

Singapore

January 2, 2024 - 4:33 PM

ADD (no change)

Consensus ratings*: Buy 7 Hold 1 Sell 1

Current price:	S\$0.118
Target price:	S\$0.19
Previous target:	S\$0.19
Up/downside:	61.0%
CGS-CIMB / Consensus:	11.8%
Reuters:	SEAT.SI
Bloomberg:	STM SP
Market cap:	US\$6,096m S\$8,050m
Average daily turnover:	US\$21.36m S\$28.92m
Current shares o/s	68,237m
Free float:	64.5%

*Source: Bloomberg

Key financial forecasts

	Dec-23F	Dec-24F	Dec-25F
Net Profit (S\$m)	(250.8)	256.0	659.7
Core EPS (S\$)	(0.004)	0.004	0.010
Core EPS Growth	(92%)		158%
FD Core P/E (x)	NA	31.45	12.20
Recurring ROE	(4.16%)	3.04%	7.44%
P/BV (x)	0.97	0.94	0.87
DPS (S\$)	-	-	-
Dividend Yield	0%	0%	0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.3	-12	-15.1
Relative (%)	5.3	-12.7	-14.8

Major shareholders	% held
Temasek	35.5

Analyst(s)

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Seatrium Ltd

Ending 2023 with c.S\$5bn orders

- We estimate Shell's FPU contract to be in the region of US\$300m-400m, bringing STM's 2023F orders to about S\$5bn, lower than our S\$7bn target.
- Orderbook should stand around S\$18.3bn as of end-2023F.
- We keep our S\$7bn 2024F order win forecast, on Petrobras contract for P-84 or P85 FPSO (c.US\$3bn), potential HVDC from TenneT (c.S\$3bn).
- Catalysts: stronger-than-expected orders, jack-up order from NOC and investor day communication of its strategic review by 1H24F.
- Reiterate Add and TP of S\$0.19 on 1.5x CY24F P/BV.

Firmed up repeated FPU order from Shell

- Following its announcement on 28 Aug 2023, Seatrium (STM) has been formally awarded the contract by Shell Offshore (Shell) to provide services to carry out construction work for a Sparta floating production unit (FPU). The contract includes the installation of Shell-furnished equipment.
- The Sparta FPU will be situated in the Garden Banks area of the US Gulf of Mexico, c.275km (171 miles) off the coast of Louisiana. It will feature a single topside bolstered by a four-column, semi-submersible floating hull and is designed to produce 90,000 barrels of oil equivalent per day (boe/d).

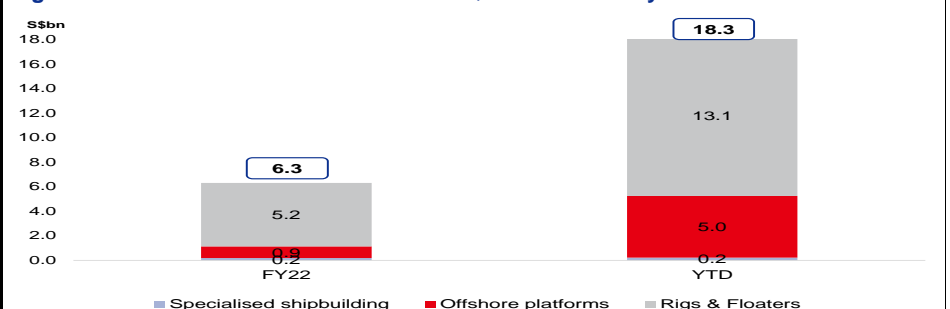
2023F order win at c.S\$5bn

- We estimate Shell's FPU contract value to be in the region of US\$300m-400m, with an EBIT margin of c.7-8%.
- In early Dec 23, STM's BrasFELS Brazil yard also clinched a floating production storage and offloading (FPSO) contract from MODEC to fabricate topside modules for the Raia project in Brazil, operated by Equinor. The Raia FPSO will have capacity to process 126,000 barrels of oil per day and 16m cubic meters per day of gas, and have a storage capacity of 2m barrels of crude. Work will commence in 1Q24, according to STM.
- We estimate this MODEC contract to be c.S\$150m-S\$200m, with an EBIT margin of c.8-10%. These contracts should bring STM's orderbook to c.S\$18.3bn, as of end-2023.

What to expect of STM in 2024F?

- We believe there could be some provisions for legacy projects in 4Q23F as the group has completed its strategic review of business and merger between Keppel Offshore & Marine and Sembcorp Marine.
- Investor communication of this strategic review could be a key catalyst, with market expectations of post-merger cost savings to come. Other catalysts include securing one or two opportunistic orders of jack-up rigs from national oil companies (NOC), as well as turning into profitability by FY24F. Downside risks: order cancellations impacting revenue recognition, and project cost overruns impacting profitability.
- Reiterate Add as STM is the only offshore and marine proxy in ASEAN; we retain our TP of S\$0.19, still based on 1.5x CY24F P/BV.

Figure 1: We estimate orderbook to be at S\$18.3bn currently



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Peer comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY23F	CY24F	CY25F		CY23F	CY24F		
Keppel Corporation	KEP SP	Add	7.07	8.70	9,436	12.7	11.4	10.6	11.8%	1.05	1.02	8.4%	5.0%
Capitaland Investment	CLI SP	Add	3.16	4.30	12,206	20.9	17.5	16.2	37.8%	0.99	0.95	4.9%	3.8%
Integrated global asset management - big cap simple average						16.8	14.4	13.4	24.8%	1.02	0.98	6.6%	4.4%
Seatrium Ltd	STM SP	Add	0.12	0.19	6,096	na	31.5	12.2	na	0.97	0.94	-7.8%	0.0%
Singapore offshore - big cap simple average						na	31.5	12.2	na	0.97	0.94	-7.8%	0.0%
COSCO SHIPPING International S	COS SP	NR	0.13	na	227	na	na	na	na	na	na	na	na
China CSSC Holdings Ltd	600150 CH	NR	29.44	na	18,973	47.2	20.3	14.5	502.7%	2.77	2.46	5.9%	0.7%
China Shipbuilding Industry Co	601989 CH	NR	4.13	na	13,408	206.5	24.3	15.3	na	1.14	1.09	0.4%	0.5%
CSSC Offshore and Marine Engin	600685 CH	NR	25.55	na	3,845	na	na	na	na	na	na	na	na
Yangzijiang Shipbuilding	YZJSGD SP	Add	1.49	1.96	4,458	8.8	7.6	7.1	20.8%	1.60	1.42	19.8%	4.4%
Chinese Shipbuilder simple average						87.5	17.4	12.3	261.7%	1.84	1.65	8.7%	1.8%
Korea Shipbuilding & Offshore	009540 KS	Add	120,900	119,000	6,627	32.4	11.2	7.1	na	0.85	0.77	2.7%	0.0%
Hyundai Mipo Dockyard	010620 KS	Reduce	84,900	69,000	2,627	na	23.8	15.6	na	1.62	1.52	-2.1%	0.0%
Samsung Heavy Industries	010140 KS	Add	7,750	10,900	5,282	104.8	24.6	14.2	na	1.86	1.73	1.8%	0.0%
Hanwha Ocean	042660 KS	Hold	25,100	35,300	5,956	na	24.7	14.0	na	1.67	1.56	-8.0%	0.0%
Sejin Heavy Industries Co Ltd	075580 KS	NR	4,755	na	207	16.8	18.2	10.1	11.0%	1.64	1.58	9.8%	3.2%
Korean Shipbuilder simple average						51.4	20.5	12.2	11.0%	1.53	1.43	0.9%	0.6%
Mitsui E&S Co Ltd	7003 JP	NR	706.0	na	514	4.0	3.8	na	68.0%	0.64	0.58	na	0.1%
Japan Shipbuilder simple average						5.9	3.8	na	68.0%	0.64	0.58	na	0.1%
Brookfield Corp	BN US	NR	40.12	na	65,738	19.9	15.2	12.8	47.2%	1.48	1.47	9.6%	0.7%
US Shipbuilder simple average						19.9	15.2	12.8	47.2%	1.48	1.47	9.6%	0.7%
CSE Global	CSE SP	Add	0.43	0.57	200	11.9	9.1	7.8	83.1%	1.22	1.16	10.5%	6.4%
SATS Ltd	SATS SP	Add	2.75	3.00	3,105	135.2	42.4	22.4	na	1.90	1.92	1.3%	0.5%
Sembcorp Industries	SCI SP	Add	5.31	6.85	7,155	9.5	10.4	10.3	12.0%	2.02	1.78	23.1%	2.9%
ST Engineering	STE SP	Add	3.89	4.27	9,176	21.0	17.4	14.9	23.8%	4.90	4.53	23.8%	4.1%
SIA Engineering	SIE SP	Hold	2.37	2.51	2,016	24.5	20.2	18.5	41.1%	1.55	1.52	6.5%	3.4%
Industrial/conglomerate / airport services simple average						40.4	19.9	14.8	40.0%	2.32	2.18	13.0%	3.5%

DATA AS AT 29 DEC 2023

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
Estimates for Not Rated (NR) companies are based on Bloomberg consensus

BY THE NUMBERS

Profit & Loss

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

Balance Sheet

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

Cash Flow

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

Key Ratios

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

12-mth Fwd FD P/E (x) - Seatrium Ltd



Key Drivers

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

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Description:	Excellent	Very Good	Good	N/A	N/A

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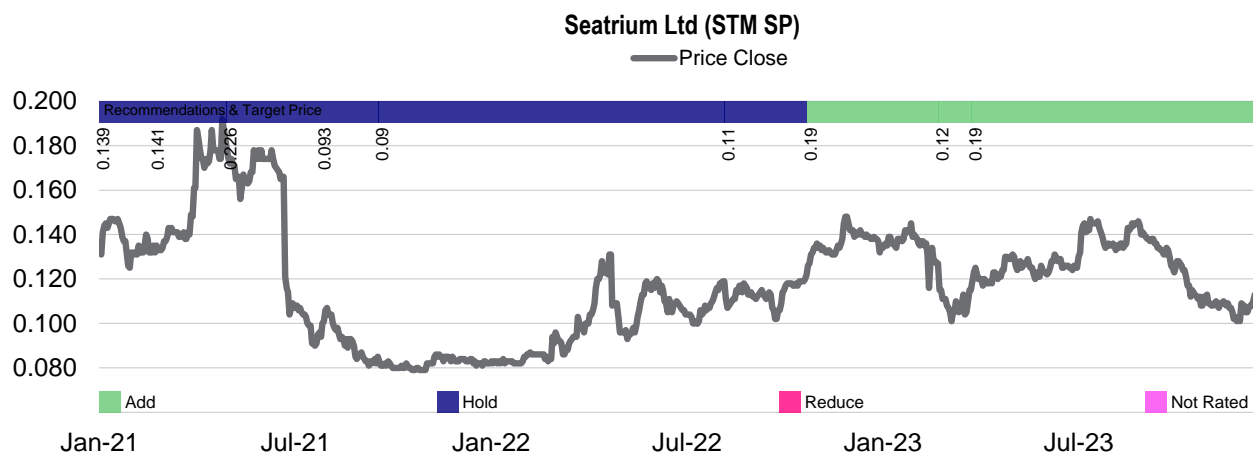
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold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

Spitzer Chart for stock being researched (2 year data)



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.

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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.