Seatrium (STM SP)

Steady Operational Performance in 3Q26 With Improving Margins; Weak Orderbook Remains A Concern

Highlights

- Seatrium reported a steady operating performance in 3Q26, maintaining its revenue run rate and sustaining the improvement in gross margins.
- Order win momentum picked up slightly in recent months, but remained weak, with 2026 ytd order wins of S$1.7b implying an annualised book-to-bill ratio of less than 0.3x. As a result, orderbook on hand weakened qoq to S$12.2b.
- Management continues to pursue a pipeline of opportunities, although the timing of clients' final investment decision remains uncertain.
- Maintain HOLD, with a lower target price of S$1.80 based on 0.82x 2026F P/B (1SD below historical mean P/B of 1.05x). Seatrium needs some sizeable contract wins in the next few months to bolster investor confidence.

Analysis

- **Operational performance remained steady in 3Q26.** Management sees revenue maintaining its run rate in 3Q26 and gross margin continuing to improve relative to 1H26. Management expects the margin expansion to continue for the rest of the year and to sustain into 2027, driven by improving project margin mix, continued cost discipline and progressive cost savings associated with ongoing non-core divestments.
- **Maintaining guidance for a strong closing to 2026.** Given the near-term revenue visibility and margin improvement expectations, Seatrium has maintained the guidance that its underlying 2026 net profit is expected to be materially higher than 2025's. This is reflected in our 2H26 core earnings forecast of S$234m (+56% yoy, +13% hoh).
- **Weak orderbook remains a key issue.** Orderbook weakened further to S$12.2b, from S$13.3b as of end-1H26, or S$17.8b as of end-25. The current orderbook, equivalent to less than 1.5 years' burn, provides very limited revenue/earnings visibility. In addition, over 70% of the net orderbook value comes from projects with delivery dates 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.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	9,231	11,472	10,919	10,000	10,000
EBITDA	627	862	1,167	979	980
Operating profit	212	514	895	707	708
Net profit (rep./act.)	157	324	606	433	454
Net profit (adj.)	101	303	440	433	454
EPS (S$ cents)	3.0	8.9	12.9	12.7	13.3
PE (x)	57.7	19.3	13.3	13.5	12.9
P/B (x)	0.9	0.8	0.8	0.8	0.7
EV/EBITDA (x)	9.4	6.9	5.1	6.0	6.0
Dividend yield (%)	0.9	1.8	2.3	2.4	2.5
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 (%)	4.9	4.9	8.5	5.7	5.8
Consensus net profit	-	-	556	500	536
UOBKH/Consensus (x)	-	-	0.79	0.87	0.85

Source: Seatrium, Bloomberg, UOB Kay Hian

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HOLD (Maintained)

Share Price	S$1.71
Target Price	S$1.80
Upside	5.2%
Previous TP	S$2.30

Stock Data

Sector	Industrials
Bloomberg ticker	STM SP
Shares issued (m)	3,372.0
Market cap (S$m)	5,766.1
Market cap (US$m)	4,473.0
3-mth avg daily t'over (US$m)	23.4

Price Performance (%)

52-week high/low				S$2.51/S$1.67
1mth	3mth	6mth	1yr	YTD
(7.6)	(20.8)	(24.0)	(19.7)	(20.8)

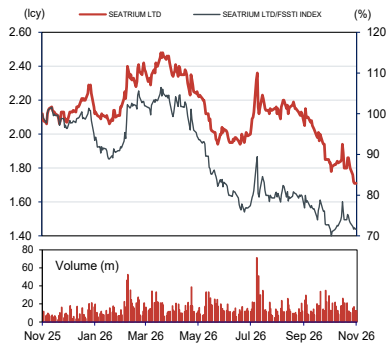
Major Shareholders (%)

Temasek Hldgs	36.0

Balance Sheet Metrics

FY26 NAV/Share (S$)	2.19
FY26 Net Debt/(Cash)/Share (S$)	0.04

Price Chart



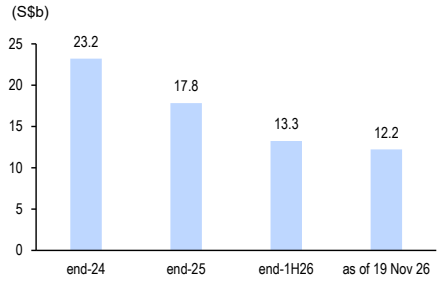
Source: Bloomberg

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.

- **Order win momentum picked up slightly in recent months…** Seatrium has secured S$1.7b of new orders ytd, with about S$940m won in Oct-Nov 26, by our estimate. Key awards included: a) three FSRU conversion projects for Karpowership and Excelerate Energy; b) FPSO integration projects for SBM Offshore and MODEC; and c) the major conversion and integration of five next-generation Whale Class Powerships for Karpowership. In addition, Seatrium announced it will complete four offshore rigs for RigCo (worth over S$500m, but likely with limited margins as the projects are on a cost-recovery basis.
- **…but remains slow.** Even though order win momentum has somewhat picked up in recent months, the ytd order win, implying an annualised book-to-bill ratio of less than 0.3x by our estimate, is far from enough to cover Seatrium's orderbook burn rate at S$9b-10b per annum.
- **Maintaining a pipeline of opportunities.** Management shared that Seatrium continues to pursue most of its S$32b pipeline opportunities (as identified in its 1H26 results briefing) over the next 24 months, but we note that this pipeline figure has yet to reflect the latest tender status for Petrobras P-88 FPSO, where Seatrium and its consortium partners were reported to be the third lowest bidder; this implies a low chance of Seatrium winning the previously targeted full EPC scope. Having said that, we understand that Seatrium is now in talks with the leading bidder Yinson for a smaller scope helping Yinson to fulfil the Brazil local project content requirements.
- Looking ahead, a most promising contract win in the near term would be the potential crystallisation of a third FLNG conversion project from Golar (worth over S$2b, a letter of intent was signed in Aug 26).
- Other key watches include: a) the discussions with SBM Offshore and Yinson for the respective local construction contents related to Petrobras FPSO P-81, P-87, and P-88 (each win could be worth a few hundred millions in SGD), and b) the opening of Petrobras FPSO P-91 tender (scheduled in Mar 27).

Orderbook Trend (S$b)



Source: Seatrium

Orderbook By Year Of Project Delivery

Delivery year	No. of projects	---- Contract value in S$m ---- Gross	Net
2026	2	333	25
2027	11	14,067	1,230
2028	8	6,260	2,147
2029	7	7,921	2,682
2030 onwards	7	11,358	6,164
Total	**35**	**39,939**	**12,248**

Source: Seatrium

Valuation

		2025	2026F	2027F
BVPS		S$2.04	**S$2.19**	S$2.28
P/B peg		---------- Target price ----------		
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
-1.0SD	**0.82x**	S$1.68	**S$1.80**	S$1.87
-1.5SD	0.71x	S$1.45	S$1.55	S$1.61
-2.0SD	0.60x	S$1.21	S$1.30	S$1.36

Source: UOB Kay Hian

Earnings Revision/Risk

- **No changes to our earnings forecasts.**
- **Key risks include** a prolonged period of slow order wins and depleting orderbook.

Valuation/Recommendation

- **Maintain HOLD with a lower target price of S$1.80.** Our updated target price of S$1.80 is now based on a lower 2026F P/B peg of 0.82x, at 1SD below Seatrium's five-year historical mean P/B of 1.05x. The lower P/B peg reflects poorer earnings visibility from Seatrium's further weakened orderbook. Seatrium currently trades at 0.78x 2026F P/B, or 1.2SD below its historical mean P/B.
- **What will turn us more bullish will be:** a) orderbook being restored to S$15b-18b levels, equivalent to 1.5 years of Seatrium's target annual revenue (S$10b-12b); and b) confidence in Seatrium being able to sustain an order win momentum of at least S$9b for an extended period.

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 Metric

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 (% yoy)				
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)

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