Seatrium (STM SP)

1H26: Core Earnings Beat On Margins, But Orderbook On Hand Low; Focus On New Order Wins In 2H26

Highlights

- 1H26 reported net profit of S$373m (+158% yoy) was boosted by sizeable one-off disposal gains. Core earnings (S$207m) rose 35% yoy, still a beat.
- 2H26 is expected to be even stronger, driven by further gross profit margin improvement and cost initiatives achieved from recent non-core asset disposals.
- However, after a quiet 1H26 in terms of contract wins, orderbook weakened to S$13.3b, offering no good revenue visibility beyond 12 months.
- Downgrade to HOLD, with target price lowered to S$2.30 based on 1.05x 2026 P/B. Seatrium needs some sizeable contract wins in 2H26 to bolster investor confidence. Watch out for Petrobras P-88 tender outcome.

1H26 Results

Year to 31 Dec (S$m)	1H26	1H25	yoy chg %	Remarks
Revenue	**5,619**	**5,367**	*+4.7*	Higher O&G shipbuilding revenue, lower offshore wind revenue
Gross profit	**482**	**395**	*+22.1*	Sequentially improving margins
Operating profit	515	239	*+115.6*	1H26 figure boosted by disposal gains
Core EBIT	**350**	**260**	*+34.6*	Excl. one-off items such as disposal gains, FX gains, etc
Finance income	33	36	*-8.2*	
Finance costs	-76	-90	*-15.4*	
PATMI	373	144	*+158.3*	1H26 figure boosted by disposal gains
Core PATMI	**207**	**153**	*+35.1*	**Beat our expectations, at 55% of our full-year forecast**
GPM	8.6%	7.4%	1.2ppt	Better project margin mix, operating leverage & cost efficiency
Core OPM	6.2%	4.8%	1.4ppt	
Core NPM	3.7%	2.8%	0.8ppt	
Orderbook on hand	S$13.3b	S$18.6b	-S$5.3b	Quiet 1H26 in terms of new order wins

Source: Seatrium, UOB Kay Hian

Analysis

- **Core earnings beat expectations on improving gross profit margin.** Seatrium's 1H26 reported net profit of S$373m (+158% yoy) was boosted by sizeable one-off disposal gains. Excluding one-off items, core earnings of S$207m (+35% yoy) still beat our expectations, at 55% of our full-year forecast. The beat was mainly due to better-than-expected gross profit margins, up 1.2ppt yoy, driven by better project margin mix, operating leverage and cost efficiency. 1H26 gross profit margin was still impacted by a close-out provision (quantum not disclosed) for wind turbine installation vessel Maersk Viridis, excluding which, Seatrium's 1H26 gross profit margin would have been even better.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	9,231	11,472	10,919	10,000	10,000
EBITDA	627	862	1,167	979	980
Operating profit	212	514	895	707	708
Net profit (rep./act.)	157	324	606	433	454
Net profit (adj.)	101	303	440	433	454
EPS (S$ cent)	4.6	9.5	17.7	12.7	13.3
PE (x)	46.9	22.7	12.1	17.0	16.2
P/B (x)	1.1	1.1	1.0	0.9	0.9
EV/EBITDA (x)	11.8	8.6	6.4	7.6	7.6
Dividend yield (%)	0.7	1.4	1.9	1.9	2.0
Net margin (%)	1.7	2.8	5.6	4.3	4.5
Net debt/(cash) to equity (%)	10.9	9.8	2.0	(2.3)	(6.4)
ROE (%)	2.4	4.9	8.5	5.7	5.8
Consensus net profit (S$m)	-	-	477	518	551
UOBKH/Consensus (x)	-	-	1.27	0.84	0.82

Source: Seatrium, Bloomberg, UOB Kay Hian

HOLD (Downgraded)	
Share Price	S$2.15
Target Price	S$2.30
Upside	+7.0%
Previous TP	S$3.15

Analyst(s)
Roy Chen, CFA
roychen@uobkh.com
+65 6590 6627

Stock Data

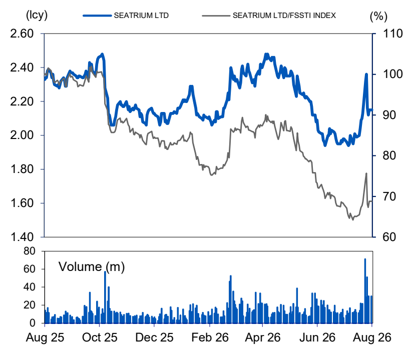
GICS sector	Industrials
Bloomberg ticker	STM SP
Shares issued (m)	3,383.8
Market cap (S$m)	7,275.1
Market cap (US$m)	5,670.0
3-mth avg daily t'over (US$m)	28.3

Price Performance (%)

52-week high/low				S$2.51/S$1.92
1mth	**3mth**	**6mth**	**1yr**	**YTD**
9.1	(8.5)	1.9	(5.3)	(0.5)

Major Shareholders	**%**
Temasek Hldgs	36.0

Price Chart



Source: Bloomberg

Company Description

Seatrium is an offshore & marine company specialising in the construction of rigs & floaters, offshore platforms and specialised shipbuilding. It also repairs & upgrades various types of seagoing vessels, It owns shipyards in Singapore, Brazil, Indonesia and the United Kingdom.

- Revenue rose 4.7% yoy to S$5.6b, backed by higher offshore & gas (O&G) shipbuilding revenue (S$4.2b), partly offset by lower offshore wind platform revenue (S$0.9b). Repair & upgrade revenue (S$0.4b) was largely flat yoy.
- **Balance sheet remained robust.** Seatrium's net debt level stood at $678m as of end-1H26, implying a benign net gearing of 9.2% (end-25: 9.8%); this offers ample scope to support working capital needs of new projects.
- **Weakened orderbook on hand, following a quiet 1H26.** Seatrium secured two projects in 1H26, including: a) a floating storage regasification unit (FSRU) conversion project for Karpowership, and b) a floating production storage and offloading unit (FPSO) upgrade project for a FPSO operator. We note that such contracts are relatively small in size, ranging from tens of millions to a hundred million in Singapore dollars, and are far from enough to offset Seatrium orderbook burn rate at S$2b-3b per quarter. As a result, Seatrium's net orderbook on hand declined to S$13.3b as at end-1H26, from S$17.8b as at end-25.
- **Expecting strong 2H26 earnings performance, but…** We understand that the current orderbook on hand is still good to sustain a S$2b-3b quarterly burn rate for 2-3 quarters; this still provides revenue visibility in 2H26. This, together with improving underlying project gross profit margins, as well as cost saving initiatives (over S$50m per annum cost savings run rate achieved from recent non-core asset disposals), should drive a strong 2H26 core earnings, which we forecast at S$234m (+56% yoy, +13% hoh).
- **…orderbook top-up is more important than just good 2H26 earnings.** We think the pace of order wins in 2H26 is more important than just good earnings, as the current S$13.3b net orderbook does not provided good revenue visibility beyond one year. Note that 70% of the net orderbook value comes from projects with deliveries extending beyond 2029, and hence a sizeable portion of the orderbook value from these projects is unlikely to be billed to customers in the next two years. As such, Seatrium urgently needs some sizeable order wins in the next six months to sustain investor confidence, in our view.
- **Pursuing over S$32b worth of orders in pipeline.** We are glad to hear from management that Seatrium is actively engaged across all major energy markets, pursuing a pipeline of over S$32b worth of orders globally in the next 24 months (expanded from a S$28b pipeline in 1Q26). Management expects oil majors/asset owners' final investment decisions to accelerate in the next few quarters, backed by heightened energy security priorities and supply diversification imperatives. A key near-term watch is the outcome of Petrobras' PFSO P-88 tender, of which Seatrium is pursuing the full engineering, procurement, construction and commissioning (EPCC) scope of work, with a contract size in the scale of US$3b-4b. In addition, management has also seen stronger demand momentum in FSRU/FLNG conversion projects.

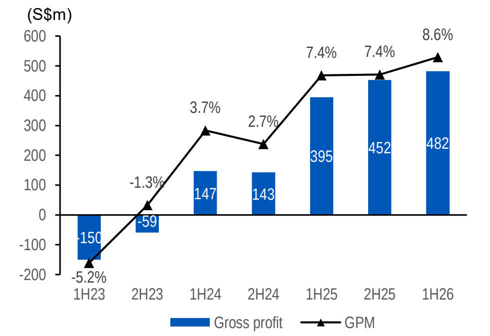
Valuation/Recommendation

- **Downgrade to HOLD with a lower target price of S$2.30.** Despite the 1H26 results beat and the likely even stronger 2H26 core earnings, we downgrade Seatrium to HOLD in a cautious move, due to poor revenue visibility beyond 2026. Our updated target price of S$2.30 is now based on 1.05x 2026F P/B, pegged to Seatrium's five-year historical mean.
- **What will turn us more bullish:** a) orderbook restored to at least S$15b-18b levels, equivalent to 1.5 years of Seatrium's target annual revenue (S$10b-12b); and b) on top of a), confidence in Seatrium being able to sustain an order win momentum of at least S$9b for an extended period.

Earnings Revision/Risk

- We raise our 2026F core earnings forecast by 16% as we lift our gross profit margin projections, while cutting 2027-28F figures by 5-6% as we moderate revenue projections to reflect Seatrium's weak orderbook on hand.

Improving Gross Margin A Key Driver Of Earnings



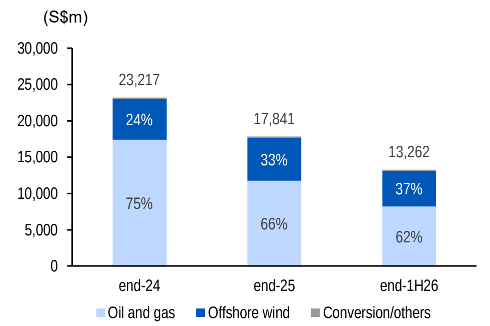
Source: Seatrium

Orderbook On Hand

Delivery year	No. of projects	------ Contract value (S$m) ------ Gross	Net
2026	6	4,352	122
2027	9	10,633	1,806
2028	3	5,786	1,992
2029	2	7,076	2,438
2030 onwards	4	11,088	6,904
Total	**24**	**38,935**	**13,262**

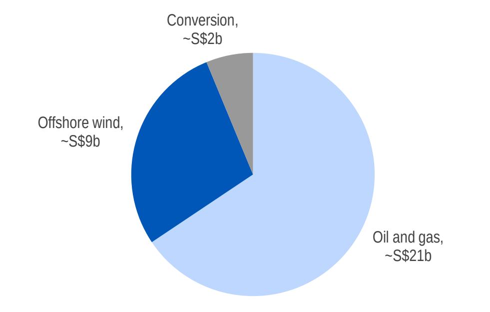
Source: Seatrium

Orderbook Trend



Source: Seatrium

Pursuing Over S$32b Worth Of Orders In The Next 24 Months



Source: Seatrium

Seatrium Valuation

		2025	2026F	2027F
BVPS		S$2.04	**S$2.19**	S$2.28
PB peg			Target price	
+1.0SD	1.28x	S$2.60	S$2.79	S$2.90
+0.5SD	1.16x	S$2.37	S$2.54	S$2.65
Mean	**1.05x**	S$2.14	**S$2.30**	S$2.39
-0.5SD	0.94x	S$1.91	S$2.05	S$2.13
11.0SD	0.82x	S$1.68	S$1.80	S$1.87

Source: Seatrium

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	**11,472**	**10,919**	**10,000**	**10,000**
EBITDA	862	1,167	979	980
Deprec. & amort.	349	272	272	272
EBIT	514	895	707	708
Total other non-operating income	14	0	0	0
Associate contributions	31	15	15	15
Net interest income/(expense)	(102)	(82)	(63)	(43)
Pre-tax profit	**456**	**828**	**659**	**680**
Tax	(136)	(225)	(230)	(230)
Minorities	4	4	4	4
Net profit	**324**	**606**	**433**	**454**
Net profit (adj.)	303	440	433	454

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	3,946	3,930	3,915	3,902
Other LT assets	4,986	4,972	4,958	4,944
Cash/ST investment	1,808	1,901	1,974	1,913
Other current assets	7,360	7,360	7,360	7,360
Total assets	**18,100**	**18,163**	**18,207**	**18,118**
ST debt	1	1	1	1
Other current liabilities	7,482	7,482	7,482	7,482
LT debt	2,487	2,049	1,799	1,399
Other LT liabilities	1,223	1,223	1,223	1,223
Shareholders' equity	6,907	7,412	7,710	8,025
Minority interest	0	(4)	(8)	(12)
Total liabilities & equity	**18,100**	**18,163**	**18,207**	**18,118**

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	**142**	**860**	**687**	**707**
Pre-tax profit	456	828	659	680
Tax	(136)	(225)	(230)	(230)
Deprec. & amort.	349	272	272	272
Associates	(31)	(15)	(15)	(15)
Working capital changes	(98)	0	0	0
Non-cash items	0	0	0	0
Other operating cashflows	(398)	0	0	(0)
Investing	**2**	**(180)**	**(180)**	**(180)**
Capex	(123)	(180)	(180)	(180)
Investments	(0)	0	0	0
Proceeds from sale of assets	100	0	0	0
Others	26	0	0	0
Financing	**(238)**	**(587)**	**(434)**	**(589)**
Dividend payments	(51)	(102)	(135)	(139)
Proceeds from borrowings	0	0	0	0
Loan repayment	(126)	(438)	(250)	(400)
Others/interest paid	(61)	(47)	(48)	(50)
Net cash inflow (outflow)	**(93)**	**93**	**73**	**(61)**
Beginning cash & cash equivalent	**1,942**	**1,808**	**1,901**	**1,974**
Changes due to forex impact	(40)	0	0	0
Ending cash & cash equivalent	**1,808**	**1,901**	**1,974**	**1,913**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	7.5	10.7	9.8	9.8
Pre-tax margin	4.0	7.6	6.6	6.8
Net margin	2.8	5.6	4.3	4.5
ROA	1.8	3.3	2.4	2.5
ROE	4.9	8.5	5.7	5.8
Growth				
Turnover	24.3	(4.8)	(8.4)	0.0
EBITDA	37.5	35.4	(16.1)	0.1
Pre-tax profit	139.5	81.4	(20.4)	3.2
Net profit	106.3	87.4	(28.5)	4.7
Net profit (adj.)	106.3	87.4	(28.5)	4.7
EPS	106.5	87.4	(28.5)	4.7
Leverage				
Debt to total capital	26.5	21.7	18.9	14.9
Debt to equity	36.0	27.7	23.3	17.4
Net debt/(cash) to equity	9.8	2.0	(2.3)	(6.4)