

Sembcorp Industries Ltd

Property saves the day



StocksBnB.com

SINGAPORE | CONGLOMERATE | 2H24 RESULTS

- FY24 revenue was below expectations at 93% but net profit exceeded at 111% of our FY24e forecast. Revenue was weaker due to lower than expected wholesale electricity prices, whilst margins benefited from land sales.
- Earnings growth in 2H24 was mainly from acquiring a 30% stake in Senoko Power, land sales and higher DPN income. Conversely, impairment on subsidy receivables in China of S\$18mn pulled down renewable earnings. FY24 dividends jump 77% to 23 cents.
- We raised our FY25e net earnings by 14% to S\$1,077mn, from higher associate income. Our recommendation is downgraded from BUY to ACCUMULATE due to the recent strength in share price. Our target price is raised to S\$7.10 (prev. S\$6.27), as we roll over valuation to FY25e. We value the underlying business to similar peers at 8x EV/EBITDA FY25e. The associate and DPN are valued at book value. SCI earnings will benefit from the absence of power plant maintenance and the jump in renewables capacity.

Results at a glance

S\$mn	2H24	2H23	YoY	Comments
Revenue	3,209	3,384	-5.2%	
- Gas	2,299	2,599	-11.5%	Lower gas prices and pool gain in Singapore.
- Renewables	375	329	14.0%	
- Integrated Urban	222	212	4.7%	
- Decarbonisation	31	11	181.8%	
- Others	282	233	21.0%	
PATMI	488	416	17.3%	
- Gas	388	374	3.7%	Higher contribution from Senoko in Nov24.
- Renewables	79	78	1.3%	Impacted by ECL allowance of S\$18mn.
- Integrated Urban	102	72	41.7%	Industrial land sales in Vietnam and Indonesia.
- Decarbonisation	-8	-7	14.3%	
- Others	-73	-101	-27.7%	Lower interest cost.
EBITDA	845	796	6.2%	
EBITDA - excl. DPN	804	785	2.4%	
PATMI	480	412	16.5%	
- Exceptionals	-7	-4	75.0%	
Normalised PATMI	487	416	17.1%	
DPS - Final (cents)	17.0	8.0	112.5%	40% payout (FY23: 23%).
Operational Data				
Singapore gas power gen. (GWh)	3170	3186	-0.5%	Excluding Senoko acquisition.
Renewables capacity - attr. (GW)	8.3	6.1	36.0%	Almost 80% of capacity in 2H24.

Source: Company, PSR

The Positive

+ Jump in renewables installation. Attributable capacity in renewables surged 36% in FY24 to 8.3 GW. Almost 80% of the installation was only completed in 2H24. A net S\$18mn subsidy receivables provision in China negatively impacted PATMI from renewables. Another drag to renewable earnings was weaker wind speeds in India, particularly in Gujarat.

+ Surge in land sales. PATMI in integrated urban jumped 42% to S\$102mn in 2H24. SCI enjoyed higher land sales in Vietnam and Indonesia. Unlike prior quarters, there were no details on the size of the land bank sold.

5 March 2025

ACCUMULATE (Downgraded)

LAST CLOSE PRICE	SGD 6.350
FORECAST DIV	SGD 0.250
TARGET PRICE	SGD 7.100
TOTAL RETURN	15.7%

COMPANY DATA

BLOOMBERG CODE:	SCI SP
O/S SHARES (MN):	1,780
MARKET CAP (USD mn / SGD mn):	8280 / 11126
52 - WK HI/LO (SGD):	6.32 / 4.35
3M Average Daily T/O (mn):	3.12

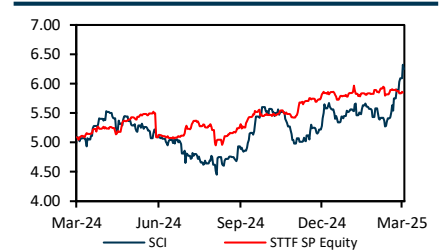
MAJOR SHAREHOLDERS

TEMASEK HOLDINGS	49.5%
------------------	-------

TOTAL PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	14.9	16.8	27.7
STTF RETURN	2.3	3.5	31.6

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (S\$mn)	FY23	FY24	FY25e	FY26e
Revenue	7,042	6,417	6,930	7,365
Gross Profit	1,573	1,505	1,719	1,863
EBIT	1,582	1,596	1,679	1,838
NPAT	942	1,011	1,077	1,193
P/NAV (x)	2.5	2.1	1.9	1.7
P/E (x)	12.0	11.2	10.5	9.5
Dividend Yield (%)	2.0	3.6	3.9	4.3
ROE (%)	22.0	20.3	19.0	18.8

Source: Company, PSR

VALUATION METHOD

EV/Adj. EBITDA@8x FY25e + Assoc/DPN

Paul Chew (+65 6212 1851)
Head Of Research
paulchewkl@phillip.com.sg

The Negative

- **Weakness in China.** SCI continues to face issues with curtailment in China. Curtailment declined slightly in 3Q24 but rose back in 4Q24. In 2024, curtailment rates were 9% in solar and 8% in wind curtailment. The supply of renewables has run far ahead of demand. Renewable installation in China jumped 37% p.a. over the past 2 years compared to the demand of around 7% p.a.

Outlook

- (i) **Gas:** The 30% stake in Senoko (2.6GW) will enjoy a full-year contribution in FY25. The opportunity with Senoko is to structure a longer-term deal where SCI has access and infrastructure to LNG and piped natural gas. Longer-term contracts also enjoy lower financing costs. With a temporary price cap (TPC) introduced by EMA in July 2023 and longer-term contracts, unlikely to enjoy extraordinary pool price gains. Earnings will be stable because 80% of Singapore capacity (or Sembcorp Cogen) is on 5-year or longer contracts. The high ROE of 32% is because assets are largely depreciated. Growth in earnings is expected when the new 600MW H-class gas-fired plant in Singapore is completed at the end of 2026. The contracts are on fixed dollar spark spread with gas cost pass-through. Returns are unlevered 12%.
- (ii) **Renewables:** 2025 will benefit from the XXGW capacity completed in 2H24. Of the 3.75GW capacity under construction, another 1.29GW is expected to be completed in FY25. It slows to 0.3GW in FY26. The target is to expand capacity to 25 GW by 2028 (or a CAGR of 17.6% in the next four years).
 - **India:** SCI's recent wins in India are hybrids, and tariffs are increasing from Rp2.50-2.90 per kWh (2021-23) to the current Rp3.30-3.50 per kWh range. SCI has the technical capabilities over plain vanilla pure solar bidders, especially those with a build-and-flip model. This is especially crucial with more requirements for battery storage for more stable and consistent generation.
 - **China:** The Chinese market has slowed. China's renewables account for only 10% of the group PATMI. Curtailment should improve as the China State and Southern Grid invest RMB825bn into the grid in 2025 (2024: RMB781bn). Implementing the new pricing model for projects completed from 1 June 2025 is not clear. The advantages of SCI working with partners such as State Power Investment Corporation are the knowledge transfer and benchmark performance.
 - **Singapore Nuclear:** There are ongoing engagements with US and Chinese small modular reactor (SMR) manufacturers. SCI is best positioned to anchor SMR for the huge capital expenditure needed and its extensive portfolio of downstream customers seeking green energy solutions.
- (iii) **Urban:** Vietnam and Indonesia benefit from the supply chain shift in light and heavy industries. Vietnam Singapore Industrial Park (VSIP) is riding on an uptake in land sales from light and medium enterprises. It has 18 VSIPs across Vietnam. Other parks enjoy more heavy industries such as renewable and battery manufacturers.

Downgrade to ACCUMULATE from BUY with a higher TP of S\$7.10 (prev. S\$6.27)

Our target price is raised to S\$7.10 (prev. S\$6.27), as we roll over valuation to FY25e. We value the underlying gas and renewables business to similar peers at 8x EV/EBITDA FY25e. The associate and DPN are valued at book value. We removed the discount due to the reliable and consistent payment of the DPN.

DPN – The deferred payment note was the consideration received from selling Sembcorp Energy India Limited (SEI) in January 2033. It is to be repaid in 24 years. Income is fair value change or interest rate of 1.8% p.a. plus benchmark rate equal to 10-year Indian government bond minus GHG emission intensity reduction incentive. As at Dec 24, DPN receivable is S\$1.581bn.

Financials

Income Statement

Y/E Dec (\$\$mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	7,825	7,042	6,417	6,930	7,365
Cost of sales	(6,598)	(5,469)	(4,912)	(5,211)	(5,502)
Gross Profit	1,227	1,573	1,505	1,719	1,863
General & Admin. expenses	(499)	(432)	(476)	(485)	(501)
Associates	248	264	317	385	410
EBITDA	1,308	1,789	1,734	1,920	1,942
EBIT	1,184	1,582	1,596	1,679	1,838
Net finance expenses	(273)	(352)	(345)	(356)	(347)
Profit before tax	911	1,230	1,251	1,323	1,491
Taxation	(138)	(182)	(206)	(218)	(253)
Minority interest	(23)	(28)	(25)	(28)	(44)
Net Profit	750	1,020	1,020	1,077	1,193
Discontinued operations	144	(78)	(9)	-	-
Profit attributable to owners	848	942	1,011	1,077	1,193

Per share data (\$\$ cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
BVPS	223.1	257.4	299.9	335.1	374.9
DPS	12.0	13.0	23.0	25.0	27.0
EPS	47.6	52.8	56.6	60.2	66.8

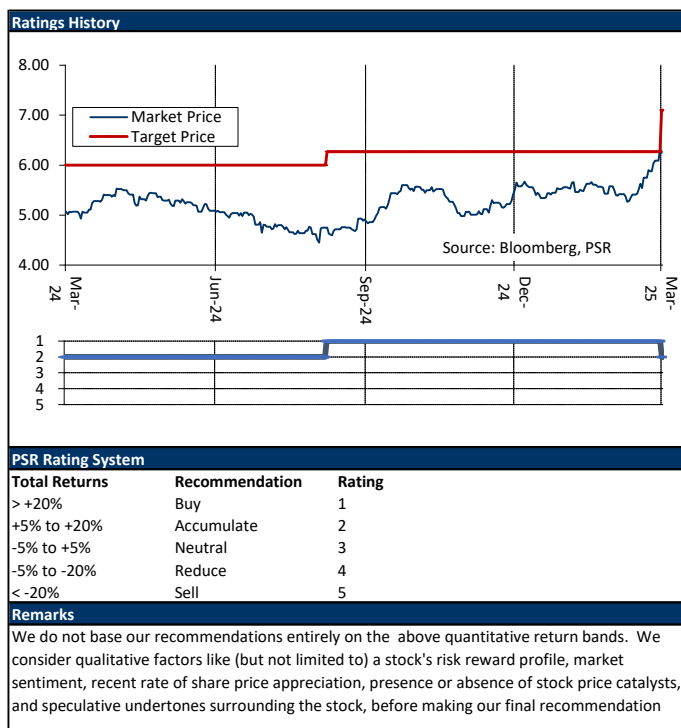
Cash Flow

Y/E Dec (\$\$mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Profit before tax	911	1,230	1,251	1,323	1,491
Adjustments	781	457	320	328	336
WC changes	24	(16)	41	90	(229)
Cash generated from ops	1,716	1,671	1,612	1,741	1,598
Others	(64)	(190)	(200)	(182)	(218)
Cashflow from ops	1,652	1,481	1,412	1,559	1,379
CFI					
CAPEX, net	(608)	(826)	(1,592)	(500)	(500)
Others	(923)	(218)	(19)	222	222
Cashflow from investments	(1,531)	(1,044)	(1,611)	(278)	(278)
CFF					
Dividends paid	(137)	(236)	(267)	(447)	(483)
Proceeds from borrowings, net	326	(476)	938	-	-
Others	(6)	(31)	(172)	-	-
Cashflow from financing	183	(743)	499	(447)	(483)
Net change in cash	304	(306)	300	834	619
CCE, end	1,711	767	909	1,614	2,151

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec (\$\$mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
PPE & Investment Properties	5,305	6,465	8,304	8,316	8,306
Others	4,207	6,326	6,512	6,541	6,574
Total non-current assets	9,512	12,791	14,816	14,857	14,880
Cash and cash equivalents	1,254	767	871	1,614	2,151
Inventories	137	135	135	117	123
Trade and other receivables	1,564	1,674	1,812	1,709	2,018
Others	3,553	130	544	544	544
Total current assets	6,508	2,706	3,362	3,983	4,836
Total Assets	16,020	15,497	18,178	18,840	19,717
LIABILITIES					
Trade and other payables	1,715	1,630	1,585	1,553	1,640
ST borrowings	1,096	1,281	671	671	671
Others	2,010	565	655	691	726
Total current liabilities	4,821	3,476	2,911	2,916	3,037
LT borrowings	5,974	5,973	8,000	8,000	8,000
Others	1,009	1,176	1,608	1,608	1,608
Total non-current liabilities	6,983	7,149	9,608	9,608	9,608
Total liabilities	11,804	10,625	12,519	12,524	12,645
EQUITY					
Share Capital	566	566	566	566	566
Retained profits	4,050	4,726	5,471	6,101	6,811
Others	(639)	(704)	(676)	(676)	(676)
Total equity	3,977	4,588	5,361	5,991	6,701
Minority interests	239	284	298	326	370
Total equity and liabilities	16,020	15,497	18,178	18,840	19,717
Valuation Ratios					
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	13.3	12.0	11.2	10.5	9.5
P/B (x)	2.8	2.5	2.1	1.9	1.7
EV/EBITDA (x)	13.1	10.0	11.0	9.6	9.2
Dividend yield (%)	1.9%	2.0%	3.6%	3.9%	4.3%
Growth & Margins					
Growth					
Revenue	22.1%	-10.0%	-8.9%	8.0%	6.3%
Gross profit	147.9%	28.2%	-4.3%	14.2%	8.4%
EBIT	54.4%	33.6%	0.9%	5.2%	9.5%
Profit attributable to owners	203.9%	11.1%	7.3%	6.5%	10.8%
Margins					
Gross profit margin	15.7%	22.3%	23.5%	24.8%	25.3%
EBIT margin	15.1%	22.5%	24.9%	24.2%	24.9%
Net profit margin	10.8%	13.4%	15.8%	15.5%	16.2%
Key Ratios					
ROE	21.9%	22.0%	20.3%	19.0%	18.8%
ROA	5.6%	6.0%	6.0%	5.8%	6.2%
Net Gearing	138.0%	133.1%	137.8%	111.7%	92.2%



Contact Information (Singapore Research Team)**Head of Research**Paul Chew – paulchewkl@phillip.com.sg**Research Admin**Qystina Azli - qystina@phillip.com.sg**Technical Analyst**Zane Aw – zaneawyx@phillip.com.sg**Property | REITs**Darren Chan – darrenchanrx@phillip.com.sg**Property | REITs**Liu Miaomiao – liumm@phillip.com.sg**Banking | Auto**Glenn Thum – glennthumjc@phillip.com.sg**US Tech Hardware | E-commerce | ETF**Helena Wang – helenawang@phillip.com.sg**Construction | Semiconductors**Yik Ban Chong (Ben) – chongyb@phillip.com.sg**Contact Information (Regional Member Companies)****SINGAPORE****Phillip Securities Pte Ltd**

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN**Phillip Securities Japan, Ltd.**

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND**Phillip Securities (Thailand) Public Co. Ltd**

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES**Phillip Capital Inc**

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA**PhillipCapital (India) Private Limited**

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA**Phillip Capital Management Sdn Bhd**

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA**PT Phillip Securities Indonesia**

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE**King & Shaxson Capital Limited**

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA**Phillip Capital Limited**

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY**PhillipCapital Menkul Degerler**

Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG**Phillip Securities (HK) Ltd**

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA**Phillip Financial Advisory (Shanghai) Co Ltd**

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM**King & Shaxson Capital Limited**

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA**Phillip Bank Plc**

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI**Phillip Futures DMCC**

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.