

COMPANY UPDATE

Seatrium (STM SP)

Upside Kept In Check For Now

Seatrium has had a spate of positive announcements in the past few months, including the confirmation of its third €2b HVDC contract with TenneT and the LOI for BP's Kaskida field. However, the announcement of a new investigation by the Singapore authorities into Operation Car Wash has capped its share price upside in the near term, in our view. Maintain BUY with target price lowered to S\$2.35.

WHAT'S NEW

- An eventful few weeks for Seatrium.** Since the company's 1Q24 business update on 28 May 24, Seatrium has seen positive newsflow such as: a) award of Letter of Intent (LOI) by BP for a deepwater production unit, b) confirmation of a third €2b offshore renewables contract with TenneT, c) settlement of arbitration proceedings with Awilco and RigCo, and d) the start of its share buyback program. Unfortunately, the negative news regarding Seatrium's deletion from the MSCI Singapore Index and an Operation Car Wash investigation by the Monetary Authority of Singapore (MAS) and the Commercial Affairs Department (CAD) of Singapore has overshadowed the good news.
- "Blindsided".** We were surprised by the revelation of yet another investigation by the Singapore authorities and believe that the market and the company itself were blindsided by this announcement, believing that the prior settlement agreement with the Brazilian authorities (Feb 24) and completion of investigations by Singapore's Attorney-General's Chambers and Corrupt Practices Investigation Bureau (Mar 24) had drawn a line in the sand. Without transparency on the timeline of the MAS/CAD investigation, Seatrium's share price could remain volatile in the near term in our view.
- LOI for BP's Kaskida project – Likely more to follow.** Kaskida is the first of BP's three large deepwater discoveries in the Gulf of Mexico (GoM), the others being Tiber and Gila. In total, the three fields contain an estimated 9b bbls of recoverable reserves and are thus strategically and economically important to BP. In our view, Seatrium's LOI for Kaskida's engineering, procurement, construction and commissioning (EPCC) contract puts it in a very strong position to clinch the Tiber and Gila production units as they proceed towards final investment decision in the next few years. A single yard winning all the production assets is not unprecedented – note that Seatrium won Shell's trio of deepwater production assets in the GoM, namely Whale, Vito and Sparta. At present, we estimate the Kaskida EPCC to be worth S\$500-600m.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,947	7,291	7,351	7,277	6,746
EBITDA	(7)	(1,116)	647	805	808
Operating profit	(206)	(1,573)	191	337	364
Net profit (rep./act.)	(261)	(1,940)	145	332	339
Net profit (adj.)	(261)	(1,940)	145	331	338
EPS (S\$ cent)	(0.8)	(2.8)	4.2	9.7	9.9
PE (x)	n.m.	n.m.	35.3	15.4	15.1
P/B (x)	12.5	14.4	0.8	0.7	0.7
EV/EBITDA (x)	n.m.	n.m.	9.3	7.5	7.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(13.4)	(26.6)	2.0	4.6	5.0
Net debt/(cash) to equity (%)	26.5	11.5	13.5	(13.9)	(23.7)
Interest cover (x)	(1.5)	(5.5)	1.3	n.a.	3.0
ROE (%)	n.a.	n.a.	2.2	4.9	4.8
Consensus net profit	-	-	206	445	606
UOBKH/Consensus (x)	-	-	0.70	0.74	0.56

Source: Seatrium, Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	S\$1.49
Target Price	S\$2.35
Upside	+56.7%
(Previous TP)	S\$3.23

COMPANY DESCRIPTION

Seatrium is an integrated shipyard offering one-stop engineering solutions for the offshore oil & gas and renewables industries. It merged with Keppel Offshore Marine in 1Q23.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	STM SP
Shares issued (m):	3,407.6
Market cap (S\$m):	5,111.4
Market cap (US\$m):	3,779.2
3-mth avg daily t'over (US\$m):	48.9

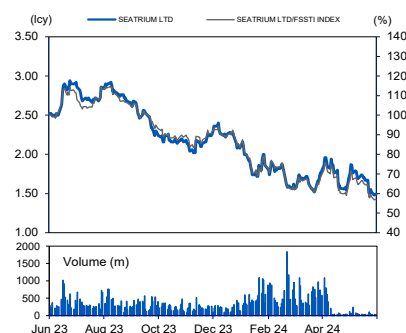
Price Performance (%)

52-week high/low	S\$2.94/S\$1.49			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(2.6)	(3.8)	(33.0)	(40.0)	(36.4)

Major Shareholders

	%
Temasek Hldgs	37.9
FY24 NAV/Share (S\$)	1.94
FY24 Net Debt/Share (S\$)	0.26

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Adrian Loh**  
+65 6590 6633  
adrianloh@uobkayhian.com

### STOCK IMPACT

- Settlement of arbitration – No impact.** On 20 Jun 24, Seatrium announced that, together with Keppel's RigCo, it had entered into an agreement with Awilco and its companies to settle all arbitration claims for US\$57m. Seatrium is not liable for this amount given that the terms of its merger with Keppel Offshore Marine places the responsibility for such claims on Keppel's Rigco. Thus, there is no financial impact nor working capital exposure for Seatrium.
- Repairs & upgrades segment – Providing non-cyclical and foundational revenue via its numerous FCCs.** In our view, this is one of the key segments which we will be watching closely given the large annual addressable market size totaling S\$20-30b. Importantly, this is a market that is non-cyclical given that ships need to be either repaired or upgraded at least every 3-5 years. Seatrium highlighted that it is aiming for this segment to grow by 3-4x by 2028, with tankers (75% of the global fleet being more than 10 years old) and cruise ships (79% are >10 years old) being the key contributors. We highlight that in 2024 alone, the company has secured Favoured Customer Contracts (FCC) with Hyundai LNG Shipping, GasLog LNG, Shell International Trading & Shipping Co and TMS Cardiff Gas for repairs, refurbishment and upgrading activities for LNG vessels.
- Share buyback has commenced.** The company commenced its S\$100m share buyback on 4 Jun 24 post its 20-for-1 share consolidation and thus far has spent S\$5.7m buying back 3.44m shares at an aggregate share price of around S\$1.67. With only 94% of its authorised amount spent on its buyback, we expect the company to further support its share price in the lead-up to its 1H24 results which is expected in the first half of August.

### EARNINGS REVISION/RISK

- No changes to our earnings forecasts.** While we do not believe that we have been aggressive in our revenue, EBITDA and earnings estimates, we note that others may have baked in higher numbers. Thus, the upcoming 1H24 earnings season could shake out some of the higher estimates in the market.

### VALUATION/RECOMMENDATION

- We maintain our BUY recommendation but lower our P/B-based target price to S\$2.35 from S\$3.23 previously.** Our target P/B multiple of 1.2x is pegged to the company's five-year average and applied to its 2025 book value of S\$2.04. While Seatrium is exposed to the offshore marine and offshore renewables upcycle, we are cognizant that the recent negative news flow regarding the latest investigation by the MAS/CAD, and the lack of transparency as to whether there are any further investigations in the offing, will cause share price volatility in the near term. As seen in the chart on RHS, the stock is trading at 1SD below its five-year average P/B which we view as inexpensive.
- Maintain sector view at OVERWEIGHT.** We continue to like Seatrium as we believe that the company will benefit from stronger offshore marine dynamics as well as demand for offshore vessels and structures related to the renewables industry. In addition, the normalisation of economic activity should result in a greater volume of shipping activities, thus positively impacting its repairs/upgrades segment. While 40% of Seatrium's current orderbook is in the renewable energy space (with the remainder related to oil and gas projects), its addressable market is arguably much larger when taking into account carbon capture usage and storage, floating LNG, and ammonia storage and transport which feeds into the hydrogen energy chain.

### SHARE PRICE CATALYST

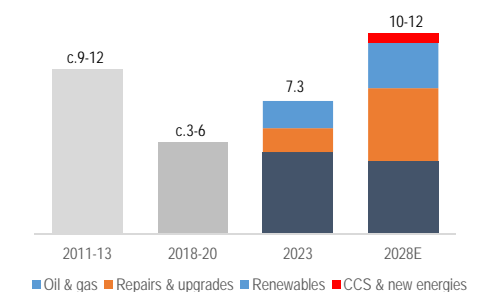
- New orders for rigs, offshore renewable installations or fabrication works, repairs and upgrade works for cruise ships and other commercial vessels.**

### P/B CHART FROM 2018 TO PRESENT



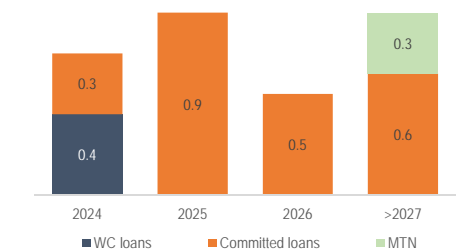
Source: STM, UOB Kay Hian estimates

### EVOLUTION OF STM'S REVENUE (\$B)



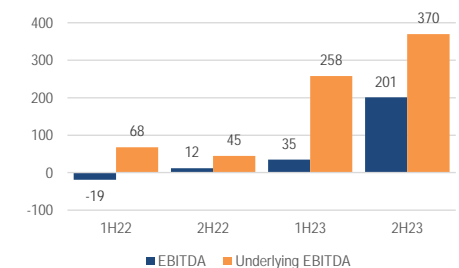
Source: STM

### DEBT MATURITY PROFILE AS AT DEC-23 (\$B)



Source: STM

### POSITIVE EBITDA MOMENTUM (\$M)



Note: 1H23 only includes three months of contribution from KOM  
Source: Bloomberg

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Net turnover</b>	<b>7,291</b>	<b>7,351</b>	<b>7,277</b>	<b>6,746</b>
EBITDA	(1,116)	647	805	808
Deprec. & amort.	456	456	468	444
EBIT	(1,573)	191	337	364
Total other non-operating income	(282)	0	0	0
Associate contributions	7	7	7	7
Net interest income/(expense)	(92)	(53)	8	(10)
<b>Pre-tax profit</b>	<b>(1,939)</b>	<b>145</b>	<b>352</b>	<b>361</b>
Tax	(14)	(14)	(35)	(36)
Minorities	13	15	15	13
Preferred dividends	0	0	1	1
<b>Net profit</b>	<b>(1,940)</b>	<b>145</b>	<b>332</b>	<b>339</b>
Net profit (adj.)	(1,940)	145	331	338

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>601</b>	<b>(172)</b>	<b>1,804</b>	<b>720</b>
Pre-tax profit	(1,573)	191	337	364
Tax	(24)	19	1,133	16
Deprec. & amort.	456	456	468	444
Associates	0	0	0	0
Working capital changes	122	(688)	(14)	17
Non-cash items	26	0	0	0
Other operating cashflows	1,593	(151)	(121)	(121)
<b>Investing</b>	<b>654</b>	<b>26</b>	<b>56</b>	<b>39</b>
Capex (growth)	(116)	(100)	(100)	(100)
Capex (maintenance)	0	0	0	0
Investments	755	116	146	129
Proceeds from sale of assets	14	10	10	10
Others	0	0	0	0
<b>Financing</b>	<b>(1,072)</b>	<b>(174)</b>	<b>(600)</b>	<b>(1,200)</b>
Dividend payments	0	0	0	0
Issue of shares	(3)	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(1,017)	(174)	(600)	(1,200)
Others/interest paid	(52)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>184</b>	<b>(320)</b>	<b>1,260</b>	<b>(442)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>2,091</b>	<b>2,270</b>	<b>1,950</b>	<b>3,210</b>
Changes due to forex impact	(4)	n.a.	n.a.	n.a.
<b>Ending cash &amp; cash equivalent</b>	<b>2,270</b>	<b>1,950</b>	<b>3,210</b>	<b>2,769</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Total assets</b>	<b>16,227</b>	<b>15,425</b>	<b>16,204</b>	<b>15,089</b>
Fixed assets	4,081	3,855	3,618	3,404
Other LT assets	5,826	5,678	5,522	5,337
Cash/ST investment	2,270	1,950	3,210	2,769
Other current assets	4,050	3,942	3,853	3,579
ST debt	743	743	743	743
Other current liabilities	5,445	4,687	5,749	5,509
LT debt	2,274	2,100	1,500	300
Other LT liabilities	1,272	1,272	1,272	1,272
Shareholders' equity	6,471	6,616	6,947	7,286
Minority interest	21	6	(8)	(22)
<b>Total liabilities &amp; equity</b>	<b>16,227</b>	<b>15,425</b>	<b>16,204</b>	<b>15,089</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	(15.3)	8.8	11.1	12.0
Pre-tax margin	(26.6)	2.0	4.8	5.4
Net margin	(26.6)	2.0	4.6	5.0
ROA	n.a.	0.9	2.1	2.2
ROE	n.a.	2.2	4.9	4.8
<b>Growth</b>				
Turnover	274.5	0.8	(1.0)	(7.3)
EBITDA	n.a.	n.a.	24.4	0.4
Pre-tax profit	n.a.	n.a.	143.2	2.6
Net profit	n.a.	n.a.	129.2	2.2
Net profit (adj.)	n.a.	n.a.	128.5	2.2
EPS	n.a.	n.a.	129.2	2.2
<b>Leverage</b>				
Debt to total capital	31.7	30.0	24.4	12.6
Debt to equity	46.6	43.0	32.3	14.3
Net debt/(cash) to equity	11.5	13.5	(13.9)	(23.7)
Interest cover (x)	(5.5)	1.3	n.a.	3.0

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; 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, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W