

COMPANY UPDATE

Seatrium (STM SP)

Positive Vibes From A Tour Of An FLNG Vessel

Our recent tour to Seatrium and Golar's FLNG project showed that there continues to be a high level of interest in such vessels from an energy supply and financing standpoint. The imminent completion of this complex vessel underscores Seatrium's ability to safely and successfully deliver a quality project, which is key to maintaining its competitive edge in winning new orders. We are confident that newsflow on new orders will be robust in the next 6-12 months. Maintain BUY. Target price: S\$0.19.

WHAT'S NEW

- **Another quality project will be safely delivered.** We recently had the fortune to visit Golar LNG's newest floating LNG (FLNG) vessel Golar Gimi at Seatrium's (formerly Keppel's) Benoi yard. The vessel was previously an LNG carrier but through extensive works carried out here in Singapore, it has now been converted into a four-train FLNG vessel capable of processing 2.7mtpa.
- **Key highlights of the tour which involved over 100 of Golar and Seatrium's stakeholders, partners and associates are:** a) the presence of a number of banks, which indicates a high level of interest in financing such energy transition/infrastructure projects; b) industry participants viewing the LNG landscape as being the key growth area in energy in the next decade; c) Seatrium's very clear emphasis on safety, which we believe adds to the company's overall appeal as a constructor of choice for its multinational clients – the Gimi project completed 37m man hours of work with no lost-time incidents (or >4,200 years of work); and d) immense complexity of the project which involved the addition of 1,500km of new cables and 44,000 tonnes of steel to the original LNG vessel.

GOLAR LNG'S VESSELS

Vessel name	Built/converted	Operational from:	Capacity (mtpa)	Charterer	Total conversion cost (US\$b)	Conversion done at:
Hilli Episeyo	1975/2017	2018	2.40	Perenco	1.20	Keppel
Golar Gimi	1976/2023	2023	2.70	BP	1.30	STM
Fuji	2004/TBC	TBC	3.50*	Candidate for future FLNG project	TBC	TBC

Note: Golar has placed orders for items targeted for a 3.5mtpa Mark II FLNG vessel
Source: Golar LNG

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,862	1,947	4,621	5,353	6,942
EBITDA	(1,028)	(7)	256	502	839
Operating profit	(1,224)	(206)	(35)	211	501
Net profit (rep./act.)	(1,171)	(261)	(270)	158	353
Net profit (adj.)	(1,171)	(261)	(270)	158	352
EPS (S\$ cent)	(6.5)	(0.8)	(0.4)	0.2	0.5
PE (x)	n.m.	n.m.	n.m.	60.3	27.1
P/B (x)	0.6	1.2	1.1	1.1	1.1
EV/EBITDA (x)	n.m.	n.m.	45.7	23.3	14.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(62.9)	(13.4)	(5.8)	3.0	5.1
Net debt/(cash) to equity (%)	45.8	26.5	25.2	19.1	9.1
Interest cover (x)	(14.8)	(1.5)	(0.2)	n.a.	n.a.
ROE (%)	n.a.	n.a.	n.a.	1.9	4.1
Consensus net profit	-	-	(205)	286	524
UOBKH/Consensus (x)	-	-	1.32	0.55	0.67

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

BUY

(Maintained)

Share Price	S\$0.14
Target Price	S\$0.19
Upside	+35.7%

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):	68,217.1
Market cap (S\$m):	9,550.4
Market cap (US\$m):	6,998.7
3-mth avg daily t'over (US\$m):	34.7

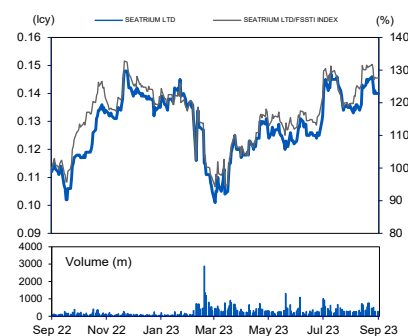
Price Performance (%)

52-week high/low	S\$0.148/S\$0.101			
1mth	3mth	6mth	1yr	YTD
3.7	13.8	29.6	25.0	1.4

Major Shareholders

Temasek Hldgs	38.1
FY23 NAV/Share (S\$)	0.12
FY23 Net Debt/Share (S\$)	0.03

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Other background information on Gimi.** During our visit, the vessel was undergoing final testing and will imminently sail away in the next 2-3 weeks. While the initial conversion contract was 2.45mtpa, the vessel's capacity has now been upgraded to 2.7mtpa. Gimi will be deployed to BP's Greater Tortue Ahmeyin project located 120km offshore Mauritania and Senegal in 2850m water depth, making it one of the deepest subsea developments in Africa.
- **With a S\$19.7b orderbook, the outlook for new orders remains strong, in our view.** We believe that Seatrium is in pole position to win Golar's third FLNG project subject to it meeting the former's profit margin hurdles. On our estimates, the former's Tuas yard has ample capacity from 2026 onwards and a large FLNG project would be a welcome addition to the company's orderbook. At present, Seatrium has bid for two remaining Petrobras FPSOs; however the company was unable to give any guidance on the timeline for this. 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.

EARNINGS REVISION/RISK

- **None.**

VALUATION/RECOMMENDATION

- **We maintain our BUY rating on Seatrium with a P/B-based target price of S\$0.19.** Our target P/B multiple of 1.5x is 2SD above the company's five-year average of 1.0x and is pegged to its 2024 book value of S\$0.125. Our positive view on the stock reflects our belief that the company will benefit from bullish trends in the offshore marine space. These include: a) the tailwinds from increased construction in the renewables space, and b) the current offshore marine upcycle. Risks include higher-than-expected provisions for 2023, negative newsflow regarding its CPIB case, and volatile oil prices.

SHARE PRICE CATALYST

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

VIEW OF ONE OF FOUR LNG PROCESSING TRAINS ON THE VESSEL



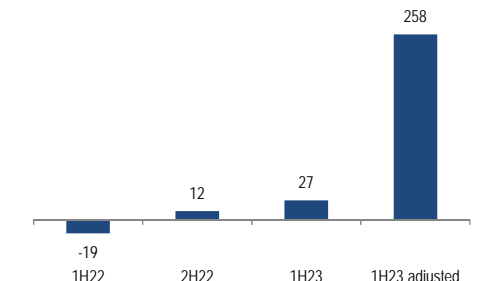
Source: UOB Kay Hian

VIEW FROM THE TOPSIDE WITH LNG TANK VISIBLE AT THE BOTTOM



Source: UOB Kay Hian

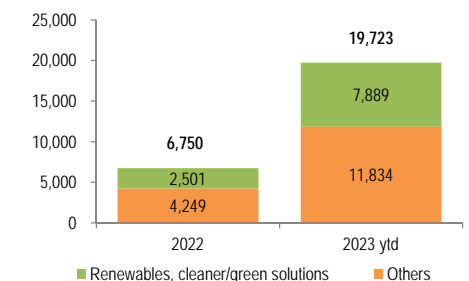
SIGNIFICANT SEQUENTIAL IMPROVEMENT IN EBITDA (\$M)



Note: Adjusted EBITDA excludes provisions for contracts and merger expenses

Source: STM

COMPOSITION OF NET ORDERBOOK (\$M)



Source: STM

VALUATION SENSITIVITY

	Past 5 years	Past 10 years
Average P/B	1.01x	1.25x
+1SD	1.27x	1.70x
+2SD	1.53x	2.16x
2024F BVPS	S\$0.125	S\$0.125
Target price at +1SD	S\$0.159	S\$0.213
Target price at +2SD	S\$0.191	S\$0.270

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$Sm)	2022	2023F	2024F	2025F
Net turnover	1,947	4,621	5,353	6,942
EBITDA	(7)	256	502	839
Deprec. & amort.	200	291	291	337
EBIT	(206)	(35)	211	501
Total other non-operating income	0	80	0	0
Associate contributions	1	16	16	16
Net interest income/(expense)	(34)	(17)	11	11
Pre-tax profit	(240)	45	238	528
Tax	(26)	(9)	(48)	(106)
Minorities	4	(6)	(32)	(71)
Preferred dividends	0	0	0	1
Net profit	(261)	(270)	158	353
Net profit (adj.)	(261)	(270)	158	352

CASH FLOW

Year to 31 Dec (\$Sm)	2022	2023F	2024F	2025F
Operating	1,039	(474)	418	745
Pre-tax profit	(206)	(35)	211	501
Tax	(2)	19	337	472
Deprec. & amort.	200	291	291	337
Associates	0	0	0	0
Working capital changes	1,050	145	(290)	(436)
Non-cash items	(36)	(60)	0	0
Other operating cashflows	34	(835)	(130)	(130)
Investing	(26)	13	69	69
Capex (growth)	(23)	(40)	(100)	(100)
Capex (maintenance)	0	0	0	0
Investments	0	(101)	159	159
Proceeds from sale of assets	3	10	10	10
Others	(6)	144	0	0
Financing	(21)	286	(729)	(600)
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	938	0	0
Loan repayment	0	0	(729)	(600)
Others/interest paid	(20)	(652)	0	0
Net cash inflow (outflow)	992	(175)	(243)	214
Beginning cash & cash equivalent	1,104	2,091	1,916	1,674
Changes due to forex impact	(6)	0	0	0
Ending cash & cash equivalent	2,091	1,916	1,674	1,887

BALANCE SHEET

Year to 31 Dec (\$Sm)	2022	2023F	2024F	2025F
Fixed assets	3,860	5,020	4,844	4,622
Other LT assets	2,109	6,558	6,803	7,366
Cash/ST investment	2,091	1,916	1,674	1,887
Other current assets	1,042	3,838	4,277	5,216
Total assets	9,102	17,333	17,598	19,092
ST debt	1,669	1,197	1,197	1,197
Other current liabilities	1,765	4,067	4,871	6,543
LT debt	1,420	2,829	2,100	1,500
Other LT liabilities	460	838	838	838
Shareholders' equity	3,769	8,359	8,517	8,869
Minority interest	19	43	75	146
Total liabilities & equity	9,102	17,333	17,598	19,092

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(0.3)	5.5	9.4	12.1
Pre-tax margin	(12.3)	1.0	4.4	7.6
Net margin	(13.4)	(5.8)	3.0	5.1
ROA	n.a.	n.a.	0.9	1.9
ROE	n.a.	n.a.	1.9	4.1
Growth				
Turnover	4.6	137.3	15.8	29.7
EBITDA	n.a.	n.a.	95.8	67.1
Pre-tax profit	n.a.	n.a.	431.9	122.1
Net profit	n.a.	n.a.	n.a.	122.7
Net profit (adj.)	n.a.	n.a.	n.a.	122.1
EPS	n.a.	n.a.	n.a.	122.7
Leverage				
Debt to total capital	44.9	32.4	27.7	23.0
Debt to equity	81.9	48.2	38.7	30.4
Net debt/(cash) to equity	26.5	25.2	19.1	9.1
Interest cover (x)	(1.5)	(0.2)	n.a.	n.a.

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