

# GROUP FINANCIAL REVIEW

## FINANCIAL SUMMARY

The Group posted a gross loss of S\$1.08 billion and a net loss of S\$1.17 billion for the year, due mainly to the adverse effects of COVID-19. Excluding provisions and asset impairments, net loss would have been S\$332 million.

## TURNOVER

Despite COVID-19 challenges impacting business sentiment and projects execution in 2021, the Group recorded a 23% increase in revenue year-on-year, closing the year with a revenue of S\$1.86 billion for FY2021.

## NET LOSS

The Group recorded a net loss of S\$1.17 billion in FY2021. This was mainly due to the significant impact of ongoing COVID-19 disruptions causing further delays and increase in manpower and other related costs to complete existing projects, increase in provision for yards reinstatement cost, impairment loss on a marine vessel and project stock written down to net realisable value.

### Financial Results

S\$'M	2021	2020	% Change
Gross Loss	(1,082)	(490)	n.m.
EBITDA	(1,028)	(380)	n.m.
Net Loss	(1,171)	(583)	n.m.

The Group posted a net loss of S\$332 million in FY2021, before the following material impairments and provisions totaling S\$839 million (post-tax basis):

- Additional labour and other costs to complete existing projects of S\$696 million;
- An increase in provisions for yards' reinstatement of S\$75 million; and
- An increase in asset impairment loss and project stock write-down of S\$68 million.

### Financial Results – Before material impairments and provisions

S\$'M	2021	2020	% Change
Gross Loss	(289)	(456)	(37)
EBITDA	(101)	(218)	(54)
Net Loss	(332)	(439)	(24)

## S\$1.5 BILLION RIGHTS ISSUE

The Group issued an announcement on 24 June 2021 relating to a proposed S\$1.5 billion renounceable underwritten Rights Issue aimed at addressing the Company's immediate funding needs.

The Rights Issue was successfully completed in September 2021. The mandatory general offer by Startree Investments Pte. Ltd. ("Startree"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, also closed with Startree having a resultant shareholding of 54.6% in the Company as at 3 November 2021.

## FINANCIAL POSITION

The Group's shareholders' funds increased to S\$4.0 billion as at 31 December 2021, largely resulting from the S\$1.5 billion Rights Issue in September 2021.

## CASH FLOW AND LIQUIDITY

The Group's S\$2.1 billion Rights Issue in 2020 raised S\$0.6 billion of net cash proceeds. These proceeds have been fully utilised as of 21 September 2021 for working capital purposes. They include approximately S\$270 million for materials and equipment, S\$248 million for subcontractors' labour services, and S\$72 million for employees' payroll expenses.

Following the successful completion of the S\$1.5 billion Rights Issue in September 2021, part of the rights proceeds has been utilised for working capital and debt repayment in accordance with the intended use of the net cash proceeds stated in the Offer Information Statement. This includes approximately S\$35 million used for materials and equipment, S\$85 million for subcontractors' labour services, S\$80 million for employees' payroll expenses and S\$580 million towards repayment of loan facilities. Following the disbursements, the balance of the net proceeds is approximately S\$720 million.

As at 31 December 2021, Sembcorp Marine's net debt stood at S\$2.0 billion, 29% lower than the net debt position of S\$2.8 billion in December 2020, largely as a result of the Group's recapitalisation through its S\$1.5 billion Rights Issue. The net debt to equity of the Group strengthened to 0.49 times, from 0.75 times a year earlier.

The enhanced liquidity position through the recapitalisation has enabled the Group to meet its ongoing operational funding requirements and fulfil its existing commitments.

As at the end of FY2021, the Group registered positive net working capital of S\$493 million. This compares favourably to the negative net working capital of S\$259 million for FY2020.

While net cash flow from operating activities for FY2021 is still negative at S\$589 million, it has improved by some S\$161 million compared to a year ago.

In line with ongoing Group-wide deferment of all non-essential capital expenditure to preserve cash flow and manage overall liquidity prudently, net cash used in investing activities for the full year was reduced by 50% year-on-year to S\$44 million for FY2021. While the Group pays careful attention to all aspects of its operations to achieve cost optimisation, it does so without compromise to yard safety and operability.

In 1Q2021, the Group secured a S\$500 million sustainability-linked financing facility which references the Singapore overnight rate average (SORA). The facility, believed to be the first SORA-based sustainability-linked loan for the local maritime industry, features interest rate discounts linked to pre-determined environment, social and governance (ESG) targets. As these targets are achieved, the Group will enjoy savings in borrowing costs.

The Group secured another S\$100 million loan facility, similarly referencing SORA, in September 2021. This financing facility met the Sustainability Linked Loan Principles (SLLP), validated independently by classification society DNV against pre-agreed sustainability performance targets (SPTs).

The above facilities are the results of the Group's ongoing efforts to increasingly tap on green financing, which will contribute to the Group's strategy to greenify its overall business operations and achieve its sustainability goals.

Net cash flow from financing activities was S\$964 million, taking into account the net proceeds of S\$1.5 billion from the Rights Issue, new facilities secured, as well as repayment of existing facilities as part of the Group's overall liquidity management during the year.

The resultant net cash balance at the end of the year stood at S\$1.1 billion, an increase of 43% compared to the year-end balance of S\$772 million for FY2020.

The Group expects to have the necessary liquidity to fund its operations for the foreseeable future.

## SHAREHOLDER RETURNS

The Group recorded a return on equity of -30.5% in FY2021. There was no dividend proposed for the financial year ended 31 December 2021.

## Group Financial Highlights

	2021 S\$'000	2020 S\$'000	Change %
<b>Group Income Statement</b>			
Turnover	1,862,215	1,510,280	23
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,027,534)	(379,816)	n.m.
Operating loss	(1,224,115)	(581,545)	n.m.
Loss before tax	(1,254,780)	(670,708)	87
Net loss	(1,170,558)	(582,510)	n.m.
<b>Group Balance Sheet</b>			
Total assets	9,299,873	8,970,224	4
Total liabilities	5,274,803	5,274,077	0
Net tangible assets	3,802,858	3,446,397	10
Equity attributable to owners of the Company	4,001,277	3,667,396	9
Non-controlling interests	23,793	28,751	(17)
Total equity	4,025,070	3,696,147	9
Cash and cash equivalents	1,104,118	772,426	43
Interest-bearing borrowings	3,075,809	3,549,794	(13)
Net debt	1,971,691	2,777,368	(29)
<b>Economic Value Added (EVA)</b>			
Net operating loss after tax (NOPAT)	(1,205,425)	(563,210)	n.m.
Capital charge	539,769	421,053	28
EVA	(1,745,194)	(984,263)	77
EVA attributable to owners of the Company	(1,737,034)	(975,712)	78
<b>Financial Ratios</b>			
Earnings per share (EPS)			
Basic (cents)	(6.49)	(10.57)*	(39)
Diluted (cents)	(6.49)	(10.57)*	(39)
Net asset value per share (cents)	12.75	29.21	(56)
Net tangible assets per share (cents)	12.12	27.45	(56)
Return on turnover (%)	(62.86)	(38.57)	63
Return on total assets (%)	(11.96)	(5.11)	n.m.
Return on equity (%)	(30.53)	(19.95)	53

\* Restated per SFRS(I) 1-33 through retrospective application of a bonus factor to the weighted average number of shares.