# Business Description

Headquartered in Singapore, SembCorp Industries Limited (SCI) delivers innovative solutions that support the energy transition and sustainable development. Over the years, it has amassed a track record of transforming raw land into sustainable urban development's spanning 14,000 hectares across Asia. It currently holds a balanced energy portfolio of 20.1GW, with 12.6GW of gross renewable energy capacity globally, comprising solar, wind and energy storage. This has been due largely to savvy business acquisitions as well as a clear strategy at tackling the energy transition and embracing a net-zero future.

# Business Model

SCI operates both a business-to-consumer and business-to-business model, focusing on 3 core lines of business:

- Renewables energy - including energy storage,
- Integrated Urban solutions
- Gas and related services

**<u>Renewables – including energy storage</u>**

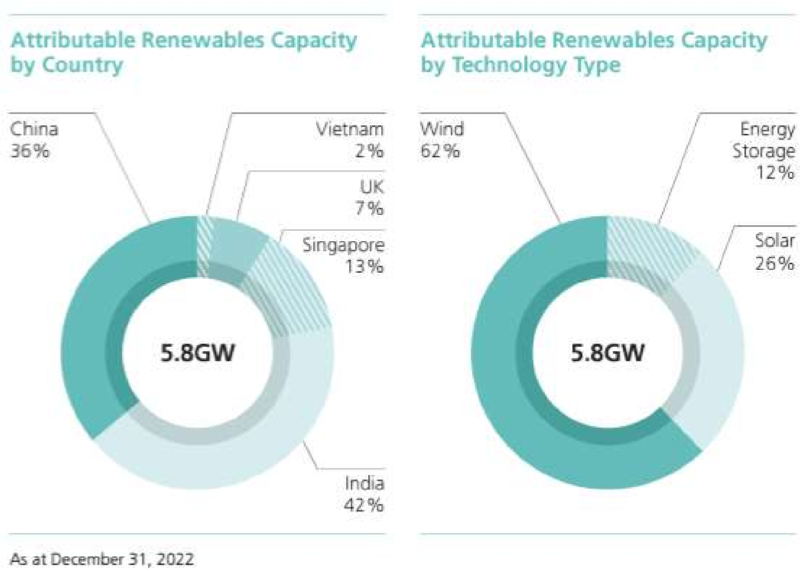



Figure 1: Sembcorp Annual Report 2022 – (Renewables)

SCI renewables arm started in 2012 in China when SCI wanted to diversify its energy portfolio to include renewable energy as part of the diversification to reduce the reliance on non-renewable energy. Most of SCI renewable energy are based offshores in India (42%) and China

(36%) due to the land scarcity in Singapore. Energy produced offshore will be transferred to Singapore via existing regional network grids across Southeast Asia.

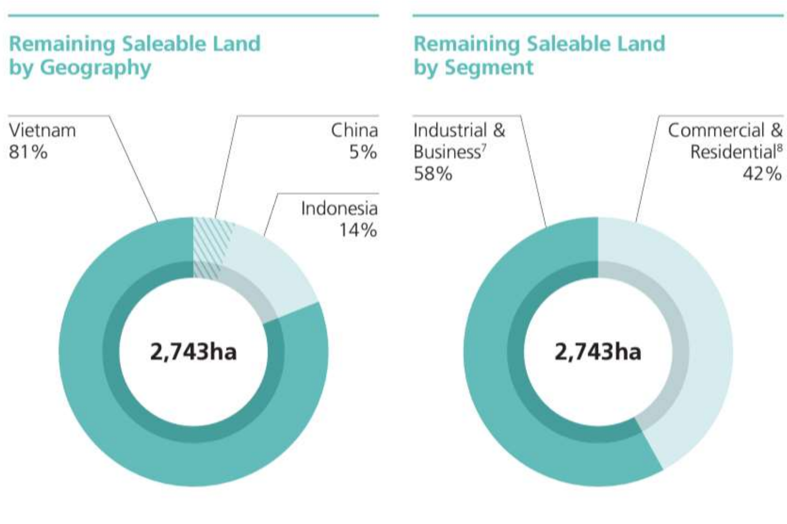
SCI has announced their strategy plan to acquire more renewable energy across China, India and Vietnam to grow their energy portfolio. On the other hand, it helps to diversify their current energy portfolio to reduce the operational risk that is associated with grouping all energy production in a country. With the energy portfolio make up of primarily wind production, SCI has been looking into acquiring more solar plants in Vietnam and China to reduce the reliance on wind production plant to rebalance the portfolio.

**Integrated urban solutions**

For the integrated urban solutions arm, it consists of 3 different service that SCI provides.

- Urban
- Water
- Waste and waste to resource

Urban




As at December 31, 2022

[7] Industrial & Business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators

[8] Commercial & Residential land includes space for residences, food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

Figure 2: Sembcorp Annual Report 2022 – (Integrated Urban Solutions)

Under the urban service, SCI developed a long-standing reputation for being a master in developing raw land into sustainable urban developments in Asia. Most developments are co-developed with government agency to integrated sustainability into new or current urban developments to ensure long term sustainability and economic growth. To ensure the strengthening of urban service, SCI has managed to acquire multiple projects in Vietnam to expand their current developments and to develop new area.

Water

SCI has been one of the leading water management specialists that supported businesses in achieving their water sustainability goals continuously with their solutions such as efficient industrial wastewater treatment and water recycling capabilities. The water service arm is made up of 3 separate service sectors consisting of –

- Industrial water & wastewater treatment
- Seawater desalination
- Water reclamation

Each different service sectors serve a different specialisation while provide essential solutions to SCI clients to serve their requirements.

Based on industrial water & wastewater treatment, SCI currently is treating 8.1 mil $m^3$ of gross water capacity per day leveraging on water treatment technologies such as membrane separation and biological treatment.

On the other hand, SCI has also invested into seawater desalination and build desalination plants in Oman and UAE to facilitate seawater desalination services and provide water stressed regions with sustainable supply of clean water.

Lastly, water reclamation treats municipal and industrial wastewater effluent in Singapore turning it into high purity water for power and steam generation. Treated water are also used for municipal and other essential industrial purposes such as cooling of machinery and equipment. In 2008, Public Utilities Board has awarded and appointed SCI to manage a NEWater plant at Changi to treat used water for consumption.

Waste and waste to resource

Under the waste and waste to resource arm of SCI, this division of the business primarily provides waste management services and help businesses convert waste into valuable resources through recycling or energy recovery.

**Gas and Related services**

Under the gas and related services, there are 2 functions being classified under gas and related services –

- Gas-fired plants
- Gas imports & retail

Gas-fired plants

SCI has a long-standing history using gas-fired plants to supply energy to their clients in Singapore. However, due to the nature of the natural gas, it is considered a source of non-renewable energy as natural gas is burned to power turbines to generate electricity while releasing greenhouse gas emissions into the atmosphere. With the rise of CSR initiative, SCI have pivoted towards investing into renewables energy production plants to reduce the reliance on conventional energy to produce energy.

Gas imports & retail

Being Singapore as one of the largest users in natural gas, SCI has been given the rights to be Singapore's first commercial importer and retailers of piped natural. SCI has also engaged in gas sourcing, importation, and trading of natural gas to their customers for other purposes.

# Industry Analysis

## *Growing energy consumption in Asia*

Coal usage for energy generating has been the primarily the major source of energy in Asia-Pacific. However, in the recent years, the switch to low-carbon sources is keeping up. In 2022, Energy demand grew by an estimated 3.3% in the Asia-Pacific region, led by India (8.4%) that was offset by subdued growth in China (2.6%) due to China's policy to regulate Covid. India and China makeup the biggest demand (70%) in the region's total electricity use of 13 500 TWh, which accounts for approximately half of the world's energy consumption. Renewable energy accounts for more than half of the increase in 2022 and 60% of the demand came from China.

As coal generated a majority (57%) of the region's electricity in 2022, low carbons alternatives like renewable and nuclear, contributed 32% of the mix. Due to the region's heavy dependency on coal, Asia-Pacific has the highest $CO_2$ intensity generated by energy related producer as compared to a global average of 460 g $CO_2$/kWh.

Throughout 2022, power systems in various countries faced significant challenges due to elevated global energy prices caused by geopolitical tension and extreme weather events caused by global warming. After experiencing such events, it highlights the critical importance of electricity security. China experienced its lengthiest heatwave in decades, exacerbating drought conditions, while South Asia faced early and historically severe heat waves. These weather events resulted in record-breaking high electricity demand for cooling, compounded by reduced hydropower generated due to droughts while coal supply shortages reduced electricity output from power plants.

In response to the convergence of extreme weather events and soaring gas prices, many energy companies halted their gas-powered power plants operation temporary and switch to coal fired power plants to generate electricity for their consumers. in 2022, coal usage for electricity generation in the Asia Pacific region increased by 2.5% as compared to 2021.

However, it is anticipated that the share of coal in the electricity mix will decrease to 52% in 2025, with low-carbon sources rising to 38%. This is primarily driven by almost 12% annual growth in renewable electricity generation. Gas-fired generation is expected to decrease slightly from 10% in 2022 to 9% in 2025 due to the extensiveness of the amount of greenhouse gases produced. Despite these changes, electricity consumption is forecasted to grow steadily by an average of 4.6% per year over the next three years, with renewables meeting nearly two-thirds of the additional demand.

The increased proportion of renewables in the energy mix is projected to reduce the average CO2 intensity in the region to 535 g CO2/kWh by 2025. Nonetheless, CO2 emissions from power generation are expected to continue rising at an average rate of 1.2% per year until 2025, primarily due to the persistent growth of coal-fired power plants across developing countries in Asia, even as its share in the generation mix diminishes. Consequently, in 2025, the Asia Pacific region is expected to maintain the highest CO2 intensity globally.

## *Rising awareness in ESG investing*

The global awareness of climate change has prompted companies to actively address their environmental impact, adopting ESG (Environmental, Social, and Governance) metrics and strategies. This shift is driven by a commitment to reducing carbon footprints and ensuring the sustainability of business operations. The rise of ESG investing reflects this trend, with a projected compound annual growth of 84% by 2026, signifying a significant mainstream acceptance of sustainable investment practices.

However, despite the widespread emphasis on sustainability, some companies encounter challenges in integrating ESG metrics into their operations. This difficulty is often attributed to the existing rigidity within their business structures. Additionally, the incorporation of ESG strategies may necessitate additional funding, posing financial hurdles for certain companies.

Banks and financial institutions are actively acknowledging the risks associated with ESG investing. Given their positions, they recognize the potential impact on their operations and the broader financial landscape. Furthermore, financial institutions may face legal liabilities, especially in cases where they are perceived to encourage greenwashing – a deceptive practice wherein companies exaggerate or falsely claim their commitment to environmental responsibility.

In response to the growing emphasis on sustainability, external rating companies are evolving their evaluation methodologies. They are developing comprehensive ESG rating matrices that provide a holistic assessment of a company's environmental, social, and governance practices. This shift in rating systems aims to promote and highlight companies that are genuinely committed to sustainable practices. High ESG rating scores may, in turn, attract more investors interested in supporting businesses with strong environmental and social responsibility credentials. This signifies a broader market recognition and reward for companies actively contributing to sustainable and responsible business practices.

# Competitive Positioning

## *Leading energy player in Singapore, particularly Renewables.*

Sembcorp Industries (SCI) stands as the foremost private company in Singapore, pioneering renewable solutions with an impressive 13 GW capacity in renewables. A key element of their strategic vision involves acquiring additional renewable energy companies across the Asia Pacific, further solidifying their position as the leading renewable energy player in Singapore. SCI's early entry into the renewable energy market presents a significant advantage, potentially establishing a barrier for competitors to compete effectively for market shares. This strategic foresight positions SCI as a dominant force in the evolving landscape of renewable energy in the region.

## *Strong Institutional Ownership*

Temasek Holdings is currently the company’s biggest shareholder with 49% of shares outstanding. In comparison, the second and third largest shareholders hold a cumulative 5.1% of shares outstanding. This highlights strong investor confidence in the company and allows opportunities to secure attractive financing terms when engaging in overseas investment. This provides a lean way for SCI to expand their business operation out of Singapore to capture foreign market.

## *Diverse Operations*

Sembcorp Industries is a multinational corporation leading in sustainable operations, particularly in renewable energy, integrated urban solutions, and gas-related services. The company

champions renewable energy projects, smart urban development, and efficient gas services, showcasing its commitment to innovation and environmental responsibility. With a global presence, Sembcorp is actively contributing to a cleaner, more sustainable future, emphasizing a diversified portfolio that aligns with international sustainability goals.
Top of Form

## *Economic Moat*

Since the establishment of Sembcorp, they have built and established a reputation for themselves as a steadfast company provides reliable and high-quality service to their customers. Their track record of delivering reliable and high-quality solutions enhances customer retention and loyalty rendering it harder for their competitors to win over Sembcorp's existing customers and shave its market share. Next, Sembcorp's pre-existing experience with green technology provides them with a lead in the process of transition to sustainable development. this further strengthens their stance and resistance towards competitor shaving their market shares.

# Investment Summary

## *"Brown to Green" initiative*

In 2020, Singapore's government announced its commitment to achieve "Net Zero Emission by 2050" as part of Singapore's long-term low-emission development strategy. It was a joint statement that was announced by the National Climate Change Secretariat and the Ministry of Sustainability and the Environment to ensure that Singapore is contributing to the fight against global warming. These contingent targets are enacted with technological advances and the economic viability of low-carbon technologies which allow the reduction of carbon footprints that are left behind.

With the rise of ESG initiative requirements in Singapore, Sembcorp recognizes the necessity to change its energy portfolio and reduce the carbon footprints that are left behind. The implementation of the "Brown to Green " initiative by Sembcorp is a strategic transition that allows the company to align its goals and plans to ensure energy transition and sustainable solutions profitability will aim to increase to 70% from 40% by 2025. This commitment allows Sembcorp's greenhouse gas emission to be halved by 2030 and deliver net zero emissions by 2050 which aligns with Singapore's strategic strategy to achieve "Net Zero Emission by 2050".

Thus, the change and rebalancing of Sembcorp's energy portfolio enables them to reduce their operational cost in the long run due to the impending carbon tax raise in 2024 onwards. This serves as a hedge against financial loss derived from carbon tax.

### *Strong fundamentals considering pandemic and geopolitical tension*

Sembcorp's capability to tide through the COVID-19 pandemic has shown its tenacity and resilience to market changes. The ability to tide through such an event is supported by a strong financial statement where assets are easily liquidated to ensure the company's operations are not affected. Based on the balance sheet, Sembcorp does hold sufficient current assets to ensure their current liabilities are covered and not posed as a forebode debt. The capability to be adaptable allows Sembcorp to withstand short-term market changes and ensure stability in the long run.

### *Potential growth in renewables and sustainability with Sembcorp's key executive leadership*

Sembcorp Industries is led by a team of experienced and well-rooted experts in the energy sector. The current CEO of Sembcorp, Mr Wong Kim Yin has close to 30 years of experience in the energy sector before joining Sembcorp. Mr Wong previously served as the CEO of SP Group where he led a new initiative with a primary focus on sustainability and innovation. During this tenure with SP Group, he oversaw the operation of SP Group and introduced the Smart Grid Index to benchmark itself against utility companies worldwide. Furthermore, with Sembcorp pivoting its strategy toward ESG investing, Mr Wong's skill and experience could lead Sembcorp to advance towards a greater height

Next, Mr Eugene Cheng, the Sembcorp Chief Financial Officer was previously a chief corporate officer in SATS Ltd where he oversaw SATS strategy and business development of the company. During his tenure with SATS, he clinched multiple M&A deals to acquire new catering companies across China &to strengthen the food solution arm of SATS. His contribution to the company helped SATS's share price soar to $5.82 per share in Jan 2018. Ever since Mr Cheng's entry into Sembcorp in 2021, Sembcorp’s financial statement has been experiencing a growth of 9% on average of 5 years.

# Valuation

We reiterate our **BUY** recommendation for Sembcorp with a one-year target price of **$6.09**, offering an **18.11%** upside potential from its closing price of **$5.16** as of 15th December 2023.

Our recommendation was primarily derived from our discounted cash flow model where we the data was gathered from Sembcorp financial statement to derive a valuation from our model.

## *Revenue Forecast*

We forecasted our revenue growth analysis by first breaking down Sembcorp's main revenue drivers being Renewables, Integrated Urban Solutions, Conventional Energy and lastly Other Businesses and Corporate. From there, we dwelled further into its main nature of business: Energy renewables. From there, we applied the bottom-up approach where we obtained the Attributed Installed Energy Capacity figures from Sembcorp's operational data from **FY2020-FY2022**. Using Renewables as an example, we assumed that assets were fully utilised throughout the FY and that the Global Energy Generation Capacity CAGR was **4.89%**. To determine the Price Per MW, we based Sembcorp's attributed capacity against Renewables Revenue which we then assumed the median price to be forecasted for the years to come.

Using Sembcorp's total attributed capacity proportioned it against the Global Energy Generation Capacity to determine its percentage of market share within the Energy Generation Industry. Based on the **0.12%** market share in **2022**, we then estimated it to grow at the Global Energy Generation Capacity CAGR of **4.89%** for the following years.

## *Discounted Cash Flow Valuation (Perpetual Growth)*

We recognised that Discounted Cash Flows (Free Cash Flow to Firm) effectively reflects Sembcorp's upside potential due to its geographic presence and comparative advantage within ASEAN markets. We used a **5Y** DCF model along with the perpetual growth method to derive Sembcorp's implied share price. To maintain a conservative estimate, a **3.98%** terminal growth rate incorporated in line with **10Y** and **20Y** averages of its main market's GDP growth rate with accordance to Worldbank. These markets included Singapore, India, China, UK and Indonesia. Lastly, our CAGR and growth rates were derived off our thesis that Sembcorp is well-positioned to capture exponential growth in the global renewables and energy market and will continue to be the leading Asian renewable energy player.

## *Cost of Equity*

We calculated a WACC of **7.27%**. The cost of equity for Sembcorp was determined using the Capital Asset Pricing Model (CAPM). We used a risk-free rate of **2.87%** drawing reference from the Singapore Treasury's 10Y Bond Yield as of 11th Dec 2023. Given Sembcorp's geographically diversified revenue portfolio across key markets, we used a weighted country risk premium alongside Singapore's equity risk premium to calculate our WACC. This references Damodaran's data on the equity risk premium as well as country risk premium. With this, we obtained **5%** for ERP and **0.37%** CRP. Additionally, after re-levering, we arrived at a bottom-up beta of **1.35** using the Hamada Equation. Finally, we derived the cost of equity to be **10.11%**.

### *Cost of Debt*

On the debt side of things, we did not calculate for a weighted average YTM of existing debt obligations given that loans were made based on a floating rate basis. Hence, we incorporated a default and country spread on the risk-free rate and factoring in the Singapore Corporate Tax Rate of **17%**, the after-tax cost of debt amounted to **4.86%**.

### *Sensitivity analysis*

We performed a sensitivity analysis by varying our WACC and Terminal Growth Rate. This allows us to ensure accuracy in our derivation of our implied share price. A Terminal Growth Rate of **3.98%** was used as it manages to capture the related markets' growth in becoming one of the powerhouses within the renewable energy market.

# Investment Risks

<u>Operational Risk</u>

**Transition to lower carbon systems**

SCI transition to lower carbon system may disrupt the current conventional energy systems causing a lag in operation capability. Furthermore, extensive reliance on renewable energy producing plants to generate the main source of energy may have an operational effectiveness of SCI assets leading to financial losses if these assets are put out of service. This significantly exposure SCI to climate-related risk. Failure to identify and adopt disruptive innovation affecting decarbonisation may led to a halt in the operations.

<u>Mitigation:</u>

Strategic conversion planning must be put in place with the addition of pitfall and bottleneck identification to prevent risk related occurrence. SCI need to invest into energy storage system to ensure that they are resilient towards sudden changes in climate conditions.

Market Risk

**Elevated tensions worldwide**.


Figure 2: Natural Gas Prices – Historical Chart 2019 – 2023, Henry Hub Natural Gas Spot Price

Affecting trade and supply chains which might cause disruptions to planned business operations. In 2022 when Russia invaded Ukraine, Russia was issued a trade embargo which restricted the sales of natural gas. This caused a spike as shown in the graph above in the price of natural gas as Russia was the world 2nd largest producer of natural gas. with the spike in the cost of natural gas, this resulted in a temporary increase in the cost of operation for Sembcorp in the 1H of 2022.

Mitigation:

SCI has taken steps to diversify their portfolio and invest into different alternative energy assets. Furthermore, SCI could have done hedging by purchasing derivatives to hedge against large market movement. By diversifying their portfolio to include different alternative energy assets, it reduces the risk and exposure significantly while creating a more resilient portfolio where SCI can utilise.

**Increasing operational cost**.

Carbon produced by power plants are subjected to carbon pricing regulations including Singapore's carbon tax, the UK's emissions trading scheme (ETS) and carbon price support (CPS). The risk arising from increasing carbon prices poses an inherent impact on SCI's expenditure with the gross financial impact in 2021 costing approximately S$90 million. Moreover, rising inflation and tightening of monetary policies leading to fluctuations in USD may further worsen the impact on cost of operating in USD dominated countries.

Mitigation:

With the raising carbon tax, it serves as the main drive for SCI to move away from conventional energy and reduce their reliance on conventional energy power plants. Conversely, the continuous fluctuation and volatility of US currency, increases the risk and widen the negative impact on the operation. SCI could potentially hedge against currency fluctuations to ensure they do have sufficient cash assets for their daily operations.

Corporate Risk

**Change of Chairman in the board**

As mentioned in the FY 2022 annual report, Sembcorp chairman **(**Ang Kong Hua) will be stepping down as the group Chairman and be replaced by an incoming chairman (Tow Heng Tan). With the change in the management, there may be a change in strategic direction of where Sembcorp is heading towards. Furthermore, Mr Tow Heng Tan may not have the suitable experience to lead the company for future success due to the absence of relevant experience in gas & energy sector.

Mitigation

Sembcorp could keep Mr Ang Kong Hua as a close advisor to Sembcorp to ensure Sembcorp does not deviate from their original path of development and transition.

Regulatory Risk

**Exposure to litigation**.

With the rise of adoption of using renewable energy globally, SCI may face potential litigation with environmental laws due to the level of pollution that was produced from wind and solar Government bodies may introduce new green policies to govern pollution control and mitigate environmental damage to ensure the sustainability of renewable energy-producing plants. This may lead to new challenges in managing the business operations.

Mitigation:

Sembcorp may have to implement new strategies to integrate new policies into the business operations. The development of ESG department to track the legal and operational legal requirements will help to foster and develop better business strategy.

# Environmental, Societal and Governance

ESG Leadership

- Received a rating of AA in the MSCI ESG Ratings assessment of 2022
- Only Singaporean company to feature in global top 100 green utilities ranking placing 56th in 2022

ESG Mission

- Clear ESG goals with a reporting framework following international guidelines (GRI),
- Always up to date with potential impacts from changes in the energy industry through Sustainable steering committee
- Alignment with global initiatives and consistently reflected in annual report

Material ESG Risks

- IT risk (data breaches, loss of data)

# Environment

**Decarbonisation**

As the energy sector contributes to over a third of global emissions, Climate Action aims to reduce greenhouse emissions by reducing the consumption of resources and the impact it has on the environment. Sembcorp announces their transformation strategy from brown to green with short-, medium- and long-term targets in mind. By utilising various platforms such as IAF, annual budget planning and investment approval process, emissions performance and impacts are consolidated and tracked.

With decarbonisation and resource management in mind, the absolute greenhouse gases emissions and emissions intensity has declined from 26.5 tCO2E and 0.54 million tCO2E/MWh in 2020 to 25.5 tCO2E and 0.54 million tCO2E/MWh in 2022 respectively. Additionally, the gross installed renewable energy capacity has drastically increased from 2.6 GW in 2020 to 6.8 in 2022. Absolute GHG emissions (Scope 1 and 2) reduced to 25.5 million tCO2e due to reduced energy generation from our conventional energy operations. Scope 3 emissions decreased by 9.4% to 8.0 million tCO2e primarily due to lower natural gas sales. The CDP Climate Change score of “B” in 2022 which implies that the company is taking coordinated action on climate issues. The gross installed renewable energy capacity comprising wind, solar and energy storage assets more than doubled from 2.8GW in 2021 to over 6.8GW. Sembcorp’s global energy portfolio mix, based on gross installed capacity, stands at 58% conventional energy and 42% renewables in 2022.

**Resource management**

The main energy footprint in Sembcorp arises from their conventional energy business where power plants consume fuel such as natural gas and coal. Water is the main driving factor for Sembcorp’s conventional energy and water business as it is used for cooling purposes in the power plants and production of desalinated water. Sembcorp’s most notable waste-related impact to the environment ensue from their conventional energy and water businesses which generate ash and sludge during operations.

With an approach to reduce usage while producing more, operational optimisation and installation of digital solutions allows increase in energy efficiency and water reduction while effluent discharges are controlled in accordance with laws and regulations. There are a total of four frameworks that are implemented when it comes to resource management: Group HSSE Policy, Group Environmental Policy, Group HSSE Environmental Reporting Standard and Sembcorp Environmental Management Standard. The energy intensity of energy generating assets 3.4 GJ/MWh in 2020 to 3.0 GJ/MWh 2022.

# Social

**Community Engagement and Investment**

As part of community engagement and investment initiative, Sembcorp has taken the necessary steps to engage and support local communities that do not have any direct access to green technologies and capabilities through engagement and development programmes to facilitate the involvement of their local community to be part of the green community.

# Governance

**Sembcorp sustainability initiative**

SCI approach to sustainability, as outlined in its 2022 Annual Report, reflects the company's recognition of its crucial role in enabling an energy transition. The company has unveiled a Strategy Plan to transform its portfolio from brown to green, with a target to halve absolute greenhouse gas emissions by 2030. With Environmental, Social, and Governance (ESG) information is published alongside its Annual Report, reflecting topics that are material amidst transformational changes in the industry. The company's sustainability approach is focused on driving the energy transition and creating shareholder value through its ESG initiatives.

**Workforce transformation**

To ensure the workers are competent and equipped with the right skills to transit from “brown to green”, Sembcorp recognised the need to enhance the professional skills that their workers need to perform their job. By developing the Sembcorp Academy Learning platform, this ensure all employees are trained and equipped with the essential skills that they need to perform their task.

During the planning and creation of the curriculum, sustainability is incorporated into their curriculum to ensure all employees are aware about the company goal for the future. Furthermore, additional human rights and fair employment frameworks and policies are introduced to ensure the transparency and fairness for every individual.

Lastly, the group human resource division will oversee the whole group’s talent management, development, and employee compensation.

# Reference Links:

https://www.iea.org/reports/southeast-asia-energy-outlook-2022/key-findings
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https://www.iea.org/reports/southeast-asia-energy-outlook-2022/key-findings

# Appendix

## Income Statement

| Sembcorp Industries (STI: U96) Income Statement | Historical 2020A | 2021A | 2022A | Forecasted 2023F | 2024F | 2025F | 2026F | 2027F | Term |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 5,447 | 6,408 | 7,825 | 8,705 | 9,772 | 10,924 | 12,180 | 13,578 | |
| COGS | (4,660) | (5,589) | (6,598) | (7,486) | (8,404) | (9,395) | (10,474) | (11,677) | |
| **Gross Profit** | 787 | 819 | 1,227 | 1,219 | 1,368 | 1,529 | 1,705 | 1,901 | |
| SG&A expenses | (344) | (393) | (499) | (534) | (599) | (670) | (747) | (832) | |
| Other operating income, net | 126 | 114 | 169 | 181 | 203 | 227 | 253 | 282 | |
| Non-operating income | 49 | 21 | 9 | 39 | 44 | 49 | 55 | 61 | |
| Non-operating expenses | (176) | (218) | (16) | (17) | (20) | (22) | (24) | (27) | |
| Finance income | 35 | 21 | 37 | 42 | 47 | 52 | 58 | 65 | |
| Finance costs | (499) | (296) | (310) | (345) | (387) | (433) | (482) | (538) | |
| Share of results of associates and joint ventures | 233 | 206 | 248 | 309 | 347 | 388 | 432 | 482 | |
| Total Operating Expense | (576) | (545) | (362) | (325) | (365) | (407) | (454) | (506) | |
| **Profit before Tax** | **211** | **274** | **865** | **894** | **1,004** | **1,122** | **1,251** | **1,394** | |
| Tax Expense | (32) | (123) | (138) | (139) | (156) | (175) | (195) | (217) | |
| **Profit from continuing operations** | **179** | **151** | **727** | **755** | **847** | **947** | **1,056** | **1,178** | |
| Profit/ (Loss) from discontinued operation, net of tax | **(1,154)** | **149** | **144** | - | - | - | - | - | |
| **Net Profit** | **(975)** | **300** | **871** | **755** | **847** | **947** | **1,056** | **1,178** | |

# Balance Sheet

| Balance Sheet | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F | 2026F | 2027F | Term |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| **Current Assets** | | | | | | | | | |
| Inventories | 196 | 222 | 137 | 144 | 161 | 180 | 201 | 224 | |
| Trade and other receivables | 1,571 | 1,986 | 1,564 | 1,550 | 1,562 | 1,576 | 1,581 | 1,586 | |
| Contract assets | 15 | 28 | 29 | 32 | 38 | 45 | 52 | 61 | |
| Contract costs | 1 | 1 | 3 | 2 | 3 | 3 | 3 | 4 | |
| Other financial assets | 159 | 352 | 89 | 99 | 100 | 101 | 101 | 102 | |
| Cash and cash equivalents | 1,032 | 1,344 | 1,254 | 3,399 | 5,916 | 8,645 | 11,624 | 14,835 | |
| Assets held for sale | 30 | - | 3,432 | 3,432 | 3,432 | 3,432 | 3,432 | 3,432 | |
| **Total current assets** | **3,004** | **3,933** | **6,508** | **8,659** | **11,212** | **13,981** | **16,995** | **20,243** | |
| | | | | | | | | | |
| **Non-Current Assets** | | | | | | | | | |
| Property, Plant and equipment | 7,204 | 7,094 | 5,305 | 5,257 | 5,296 | 5,408 | 5,609 | 5,918 | |
| Investment properties | 135 | 138 | 133 | 133 | 133 | 133 | 133 | 133 | |
| Associate and joint ventures | 1,588 | 1,600 | 2,287 | 2,287 | 2,287 | 2,287 | 2,287 | 2,287 | |
| Other financial assets | 250 | 219 | 183 | 108 | 121 | 135 | 151 | 168 | |
| Trade and other receivables | 995 | 982 | 855 | 1,293 | 1,303 | 1,315 | 1,319 | 1,323 | |
| Contract Costs | 1 | 1 | - | 2 | 2 | 2 | 2 | 3 | |
| Intangible assets | 348 | 390 | 697 | 532 | 437 | 457 | 661 | 1,156 | |
| Deferred tax assets | 37 | 38 | 52 | 57 | 64 | 72 | 80 | 90 | |
| **Total non-current assets** | **10,558** | **10,462** | **9,512** | **9,669** | **9,644** | **9,810** | **10,243** | **11,079** | |
| **Total Assets** | **13,562** | **14,395** | **16,020** | **18,328** | **20,855** | **23,791** | **27,238** | **31,322** | |
| | | | | | | | | | |
| **Liabilites** | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | |
| Trade and other payables | 1,159 | 1,708 | 1,715 | 1,946 | 2,287 | 2,692 | 3,152 | 3,689 | |
| Lease liabilities | 11 | 14 | 17 | 8 | 9 | 10 | 12 | 13 | |
| Contract liabilities | 141 | 121 | 139 | 188 | 211 | 236 | 263 | 293 | |
| Provisions | 26 | 40 | 42 | 47 | 53 | 59 | 66 | 73 | |
| Other financial liabilities | 40 | 87 | 99 | 112 | 126 | 141 | 157 | 175 | |
| Current tax liabilities | 157 | 181 | 219 | 494 | 555 | 620 | 691 | 771 | |
| Short-term borrowings | 593 | 754 | 1,096 | 1,025 | 1,150 | 1,286 | 1,434 | 1,598 | |
| Liabilities held for sale | - | - | 1,494 | 1,494 | 1,494 | 1,494 | 1,494 | 1,494 | |
| **Total Current Liabilities** | **2,127** | **2,905** | **4,821** | **5,314** | **5,885** | **6,538** | **7,268** | **8,107** | |
| | | | | | | | | | |
| **Non-current Liabilities** | | | | | | | | | |
| Deferred tax liabilities | 294 | 392 | 492 | 1,011 | 1,135 | 1,269 | 1,415 | 1,577 | |
| Other long-term payables | 108 | 105 | 93 | 141 | 142 | 143 | 143 | 144 | |
| Lease liabilities | 215 | 244 | 270 | 145 | 163 | 182 | 203 | 227 | |
| Provisions | 38 | 64 | 62 | 69 | 77 | 86 | 96 | 107 | |
| Other financial liabilities | 98 | 56 | 23 | 75 | 67 | 60 | 54 | 48 | |
| Long-term borrowings | 7,135 | 6,637 | 5,974 | 6,964 | 8,600 | 10,575 | 12,969 | 15,904 | |
| Contract liabilities | 71 | 74 | 69 | 99 | 111 | 124 | 138 | 154 | |
| **Total non-current Liabilities** | **7,959** | **7,572** | **6,983** | **8,504** | **10,295** | **12,439** | **15,018** | **18,161** | |
| | | | | | | | | | |
| **Shareholder's Equity** | | | | | | | | | |
| Share capital | 566 | 566 | 566 | 566 | 566 | 566 | 566 | 566 | |
| Reserve for own shares | (11) | (15) | (31) | (31) | (31) | (31) | (31) | (31) | |
| Comprehensive Inc. and other | (369) | (133) | (608) | (608) | (608) | (608) | (608) | (608) | |
| Revenue reserve | 3,153 | 3,349 | 4,050 | 4,344 | 4,509 | 4,647 | 4,785 | 4,888 | |
| Non-controlling interests | 137 | 151 | 239 | 239 | 239 | 239 | 239 | 239 | |
| **Total Equity** | **3,476** | **3,918** | **4,216** | **4,510** | **4,675** | **4,813** | **4,951** | **5,054** | |
| | | | | | | | | | |
| **Total liabilities & equity** | **13,562** | **14,395** | **16,020** | **18,328** | **20,855** | **23,791** | **27,238** | **31,322** | |

# Cash Flow

| Cash Flow Statement | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F | 2026F | 2027F | Term |
|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | | | | | |
| Net Profit | | | | $755 | $847 | $947 | $1,056 | $1,178 | |
| Add: Depreciation of PPE | | | | $584 | $653 | $738 | $843 | $971 | |
| **Changes in Net Working Capital:** | | | | | | | | | |
| (Increase)/Decrease in Account Receivable | | | | $14 | ($12) | ($14) | ($5) | ($5) | |
| (Increase)/Decrease in Inventory | | | | ($7) | ($17) | ($19) | ($21) | ($23) | |
| (Increase)/Decrease in Account Payable | | | | ($231) | ($342) | ($405) | ($459) | ($538) | |
| (Increase)/Decrease in Contract Assets | | | | ($3) | ($6) | ($7) | ($8) | ($9) | |
| (Increase)/Decrease in Other Financial Assets | | | | ($10) | ($1) | ($1) | ($0) | ($0) | |
| Increase/(Decrease) in Contract Liabilities | | | | $49 | $23 | $25 | $27 | $30 | |
| Increase/(Decrease) in Other Financial Liabilities | | | | $13 | $14 | $15 | $16 | $18 | |
| Increase/(Decrease) in Income Taxes | | | | $275 | $61 | $65 | $71 | $79 | |
| Increase/(Decrease) in Short-term borrowings | | | | ($71) | $126 | $136 | $148 | $165 | |
| Increase/(Decrease) in Current lease liabilities | | | | ($9) | $1 | $1 | $1 | $1 | |
| Increase/(Decrease) in Current provisions and other liabilities | | | | $5 | $6 | $6 | $7 | $8 | |
| **Net cash provided by operating activities** | | | | $1,364 | $1,353 | $1,488 | $1,676 | $1,874 | |
| **Cash flows from investing activities:** | | | | | | | | | |
| Capex for PPE | | | | ($536) | ($692) | ($851) | ($1,044) | ($1,280) | |
| (Increase)/Decrease in Other Financial Assets | | | | $75 | ($13) | ($14) | ($16) | ($17) | |
| (Increase)/Decrease in Intangible assets | | | | $165 | $95 | ($20) | ($204) | ($495) | |
| (Increase)/Decrease in Account Receivable | | | | ($438) | ($10) | ($12) | ($4) | ($4) | |
| (Increase)/Decrease in Deferred tax | | | | ($5) | ($7) | ($8) | ($8) | ($9) | |
| **Net cash used in investing activities** | | | | ($740) | ($627) | ($904) | ($1,276) | ($1,806) | |
| **Cash flows from financing activities:** | | | | | | | | | |
| Increase/(Decrease) in Long-term borrowings | | | | $990 | $1,636 | $1,975 | $2,394 | $2,935 | |
| Increase/(Decrease) in Long-term payables | | | | $48 | $1 | $1 | $0 | $0 | |
| Increase/(Decrease) in Non-current lease liabilities | | | | ($125) | $18 | $19 | $21 | $23 | |
| Increase/(Decrease) in Other Financial Liabilities | | | | $52 | ($8) | ($7) | ($7) | ($6) | |
| Increase/(Decrease) in Contract Liabilities | | | | $30 | $12 | $13 | $14 | $16 | |
| Increase/(Decrease) in Non-current provisions and other liabilities | | | | $7 | $8 | $9 | $10 | $11 | |
| Increase/(Decrease) in Deferred tax | | | | $519 | $124 | $134 | $146 | $162 | |
| **Net cash (used in) provided by financing activities** | | | | $1,521 | $1,791 | $2,144 | $2,579 | $3,143 | |
| Net increase in cash and cash equivalents, and restricted cash | | | | $2,145 | $2,517 | $2,729 | $2,979 | $3,210 | |
| Cash, cash equivalents and restricted cash at beginning of year | | | | $1,254 | $3,399 | $5,916 | $8,645 | $11,624 | |
| **Cash, cash equivalents and restricted cash at end of year** | | | | $3,399 | $5,916 | $8,645 | $11,624 | $14,835 | |

# IS drivers - 1

**Revenue Build**

(S$m)

| | Historical | | | Forecasted | | | | |
|---|---|---|---|---|---|---|---|---|
| **Assumptions** | **2020A** | **2021A** | **2022A** | **2023F** | **2024F** | **2025F** | **2026F** | **2027F** |
| 1) Assuming Assets are fully utilised throughout the FY | | | | | | | | |
| 2) Global Energy Generation Capacity CAGR is 4.89% | | | | | | | | |
| **Revenue Streams** | | | | | | | | |
| **1. Renewables** | 281 | 354 | 506 | 635 | 729 | 837 | 958 | 1,094 |
| **2. Integrated Urban Solutions** | 422 | 465 | 444 | 458 | 473 | 489 | 505 | 521 |
| **3. Conventional Energy** | 4,571 | 5,292 | 6,547 | 7,251 | 8,174 | 9,163 | 10,239 | 11,437 |
| **4. Other Businesses and Corporate** | 173 | 297 | 328 | 360 | 396 | 435 | 478 | 526 |
| **Total Revenue** | **5,447** | **6,408** | **7,825** | **8,705** | **9,772** | **10,924** | **12,180** | **13,578** |
| YOY Growth | | | | | | | | |
| Renewables growth | | 26% | 43% | 26% | 15% | 15% | 14% | 14% |
| Urban Solutions growth | | 10% | -5% | 3% | 3% | 3% | 3% | 3% |
| Conventional energy growth | | 16% | 24% | 11% | 13% | 12% | 12% | 12% |
| Other Businesses growth | | 72% | 10% | 10% | 10% | 10% | 10% | 10% |
| | | | | | | | | |
| **Renewables Revenue** | **281** | **354** | **506** | **635** | **729** | **837** | **958** | **1,094** |
| Attributed Installed Capacity (MW/MWh) | | | | | | | | |
| - Solar | 136 | 261 | 748 | | | | | |
| - Wind | 2,053 | 1,981 | 3,261 | | | | | |
| - Energy Storage | 60 | 70 | 405 | | | | | |
| **Total (MW/MWh)** | 2,249 | 2,312 | 4,414 | 5,083 | 5,836 | 6,703 | 7,663 | 8,756 |
| | | | | | | | | |
| Price Per MW | $ 0.12 | $ 0.15 | $ 0.11 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 |
| Capacity based on Market Share | 2,249 | 2,312 | 4,414 | 5,083 | 5,836 | 6,703 | 7,663 | 8,756 |
| Global Energy Generation Capacity | ######## | 3,257,700 | ######## | 3,963,400 | 4,337,900 | 4,750,000 | 5,177,700 | 5,640,000 |
| | | | | | | | | |
| **Energy Generation Capacity** | 2,249 | 2,312 | 4,414 | 5,083 | 5,836 | 6,703 | 7,663 | 8,756 |
| % of Market Share of Energy Generation Industry (%) | 0.08% | 0.07% | 0.12% | 0.13% | 0.13% | 0.14% | 0.15% | 0.16% |
| 1. Bull Case | | | | 0.14% | 0.15% | 0.15% | 0.16% | 0.17% |
| 2. Base Case | | | | 0.13% | 0.13% | 0.14% | 0.15% | 0.16% |
| 3. Bear Case | | | | 0.08% | 0.07% | 0.12% | 0.13% | 0.13% |
| | | | | | | | | |
| **Integrated Urban Solutions Revenue** | **422** | **465** | **444** | **458** | **473** | **489** | **505** | **521** |
| Historical Growth rate of Integrated Urban Solutions Revenue | 3.26% | 3.26% | 3.26% | 3.26% | 3.26% | 3.26% | 3.26% | 3.26% |
| 1. Bull Case | | | | 3.59% | 3.59% | 3.59% | 3.59% | 3.59% |
| 2. Base Case | | | | 3.26% | 3.26% | 3.26% | 3.26% | 3.26% |
| 3. Bear Case | | | | 2.93% | 2.93% | 2.93% | 2.93% | 2.93% |
| | | | | | | | | |
| **Conventional Energy Revenue** | **4,571** | **5,292** | **6,547** | **7,251** | **8,174** | **9,163** | **10,239** | **11,437** |
| Electricity Generated (GWh) | 31,004 | 32,672 | 30,837 | | | | | |
| Electricity Generated (MW) | 3,539 | 3,730 | 3,520 | 3,713 | 3,986 | 4,256 | 4,529 | 4,818 |
| Price Per MW [ Assuming Price Per MW Increases at 5% YOY ] | $ 1.29 | $ 1.42 | $ 1.86 | $ 1.95 | $ 2.05 | $ 2.15 | $ 2.26 | $ 2.37 |
| Global Electricity Generation Market (MW) | ######## | 3,123,744 | ######## | 3,241,667 | 3,317,922 | 3,377,169 | 3,426,598 | 3,475,457 |
| | | | | | | | | |
| **Electricity Generated (MW)** | 3,539 | 3,730 | 3,520 | 3,713 | 3,986 | 4,256 | 4,529 | 4,818 |
| % of Global Electricity Generation Market (%) | 0.12% | 0.12% | 0.11% | 0.11% | 0.12% | 0.13% | 0.13% | 0.14% |
| 1. Bull Case | | | | 0.13% | 0.13% | 0.14% | 0.14% | 0.15% |
| 2. Base Case | | | | 0.11% | 0.12% | 0.13% | 0.13% | 0.14% |
| 3. Bear Case | | | | 0.11% | 0.11% | 0.12% | 0.13% | 0.13% |
| | | | | | | | | |
| **Other Businesses and Corporate Revenue** | **173** | **297** | **328** | **360** | **396** | **435** | **478** | **526** |
| Historical Growth rate of Other Businesses and Corporate Revenue | 9.89% | 9.89% | 9.89% | 9.89% | 9.89% | 9.89% | 9.89% | 9.89% |
| 1. Bull Case | | | | 14.89% | 14.89% | 14.89% | 14.89% | 14.89% |
| 2. Base Case | | | | 9.89% | 9.89% | 9.89% | 9.89% | 9.89% |
| 3. Bear Case | | | | 4.89% | 4.89% | 4.89% | 4.89% | 4.89% |

# IS driver - 2

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cost of Goods Sold | 4,660.00 | 5,589.00 | 6,598.00 | 7,486.21 | 8,404.08 | 9,394.81 | 10,474.38 | 11,677.27 |
| *Implied % of Revenue* | 86% | 87% | 84% | 86.00% | 86.00% | 86.00% | 86.00% | 86.00% |
| 1. Bull Case | | | | 80.00% | 79.00% | 78.00% | 77.00% | 76.00% |
| 2. Base Case | | | | 86.00% | 86.00% | 86.00% | 86.00% | 86.00% |
| 3. Bear Case | | | | 87.00% | 87.44% | 87.87% | 88.31% | 88.75% |
| General & Adminstrative Expenses | (344.00) | (393.00) | (499.00) | (533.61) | (599.04) | (669.65) | (746.60) | (832.34) |
| % of Revenue | 6.32% | 6.13% | 6.38% | 6.13% | 6.13% | 6.13% | 6.13% | 6.13% |
| 1. Bull Case | | | | 6.03% | 6.03% | 6.03% | 6.03% | 6.03% |
| 2. Base Case | | | | 6.13% | 6.13% | 6.13% | 6.13% | 6.13% |
| 3. Bear Case | | | | 6.23% | 6.23% | 6.23% | 6.23% | 6.23% |
| Other operating income, net | 126.00 | 114.00 | 169.00 | 181.06 | 203.26 | 227.22 | 253.33 | 282.43 |
| % of Revenue | 2.31% | 1.78% | 2.16% | 2.08% | 2.08% | 2.08% | 2.08% | 2.08% |
| 1. Bull Case | | | | 2.18% | 2.18% | 2.18% | 2.18% | 2.18% |
| 2. Base Case | | | | 2.08% | 2.08% | 2.08% | 2.08% | 2.08% |
| 3. Bear Case | | | | 1.98% | 1.98% | 1.98% | 1.98% | 1.98% |
| Non-operating income | 49.00 | 21.00 | 9.00 | 39.17 | 43.97 | 49.16 | 54.81 | 61.10 |
| % of Revenue | 0.90% | 0.33% | 0.12% | 0.45% | 0.45% | 0.45% | 0.45% | 0.45% |
| 1. Bull Case | | | | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% |
| 2. Base Case | | | | 0.45% | 0.45% | 0.45% | 0.45% | 0.45% |
| 3. Bear Case | | | | 0.40% | 0.40% | 0.40% | 0.40% | 0.40% |
| Non-operating expenses | (176.00) | (218.00) | (16.00) | (17.41) | (19.54) | (21.85) | (24.36) | (27.16) |
| % of Revenue | 3.23% | 3.40% | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% |
| 1. Bull Case | | | | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% |
| 2. Base Case | | | | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% |
| 3. Bear Case | | | | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% |
| Finance income | 35.00 | 21.00 | 37.00 | 41.78 | 46.91 | 52.44 | 58.46 | 65.18 |
| % of Revenue | 0.64% | 0.33% | 0.47% | 0.48% | 0.48% | 0.48% | 0.48% | 0.48% |
| 1. Bull Case | | | | 0.53% | 0.53% | 0.53% | 0.53% | 0.53% |
| 2. Base Case | | | | 0.48% | 0.48% | 0.48% | 0.48% | 0.48% |
| 3. Bear Case | | | | 0.43% | 0.43% | 0.43% | 0.43% | 0.43% |
| Finance costs | (499.00) | (296.00) | (310.00) | (344.71) | (386.98) | (432.60) | (482.31) | (537.70) |
| % of Revenue | 9.16% | 4.62% | 3.96% | 3.96% | 3.96% | 3.96% | 3.96% | 3.96% |
| 1. Bull Case | | | | 4.06% | 4.06% | 4.06% | 4.06% | 4.06% |
| 2. Base Case | | | | 3.96% | 3.96% | 3.96% | 3.96% | 3.96% |
| 3. Bear Case | | | | 3.86% | 3.86% | 3.86% | 3.86% | 3.86% |
| Share of results of associates and joint ventures | 233.00 | 206.00 | 248.00 | 309.02 | 346.91 | 387.81 | 432.37 | 482.03 |
| % of Revenue | 4.28% | 3.21% | 3.17% | 3.55% | 3.55% | 3.55% | 3.55% | 3.55% |
| 1. Bull Case | | | | 3.85% | 3.85% | 3.85% | 3.85% | 3.85% |
| 2. Base Case | | | | 3.55% | 3.55% | 3.55% | 3.55% | 3.55% |
| 3. Bear Case | | | | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% |
| Tax Expense | (32.00) | (123.00) | (138.00) | (139.11) | (156.16) | (174.57) | (194.63) | (216.98) |
| % of EBT | 15.17% | 44.89% | 15.95% | 15.56% | 15.56% | 15.56% | 15.56% | 15.56% |
| 1. Bull Case | | | | 13.56% | 13.56% | 13.56% | 13.56% | 13.56% |
| 2. Base Case | | | | 15.56% | 15.56% | 15.56% | 15.56% | 15.56% |
| 3. Bear Case | | | | 17.56% | 17.56% | 17.56% | 17.56% | 17.56% |

# BS Driver

| Sembcorp Industries (STI: U96)<br>For the Financial Year Ending 31 Decemb<br>All figures are expressed in SG Millions | Historical | | | Forecasted | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F | 2026F | 2027F |
| **BOP** | 1/1/2020 | 1/1/2021 | 1/1/2022 | 1/1/2023 | 1/1/2024 | 1/1/2025 | 1/1/2026 | 1/1/2027 |
| **EOP** | ########## | 31/12/2021 | ########## | 31/12/2023 | 31/12/2024 | 31/12/2025 | 31/12/2026 | 31/12/2027 |
| **Days** | 366 | 365 | 365 | 365 | 366 | 365 | 365 | 365 |
| **Revenue** | 5,447 | 6,408 | 7,825 | 8,705 | 9,772 | 10,924 | 12,180 | 13,578 |
| **Cost of Sales** | (4,660) | (5,589) | (6,598) | (7,486) | (8,404) | (9,395) | (10,474) | (11,677) |
| **Tax Expense** | (32) | (123) | (138) | (139) | (156) | (175) | (195) | (217) |
| **General & Adminstrative Expenses** | (344) | (393) | (499) | (534) | (599) | (670) | (747) | (832) |
| **Total Operating Expense** | (576) | (545) | (362) | (325) | (365) | (407) | (454) | (506) |
| **Profit before tax** | 211 | 274 | 865 | 894 | 1,004 | 1,122 | 1,251 | 1,394 |
| **Intangible Assets** | 348 | 390 | 697 | 783 | 967 | 1,190 | 1,459 | 1,789 |
| **Depreciation & Amortisation** | (579) | (457) | (461) | (584) | (653) | (738) | (843) | (971) |
| **PPE** | 7,204 | 7,094 | 5,305 | 5,257 | 5,296 | 5,408 | 5,609 | 5,918 |
| **Total Non-current liabilities** | 7,959 | 7,572 | 6,983 | 8,504 | 10,295 | 12,439 | 15,018 | 18,161 |
| | | | | | | | | |
| **Working Capital Schedule** | **2020A** | **2021A** | **2022A** | **2023F** | **2024F** | **2025F** | **2026F** | **2027F** |

# Assets

Assets

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Inventories** | 196.00 | 222.00 | 137.00 | 143.57 | 160.73 | 180.17 | 200.88 | 223.95 |
| Inventory Days | 15.39 | 14.50 | 7.58 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| **Current Trade and other receivables** | 1,571.00 | 1,986.00 | 1,564.00 | 1,550.19 | 1,561.95 | 1,575.78 | 1,581.17 | 1,586.48 |
| Accounts Receivable days | 105.56 | 113.12 | 72.95 | 65.00 | 58.50 | 52.65 | 47.39 | 42.65 |
| **Current Contract assets** | 15.00 | 28.00 | 29.00 | 32.21 | 37.96 | 44.56 | 52.17 | 61.07 |
| % of Revenue | 0.28% | 0.44% | 0.37% | 0.37% | 0.39% | 0.41% | 0.43% | 0.45% |
| **Current Contract costs** | 1.00 | 1.00 | 3.00 | 2.25 | 2.52 | 2.82 | 3.14 | 3.50 |
| % of Cost of Sales | 0.02% | 0.02% | 0.05% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% |
| **Other Current financial assets** | 159.00 | 352.00 | 89.00 | 99.24 | 100.26 | 100.87 | 101.22 | 101.56 |
| % of Revenue | 2.92% | 5.49% | 1.14% | 1.14% | 1.03% | 0.92% | 0.83% | 0.75% |
| **Other Non-current financial assets** | 250.00 | 219.00 | 183.00 | 107.94 | 121.18 | 135.46 | 151.03 | 168.37 |
| % of Revenue | 4.59% | 3.42% | 2.34% | 1.24% | 1.24% | 1.24% | 1.24% | 1.24% |
| **Non-current Trade and other receivables** | 995.00 | 982.00 | 855.00 | 1,293.20 | 1,303.01 | 1,314.55 | 1,319.05 | 1,323.47 |
| Accounts Receivable days | 66.86 | 55.93 | 39.88 | 54.22 | 48.80 | 43.92 | 39.53 | 35.58 |
| **Non-currrent Contract Costs** | 1.00 | 1.00 | - | 1.74 | 1.95 | 2.18 | 2.44 | 2.72 |
| % of Revenue | 0.02% | 0.02% | 0.00% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% |
| **Intangible assets** | 348.00 | 390.00 | 697.00 | 783.44 | 967.45 | 1,189.65 | 1,458.98 | 1,789.19 |
| % of Revenue | 6.39% | 6.09% | 8.91% | 9.00% | 9.90% | 10.89% | 11.98% | 13.18% |
| **Deferred tax assets** | 37.00 | 38.00 | 52.00 | 57.45 | 64.50 | 72.10 | 80.38 | 89.62 |
| % of Revenue | 0.68% | 0.59% | 0.66% | 0.66% | 0.66% | 0.66% | 0.66% | 0.66% |

# Liabilities

Liabilities

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Trade and other payables** | 1,159.00 | 1,708.00 | 1,715.00 | 1,945.87 | 2,287.41 | 2,692.27 | 3,151.72 | 3,689.35 |
| Account Payables days | 91.03 | 111.54 | 94.87 | 94.87 | 99.62 | 104.60 | 109.83 | 115.32 |
| **Current Lease liabilities** | 11.00 | 14.00 | 17.00 | 8.34 | 9.37 | 10.47 | 11.68 | 13.02 |
| % of Total Op Ex | 1.91% | 2.57% | 4.70% | 2.57% | 2.57% | 2.57% | 2.57% | 2.57% |
| **Current Contract liabilities** | 141.00 | 121.00 | 139.00 | 188.03 | 211.08 | 235.96 | 263.08 | 293.29 |
| % of Cost of Sales | 3.03% | 2.16% | 2.11% | 2.16% | 2.16% | 2.16% | 2.16% | 2.16% |
| **Current Provisions** | 26.00 | 40.00 | 42.00 | 47.01 | 52.77 | 58.99 | 65.77 | 73.32 |
| % of Revenue | 0.48% | 0.62% | 0.54% | 0.54% | 0.54% | 0.54% | 0.54% | 0.54% |
| **Current other financial liabilities** | 40.00 | 87.00 | 99.00 | 112.29 | 126.06 | 140.92 | 157.12 | 175.16 |
| % of Cost of Sales | 0.86% | 1.56% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| **Current tax liabilities** | 157.00 | 181.00 | 219.00 | 494.02 | 554.59 | 619.97 | 691.21 | 770.59 |
| % of Profit before tax | 74.41% | 66.06% | 25.32% | 55.26% | 55.26% | 55.26% | 55.26% | 55.26% |
| **Other long-term payables** | 108.00 | 105.00 | 93.00 | 140.64 | 141.71 | 142.96 | 143.45 | 143.94 |
| Account Payables days | 8.48 | 6.86 | 5.14 | 6.86 | 6.17 | 5.55 | 5.00 | 4.50 |
| **Non-current Lease liabilities** | 215.00 | 244.00 | 270.00 | 145.36 | 163.19 | 182.43 | 203.39 | 226.75 |
| % of Total Op Ex | 37.33% | 44.77% | 74.59% | 44.77% | 44.77% | 44.77% | 44.77% | 44.77% |
| **Non-current Provisions** | 38.00 | 64.00 | 62.00 | 68.77 | 77.20 | 86.30 | 96.22 | 107.27 |
| % of Revenue | 0.70% | 1.00% | 0.79% | 0.79% | 0.79% | 0.79% | 0.79% | 0.79% |
| **Non-current other financial liabilities** | 98.00 | 56.00 | 23.00 | 75.01 | 67.36 | 60.25 | 53.73 | 47.92 |
| % of Cost of Sales | 2.10% | 1.00% | 0.35% | 1.00% | 0.80% | 0.64% | 0.51% | 0.41% |
| **Non-current Contract liabilities** | 71.00 | 74.00 | 69.00 | 98.82 | 110.93 | 124.01 | 138.26 | 154.14 |
| % of Cost of Sales | 1.52% | 1.32% | 1.05% | 1.32% | 1.32% | 1.32% | 1.32% | 1.32% |
| **Deferred tax liabilities** | 294.00 | 392.00 | 492.00 | 1,011.05 | 1,135.01 | 1,268.81 | 1,414.62 | 1,577.07 |
| % of Profit before tax | 139.34% | 143.07% | 56.88% | 113.09% | 113.09% | 113.09% | 113.09% | 113.09% |

# Depreciation Schedule

| Depreciation Schedule | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Property, Plant & Equipment** | **2020A** | **2021A** | **2022A** | **2023F** | **2024F** | **2025F** | **2026F** | **2027F** |
| Components: | Useful Life | | | | | | | |
| Freehold Land and buildings | | | | | | | | |
| Leasehold land and buildings include ROU | | | | | | | | |
| Plant and Machinery | 10 | | | | | | | |
| Capital work-in-progress | | | | | | | | |
| Other Assets | | | | | | | | |
| **PPE Opening Balance** | | | | 5,305.00 | 5,256.92 | 5,295.63 | 5,408.18 | 5,609.03 |
| Depreciation & Amortisation | (579.00) | (457.00) | (461.00) | | | | | |
| Disposal of PPE | 14.00 | 17.00 | 2.00 | | | | | |
| CapEx | 269.00 | 317.00 | 672.00 | 536.03 | 692.01 | 850.95 | 1,043.61 | 1,279.80 |
| Weighted Average Useful Life (Yrs) | 10 | | | | | | | |
| | | | | 536.03 | 692.01 | 850.95 | 1,043.61 | 1,279.80 |
| CapEx % of Revenue | 4.94% | 4.95% | 8.59% | 6.16% | 7.08% | 7.79% | 8.57% | 9.43% |
| Depreciation of Existing PPE from FY2022 | | | | 530.50 | 530.50 | 530.50 | 530.50 | 530.50 |
| Depreciation of CapEx | | | | 53.60 | 122.80 | 207.90 | 312.26 | 440.24 |
| FY2023E | 536.03 | | | 53.60 | 53.60 | 53.60 | 53.60 | 53.60 |
| FY2024E | 692.01 | | | | 69.20 | 69.20 | 69.20 | 69.20 |
| FY2025E | 850.95 | | | | | 85.09 | 85.09 | 85.09 |
| FY2026E | 1,043.61 | | | | | | 104.36 | 104.36 |
| FY2027E | 1,279.80 | | | | | | | 127.98 |
| **Total Depreciation of New CapEx** | | | | 53.60 | 122.80 | 207.90 | 312.26 | 440.24 |
| **Total Depreciation for the Year** | | | | 584.10 | 653.30 | 738.40 | 842.76 | 970.74 |
| CapEx | | | | 536.03 | 692.01 | 850.95 | 1,043.61 | 1,279.80 |
| Total PPE before Depreciation | | | | 5,841.03 | 5,948.94 | 6,146.58 | 6,451.79 | 6,888.83 |
| Less: Depreciation | | | | (584.10) | (653.30) | (738.40) | (842.76) | (970.74) |
| **PPE Closing Balance** | 7,204.00 | 7,094.00 | 5,305.00 | 5,256.92 | 5,295.63 | 5,408.18 | 5,609.03 | 5,918.09 |

## Debt Scheduling

| Debt Schedule | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Intangible Asset Schedule** | **2020A** | **2021A** | **2022A** | **2023F** | **2024F** | **2025F** | **2026F** | **2027F** |
| Intangible Assets Opening Balance | | | | 697.00 | 532.00 | 437.31 | 457.18 | 660.81 |
| Additions | | | | 142.00 | 221.52 | 345.57 | 539.09 | 840.98 |
| Total Intangible Asset before Amortisation | | | | 839.00 | 753.52 | 782.88 | 996.28 | 1,501.79 |
| Less: Amortisation | | | | (307.00) | (316.21) | (325.70) | (335.47) | (345.53) |
| Intangible Assets Ending Balance | 348.00 | 390.00 | 697.00 | 532.00 | 437.31 | 457.18 | 660.81 | 1,156.26 |

| Debt Schedule | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|
| **Unsecured Term Loans** | | | | | | | | |
| Loans | Value | Weighted Interest Rate (%) | | | | | | |
| 2024 | 200.00 | 3.64% | | | | | | |
| 2025 | 100.00 | 4.25% | | | | | | |
| 2026 | 150.00 | 3.59% | | | | | | |
| 2027 and onwards | 1,375.00 | 2.83% | | | | | | |
| Loans - 2024 | | | | | | | | |
| Beginning Loan Balance | | | | 200.00 | 200.00 | - | - | - |
| Principal Repayment | | | | - | (200.00) | - | - | - |
| Ending Loan Balance | | | | 200.00 | - | - | - | - |
| Interest Payment | | | | 7.28 | 3.64 | - | - | - |
| Loans - 2025 | | | | | | | | |
| Beginning Loan Balance | | | | 100.00 | 100.00 | 100.00 | - | - |
| Principal Repayment | | | | - | - | (100.00) | - | - |
| Ending Loan Balance | | | | 100.00 | 100.00 | - | - | - |
| Interest Payment | | | | 4.25 | 4.25 | 2.13 | - | - |
| Loans - 2026 | | | | | | | | |
| Beginning Loan Balance | | | | 150.00 | 150.00 | 150.00 | 150.00 | - |
| Principal Repayment | | | | - | - | - | (150.00) | - |
| Ending Loan Balance | | | | 150.00 | 150.00 | 150.00 | - | - |
| Interest Payment | | | | 5.39 | 5.39 | 5.39 | 2.69 | - |
| Loans - 2027 and onwards | | | | | | | | |
| Beginning Loan Balance | | | | 1,375.00 | 1,375.00 | 1,375.00 | 1,375.00 | 1,375.00 |
| Principal Repayment | | | | - | - | - | - | - |
| Ending Loan Balance | | | | 1,375.00 | 1,375.00 | 1,375.00 | 1,375.00 | 1,375.00 |
| Interest Payment | | | | 38.91 | 38.91 | 38.91 | 38.91 | 19.46 |

## Borrowing Schedule

| Borrowings Schedule | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|
| **Short-term borrowings** | 593.00 | 754.00 | 1,096.00 | 1,024.57 | 1,150.19 | 1,285.78 | 1,433.53 | 1,598.16 |
| % of Revenue | 10.89% | 11.77% | 14.01% | 11.77% | 11.77% | 11.77% | 11.77% | 11.77% |
| **Long-term borrowings** | 7,135.00 | 6,637.00 | 5,974.00 | 6,963.92 | 8,599.53 | 10,574.62 | 12,968.74 | 15,903.89 |
| % of Revenue | 130.99% | 103.57% | 76.35% | 80.00% | 88.00% | 96.80% | 106.48% | 117.13% |

## DCF valuation

**Discounted Cash Flow Valuation**

| Financial Year | Historical 2020A | 2021A | 2022A | Forecasted 2023F | 2024F | 2025F | 2026F | 2027F | Term |
|---|---|---|---|---|---|---|---|---|---|

**WACC Calculation**

| Capital Structure | | Notes |
|---|---|---|
| Market Cap | 6,000 | |
| Book Value of Debt | 7,070 | |
| Market D/E | 1.18 | |
| % of Equity | 45.9% | |
| % of Debt | 54.1% | |

| Cost of Equity | | |
|---|---|---|
| Risk-Free Rate | 2.87% | SG 10-year bond yield |
| Unlevered Beta from Peers | 0.68 | Infront Analytics |
| Re-levered Beta | 1.35 | Hamada Equation |
| Equity Risk Premium | 5.34% | Country Risk PremiumDamodaran |
| **Cost of Equity** | **10.07%** | **CAPM** |

| Cost of Debt | | |
|---|---|---|
| Pre-tax Cost of Debt | 5.85% | |
| Tax Rate | 17% | Singapore Corporate Tax Rate |
| **After-Tax Cost of Debt** | **4.86%** | |

| Weighed Average Cost of Capital | |
|---|---|
| **WACC** | **7.25%** |

**Assumptions**

| Ticker | Company Name | Unleverec Beta (5Y) |
|---|---|---|
| U96.SI | Sembcorp Industries Ltd | N/A |
| KEN US | Kenon Holdings Ltd/Singapor | 0.72 |
| BN4.SI | Keppel Corp. LTD | 0.82 |
| 0902.HK | Huaneng Power International | 0.65 |
| 1F2.SI | Union Gas Holdings Ltd | 1.17 |
| 4667.KL | YTL Corportion Berhad | 0.22 |
| 0.142.HK | First Pacific Company Limited | 0.51 |
| **Average** | | **0.68** |

**FCFF Calculation**

| | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|
| EBIT | | | | 893.99 | 1,003.60 | 1,121.92 | 1,250.84 | 1,394.48 |
| EBIT*(1-T) | | | | 742.01 | 832.99 | 931.19 | 1,038.19 | 1,157.42 |
| Add: Depreciation & Amortisation | | | | 584.10 | 653.30 | 738.40 | 842.76 | 970.74 |
| Less: CapEx | | | | (536.03) | (692.01) | (850.95) | (1,043.61) | (1,279.80) |
| Less: NWC Changes | | | | 25.18 | (147.44) | (197.30) | (223.22) | (274.09) |
| **FCFF** | | | | **815.27** | **646.84** | **621.34** | **614.13** | **574.27** |

**Discounted Cash Flow**

| | | | | 2023F | 2024F | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|
| Valuation Date | 17/12/2023 | | | | | | | |
| Fiscal Year End | 31/12/2023 | | | 31/12/2023 | ######### | ######### | ######### | ######### |
| Period | | | | 0.04 | 1.04 | 2.04 | 3.04 | 4.04 |
| Mid-Year Adjustment | | | | 0.02 | 0.52 | 1.02 | 1.52 | 2.02 |
| FCFF | | | | 815.27 | 646.84 | 621.34 | 614.13 | 574.27 |
| **PV of FCFF** | | | | 814.16 | 623.75 | 578.55 | 552.18 | 498.58 |

| | |
|---|---|
| **Sum of PV of FCFF** | **3,067.22** |

| **Perpetual Growth Method** | |
|---|---|
| Terminal Growth Rate | 3.98% |
| Terminal Value | 18,235.77 |
| PV of Terminal Value | $13,745.57 |
| **Enterprise Value** | **$16,812.80** |
| Less: Debt | - 7,070 |
| Add: Cash | 1,254 |
| **Equity Value** | **10,996.80** |

| | | |
|---|---|---|
| Total Number of Shares Outst | 1,790 | |
| Current Share Price | $ 5.16 | As at 15/12/23 |
| **Target Share Price** | **$ 6.14** | |
| Potential Upside | **19.06%** | |

**Sensitivity Analysis**

| | |
|---|---|
| Increment for WACC | 0.50% |
| Increment for TGR | 0.50% |

**Terminal Growth Rate**

| | 6.14 | 2.98% | 3.48% | **3.98%** | 4.48% | 4.98% |
|---|---|---|---|---|---|---|
| | 6.25% | 6.39 | 7.86 | 9.98 | 13.30 | 19.24 |
| | 6.75% | 5.20 | 6.27 | 7.72 | 9.81 | 13.09 |
| **WACC** | **7.25%** | 4.30 | 5.10 | **6.15** | 7.59 | 9.65 |
| | 7.75% | 3.58 | 4.21 | 5.00 | 6.04 | 7.45 |
| | 8.25% | 3.00 | 3.50 | 4.12 | 4.91 | 5.93 |

# Financial Analysis

| For Year Ended 31 December | Historical | | | Forecasted | | | | |
|---|---|---|---|---|---|---|---|---|
| *All figures expressed in (SGDm) unless stated otherwise* | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F | 2026F | 2027F |
| **YoY Revenue Growth by Segments** | | | | | | | | |
| Renewables | - | 25.98% | 42.94% | 25.52% | 14.80% | 14.85% | 14.33% | 14.26% |
| Integrated Urban Solutions | - | 10.19% | -4.52% | 3.26% | 3.26% | 3.26% | 3.26% | 3.26% |
| Conventional Energy | - | 15.77% | 23.72% | 10.75% | 12.73% | 12.10% | 11.75% | 11.70% |
| Other Businesses and Corporate | - | 71.68% | 10.44% | 9.89% | 9.89% | 9.89% | 9.89% | 9.89% |
| **Total Revenue** | - | **17.64%** | **22.11%** | **11.24%** | **12.26%** | **11.79%** | **11.49%** | **11.48%** |
| **Profitability** | | | | | | | | |
| Gross Margin % | 14.45% | 12.78% | 15.68% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |
| Net Income Margin % | -17.90% | 4.68% | 11.13% | 8.67% | 8.67% | 8.67% | 8.67% | 8.67% |
| Return on Assets | -7.19% | 2.08% | 5.44% | 4.12% | 4.06% | 3.98% | 3.88% | 3.76% |
| Return on Equity | -29.20% | 7.96% | 21.90% | 17.67% | 19.10% | 20.71% | 22.42% | 24.46% |
| Return on Invested Capital | 3.03% | 2.56% | 6.95% | 5.69% | 6.29% | 6.82% | 7.23% | 7.47% |
| **Liquidity** | | | | | | | | |
| Current Ratio | 1.41 | 1.35 | 1.35 | 1.63 | 1.91 | 2.14 | 2.34 | 2.50 |
| Quick Ratio | 1.32 | 1.28 | 1.32 | 1.60 | 1.88 | 2.11 | 2.31 | 2.47 |
| Cash Ratio | 0.49 | 0.46 | 0.26 | 0.64 | 1.01 | 1.32 | 1.60 | 1.83 |
| **Leverage** | | | | | | | | |
| Debt to Equity Ratio | 2.38 | 2.03 | 1.85 | 1.91 | 2.24 | 2.64 | 3.10 | 3.68 |
| Debt to Revenue Ratio | 1.46 | 1.19 | 0.94 | 0.94 | 1.02 | 1.10 | 1.20 | 1.31 |
| **Efficiency** | | | | | | | | |
| Asset Turnover Ratio | - | 0.46 | 0.51 | 0.51 | 0.50 | 0.49 | 0.48 | 0.46 |
| Receivables Turnover Ratio | - | 3.60 | 4.41 | 5.59 | 6.28 | 6.96 | 7.72 | 8.57 |
| Inventory Turnover Ratio | - | 26.74 | 36.76 | 53.36 | 55.23 | 55.12 | 54.98 | 54.97 |
| Payables Turnover Ratio | - | 3.90 | 3.86 | 4.09 | 3.97 | 3.77 | 3.58 | 3.41 |
| **DuPont Analysis** | | | | | | | | |
| **ROE** | | | | | | | | |
| Net Income Margin % | 14.45% | 12.78% | 15.68% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |
| Asset Turnover Ratio | - | 0.46 | 0.51 | 0.51 | 0.50 | 0.49 | 0.48 | 0.46 |
| Equity Multiplier | 4.06 | 3.82 | 4.03 | 4.29 | 4.70 | 5.20 | 5.78 | 6.51 |
| Earnings per Share | -$0.55 | $0.17 | $0.49 | $0.42 | $0.48 | $0.53 | $0.59 | $0.66 |

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