

## Singapore

**ADD** (no change)

Consensus ratings\*: Buy 7 Hold 1 Sell 1

Current price:	S\$0.109
Target price:	S\$0.19
Previous target:	S\$0.19
Up/downside:	74.3%
CGS-CIMB / Consensus:	11.8%
Reuters:	SEAT.SI
Bloomberg:	STM SP
Market cap:	US\$5,478m
	S\$7,436m
Average daily turnover:	US\$28.52m
	S\$38.84m
Current shares o/s:	68,237m
Free float:	64.5%

\*Source: Bloomberg

### Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11.4	-19.3	-18.7
Relative (%)	-10	-13.7	-18.2

Major shareholders	% held
Temasek	35.5

### Analyst(s)



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# Seatrium Ltd

## Order wins to drive turnaround in FY24F

- 9M23 orderbook stood at S\$17.7bn, down from S\$19.7bn in 1H23, as there were no new order wins in 3Q23. STM completed 4 deliveries (YTD: 8).
- One of two Empire Wind offshore substations, originally slated for 2026 delivery, is seeing delays. STM does not expect a major impact on margins.
- Reiterate Add with a TP of S\$0.19, based on 1.5x CY24F P/BV.

### No new order wins during 3Q23...

Seatrium's (STM) orderbook fell to S\$17.7bn at end-3Q23 from S\$19.7bn at end-1H23. No new order contracts were signed, implying its order wins YTD stand unchanged at S\$4.3bn from end-1H23. Orderbook (OB) comprises of 33 projects with delivery schedules up to 2030. 73 vessels underwent repairs and upgrades (RU) in 3Q23 (YTD23: 217). Apart from work on energy transition-driven project upgrades, STM highlighted active RU enquiries for jackups, with even some preliminary enquiries for newbuild jackups. Management plans to use the S\$968m receivables prepaid by Borr Drilling for technology investments. Net gearing ratio improved to 0.15x at end-3Q23 vs. 0.17x as of end-1H23. Further details on capital structure, asset holdings and STM's future growth plans will be provided at its Capital Markets Day to be held within 1H24.

### ...but key projects are in the pipeline.

As noted on 28 Aug 2023, STM was awarded a letter of intent (LOI) by Shell for construction work on its Sparta floating production unit (FPU), which we expect to be worth c.S\$300m-400m. STM is awaiting a final investment decision (FID) from project partners Shell and Equinor. Management also noted that the bid for Petrobras's P-84/85 FPSOs is still undergoing technical clarification, with the next step being price negotiation (STM is likely to win 1 order here, according to Upstream). It is also actively engaging with TenneT for its next round of German projects for 2024. We continue to expect FY23F order wins of c.S\$7.1bn.

### Offshore wind exposure

Management does not foresee issues with its construction work on Orsted's 600MW Changhua offshore substation, which began in Aug 2023 and is due for delivery in 2025. However, 2026 delivery for 1 of 2 Empire Wind offshore substations, for Equinor and BP's JV project to be deployed in US's East Coast, has been pushed out to beyond 2026 (no definitive new delivery date was provided). Costs committed to date have been low, and the new timeline is not likely to impact project margins, according to management. Recall that these contracts are together worth c.S\$500m, or c. 2.8% of STM's total orderbook.

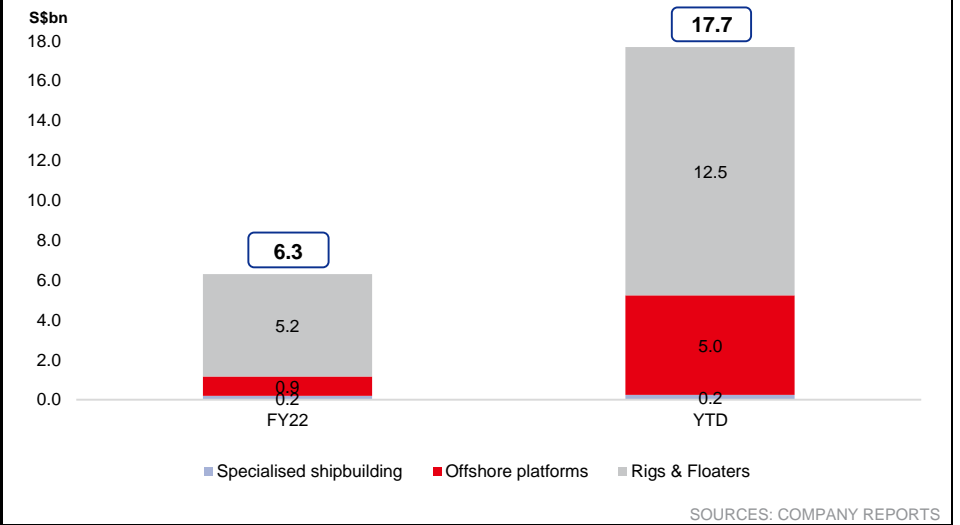
### Reiterate Add with unchanged TP of S\$0.19

We reiterate Add given the expected strong turnaround in profitability in FY24F. Our TP of S\$0.19 is based on 1.5x CY24F P/BV (average trading range from Jan 2015 to May 2023). Re-rating catalysts: sizeable order wins, faster-than-expected return to profitability, stronger-than-expected margins. Downside risks: cost overruns in projects delaying turnaround in profits and order cancellations.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (S\$m)	1,862	1,947	5,595	6,887	8,624
Operating EBITDA (S\$m)	(1,053)	(36)	334	866	1,354
Net Profit (S\$m)	(1,171)	(261)	(251)	256	660
Core EPS (S\$)	(0.22)	(0.05)	(0.00)	0.00	0.01
Core EPS Growth	493%	(78%)	(92%)		158%
FD Core P/E (x)	NA	NA	NA	29.06	11.27
DPS (S\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	27.61	9.91	5.48
P/FCFE (x)	NA	0.58	NA	33.12	10.97
Net Gearing	55.9%	33.4%	23.2%	15.1%	1.3%
P/BV (x)	0.15	0.15	0.90	0.87	0.81
ROE	(30.5%)	(6.7%)	(4.2%)	3.0%	7.4%
EPS/Consensus EPS (x)			0.92	1.25	1.21

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: STM breakdown of orderbook by segments**



**Figure 2: Renewables and Cleaner Solutions account for c. 41% (\$7.2bn) of STM's current orderbook**

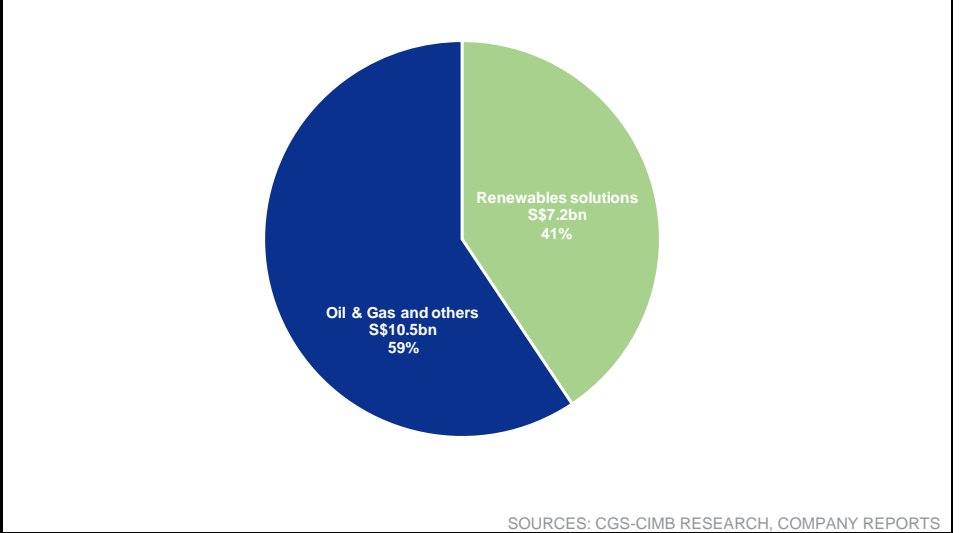




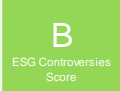
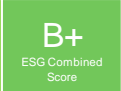



Figure 3: Peers Comparison

Company	Bbg Ticker	Recom.	Price		Market Cap (US\$ m)	P/E (x)			2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
			(lcl curr)	Target Price (lcl curr)		CY23F	CY24F	CY25F		CY23F	CY24F		
Keppel Corporation	KEP SP	Add	6.30	8.70	8,188	11.3	10.1	9.5	11.8%	0.94	0.90	8.4%	5.7%
Capitaland Investment	CLI SP	Add	3.04	4.30	11,447	20.1	16.8	15.6	37.8%	0.95	0.92	4.9%	3.9%
<b>Integrated global asset management - big cap simple average</b>						<b>15.7</b>	<b>13.5</b>	<b>12.5</b>	<b>24.8%</b>	<b>0.95</b>	<b>0.91</b>	<b>6.6%</b>	<b>4.8%</b>
Seatrium Ltd	STM SP	Add	0.11	0.19	5,484	na	29.1	11.3	na	0.90	0.87	-7.8%	0.0%
<b>Singapore offshore - big cap simple average</b>						<b>na</b>	<b>29.1</b>	<b>11.3</b>	<b>na</b>	<b>0.90</b>	<b>0.87</b>	<b>-7.8%</b>	<b>0.0%</b>
COSCO SHIPPING International S	COS SP	NR	0.13	na	211	na	na	na	na	na	na	na	na
China CSSC Holdings Ltd	600150 CH	NR	25.90	na	15,908	42.3	17.5	12.6	508.3%	2.38	2.10	5.8%	0.8%
China Shipbuilding Industry Co	601989 CH	NR	3.97	na	12,432	198.5	23.4	14.7	na	1.08	1.03	0.4%	0.5%
CSSC Offshore and Marine Engin	600685 CH	NR	22.62	na	3,181	na	na	na	na	na	na	na	na
Yangzijiang Shipbuilding	YZJSGD SP	Add	1.50	1.96	4,370	8.8	7.7	7.1	20.8%	1.61	1.42	19.8%	4.4%
<b>Chinese Shipbuilder simple average</b>						<b>83.2</b>	<b>16.2</b>	<b>11.5</b>	<b>264.5%</b>	<b>1.69</b>	<b>1.52</b>	<b>8.7%</b>	<b>1.9%</b>
Korea Shipbuilding & Offshore	009540 KS	Add	98,600	119,000	5,335	26.4	9.2	5.8	na	0.69	0.63	2.7%	0.0%
Hyundai Mipo Dockyard	010620 KS	Reduce	76,500	83,000	2,336	na	18.3	13.2	na	1.43	1.33	-0.2%	0.0%
Samsung Heavy Industries	010140 KS	Add	7,190	10,900	4,837	97.3	22.8	13.2	na	1.73	1.61	1.8%	0.0%
Hanwha Ocean	042660 KS	Hold	24,550	35,300	4,109	na	24.2	13.7	na	1.63	1.53	-8.0%	0.0%
Sejin Heavy Industries Co Ltd	075580 KS	NR	4,470	na	194	na	na	na	na	na	na	na	na
<b>Korean Shipbuilder simple average</b>						<b>61.8</b>	<b>18.6</b>	<b>11.4</b>	<b>na</b>	<b>1.37</b>	<b>1.27</b>	<b>-0.9%</b>	<b>0.0%</b>
Mitsui E&S Co Ltd	7003 JP	NR	412.0	na	272	2.3	na	na	na	na	na	na	na
<b>Japan Shipbuilder simple average</b>						<b>3.6</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
Brookfield Corp	BN US	NR	32.00	na	52,419	14.2	12.9	8.7	42.4%	1.18	1.17	9.4%	0.9%
<b>US Shipbuilder simple average</b>						<b>14.2</b>	<b>12.9</b>	<b>8.7</b>	<b>42.4%</b>	<b>1.18</b>	<b>1.17</b>	<b>9.4%</b>	<b>0.9%</b>
CSE Global	CSE SP	Add	0.43	0.54	195	11.9	9.6	8.7	78.8%	1.22	1.17	10.4%	6.4%
SATS Ltd	SATS SP	Hold	2.56	2.86	2,814	414.1	61.5	26.3	na	1.78	1.81	0.4%	0.2%
Sembcorp Industries	SCI SP	Add	5.08	6.85	6,666	9.1	9.9	9.8	12.0%	1.94	1.71	23.1%	3.0%
ST Engineering	STE SP	Add	3.79	4.27	8,707	20.3	16.8	14.4	24.9%	4.76	4.40	23.9%	4.2%
SIA Engineering	SIE SP	Hold	2.38	2.51	1,972	24.6	20.3	18.6	41.1%	1.56	1.53	6.5%	3.4%
<b>Industrial/conglomerate / airport services simple average</b>						<b>96.0</b>	<b>23.6</b>	<b>15.6</b>	<b>39.2%</b>	<b>2.25</b>	<b>2.12</b>	<b>12.9%</b>	<b>3.5%</b>

DATA AS AT 8 NOVEMBER 2023

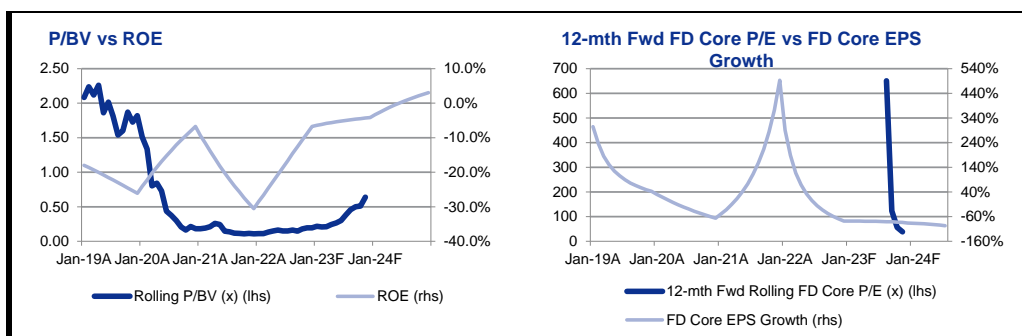
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Estimates for Not rated companies are based on Bloomberg consensus estimates

Refinitiv ESG Scores	
	
     	
<h3>ESG in a nutshell</h3> <p>STM (formerly Sembcorp Marine) scored a B+ in its ESG combined score by Refinitiv – environmental: B- (weightage: 34.18%); social: B+ (weightage 37.34%); and governance: A (weightage 28.48%). Its improved ESG controversies score from D+ in FY20 to A+ in FY21 contributed to the huge jump in ESG combined score. STM has 2025 ESG targets of: (1) achieving 30% of annual company turnover generated from sustainable product solutions; (2) achieving 100% compliance with product safety and health requirements; (3) maintaining above 95% customer satisfaction in all projects; (4) ensuring zero harm to the environment; and (5) having 100% contracted procurement spend in compliance with STM's Code of Business Conduct and Supplier Code of Conduct.</p>	
<h4>Keep your eye on</h4> <p>In Mar 2023, the Office of the Comptroller General of Brazil (CGU) initiated a preliminary administrative liability proceeding against STM's yard in Brazil, Estaleiro Jurong Aracruz Ltda (EJA), for an investigation on alleged irregularities practiced by EJA. The notice gave no further details and STM cannot assess the matter or its impact, if any. EJA is fully cooperating with the authorities. In 2019, STM reported that authorities had searched its shipyard in Brazil as part of a graft investigation. In 2020, the Federal Justice Court of Curitiba accepted the complaint against ex-employee Mr Martin Cheah Kok Choon for money laundering and corruption, in relation to certain drilling rig construction contracts entered into by subsidiaries of the company with Sete Brasil in 2012. Martin Cheah is the former President of Estaleiro Jurong Aracruz Ltda ("EJA"), STM's Brazilian subsidiary. No charges were filed against EJA.</p>	<h4>Implications</h4> <p>While no charges were filed against STM, negative press pulled the Group's ESG controversies score down to a C+ in FY20. As there is no resolution, this Brazilian case is likely to impact STM's ESG controversies score moving forward, until the case is closed for good. Unlike KEP SP where a fine was paid for global resolution from a similar fraud investigation in Brazil, no charges were brought against STM. We would keep an eye on developments, should there be any potential negative outcome.</p>
<h4>ESG highlights</h4> <p>According to Refinitiv, STM fares strongly against peers in all E, S, and G pillars. In particular, STM leads in the Social and Governance categories. On its Social aspect, STM clinched 24 awards at the national Work Safety and Health (WSH) Awards on 29 Jul 2021. STM also has an audited Health, Safety and Environment (HSE) integrated management system aimed at the elimination of harm to people, property, and the environment. As for Governance, STM successfully completed a surveillance audit for ISO 37001, an Anti-bribery Management System certification. There were also no material incidents of non-compliance, as well as zero legal actions for anti-competitive behaviours, anti-trust, and monopolistic practices.</p>	<h4>Implications</h4> <p>Accordingly, Community, Workforce, and Management were STM's 3 best performing categories in FY20. We believe the group stands to gain from its strong workplace safety policies through workforce productivity and cost minimisation.</p>
<h4>Trends</h4> <p>STM's scores remained constant year on year at a B+ for Environment, A- for Social, and A for Governance. The Group has put in place concrete goals for its Environmental pillar. With a target to avoid 15,000 tCO<sub>2</sub>e annually by 2025, STM has since avoided 6,235 tCO<sub>2</sub>e per year through the installation of solar roofs and LED lighting. In 1Q22, it also achieved its inaugural ISO50001 certification, which recognises the successful implementation of a structured Energy Management System.</p>	<h4>Implications</h4> <p>We believe that STM's continued investments in its Climate Programmes, coupled with its strong Social and Governance aspects, will attract investors who are conscious about E, S, and G performances.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## BY THE NUMBERS



### Profit & Loss

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>1,862</b>	<b>1,947</b>	<b>5,595</b>	<b>6,887</b>	<b>8,624</b>
<b>Gross Profit</b>	<b>(1,082)</b>	<b>(132)</b>	<b>(169)</b>	<b>551</b>	<b>1,121</b>
<b>Operating EBITDA</b>	<b>(1,053)</b>	<b>(36)</b>	<b>334</b>	<b>866</b>	<b>1,354</b>
Depreciation And Amortisation	(172)	(170)	(406)	(383)	(362)
<b>Operating EBIT</b>	<b>(1,224)</b>	<b>(206)</b>	<b>(73)</b>	<b>482</b>	<b>992</b>
Financial Income/(Expense)	(32)	(34)	(157)	(198)	(259)
Pretax Income/(Loss) from Assoc.	1	1	(5)	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>(1,255)</b>	<b>(240)</b>	<b>(234)</b>	<b>284</b>	<b>733</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>(1,255)</b>	<b>(240)</b>	<b>(234)</b>	<b>284</b>	<b>733</b>
Taxation	79	(26)	(21)	(23)	(59)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>(1,175)</b>	<b>(266)</b>	<b>(255)</b>	<b>262</b>	<b>674</b>
Minority Interests	5	4	5	(6)	(15)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>(1,171)</b>	<b>(261)</b>	<b>(251)</b>	<b>256</b>	<b>660</b>
Recurring Net Profit	(1,171)	(261)	(251)	256	660
<b>Fully Diluted Recurring Net Profit</b>	<b>(1,171)</b>	<b>(261)</b>	<b>(251)</b>	<b>256</b>	<b>660</b>

### Cash Flow

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>(1,053)</b>	<b>(36)</b>	<b>334</b>	<b>866</b>	<b>1,354</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	295	1,050	(282)	179	241
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(54)	19	(157)	(198)	(259)
Tax Paid	(5)	(2)	(21)	(23)	(59)
<b>Cashflow From Operations</b>	<b>(816)</b>	<b>1,031</b>	<b>(126)</b>	<b>825</b>	<b>1,278</b>
Capex	(46)	(23)	(100)	(100)	(100)
Disposals Of FAs/subsidiaries	4	3	0	0	0
Acq. Of Subsidiaries/investments	(2)	(6)	0	0	0
Other Investing Cashflow	0	0	0	0	0
<b>Cash Flow From Investing</b>	<b>(44)</b>	<b>(26)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
Debt Raised/(repaid)	(512)	0	(500)	(500)	(500)
Proceeds From Issue Of Shares	1,499	0	0	0	0
Shares Repurchased	(0)	(0)	0	0	0
Dividends Paid	(0)	(0)	0	0	0
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	<b>986</b>	<b>(1)</b>	<b>(500)</b>	<b>(500)</b>	<b>(500)</b>
Total Cash Generated	126	1,005	(726)	225	678
<b>Free Cashflow To Equity</b>	<b>(1,372)</b>	<b>1,005</b>	<b>(726)</b>	<b>225</b>	<b>678</b>
<b>Free Cashflow To Firm</b>	<b>(797)</b>	<b>1,103</b>	<b>110</b>	<b>1,100</b>	<b>1,566</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	1,104	2,091	1,861	1,997	2,675
Total Debtors	471	572	1,554	1,913	2,396
Inventories	67	71	466	574	719
Total Other Current Assets	1,384	399	2,989	3,528	4,251
<b>Total Current Assets</b>	<b>3,026</b>	<b>3,133</b>	<b>6,870</b>	<b>8,012</b>	<b>10,041</b>
Fixed Assets	3,993	3,860	5,012	4,729	4,467
Total Investments	256	257	462	462	462
Intangible Assets	198	175	3,881	3,881	3,881
Total Other Non-Current Assets	1,827	1,677	1,810	1,810	1,810
<b>Total Non-current Assets</b>	<b>6,274</b>	<b>5,969</b>	<b>11,165</b>	<b>10,882</b>	<b>10,619</b>
Short-term Debt	842	1,695	2,051	2,051	2,051
Current Portion of Long-Term Debt					
Total Creditors	1,514	1,144	3,976	4,874	6,080
Other Current Liabilities	178	595	1,377	1,576	1,962
<b>Total Current Liabilities</b>	<b>2,533</b>	<b>3,434</b>	<b>7,404</b>	<b>8,501</b>	<b>10,093</b>
Total Long-term Debt	2,513	1,662	1,743	1,243	743
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	210	202	504	504	504
<b>Total Non-current Liabilities</b>	<b>2,722</b>	<b>1,864</b>	<b>2,246</b>	<b>1,746</b>	<b>1,246</b>
Total Provisions	19	16	62	62	62
<b>Total Liabilities</b>	<b>5,275</b>	<b>5,313</b>	<b>9,712</b>	<b>10,309</b>	<b>11,401</b>
Shareholders' Equity	4,001	3,769	8,287	8,543	9,203
Minority Interests	24	19	36	42	56
<b>Total Equity</b>	<b>4,025</b>	<b>3,788</b>	<b>8,323</b>	<b>8,585</b>	<b>9,259</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	23%	5%	187%	23%	25%
Operating EBITDA Growth	24932%	(97%)	N/A	159%	56%
Operating EBITDA Margin	(56.5%)	(1.8%)	6.0%	12.6%	15.7%
Net Cash Per Share (\$\$)	(0.42)	(0.24)	(0.03)	(0.02)	(0.00)
BVPS (\$\$)	0.75	0.70	0.12	0.13	0.13
Gross Interest Cover	(14.82)	(1.51)	(0.22)	1.28	2.56
Effective Tax Rate	0.00%	0.00%	0.00%	8.00%	8.00%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	106.8	97.8	69.3	92.1	91.2
Inventory Days	10.00	12.11	17.01	30.04	31.44
Accounts Payables Days	154.0	218.1	156.3	250.3	262.0
ROIC (%)	(18.4%)	(3.3%)	(1.5%)	4.7%	9.9%
ROCE (%)	(15.7%)	(1.4%)	1.1%	5.5%	9.3%
Return On Average Assets	(12.5%)	(2.5%)	(0.7%)	2.5%	4.7%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Order win (\$\$bn)	4.5	15.1	7.1	7.0	6.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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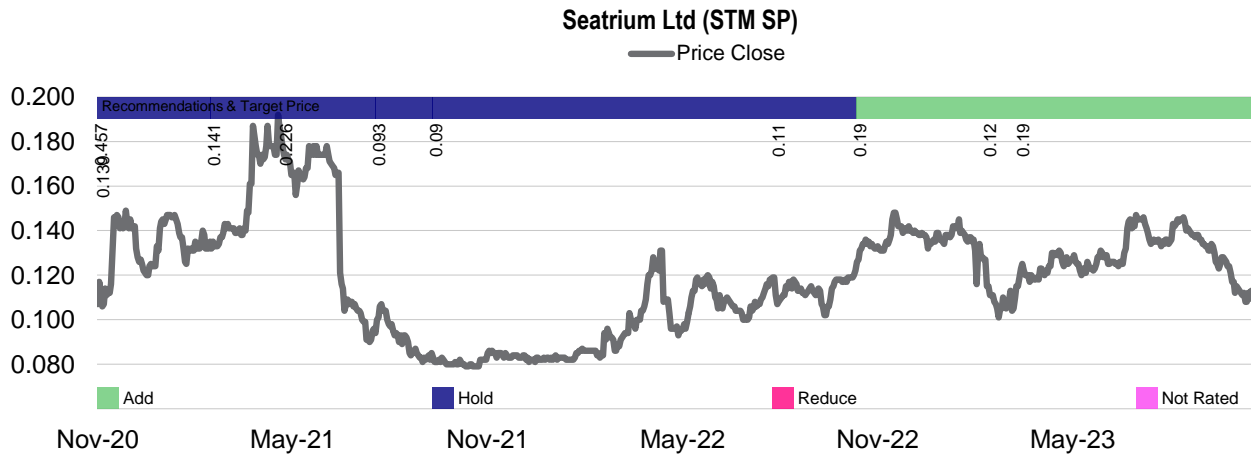
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

**Spitzer Chart for stock being researched ( 2 year data )**



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Definition:

**Add** The stock's total return is expected to exceed 10% over the next 12 months.

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**Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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