	S\$3,578m
Average daily turnover:	US\$16.66m
	S\$22.84m
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)	0.99	1.02	1.04
DPS (S\$)	-	-	-
Dividend Yield	0%	0%	0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	20	25.3	-34.5
Relative (%)	21.6	28.7	-33.9

Major shareholders	% held
Temasek	54.6

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

Sembcorp Marine

Defence contract confirmed

- SMM secured its first EPC contract of the year from the Brazilian Navy. We think this contract enhances SMM's competitiveness against Korean peers.
- The vessel, NApAnt, is worth US\$150m (c.S\$200m). SMM expects to complete the vessel in 3Q25.
- We estimate YTD order wins to be at S\$800m-915m, following the WTIV contract secured in Mar 22. We reiterate Hold and TP of S\$0.09.

First EPC contract secured in FY22F, worth US\$150m

- SMM secured an Engineering, Procurement, and Construction (EPC) contract worth US\$150m (c.S\$200m) from Emgepron, a state-owned company linked to the Ministry of Defence in Brazil. The contract is based on typical contract payment scheme.
- The EPC contract involves a new build support vessel, the NApAnt, for the Brazilian Navy for scientific research deployment in the Antarctic. It measures 93.9m in length, 18.5m in width, and weighs about 5,800 metric tonnes with a draft of 6 metres. The NApAnt is built to navigational ice field standards, and is classified as P-6.
- The vessel will be constructed in SMM's yard in Brazil, commencing in 1Q23 with scheduled completion in 3Q25. On completion, NApAnt will replace the ocean support vessel (NApOc) Ary Rongel (H-44). It is expected to add a new operative dimension to the Brazilian Antarctic Programme.
- Recall that SMM secured repair jobs for three US Navy vessels in 1Q22. We think that establishing an expertise in defence may give it a competitive edge against its Korean competitors, and may thus command higher margins.

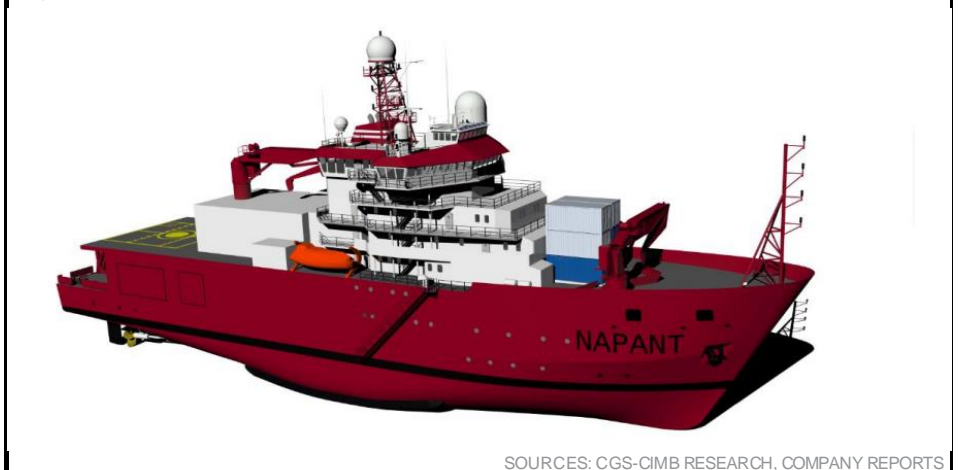
We estimate YTD order wins to be between S\$800m and S\$915m

- We believe this EPC contract raises the company's current net orderbook to S\$1.95bn, from S\$1.75bn in 1Q22.
- In Mar 22, SMM secured a contract for the construction of a wind turbine installation vessel (WTIV) from Maersk Supply Service. The management guided that this WTIV contract is in the range of S\$600m-715m in value.
- With the EPC contract with the Brazilian Navy, we estimate YTD order wins to be S\$800m-915m. We project S\$2bn order wins for FY22F.

Reiterate Hold and TP of S\$0.09

- We base our TP on 0.8x FY22F P/BV (3-year historical average). We see potential for discount to narrow post-merger completion of KEP/SMM in 4Q22 as SMM can ride on KEP O&Ms order wins. YTD, KEP O&M secured FPSO integration contracts worth S\$250m. Key catalysts: more order wins for both SMM and KEP O&M and faster-than-expected project deliveries. Downside risks: cancellation of orders.

Figure 1: NApAnt is worth US\$150m (c.S\$200m), with expected completion in 3Q25



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Sector / Peers Comparison

Company	Bbg Ticker	Recom.	Price	Target Price	Market Cap	P/E (x)			2-year EPS		P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
			(lcl curr)	(lcl curr)	(US\$ m)	CY22F	CY23F	CY24F	CAGR (%)	CY22F	CY23F	CY22F	CY22F	
Keppel Corporation	KEP SP	Add	6.74	7.20	8,628	14.3	14.9	15.3	-10.5%	0.98	0.96	7.0%	3.9%	
Sembcorp Marine	SMM SP	Hold	0.11	0.09	2,576	na	na	na	na	0.99	1.02	-13.0%	0.0%	
Singapore offshore - big cap simple average						14.3	14.9	15.3	-10.5%	0.99	0.99	-3.0%	1.9%	
COSCO SHIPPING International S	COS SP	NR	0.20	na	313	32.5	32.5	na	-33.1%	0.72	0.72	4.1%	30.8%	
Yangzijiang Shipbuilding	YZJSGD SP	Add	0.98	1.63	2,787	7.7	6.2	5.6	17.3%	1.08	0.97	14.6%	5.1%	
Chinese Shipbuilder simple average						20.1	19.3	5.6	-7.9%	0.90	0.85	9.3%	17.9%	
CSE Global	CSE SP	Add	0.46	0.54	170	13.2	10.2	8.7	22.2%	1.21	1.16	9.4%	6.0%	
SATS Ltd	SATS SP	Add	4.00	4.88	3,231	63.8	24.6	17.1	na	2.76	2.71	4.4%	1.1%	
Sembcorp Industries	SCI SP	Add	2.79	2.96	3,586	11.6	10.1	9.6	32.3%	1.20	1.07	10.9%	2.6%	
ST Engineering	STE SP	Add	4.03	4.70	9,043	21.4	18.3	16.9	7.7%	5.03	4.68	24.3%	4.0%	
SIA Engineering	SIE SP	Add	2.44	2.92	1,972	43.5	32.2	24.1	31.4%	1.65	1.61	3.9%	1.5%	
Industrial/conglomerate / airport services simple average						30.7	19.1	15.3	23.4%	2.37	2.25	10.6%	3.0%	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

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

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
Total Current Assets	3,026	2,521	2,430	2,662
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
Total Non-current Assets	6,274	5,674	5,592	5,514
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
Total Current Liabilities	2,533	1,828	1,763	2,000
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
Total Non-current Liabilities	2,722	2,722	2,722	2,722
Total Provisions	19	19	19	19
Total Liabilities	5,275	4,569	4,505	4,742
Shareholders' Equity	4,001	3,612	3,506	3,425
Minority Interests	24	14	12	10
Total Equity	4,025	3,626	3,518	3,435

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
Cashflow From Operations	(1,159)	91	(576)	(222)
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
Cash Flow From Investing	(44)	(50)	(100)	(100)
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				
Cash Flow From Financing	986	0	0	0
Total Cash Generated	(217)	41	(676)	(322)
Free Cashflow To Equity	(1,715)	41	(676)	(322)
Free Cashflow To Firm	(1,140)	141	(575)	(221)

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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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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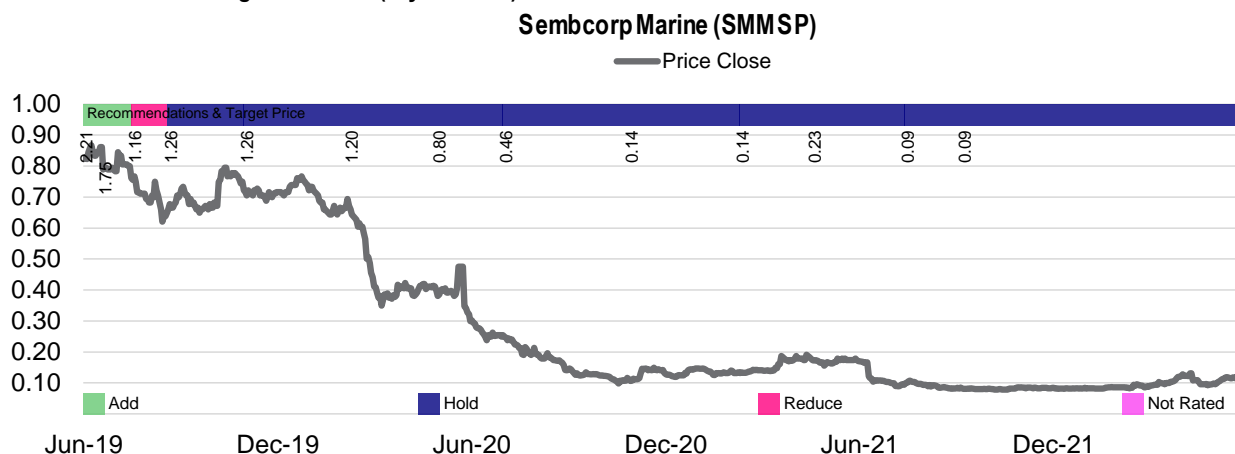
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

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, **CENTEL** – 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, **SV** – 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

Rating	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.

Sector Ratings

Rating	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

Rating	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.