

Singapore

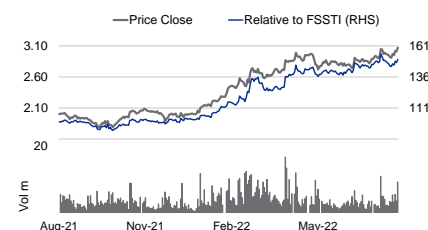
ADD (no change)

Consensus ratings*: Buy 10 Hold 2 Sell 0

Current price:	S\$3.07
Target price:	S\$3.80
Previous target:	S\$3.66
Up/downside:	23.6%
CGS-CIMB / Consensus:	10.3%
Reuters:	SCIL.SI
Bloomberg:	SCI SP
Market cap:	US\$3,967m
	S\$5,482m
Average daily turnover:	US\$6.49m
	S\$9.00m
Current shares o/s:	1,788m
Free float:	50.0%
*Source: Bloomberg	

Key changes in this note

- FY22F EPS up by 55.6%.
- FY23F EPS up by 38.4%.
- FY24F EPS up by 30.8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.7	3.4	51.2
Relative (%)	1.9	5.2	47.8

Major shareholders	% held
Temasek Holdings	49.5

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Sembcorp Industries

Outperformer

- True to its profit guidance, 1H22 net profit of S\$490m (+94% hoh; +123% yoy) came in above our expectations due to its RE and CE segments.
- Assets from SDIC and HYNE began contributing to RE. Persistent tightness in the energy market and high power prices boosted CE profits.
- We adjust our FY22-24F EPS upwards by 30.8-55.6% in expectation of stronger RE and CE earnings, partially offset by lower land sales for IUS.
- Reiterate Add with a higher TP of S\$3.80. An interim dividend of 4 Scts was declared (vs. 5.0 Scts in FY21), with the possibility of a special dividend.

RE and CE outperformed with new assets and high power prices

Renewables (RE) and conventional energy (CE) segments reported exceptional earnings growth to S\$76m (+217% yoy) and S\$397m (+115% yoy) in 1H22, respectively, each forming 99% of our FY22F estimates. Newly-acquired wind and solar assets in China from SDIC New Energy (288MW solar, 1,880MW wind, including 100MW solar and 150MW wind under development) and Shenzhen Huiyang New Energy (HYNE) (240MW solar, 418MW wind) contributed to the outperformance in RE earnings. Persistently high power prices in both India and Singapore as well as system tightness on favourable weather conditions in the UK contributed to the beat in CE earnings. There were no further significant impairments after the S\$206m taken for Chongqing Songzao in 1H21. Meanwhile, 1H22 net profit for the Integrated Urban Solutions (IUS) segment was steady at S\$62m, broadly in line at 45% of our FY22F.

CE: 2H22 could dip slightly from 1H22, normalisation in FY23-24F

We believe CE earnings in 2H22F will remain strong but weaker than 1H22. SCI guided for planned maintenance shutdowns for Sembcorp Biomass Power Station in the UK (5-6 weeks) and Plant 2 (about 45 days) in India in 2H22F, both of which should be completed in Jun-Aug 22. We assume Singapore still contributes c.60% to CE earnings as it did in FY21. Factoring in a conservative 20% decline in USEP prices should oil prices fall and taking into account the maintenance shutdowns in 2H22F and a 200MW PPA with the Bangladesh Power Development Board, which commenced in 2Q22, we forecast a c.43% hoh decline in CE earnings in 2H22F. We also pencil in a 10% yoy reduction in CE's revenue in FY23F assuming normalisation of IEX tariffs and USEP prices.

Reiterate Add; SOP-based TP raised to S\$3.80

We also lift our RE revenue forecast by 64.6% to c.S\$127m in FY22F. This assumes S\$18m contribution from SDIC New Energy, S\$25m half-year contribution from HYNE and the absence of S\$11m in M&A costs. Stronger RE and CE earnings could be partially offset by lower growth for IUS on weaker land sales in China and Vietnam. All in all, we raise our FY22/23F/24F EPS by 55.6%/38.4%/30.8%. Our TP therefore rises to S\$3.80, which implies 9.5x FY23F P/E. Reiterate Add. Re-rating catalysts: decarbonisation of CE assets. Key downside risks: plunge in electricity prices, unplanned shutdowns and impairments.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (S\$m)	5,447	7,795	8,869	8,110	8,130
Operating EBITDA (S\$m)	1,017	1,071	1,590	1,380	1,377
Net Profit (S\$m)	157.0	279.0	795.6	716.5	725.8
Core EPS (S\$)	0.09	0.16	0.45	0.40	0.41
Core EPS Growth	(48%)	78%	185%	(10%)	1%
FD Core P/E (x)	34.91	19.64	6.89	7.65	7.55
DPS (S\$)	0.04	0.05	0.13	0.12	0.12
Dividend Yield	1.30%	1.63%	4.36%	3.92%	3.97%
EV/EBITDA (x)	10.55	9.41	6.53	6.65	6.92
P/FCFE (x)	NA	12.45	NA	5.51	NA
Net Gearing	193%	154%	142%	103%	100%
P/BV (x)	1.64	1.45	1.22	1.05	0.92
ROE	3.1%	7.9%	19.2%	14.7%	13.0%
% Change In Core EPS Estimates			55.6%	38.4%	30.8%
CGS-CIMB/Consensus EPS (x)			1.60	1.35	1.30

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Outperformer

Results highlights

CE outperformed due to high electricity prices, gas hedges ►

Higher electricity prices in Singapore and India drove CE profits to S\$397m (+111% hoh; +115% yoy). There were no further significant impairments made after the S\$206m taken for Chongqing Songzao in 1H21. 1H22 CE net profit was also boosted by a S\$92m realised cash gain from favourable gas hedges. We understand that these gas hedges were entered into in FY21 for Singapore operations and were unwound in 1H22 because the gas cargo was cancelled. SCI guided that its hedges relate purely to procurement of gas and coal for operations and not for trading purposes. SCI hedges on a rolling basis and has hedged some positions for FY23F but did not disclose the actual amount.

Reaping rewards from new RE assets in China ►

SDIC New Energy (288MW solar and 1,880MW wind, including 100MW solar and 150MW wind under development) and HYNE (240MW solar, 418MW wind), assets acquired in China in FY21, commenced operations in Jan 22 and Jun 22 respectively, which contributed to the beat in RE earnings. SCI first announced the acquisition of a 98% stake in HYNE assets from CGN Capital Partners in Nov 21. SDIC New Energy and HYNE increased China's operation portfolio from 725MW (Guohua) to 3.3GW currently.

Figure 1: Newly-acquired assets in China started contributions in Jan 22 and Jun 22

Name of portfolio	Acquired from	Stake	Completed acquisition in	Gross capacity (MW)			
				Operational assets		Assets under development	
				Solar	Wind	Solar	Wind
SDIC New Energy	SDIC New Energy	35%	Jan-22	188	1730	100	150
Shenzhen Huiyang New Energy (HYNE)	CGN Capital Partners	98%	Jun-22	240	418	-	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

RE's net profit, which beat our expectations at S\$76m (+138% hoh; 217% yoy), was also helped by higher wind resource in India and higher spot prices, which benefited its solar operations in Singapore.

IUS remained stable ►

IUS net profit dipped slightly to S\$62m (-33% hoh; -2% yoy) from S\$69m in 1H21. Higher average transacted land prices and residential sales offset lower land sales. Higher contribution from Wilton 11 in the UK was also offset by higher operating costs for the waste business in Singapore. However, SCI is still confident of hitting its target of 500 ha of land sales by FY25 as it further increases its land bank through the development of 1,000 ha of VSIP Binh Duong III. It also incorporated a JV company to develop 481 ha in Quang Tri Industrial Park in Vietnam in 1H22.

Figure 2: Segment breakdown

	1H20	2H20	1H21	2H21	1H22	hoh %	yoy %	Comments for 1H22	FY22F	% of FY22F
Revenue (\$m)										
Renewables	137	144	146	208	222	7%	52%	Better wind resource in India and higher spot prices for solar in Singapore	357	62%
Integrated Urban Solutions	197	225	218	247	217	-12%	0%	Lower land sales	437	50%
Conventional Energy	2,213	2,358	2,756	3,923	4,155	6%	51%	Higher turnover in Singapore and India, driven by higher electricity prices	7,213	58%
Other Business	70	103	170	127	161	27%	-5%		306	53%
Total	2,617	2,830	3,290	4,505	4,755	6%	45%		8,313	57%
Adjusted EBITDA (\$m)										
Renewables	133	119	125	150	188	25%	50%	Better margins from higher spot prices for solar operations in Singapore	292	64%
Integrated Urban Solutions	100	110	107	133	102	-23%	-5%	Higher contribution from Wilton 11 in the UK, offset by higher operating costs for the waste business in Singapore	211	48%
Conventional Energy	467	527	525	520	715	38%	36%	Stronger India (Plant 2 exposed to strong IEX), SG (USEP on an upward trend from Feb 22)	1,165	61%
Other Business and Corporate	(49)	9	(13)	(53)	(7)	-87%	-46%		(69)	10%
Total	651	765	744	750	998	33%	34%		1,599	62%
Net profit before EI (\$m)										
Renewables	33	13	24	32	76	138%	217%	Contributions from newly acquired assets in China (SDIC and HYNE)	77	99%
Integrated Urban Solutions	64	49	63	92	62	-33%	-2%	Higher average transacted land prices and residential sales offset lower land sales	137	45%
Conventional Energy	127	118	185	188	397	111%	115%	Realised gains from favourable gas hedges entered into in 2021 for Singapore operations	403	99%
Other Business	(1)	12	13	12	10	-17%	-23%	Lower government grant received in 1H22	25	40%
Corporate Costs	(74)	(41)	(33)	(104)	(55)	-47%	67%		(130)	42%
Total	149	151	252	220	490	-13%	46%		511	96%
Net profit after EI (\$m)										
Renewables	33	13	24	32	76	138%	217%		77	99%
Integrated Urban Solutions	66	74	69	92	62	-33%	-10%		137	45%
Conventional Energy	(36)	149	(27)	201	397	98%	n.m.	No further significant impairments after the S\$206m impairment taken for Chongqing Songzao in 1H21	403	99%
Other Business	(31)	10	13	12	10	-17%	-23%		25	40%
Corporate Costs	(74)	(48)	(33)	(92)	(55)	-40%	67%		(105)	52%
Total	(42)	198	46	233	490	407%	18%		511	96%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Results comparison

FYE Dec (\$m)	1HFY22	1HFY21	yoy %	2HFY21	FY22	hoh%	Prev.	
	Cum	Cum	chg		Cum	chg	FY22F	Comments on 1H22
Revenue	4,755.0	3,290.0	45%	4,505.0	4,755.0	5.5%	8,313.3	Higher RE revenue from new acquisitions in China; higher CE revenue from India and Singapore from strong merchant market
Operating costs	(3,890.0)	(2,650.0)	47%	(3,857.0)	(3,890.0)	0.9%	(6,941.7)	
EBITDA	865.0	640.0	35%	648.0	865.0	33.5%	1,371.6	
Depn & amort.	(219.0)	(223.0)	-2%	(234.0)	(219.0)	-6.4%	(466.1)	
EBIT	646.0	417.0	55%	414.0	646.0	56.0%	905.4	Above at 71% of our FY22F.
Interest expense	(194.0)	(215.0)	-10%	(208.0)	(194.0)	-6.7%	(486.3)	
Interest & invt inc	16.0	14.0	14%	12.0	16.0	33.3%	26.0	
Associates' contrib	133.0	104.0	28%	102.0	133.0	30.4%	227.3	Above at 59% of our FY22F.
Exceptionals	-	(206.0)		13.0	-	n.m	-	
Pretax profit	592.0	111.0	433%	312.0	592.0	89.7%	672.4	Above at 88% of our FY22F from stronger CE and RE.
Tax	(93.0)	(57.0)	63%	(66.0)	(93.0)	40.9%	(214.3)	
Tax rate (%)	-16%	-51%	-69%	-21%	-16%	-26%	-32%	
Minority interests	9.0	8.0	13%	13.0	9.0	n.m	(53.2)	
Net profit	490.0	46.0	965%	233.0	490.0	110.3%	511.3	
EPS (cts)	27.5	2.6	965%	13.1	27.5	110.4%	28.6	
Core profit	490.0	252.0	94%	220.0	490.0	122.7%	511.3	Above at 96% of our FY22F.
Core EPS (cts)	27.5	2.6	965%	13.1	27.5	110.4%	28.6	

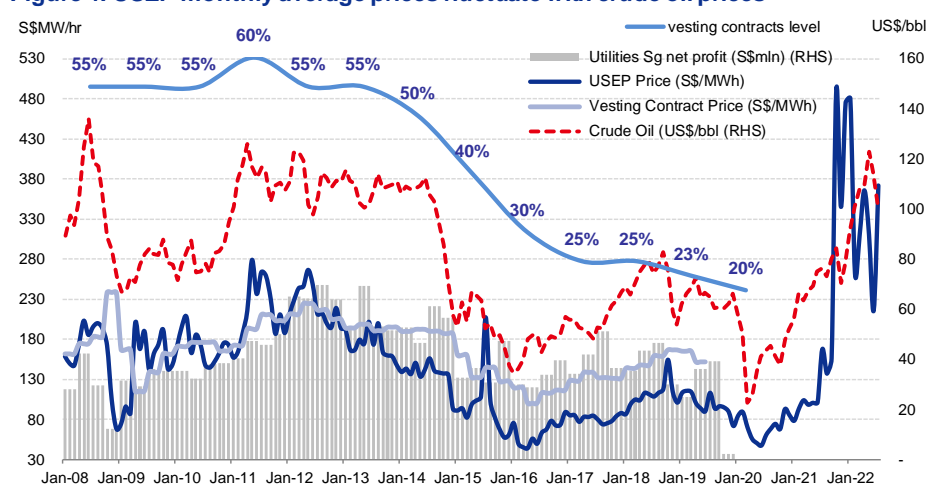
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

EPS changes

CE: expect 2H22F to dip from 1H22, normalisation in FY23F ➤

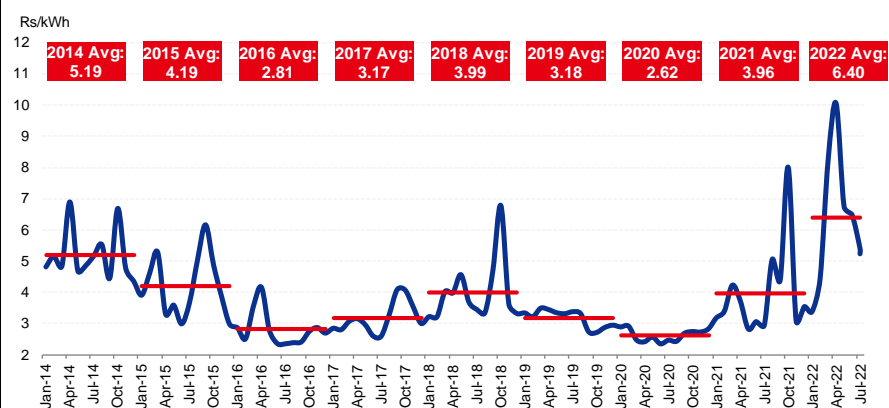
We expect 2H22F to be slightly weaker than 1H22 due to planned maintenance shutdowns for Sembcorp Biomass Power Station in the UK (5-6 weeks) and Plant 2 in India (about 45 days) in 2H22F, both of which should be completed in Jun-Aug 22. For its Singapore operations, we assume that Singapore still contributes c.60% to CE (as it did in FY21, according to SCI) and take a conservative stance that USEP prices could decline 20% should oil prices fall. On India, we only factored in 4 months of operations in 2H22F to account for 45 days of planned shutdown in Plant 2 as well as the 200MW PPA contract with Bangladesh Power Development Board, which commenced in 2Q22.

Furthermore, we think there is low likelihood of recurrence of the gas hedging gain of S\$92m in 1H22F. Hence, we forecast 2H22F CE profit to decline c.43% hoh to c.S\$228m. We also pencil in a 10% yoy reduction in CE revenue in FY23F assuming some form of normalisation.

Figure 4: USEP monthly average prices fluctuate with crude oil prices


SOURCES: CGS-CIMB RESEARCH, EMCSG, MyPower, BLOOMBERG

Figure 5: IEX power prices have waned off its peak to 5.24 Rs/kWh in Jul 22



SOURCES: CGS-CIMB RESEARCH, IEX

Figure 6: Conventional power assets

Southeast Asia						
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	Gas
Phu My 3, Vietnam	67%	748	717	2001-2024	Electricity of Vietnam	Gas
Sembcorp Cogen, Singapore	100%	1,219	0	-	Merchant market	Gas
		2,198	942			
South Asia						
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	2022-2033	Bangladesh Power Development Board	Coal, Diesel
			625	2021-2035	Andhra Pradesh DISCOMS	Coal, Diesel
Sirajgani Unit 4, Bangladesh	71%	440	414	2016-2041	Bangladesh Power Development Board	Gas
Shanghai Cao Jing	30%	658				Gas
Chongqing Songzao Sembcorp	49%	1,320				Coal, Diesel
		5,058	2,559			
UK and the Middle East						
Asset Name (Location)	Stake	Gross Installed Capacity (MW)	Contracted Capacity (MW)	Contract tenure	Customers	Energy Source
Flexible Generation Assets (excluding energy storage), UK	100%	684	553	Various tenures between 2010 and 2034	Low Carbon Contracts Company of National Grid ESO	Gas, Diesel
Wilton Energy Assets	100%	161	0	-	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
		2,256	1,758			
Total		9,512	5,259			

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

RE: raised FY22F forecast to account for HYNE ►

We raise our RE net profit forecast in FY22F by c.65% to c.S\$127m. This is assuming S\$18m contribution from SDIC New Energy and the absence of S\$11m in M&A costs. We also estimate a S\$25m half-year contribution from HYNE, the acquisition of which was completed on 28 Jun 22; we previously expected HYNE to contribute S\$60m-70m to FY23F EBITDA and 2H is typically weaker seasonally.

Figure 7: New segment forecasts

	2H20	1H21	2H21	1H22	FY21	FY22F	FY23F	FY24F
Revenue (\$m)								
Renewables	144.0	146.0	208.0	222.0	354.0	444.8	434.3	434.3
yoy change in Renewables (%)		1.4%	42.5%	6.7%		25.7%	-2.4%	0.0%
Integrated Urban Solutions (incl. waste, waste to resources)	225.0	218.0	247.0	217.0	465.0	437.1	441.5	445.9
yoy change in IUS (%)		-3.1%	13.3%	-12.1%		-6.0%	1.0%	1.0%
Conventional Energy	2,358.0	2,756.0	3,923.0	4,155.0	6,679.0	7,680.9	6,912.8	6,912.8
yoy change in CE (%)		16.9%	42.3%	5.9%		15.0%	-10.0%	0.0%
Other Business	103.0	170.0	127.0	161.0	297.0	305.9	321.2	337.3
yoy change in Other Business (%)		65.0%	-25.3%	26.8%		3.0%	5.0%	5.0%
Total revenue	2,830.0	3,290.0	4,505.0	4,755.0	7,795.0	8,869.0	8,109.7	8,130.3
yoy change in Total Revenue (%)		16.3%	59.2%	44.5%	43.1%	13.8%	-8.6%	0.3%
Adjusted EBITDA (\$m)								
Renewables	119.0	125.0	150.0	188.0	278.0	394.0	414.3	449.8
yoy change in Renewables (%)		5.0%	20.0%	25.3%		41.7%	5.2%	8.6%
Integrated Urban Solutions	110.0	107.0	133.0	102.0	240.0	210.6	214.7	218.8
yoy change in IUS (%)		-2.7%	24.3%	-23.3%		-12.2%	1.9%	1.9%
Conventional Energy	527.0	525.0	520.0	715.0	1,045.0	1,318.2	1,123.1	1,118.8
yoy change in CE (%)		-0.4%	-1.0%	37.5%		26.1%	-14.8%	-0.4%
Other Business and Corporate	9.0	(13.0)	(53.0)	(7.0)	(69.0)	(71.1)	(74.6)	(78.4)
yoy change in Other Business (%)		-244.4%	307.7%	-86.8%		3.0%	5.0%	5.0%
Total Adjusted EBITDA	765.0	744.0	750.0	998.0	1,494.0	1,851.8	1,677.5	1,709.1
yoy change in Total Adjusted EBITDA (%)		-2.7%	-2.0%	34.1%	5.4%	23.9%	-9.4%	1.9%
Net profit (\$m)								
Renewables	13.0	24.0	32.0	76.0	56.0	126.5	133.3	140.0
yoy change in Renewables (%)		84.6%	33.3%	137.5%		125.9%	5.4%	5.0%
Integrated Urban Solutions	74.0	69.0	92.0	62.0	161.0	150.1	156.6	161.3
yoy change in IUS (%)		-6.8%	33.3%	-32.6%		-6.8%	4.4%	3.0%
Conventional Energy	149.0	(27.0)	201.0	397.0	174.0	624.7	532.3	530.2
yoy change in CE (%)		-118.1%	-844.4%	97.5%		259.0%	-14.8%	-0.4%
Other Business	10.0	13.0	12.0	10.0	25.0	(105.8)	(105.8)	(105.8)
yoy change in Other Business (%)		30.0%	-7.7%	-16.7%		-523.0%	0.0%	0.0%
Corporate	(48.0)	(33.0)	(104.0)	(55.0)	(137.0)	-	-	-
yoy change in Corporate (%)		-31.3%	215.2%	-47.1%		-	-	-
Total net profit after EI	198.0	46.0	233.0	490.0	279.0	795.6	716.5	725.8
yoy change in net profit after EI (%)		-76.8%	406.5%	110.3%	77.7%	185.2%	-9.9%	1.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: EPS changes

FYE Dec (\$)	New			Old			% change		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenue	8,868.7	8,109.8	8,130.2	8,313.3	7,778.8	7,785.9	6.7%	4.3%	4.4%
Gross profit	1,253.8	1,146.5	1,149.4	1,175.3	1,099.7	1,100.7	6.7%	4.3%	4.4%
EBIT	1,110.2	895.4	883.0	905.4	863.4	843.8	22.6%	3.7%	4.7%
Reported PATMI	795.6	716.5	725.8	511.3	517.6	554.8	55.6%	38.4%	30.8%
Core PATMI	795.6	716.5	725.8	511.3	517.6	554.8	55.6%	38.4%	30.8%
NPM (%)	9.0%	8.8%	8.9%	6.2%	6.7%	7.1%	45.8%	32.8%	25.3%
EPS (Scts)	44.2	39.8	40.3	28.4	28.8	30.8	55.6%	38.4%	30.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

SOP valuation ➤

Our TP is therefore raised to S\$3.80, based on 15x FY23F EV/EBITDA for RE, 1x FY22F BV for IUS, 8x FY23F EV/EBITDA for CE, and 1x BV for the 'Others' segment.

Figure 9: SOP valuation

	Renewables	Urban	CE	Others	Total
(S\$m)					
FY23F Adjusted EBITDA	414.3	214.7	1,123.1	(74.6)	1,677.5
EV/EBITDA (CY23F Asian peers' average)	15.0		8.0		
EV	6,215.0		8,984.8		15,199.8
Less: net debt					(7,392.0)
Market cap					7,807.8
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					6,802.8
Number of shares (millions)					1,787.5
Target price (S\$)					3.80

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: SDIC New Energy and HYNE contributed to RE earnings in 1H22F

Solar			
	Stake	Gross Installed Capacity (MW)	Attributable Installed Capacity (MW)
Sembcorp Solar Singapore	100%	225	225
Sembcorp Solar Vietnam	100%	42	42
Vietnam-Singapore Smart Energy Solutions	54%	5	3
Sembcorp Green Infra - Solar	100%	35	35
SDIC New Energy	35%	188	66
Shenzhen Huiyang New Energy (HYNE)	98%	240	155
		735	526
Under development			
Sembcorp Green Infra	100%	461	461
Sembcorp Solar Singapore	100%	121	121
Sembcorp Solar Vietnam	100%	43	43
Vietnam-Singapore Smart Energy Solutions	54%	3	2
		628	627
Total Solar		1,363	1,153
Wind			
	Stake	Gross Installed Capacity (MW)	Contracted Capacity (MW)
Sembcorp Green Infra - Wind	100%	1,694	1,626
Guohua Sembcorp	49%	725	355
SDIC New Energy	35%	1,730	579
Shenzhen Huiyang New Energy (HYNE)	98%	418	409
		4,567	2,969
Under development			
Sembcorp Green Infra - Wind	100%	264	264
SDIC New Energy	35%	150	53
Collaboration with BCG in Vietnam	100%	550	550
		964	867
Total Wind		5,531	3,836
Batteries			
	Stake	Gross Installed Capacity (MW)	Contracted Capacity (MW)
Flexible Generation Assets - Batteries	100%	70	70
		70	70
Under development			
Sembcorp Cogen - Batteries	100%	204	204
Flexible Generation Assets - Batteries	100%	50	50
Wilton - Batteries	100%	300	300
		254	254
Total Energy Storage		324	324
Total operational projects		5,372	3,565
Total projects under development		1,846	1,747
Total all projects		7,218	5,312

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Peer comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY21A	P/E (x) CY22F	P/E (x) CY23F	3-year EPS CAGR (%)	EV/EBITDA (x) CY21A	EV/EBITDA (x) CY22F	EV/EBITDA (x) CY23F	Recurring ROE (%) CY22F	Dividend Yield (%) CY22F
Perusahaan Gas Negara	PGAS IJ	Add	1,600	2,300	2,604	8.4	8.9	8.4	na	6.7	5.5	5.2	11.2%	3.3%
NTPC Ltd	NTPC IN	NR	156.7	NA	19,187	9.8	9.1	7.6	13.2%	9.9	8.1	7.5	12.8%	4.7%
Power Grid Corp of India Ltd	PWGR IN	NR	223.0	NA	19,644	12.2	9.0	10.3	8.7%	7.8	7.7	7.5	19.2%	6.3%
Tata Power Co Ltd/The	TPWR IN	NR	230.6	NA	9,305	72.7	43.0	23.6	37.7%	17.7	13.5	13.1	10.9%	0.8%
GAIL India Ltd	GAIL IN	NR	133.3	NA	7,381	9.8	4.8	5.9	13.6%	4.8	5.7	5.3	16.4%	8.5%
Petronet LNG Ltd	PLNG IN	NR	215.0	NA	4,074	11.0	9.4	8.3	10.4%	5.9	5.9	5.4	24.4%	5.4%
Adani Green Energy Ltd	ADANIGR IN	NR	2,177	NA	43,558	1266.4	637.8	202.2	123.1%	na	na	na	na	na
Simple Average (India)						230.3	118.9	43.0	34.4%	9.2	8.2	7.7	16.7%	5.1%
Cypark Resources Bhd	CYP MK	Hold	0.43	0.39	57	3.6	3.8	3.6	-4.7%	15.1	12.8	9.8	6.4%	0.0%
Gas Malaysia Berhad	GMB MK	Add	3.26	3.40	941	16.6	13.1	15.5	6.1%	10.4	8.5	10.0	27.8%	6.9%
Malakoff Corporation	MLK MK	Add	0.66	0.98	719	9.4	11.2	9.9	4.5%	5.6	5.3	5.7	5.3%	7.6%
Petronas Gas	PTG MK	Hold	17.10	16.75	7,603	16.6	18.1	17.5	-1.4%	9.2	8.9	8.9	14.0%	4.2%
Taiworks Corporation	TWK MK	Add	0.94	1.15	426	24.1	23.4	21.8	13.5%	18.6	14.3	14.5	8.9%	7.0%
Tenaga Nasional	TNB MK	Add	8.47	13.30	10,949	10.1	10.3	9.5	6.6%	5.0	4.6	4.4	8.2%	5.4%
YTL Power International	YTLP MK	Add	0.72	1.08	1,302	19.7	17.5	14.1	18.1%	9.9	9.6	9.5	2.2%	6.9%
Simple Average (Malaysia)						14.3	13.9	13.1	6.1%	10.5	9.1	9.0	10.4%	5.4%
Sermasng Power Corporation	SSP TB	Add	9.40	15.60	328	10.7	8.0	8.3	11.3%	9.7	8.2	8.9	20.2%	3.5%
B Grimm Power PCL	BGRIM TB	NR	38.50	NA	2,820	53.5	55.5	32.3	12.6%	15.8	16.0	12.7	5.0%	0.8%
Banpu Power PCL	BPP TB	NR	15.10	NA	1,293	14.7	8.3	8.5	13.3%	18.8	41.5	21.4	12.3%	5.5%
BCPG PCL	BCPG TB	NR	10.40	NA	846	13.6	14.9	21.8	-19.7%	9.5	8.2	8.3	9.2%	3.3%
Energy Absolute PCL	EA TB	NR	82.50	NA	8,646	50.3	36.0	32.9	21.6%	35.1	26.7	23.6	23.2%	0.7%
Global Power Synergy PCL	GPSC TB	NR	70.25	NA	5,566	24.9	37.2	24.7	2.2%	16.0	18.0	14.5	4.6%	1.7%
Gulf Energy Development PCL	GULF TB	NR	49.00	NA	16,154	na	45.8	37.3	50.0%	45.6	35.0	29.8	13.0%	1.2%
Ratch Group PCL	RATCH TB	NR	38.75	NA	2,368	7.6	8.8	8.5	3.4%	17.3	13.5	12.1	10.4%	5.9%
TPI Polene Power PCL	TIPI TB	NR	3.66	NA	864	7.3	na	na	na	8.4	na	na	14.8%	na
Super Energy Corp PCL	SUPER TB	NR	0.72	NA	553	na	na	na	na	na	na	na	na	na
Simple Average (Thailand)						22.8	26.8	21.8	11.8%	19.6	20.9	16.4	12.0%	2.8%
Beijing Jingneng Clean Energy	579 HK	NR	1.51	NA	1,586	4.4	4.2	3.6	8.8%	7.0	6.3	5.5	9.5%	5.9%
China Datang Corp Renewable Pc	1798 HK	NR	1.94	NA	1,798	8.9	7.3	6.0	29.4%	9.4	8.6	7.6	9.4%	2.5%
China Longyuan Power Group Cor	916 HK	NR	11.90	NA	19,829	12.9	11.5	9.5	22.3%	11.8	10.3	9.0	11.5%	1.7%
China Gas Holdings Ltd	384 HK	NR	12.02	NA	8,330	5.9	8.6	7.4	-5.7%	8.3	8.3	7.8	12.6%	4.6%
China Resources Gas Group Ltd	1193 HK	NR	33.30	NA	9,816	11.8	11.6	10.6	10.7%	6.8	6.8	6.1	15.1%	4.0%
China Resources Power Holdings	836 HK	NR	13.68	NA	8,383	27.1	7.6	5.5	16.1%	10.3	6.4	5.3	9.5%	6.4%
CGN Power Co Ltd	1816 HK	NR	1.82	NA	18,320	8.1	7.4	6.9	6.5%	10.9	10.5	10.1	10.3%	6.0%
Huaneng Power International In	902 HK	NR	3.48	NA	12,640	na	24.9	6.5	36.4%	56.4	10.1	8.0	2.4%	3.3%
Simple Average (China)						11.3	10.4	7.0	15.6%	15.1	8.4	7.4	10.0%	4.3%
ACEN Corp	ACEN PM	NR	8.86	NA	6,358	49.2	55.4	27.7	6.3%	48.5	46.1	21.6	6.9%	0.6%
Aboitiz Power Corporation	AP PM	Add	31.00	36.93	4,132	10.8	11.6	10.9	14.4%	8.7	7.9	7.0	12.7%	4.7%
Manila Electric Co	MER PM	NR	316.0	NA	6,447	na	14.1	14.0	15.9%	9.5	9.0	8.4	24.7%	4.9%
Simple Average (Philippines)						30.0	27.0	17.5	12.2%	22.3	21.0	12.4	14.8%	3.4%
Orsted AS	ORSTED DC	NR	849.7	NA	49,080	35.0	24.2	38.2	-14.8%	16.9	13.6	16.3	20.7%	1.6%
NextEra Energy Inc	NEE US	NR	87.98	NA	172,861	34.5	30.7	28.5	27.5%	35.8	20.5	17.7	12.9%	1.9%
Brookfield Renewable Partners	BEP US	NR	38.82	NA	18,169	na	na	318.2	na	30.4	27.9	25.7	1.5%	3.3%
Azure Power Global Ltd	AZRE US	NR	12.00	NA	729	na	17.5	10.4	na	12.2	9.1	8.0	6.0%	na
Simple Average (US and Europe)						34.7	24.1	98.8	6.3%	23.8	17.8	16.9	10.3%	2.3%
Average (ex US and Europe)						18.5	17.5	13.7	14.1%	14.9	12.7	10.4	12.3%	4.2%
Average (all)						19.5	18.0	23.2	13.6%	15.8	13.2	11.1	12.0%	4.1%
Sembcorp Industries	SCI SP	Add	3.07	3.80	3,967	19.6	6.7	7.5	67.0%	9.4	6.5	6.6	19.9%	4.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



ESG in a nutshell

With the completion of its divestment of Sembcorp Marine in 2020 and the clear communication (during its investor day in May) of its intention to grow the profit contribution from its sustainable solutions portfolio, our assessment is that SCI's overall ESG strategy will likely continue to improve. SCI achieved an A grade in the MSCI ESG Rating as of end-2020 and a B for climate change score in 2021, based on the guided recommendations by CDP (formerly known as Carbon Disclosure Project). We think the gradual increase in its gross installed renewable energy to 10GW, from 2.6GW currently (comprising wind, solar and energy storage), over the next five years, as well as the potential reduction/exit from the coal power plant business, could be the key catalyst to boost SCI's ESG ranking.

Keep your eye on

As of 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.

Implications

The current CEO is more intent on increasing SCI's renewable energy mix, in our view. If this is executed well, it should work in SCI's favour.

ESG highlights

SCI targets to grow the profit contribution from its sustainable solutions from 40% in 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.

Implications

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.

Trends

SCI has made tremendous progress in climate change score with CDP over the last five years, with a marked improvement from C- in 2017 to B in 2020, a rating it has maintained in 2021, in line with peers such as Keppel Corp (B) and Global Power Synergy Thailand (B).

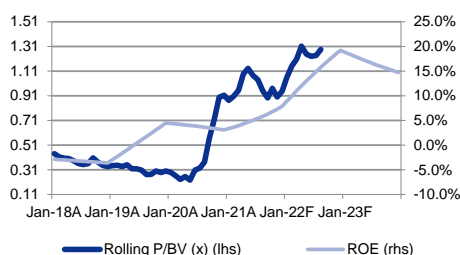
Implications

We expect SCI to be a high ESG-ranked company with the proper execution of its ESG strategy. We see potential upside to its valuation, towards the level of its European peers, beyond the next five years.

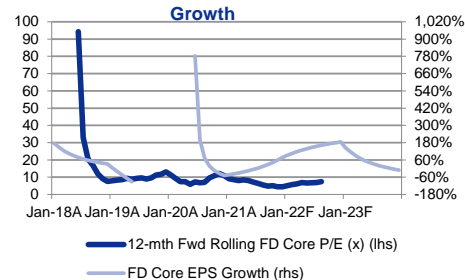
SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	5,447	7,795	8,869	8,110	8,130
Gross Profit	1,362	1,559	1,734	1,631	1,644
Operating EBITDA	1,017	1,071	1,590	1,380	1,377
Depreciation And Amortisation	(575)	(457)	(480)	(485)	(494)
Operating EBIT	442	614	1,110	895	883
Financial Income/(Expense)	(464)	(397)	(415)	(263)	(275)
Pretax Income/(Loss) from Assoc.	233	206	262	297	332
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	211	423	957	930	940
Exceptional Items			0	0	0
Pre-tax Profit	211	423	957	930	940
Taxation	(32)	(123)	(157)	(143)	(145)
Exceptional Income - post-tax					
Profit After Tax	179	300	801	787	795
Minority Interests	(22)	(21)	(5)	(70)	(69)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	157	279	796	716	726
Recurring Net Profit	157	279	796	716	726
Fully Diluted Recurring Net Profit	157	279	796	716	726

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	1,017	1,071	1,590	1,380	1,377
Cash Flow from Invt. & Assoc.	(233)	(206)	(262)	(297)	(332)
Change In Working Capital	1,188	1,206	(746)	2,064	(1,058)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,378)	(816)	(160)	(1,425)	172
Net Interest (Paid)/Received	(447)	(300)	(415)	(263)	(275)
Tax Paid	(103)	(36)	(181)	(157)	(143)
Cashflow From Operations	44	919	(174)	1,303	(259)
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	(525)	995	(576)
Free Cashflow To Equity	(415)	440	(472)	995	(576)
Free Cashflow To Firm	(790)	1,119	(52)	1,266	(285)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	1,032	1,344	819	1,814	1,238
Total Debtors	1,571	1,986	2,388	1,612	2,398
Inventories	196	222	700	1,135	1,569
Total Other Current Assets	205	381	381	381	381
Total Current Assets	3,004	3,933	4,288	4,941	5,586
Fixed Assets	7,204	7,094	6,941	6,793	6,646
Total Investments	1,723	1,738	2,000	2,297	2,629
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	10,571	10,720	10,904
Short-term Debt	593	754	754	754	754
Current Portion of Long-Term Debt					
Total Creditors	1,159	1,708	1,420	1,420	1,423
Other Current Liabilities	375	443	419	405	407
Total Current Liabilities	2,127	2,905	2,592	2,580	2,584
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	10,194	10,210	10,243
Shareholders' Equity	3,339	3,767	4,509	5,225	5,951
Minority Interests	137	151	156	226	296
Total Equity	3,476	3,918	4,665	5,452	6,247

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(19.1%)	43.1%	13.8%	(8.6%)	0.3%
Operating EBITDA Growth	(23.7%)	5.3%	48.5%	(13.2%)	(0.2%)
Operating EBITDA Margin	18.7%	13.7%	17.9%	17.0%	16.9%
Net Cash Per Share (\$\$)	(3.75)	(3.39)	(3.70)	(3.16)	(3.50)
BVPS (\$\$)	1.87	2.11	2.53	2.93	3.33
Gross Interest Cover	0.89	1.45	2.48	2.99	2.76
Effective Tax Rate	15.2%	29.1%	16.4%	15.4%	15.4%
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	23.59	51.69	76.28
Accounts Payables Days	179.3	83.9	80.0	80.0	80.2
ROIC (%)	2.3%	4.7%	10.1%	7.4%	7.7%
ROCE (%)	3.19%	5.69%	9.78%	7.46%	6.97%
Return On Average Assets	3.11%	4.16%	7.84%	6.61%	6.39%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue growth (%)	-19.1%	43.1%	13.8%	-8.6%	0.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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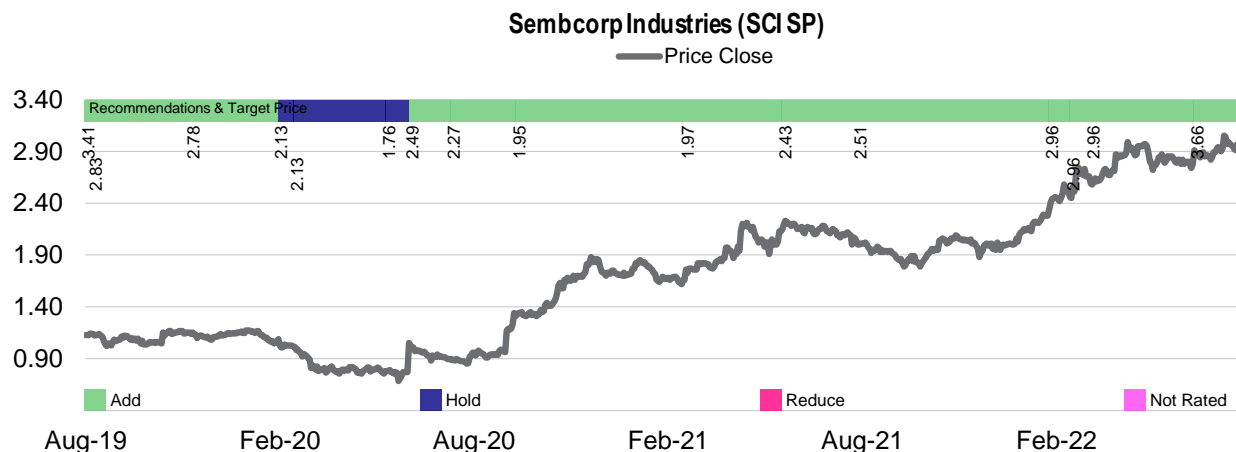
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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.

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

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.