

Singapore

ADD (no change)

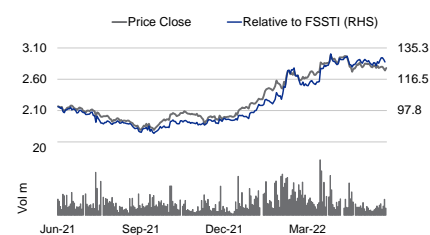
Consensus ratings*: Buy 10 Hold 1 Sell 0

Current price:	S\$2.78
Target price:	S\$3.66
Previous target:	S\$2.96
Up/downside:	31.7%
CGS-CIMB / Consensus:	10.5%
Reuters:	SCIL.SI
Bloomberg:	SCI SP
Market cap:	US\$3,569m S\$4,964m
Average daily turnover:	US\$7.73m S\$10.53m
Current shares o/s:	1,788m
Free float:	50.0%

*Source: Bloomberg

Key changes in this note

- FY22F EPS up 19%.
- FY23F EPS up 5%.
- FY24F EPS up 7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.1	5.3	28.7
Relative (%)	1.3	12.3	30.2

Major shareholders	% held
Temasek Holdings	49.5

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Sembcorp Industries

For watt it's worth

- With 6 months of strong visibility of merchant market power prices in India and Singapore, we raise our profit expectations for conventional energy (CE).
- We also raise our FY22F-23F profits for renewable segment to include profit from new associate, SDIC that started to contribute from Feb 22.
- Accordingly, we lift our FY22F-24F EPS by 7-19%. We reiterate our Add call with a higher SOP-based TP of S\$3.66 (implied 12.7x FY23F P/E).
- Catalysts: stronger-than-expected merchant market and decarbonisation of coal-powered plants in India. Risks: unplanned shutdowns and impairments.

9-year high tariffs for SCI's Indian coal

Tariffs for power on the Indian Energy Exchange (IEX) rose to a new yearly average peak of 6.68 Rs/kWh YTD, c.29% above the previous peak of 5.19 Rs/kWh in 2014. This is due to an earlier-than-expected and a much hotter summer vs. other years as well as higher coal prices. With the allocation of local coal, which is c.200% cheaper than international coal as Apr-22, we expect SCI to benefit from the strong e-auction prices. Recall that 85% of SCI's India plant 1 and plant 2 are underpinned by long-term and mid-term contracts, of which 81% of plant 1 is backed by purchase power agreements (PPAs) till 2040, and 81% of plant 2 is backed by PPAs till 2033/2034. The high tariff prices and stable PLF above 70% since Feb 22 for plant 2 (assuming this remains in the rest of 2022) may see plant 2 turn profitable in FY22 (vs. previously expected in FY23F with long-term PPA kicking in).

USEP prices are also hitting new highs

SCI's conventional energy segment also includes Singapore power and gas. Like IEX prices, Uniform Singapore Energy Price (USEP) prices climbed to an average of S\$327/MWh in Jan-Jun 22, surpassing the S\$295/MWh average in Jul-Dec 22 and S\$95/MWh average in Jan-Jun 22 (+11% hoh; +242% yoy). Energy Markets Authority (EMA) expects high gas prices to persist with the protracted conflict in Ukraine as well as the seasonal increase in energy demand. We expect spark spread for SCI's Singapore power to surge on the back of this. Note that Sembcorp Cogen (SCI's power arm) posted a turnaround in FY21 with a profit of S\$31.3m vs. S\$167m losses in FY20. This reflects the strong USEP that started to rise significantly from Jul 21. Therefore, we expect a full year contribution of strong profits from Cogen in FY22.

EPS up 7-19% for FY22-24F; SOP-based TP raised to S\$3.66

We previously assumed 15% yoy decreases in FY22F revenue and net profit for CE as FY21 was an abnormal peak year. However, we now raise our FY22F revenue and net profit for CE by 27%, on consistently high IEX tariffs and USEP prices. We also up our profit for renewable energy (RE) by 10% to reflect the contribution of newly acquired associate SDIC from Feb 22. This is offset by lower growth for integrated urban solutions on weaker land sales from China. Our TP is on 15x FY23F EV/EBITDA for RE, 1x FY22F BV for integrated urban solutions, 8x FY23F EV/EBITDA for CE and 1x BV for others.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (S\$m)	5,447	7,795	8,313	7,779	7,786
Operating EBITDA (S\$m)	1,017	1,071	1,372	1,339	1,329
Net Profit (S\$m)	157.0	279.0	511.3	517.6	554.8
Core EPS (S\$)	0.09	0.16	0.29	0.29	0.31
Core EPS Growth	(48.5%)	77.8%	83.2%	1.2%	7.2%
FD Core P/E (x)	31.62	17.78	9.70	9.59	8.94
DPS (S\$)	0.040	0.050	0.086	0.087	0.093
Dividend Yield	1.44%	1.80%	3.09%	3.13%	3.35%
EV/EBITDA (x)	10.04	8.93	7.29	6.83	7.18
P/FCFE (x)	NA	11.28	NA	7.27	NA
Net Gearing	193%	154%	156%	124%	121%
P/BV (x)	1.49	1.32	1.17	1.05	0.94
ROE	3.1%	7.9%	12.8%	11.5%	11.1%
% Change In Core EPS Estimates			19.4%	4.8%	7.2%
CGS-CIMB/Consensus EPS (x)			1.12	1.01	1.02

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

More earnings accretive renewables in 2022 >

The two major renewable acquisitions that SCI made in 2021 are starting to contribute in 2022, slightly earlier than our previous expectations.

The first is the **35% interest in SDIC New Energy (SDIC) portfolio of 1.9W wind and solar assets, completed in Jan 22**. SDIC generated Rmb492m (S\$103m) of net profit (+42% yoy) in FY21. According to SDIC's annual report, the reason for the strong performance was due to some operations reaching full-year contributions and the business in Xinjiang enjoying good wind resources in 2021 and increases in power generation. We estimate S\$18m of full-year contributions from SDIC in FY22F, net of interest costs and assume a 10% lower profit on normalisation.

The second is the **98% interest in a 658MW portfolio of wind and solar assets of CGN Capital Partners, also completed in Jun 22**, which we now include in our forecasts from 2H22F. We believe CGN could contribute about S\$60m-70m p.a of EBITDA to SCI group.

In addition to other capacity expansion in India and Singapore, overall renewable profit could see 37-38% yoy increases in net profit in FY22-23F. In our forecasts, we have incorporated a 10% yoy reduction in CE's revenue in FY23F assuming some form of normalisation.

Figure 1: New segment forecasts

	FY21	FY22F	FY23F	FY24F
Revenue (S\$m)				
Renewables	354.0	356.9	524.2	510.8
<i>yoy change in Renewables (%)</i>		0.8%	46.8%	-2.6%
Integrated Urban Solutions (incl. waste, waste to resources)	465.0	437.1	441.5	445.9
<i>yoy change in IUS (%)</i>		-6.0%	1.0%	1.0%
Conventional Energy	6,679.0	7,213.3	6,492.0	6,492.0
<i>yoy change in CE (%)</i>		8.0%	-10.0%	0.0%
Other Business	297.0	305.9	321.2	337.3
<i>yoy change in Other Business (%)</i>		3.0%	5.0%	5.0%
Total revenue	7,795.0	8,313.3	7,779.2	7,785.9
<i>yoy change in Total Revenue (%)</i>	43.1%	6.6%	-6.4%	0.1%
Adjusted EBITDA (S\$m)				
Renewables	278.0	292.1	389.9	415.6
<i>yoy change in Renewables (%)</i>		5.1%	33.5%	6.6%
Integrated Urban Solutions	240.0	210.6	214.7	218.8
<i>yoy change in IUS (%)</i>		-12.2%	1.9%	1.9%
Conventional Energy	1,045.0	1,165.4	1,060.6	1,064.0
<i>yoy change in CE (%)</i>		11.5%	-9.0%	0.3%
Other Business and Corporate	(69.0)	(69.3)	(63.2)	(66.4)
<i>yoy change in Other Business (%)</i>		0.5%	-8.9%	5.0%
Total Adjusted EBITDA	1,494.0	1,598.8	1,602.0	1,632.1
<i>yoy change in Total Adjusted EBITDA (%)</i>	5.4%	7.0%	0.2%	1.9%
Net profit (S\$m)				
Renewables	56.0	76.8	106.0	137.9
<i>yoy change in Renewables (%)</i>		37.2%	38.0%	30.1%
Integrated Urban Solutions	161.0	136.8	137.1	141.3
<i>yoy change in IUS (%)</i>		-15.0%	0.3%	3.0%
Conventional Energy	174.0	402.8	366.6	367.8
<i>yoy change in CE (%)</i>		131.5%	-9.0%	0.3%
Other Business	25.0	25.0	25.0	25.0
<i>yoy change in Other Business (%)</i>		0.0%	0.0%	0.0%
Corporate	(137.0)	(130.2)	(117.1)	(117.1)
<i>yoy change in Corporate (%)</i>		-5.0%	-10.0%	0.0%
Total net profit after EI	279.0	511.3	517.6	554.8
<i>yoy change in net profit after EI (%)</i>	77.7%	83.3%	1.2%	7.2%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Reaching 7GW out of 10GW of renewable goals

Recently, SCI was appointed by the EMA to build, own, and operate 200MW/200MWh of energy storage systems (ESS) on Jurong Island in Singapore. The construction of the storage systems is scheduled to be completed by end-FY22. This contract brings SCI's battery storage portfolio to 474MW/624MWh respectively, and SCI's total renewables portfolio to c.7.0GW (1.4GW solar, 5.1GW wind, and 0.5GW batteries), including projects under development.

We understand that the first phase, or first three years of ESS project (c.2023-2025), entails SCI supplying energy (based on fixed capacity and variable charges) to the spinning reserve market, potentially replacing some Combined Cycle Gas Turbines (CCGTs) generated power. The second phase (remaining seven years) is to provide frequency regulation to mitigate solar intermittency, in line with Singapore's Green Plan 2030 to achieve 2 GW-peak from 500MW-peak in 2Q21.

Valuations and recommendation

Maintain Add. We raise our TP to S\$3.66, still based on SOP valuation with an implied P/E of 12.7x FY23F P/E, still a shade below regional peers of c.13x FY23F P/E. We think consistent delivery of earnings are the key catalysts for the stock to keep investors' confidence. We think the catalysts beyond 2022F could be the decarbonisation of its thermal power in India, whose profits can be replaced by earnings from capacity expansion from the RE segment. Key risks: unexpected impairment, unplanned shutdowns, as well as unfavorable regulatory changes.

Figure 2: EPS changes

FYE Dec (\$\$)	New			Old			% change		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenue	8,313.3	7,778.8	7,785.9	6,762.7	7,174.6	7,496.3	23%	8%	4%
Gross profit	1,175.3	1,099.7	1,100.7	956.1	1,014.3	1,059.8	23%	8%	4%
EBIT	905.4	863.4	843.8	618.0	740.7	762.3	47%	17%	11%
Reported PATMI	511.3	517.6	554.8	428.3	493.8	517.5	19%	5%	7%
Core PATMI	511.3	517.6	554.8	428.3	493.8	517.5	19%	5%	7%
NPM (%)	6.2%	6.7%	7.1%	6.3%	6.9%	6.9%	-3%	-3%	3%
EPS (Scts)	28.4	28.8	30.8	23.8	27.4	28.7	19%	5%	7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: SOP Valuation

	Renewables	Urban	CE	Others	Total	
(S\$m)						
FY23F Adjusted EBITDA		389.9	214.7	1,060.6	(63.2)	1,602.0
EV/EBITDA (CY23F Asian peers' average)		15.0		8.0		
EV		5,848.3		8,484.5		14,332.9
Less: net debt						(6,763.5)
Market cap						7,569.3
Add: BV of Urban Solutions as of FY21			1,691.0			1,691.0
Add: BV of Others as of FY21				(2,696.0)		(2,696.0)
Sum of parts						6,564.3
Number of shares (millions)						1,787.5
Target price (S\$)						3.66

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: IEX power prices for S1 (Andhra Pradesh and Telangana)

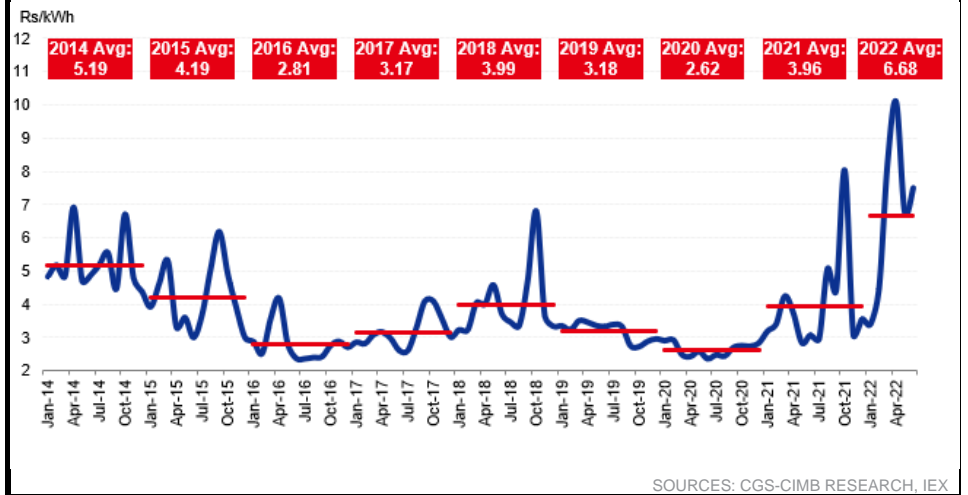


Figure 5: Utilisation of SEIL 1

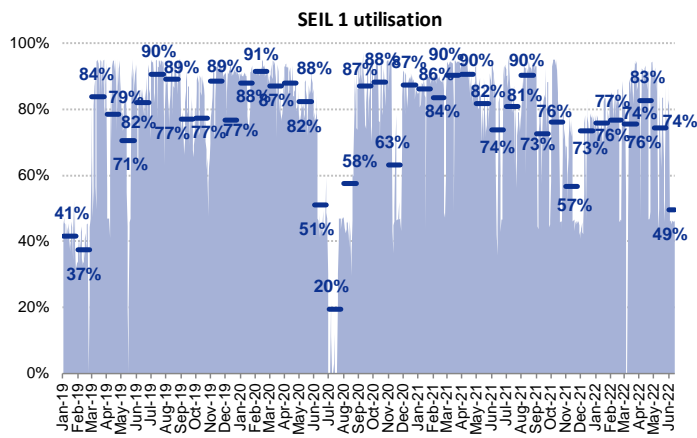


Figure 6: Utilisation of SEIL 2

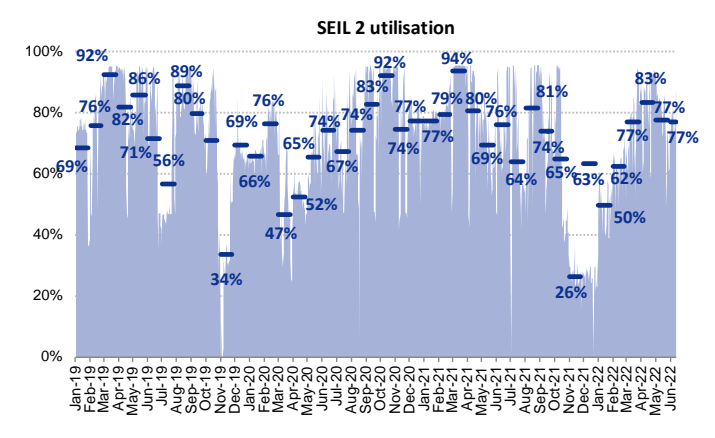


Figure 7: USEP monthly average price vs. vesting contracts and SCI's "Sg utilities profit", which is based on its old disclosure formats

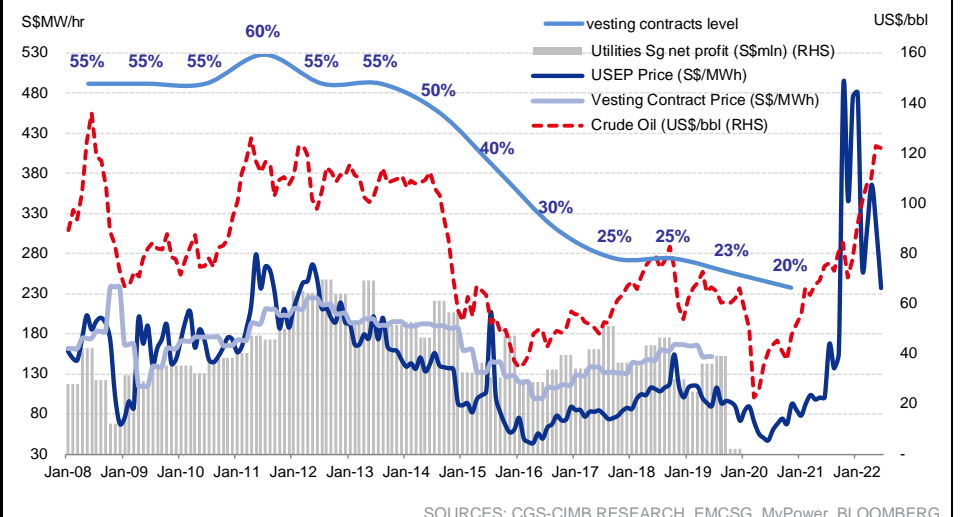


Figure 8: Indonesia 4200kc GAR FOB Thermal Coal vs. India National Coal Index (G11)

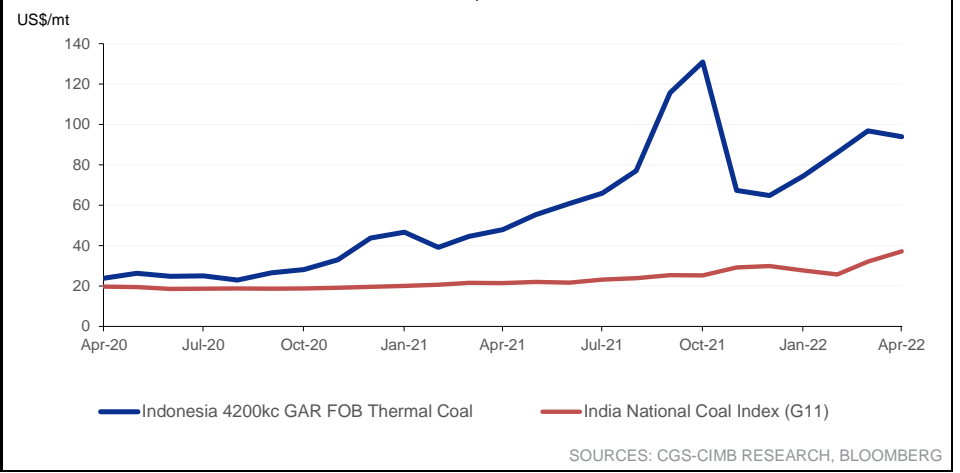


Figure 9: SCI's conventional energy contracts per asset

Coal						
Asset Name (Location)	Stake	Gross Installed Capacity (MW)	Contracted Capacity (MW)	Contract tenure	Customers	Energy Source
Sembcorp Energy India Project 1, India	100%	1,320	570	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	2019-2033	Bangladesh Power Development Board	Coal, Diesel
			200	2Q22 to 2033	Bangladesh Power Development Board	Coal, Diesel
			625	2023-2034	Andhra Pradesh state power distribution	Coal, Diesel
Chongqing Songzao Sembcorp	49%	1,320				Coal, Diesel
		3,960	2,145			
Gas						
Asset Name (Location)	Stake	Gross Installed Capacity (MW)	Contracted Capacity (MW)	Contract tenure	Customers	Energy Source
Myingyan IPP, Myanmar	100%	231	225	2018-2040	Electric Power Generation Enterprise	Gas
Phu My 3, Vietnam	67%	748	717	2001-2024	Electricity of Vietnam	Gas
Sembcorp Cogen, Singapore	100%	1,219		-	Merchant market	Gas
Sirajgani Unit 4, Bangladesh	71%	440	414	2016-2041	Bangladesh Power Development Board	Gas
Shanghai Cao Jing	30%	658				Gas
Flexible Generation Assets (excluding energy storage), UK	100%	684	552	Various tenures between 2010 and 2034	National Grid ESO	Gas, Diesel
Wilton Energy Assets	100%	161		-	Merchant market	Gas
Salalah IWPP, Oman	40%	518	445	2009-2027	Oman Power and Water Procurement Company	Gas
Fujairah 1 IWPP, UAE	40%	893	760	2006-2035	Emirates Water & Electricity Company	Gas
		5,552	3,113			
Total		9,512	5,258			

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: SCI's appointment to build, own, and operate 200MW/200MWh of energy storage systems in Singapore raises SCI's total renewables portfolio to c.7.0GW

Solar			
	Stake	Gross Installed Capacity (MW)	Attributable Installed Capacity (MW)
Sembcorp Solar Singapore	100%	200	200
Sembcorp Solar Vietnam	100%	24	24
Vietnam-Singapore Smart Energy Solutions	54%	3	2
Sembcorp Green Infra - Solar	100%	35	35
		262	261
Under development			
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
Total Solar		1,399	1,295
Wind			
	Stake	Gross Installed Capacity (MW)	Contracted Capacity (MW)
Sembcorp Green Infra - Wind	100%	1,694	1,626
Guohua Sembcorp	49%	725	355
		2,419	1,981
Under development			
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
Total Wind		5,117	3,546
Batteries			
	Stake	Gross Installed Capacity (MW)	Contracted Capacity (MW)
Flexible Generation Assets - Batteries	100%	70	70
		70	70
Under development			
Flexible Generation Assets - Batteries	100%	200	200
Energy storage systems on Jurong Island	100%	200	200
		400	400
Total Energy Storage		470	470
Total operational projects		5,287	3,614
Total projects under development		1,699	1,697
Total all projects		6,986	5,311

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS


Figure 11: Peers Comparison

Company	Bbg Ticker	Recom.	Price (cl curr)	Target Price (cl curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	EV/EBITDA (x)			Recurring ROE (%)	Dividend Yield (%)
						CY21A	CY22F	CY23F		CY21A	CY22F	CY23F		
Perusahaan Gas Negara	PGAS IJ	Add	1,775	2,300	2,902	9.4	9.9	9.3	na	7.2	5.9	5.6	13.0%	0.0%
NTPC Ltd	NTPC IN	NR	138.3	NA	17,197	8.7	7.9	6.6	13.6%	8.8	7.8	7.1	12.6%	4.9%
Power Grid Corp of India Ltd	PWGR IN	NR	209.5	NA	18,742	12.5	8.4	9.6	8.8%	7.6	7.4	7.2	21.7%	6.4%
Tata Power Co Ltd/The	TPWR IN	NR	196.0	NA	8,032	61.8	36.6	19.7	38.6%	16.1	12.9	11.4	7.2%	0.9%
GAIL India Ltd	GAIL IN	NR	131.2	NA	7,471	9.6	4.8	5.7	14.4%	4.8	5.0	5.1	18.7%	6.9%
Petronet LNG Ltd	PLNG IN	NR	198.0	NA	3,809	10.1	8.6	7.3	12.0%	5.4	5.7	5.5	26.7%	5.6%
Adani Green Energy Ltd	ADANIGR IN	NR	1,751	NA	35,578	1018.6	513.0	na	na	na	na	na	na	na
Simple Average (India)						186.9	96.5	9.8	17.5%	8.5	7.8	7.3	17.4%	4.9%
Cypark Resources Bhd	CYP MK	Hold	0.37	0.85	49	3.0	2.8	2.8	-1.5%	14.0	10.3	9.1	7.0%	0.0%
Gas Malaysia Berhad	GMB MK	Add	3.01	3.40	878	15.3	12.1	14.3	6.1%	9.7	7.9	9.3	22.8%	5.9%
Malakoff Corporation	MLK MK	Add	0.59	0.98	655	8.5	10.1	8.9	4.5%	5.4	5.1	5.5	6.3%	8.6%
Petronas Gas	PTG MK	Hold	16.14	16.75	7,255	15.7	17.1	16.5	-1.4%	8.7	8.4	8.4	15.8%	5.1%
Taliworks Corporation	TWK MK	Add	0.89	1.15	408	22.9	22.2	20.6	13.5%	17.6	13.5	13.7	8.4%	7.4%
Tenaga Nasional	TNB MK	Add	8.13	13.30	10,575	9.7	9.9	9.1	6.6%	4.9	4.5	4.3	8.6%	4.9%
YTL Power International	YTLP MK	Add	0.68	1.08	1,242	18.6	16.5	13.3	18.1%	9.8	9.4	9.4	2.2%	7.0%
Simple Average (Malaysia)						13.4	13.0	12.2	6.6%	10.0	8.4	8.5	10.2%	5.6%
Sermasang Power Corporation	SSP TB	Add	9.50	15.60	336	10.8	8.1	8.4	11.3%	9.8	8.3	8.9	18.0%	0.1%
B Grimm Power PCL	BGRIM TB	NR	35.50	NA	2,622	49.3	49.9	28.4	14.5%	15.1	14.4	12.0	11.1%	0.4%
Banpu Power PCL	BPP TB	NR	14.60	NA	1,261	14.2	8.8	8.4	12.8%	18.3	35.4	20.9	7.2%	2.4%
BCPG PCL	BCPG TB	NR	11.30	NA	926	14.7	15.8	23.6	-19.6%	10.2	8.9	9.3	8.1%	2.9%
Energy Absolute PCL	EA TB	NR	83.75	NA	8,850	51.1	35.3	32.1	23.2%	35.5	27.0	24.5	20.2%	0.4%
Global Power Synergy PCL	GPSC TB	NR	66.00	NA	5,272	23.4	30.8	22.8	2.8%	15.4	16.5	14.3	6.9%	2.3%
Gulf Energy Development PCL	GULF TB	NR	46.75	NA	15,539	na	45.8	36.1	49.2%	44.1	36.0	28.3	9.6%	0.8%
Ratch Group PCL	RATCH TB	NR	37.75	NA	1,551	7.4	8.7	8.4	2.9%	13.7	12.4	11.5	11.9%	6.0%
TPI Polene Power PCL	TIPIP TB	NR	3.66	NA	871	7.3	7.2	7.2	-1.6%	8.4	8.7	8.3	14.0%	3.3%
Super Energy Corp PCL	SUPER TB	NR	0.75	NA	581	na	na	na	na	na	na	na	13.2%	0.0%
Simple Average (Thailand)						22.3	23.4	19.5	10.6%	19.0	18.6	15.3	12.0%	1.9%
Beijing Jingneng Clean Energy	579 HK	NR	1.84	NA	1,932	5.4	na	na	na	7.3	na	na	9.3%	4.4%
China Datang Corp Renewable Pc	1798 HK	NR	2.59	NA	2,400	11.9	9.8	7.9	30.0%	9.9	9.1	8.0	10.6%	1.4%
China Longyuan Power Group Cor	916 HK	NR	15.28	NA	23,116	16.5	14.4	12.1	22.5%	12.8	11.2	9.8	10.8%	1.1%
China Gas Holdings Ltd	384 HK	NR	11.22	NA	7,776	5.5	7.0	6.3	-0.3%	6.8	6.6	6.0	16.5%	4.6%
China Resources Gas Group Ltd	1193 HK	NR	35.00	NA	10,317	12.4	11.9	11.0	11.2%	7.1	7.0	6.3	16.5%	3.6%
China Resources Power Holdings	836 HK	NR	14.62	NA	8,959	28.9	7.8	6.0	15.7%	10.5	6.4	5.4	1.8%	2.0%
CGN Power Co Ltd	1816 HK	NR	1.89	NA	19,096	8.4	7.6	7.0	6.8%	11.0	10.5	10.1	9.9%	5.2%
Huaneng Power International In	902 HK	NR	3.75	NA	13,739	na	10.4	6.0	44.0%	64.7	9.9	8.8	-19.0%	0.0%
Simple Average (China)						12.7	9.8	8.0	18.6%	16.3	8.7	7.8	7.1%	2.8%
AC Energy Corp	ACEN PM	NR	7.34	NA	5,388	40.8	38.6	22.2	7.4%	40.4	56.5	19.1	7.4%	0.5%
Aboitiz Power Corporation	AP PM	Add	29.35	41.30	4,019	10.3	8.2	7.0	32.3%	8.4	6.2	5.2	15.8%	2.9%
Manila Electric Co	MER PM	NR	369.4	NA	7,709	na	16.7	16.7	15.2%	11.0	10.7	9.7	26.9%	1.4%
Simple Average (Philippines)						25.5	21.2	15.3	18.3%	20.0	24.4	11.3	16.7%	1.6%
Orsted AS	ORSTED DC	NR	714.0	NA	42,481	29.4	21.6	32.6	-15.2%	14.6	11.9	14.1	14.1%	1.8%
NextEra Energy Inc	NEE US	NR	70.81	NA	139,106	27.8	25.0	23.1	27.2%	30.4	17.9	15.2	9.7%	2.2%
Brookfield Renewable Partners	BEP US	NR	33.41	NA	15,698	na	na	267.3	na	26.9	24.6	23.0	-2.5%	3.6%
Azure Power Global Ltd	AZRE US	NR	12.20	NA	741	na	17.8	10.3	na	12.2	9.1	8.0	-3.0%	na
Simple Average (US and Europe)						28.6	21.4	83.3	6.0%	21.0	15.9	15.1	4.6%	2.5%
Average (ex US and Europe)						17.7	16.0	13.2	14.5%	14.5	12.7	10.2	11.3%	3.4%
Average (all)						18.4	16.5	21.0	14.0%	15.2	13.0	10.7	10.6%	3.3%
Sembcorp Industries	SCI SP	Add	2.78	2.96	3,569	17.8	11.6	10.0	47.3%	8.9	8.8	7.6	7.9%	1.8%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

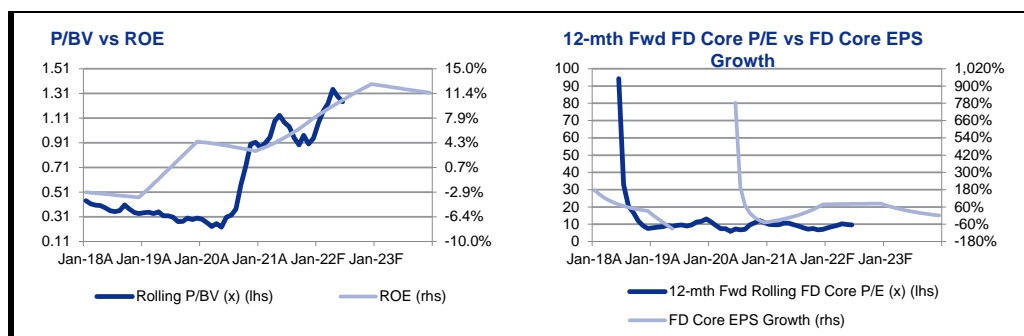
Note: Estimates for Not rated companies are based on Bloomberg consensus estimates

DATA AS AT 20 JUN 2022

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: left;"> <h2 style="margin: 0;">ESG in a nutshell</h2> </div> <div style="text-align: center;">  </div> <div style="text-align: right;"> <h3 style="margin: 0;">Refinitiv ESG Scores</h3> <div style="display: flex; justify-content: space-around; font-size: 0.8em;"> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black;">B- ESG Score</div> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black;">A+ ESG Controversies Score</div> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black;">B- ESG Combined Score</div> <div style="background-color: #FFD700; padding: 5px; border: 1px solid black;">C ESG Environment Pillar Score</div> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black;">C+ ESG Social Pillar Score</div> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black;">A ESG Government Pillar Score</div> </div> </div> </div>	
<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 FY21 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 five 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 2021 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 21, it successfully launched a sustainability linked-bond (SLB), raising S\$675m with IFC which involved pledging its performance to tailor-made ESG targets.</p>	<p>Implications</p> <p>Successful decarbonisation efforts over the next 3-5 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	8,313	7,779	7,786
Gross Profit	1,362	1,559	1,641	1,575	1,586
Operating EBITDA	1,017	1,071	1,372	1,339	1,329
Depreciation And Amortisation	(575)	(457)	(466)	(475)	(485)
Operating EBIT	442	614	905	863	844
Financial Income/(Expense)	(464)	(397)	(460)	(396)	(349)
Pretax Income/(Loss) from Assoc.	233	206	227	263	303
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	211	423	672	730	798
Exceptional Items			0	0	0
Pre-tax Profit	211	423	672	730	798
Taxation	(32)	(123)	(214)	(142)	(155)
Exceptional Income - post-tax					
Profit After Tax	179	300	458	588	642
Minority Interests	(22)	(21)	53	(70)	(88)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	157	279	511	518	555
Recurring Net Profit	157	279	511	518	555
Fully Diluted Recurring Net Profit	157	279	511	518	555

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	1,017	1,071	1,372	1,339	1,329
Cash Flow from Inv. & Assoc.	(233)	(206)	(227)	(263)	(303)
Change In Working Capital	1,188	1,206	(761)	1,862	(867)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,378)	(816)	(78)	(1,337)	73
Net Interest (Paid)/Received	(447)	(300)	(460)	(396)	(349)
Tax Paid	(103)	(36)	(181)	(214)	(142)
Cashflow From Operations	44	919	(336)	990	(261)
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	(687)	682	(579)
Free Cashflow To Equity	(415)	440	(634)	682	(579)
Free Cashflow To Firm	(790)	1,119	(177)	1,062	(232)

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	657	1,339	760
Total Debtors	1,571	1,986	2,114	1,722	2,117
Inventories	196	222	669	1,085	1,501
Total Other Current Assets	205	381	381	381	381
Total Current Assets	3,004	3,933	3,820	4,527	4,759
Fixed Assets	7,204	7,094	6,955	6,816	6,678
Total Investments	1,723	1,738	1,965	2,228	2,532
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	10,550	10,674	10,840
Short-term Debt	593	754	754	754	754
Current Portion of Long-Term Debt					
Total Creditors	1,159	1,708	1,217	1,503	1,215
Other Current Liabilities	375	443	476	404	417
Total Current Liabilities	2,127	2,905	2,447	2,661	2,387
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	10,048	10,291	10,046
Shareholders' Equity	3,339	3,767	4,225	4,742	5,297
Minority Interests	137	151	98	168	256
Total Equity	3,476	3,918	4,323	4,911	5,553

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(19.1%)	43.1%	6.6%	(6.4%)	0.1%
Operating EBITDA Growth	(23.7%)	5.3%	28.1%	(2.4%)	(0.8%)
Operating EBITDA Margin	18.7%	13.7%	16.5%	17.2%	17.1%
Net Cash Per Share (S\$)	(3.75)	(3.39)	(3.79)	(3.42)	(3.76)
BVPS (S\$)	1.87	2.11	2.37	2.66	2.97
Gross Interest Cover	0.89	1.45	1.86	2.11	2.25
Effective Tax Rate	15.2%	29.1%	31.9%	19.5%	19.5%
Net Dividend Payout Ratio	45.5%	32.0%	30.0%	30.0%	30.0%
Accounts Receivables Days	121.6	83.3	90.0	90.0	90.2
Inventory Days	26.07	12.23	24.38	51.61	76.32
Accounts Payables Days	179.3	83.9	80.0	80.0	80.2
ROIC (%)	2.30%	4.70%	8.20%	7.13%	7.20%
ROCE (%)	3.19%	5.69%	8.08%	7.27%	6.85%
Return On Average Assets	3.11%	4.16%	5.84%	6.20%	6.05%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue growth (%)	-19.1%	43.1%	6.6%	-6.4%	0.1%

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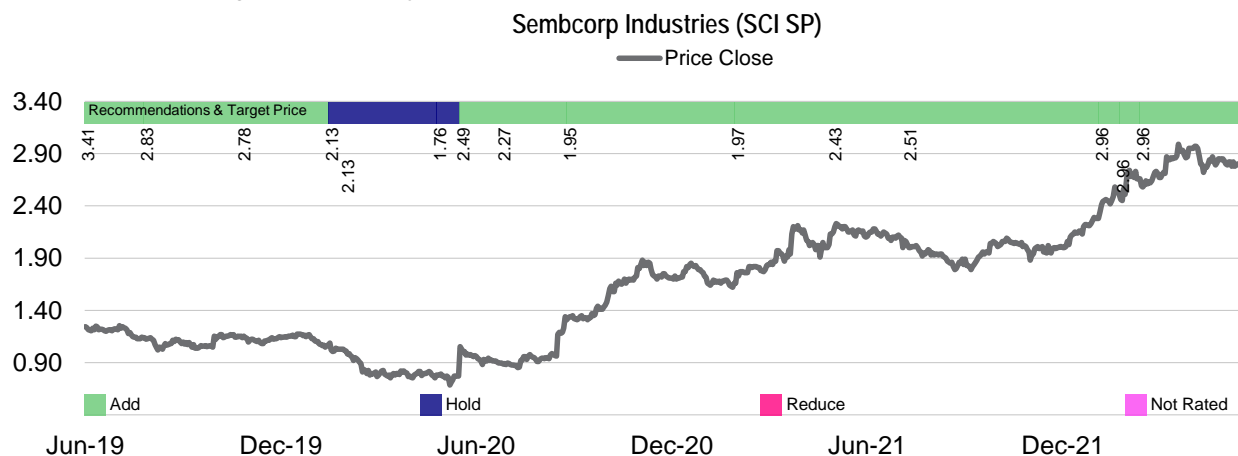
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%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