

Group Financial Review

Financial Highlights

	2023	2022 ¹	Change (%)
For the year (<i>S\$ million</i>)			
Turnover	7,042	7,825	(10)
Gas and Related Services	5,457	6,547	(17)
Renewables	703	503	40
Integrated Urban Solutions	418	444	(6)
Decarbonisation Solutions	16	3	NM
Other Businesses and Corporate	448	328	37
Earnings before interest, tax, depreciation and amortisation (EBITDA) ²	1,789	1,308	37
Share of results:			
associates and joint ventures, net of tax	264	248	6
Adjusted EBITDA	2,053	1,556	32
Profit before tax	1,230	865	42
Net profit before exceptional items	1,018	739	38
Gas and Related Services	809	622	30
Renewables	200	141	42
Integrated Urban Solutions	121	150	(19)
Decarbonisation Solutions	(13)	(3)	NM
Other Businesses and Corporate	(99)	(171)	42
Exceptional items	2	(35)	NM
Net profit from continuing operations	1,020	704	45
Net profit from discontinued operation	(78)	144	NM
Net profit	942	848	11
Capital position (<i>S\$ million</i>)			
Owners' funds	4,588	3,977	15
Total assets	15,497	16,020	(3)
Net debt	6,487	5,816	12
Operating cash flow	1,481	1,652	(10)
Free cash flow	1,962	1,722	14
Capital expenditure and equity investment	1,566	1,747	(10)
Shareholder returns			
Net assets per share (<i>S\$</i>)	2.58	2.24	15
Earnings per share (<i>cents</i>)	52.83	47.59	11
Earnings per share			
– continuing operations (<i>cents</i>)	57.21	39.51	45
Dividends per share (<i>cents</i>)	13.00	12.00	8
Last traded share price ³ (<i>S\$</i>)	5.31	3.38	57
Total shareholder return (%)	62	73	(15)

NM: not meaningful

¹ Following shareholders' approval of the sale of Sembcorp Energy India Limited (SEIL), SEIL was classified as a disposal group held for sale and as a discontinued operation

² EBITDA excludes major non-cash items such as effects of fair value adjustments, re-measurements, impairments, and write-offs

³ As at December 31 of the respective years

Overview

In 2023, Sembcorp continued to accelerate its portfolio transformation through disciplined investments in greenfield and brownfield renewables assets as well as organic growth. The Group achieved a 45% increase in net profit to S\$1 billion from continuing operations, attributable to higher earnings from the Gas and Related Services and Renewables segments.

In January 2023, the Group completed the sale of SEIL. Accordingly, the financials of SEIL were reported as a discontinued operation. A S\$78 million loss on disposal of SEIL was recognised in 2023, due to the realisation of an accumulated foreign currency translation loss recognised in the foreign currency translation reserve, offset by a gain in capital reserve and other reserves. Including discontinued operation, the Group reported a net profit of S\$942 million, 11% higher than S\$848 million in 2022.

In November 2023, the Group announced its 2024–2028 strategic plan, reaffirming its commitment to transform its portfolio from brown to green. The Group's business is now categorised into five main segments, namely Gas and Related Services, Renewables, Integrated Urban Solutions, Decarbonisation Solutions and Other Businesses and Corporate, with comparatives re-presented accordingly.

Turnover

The Group's turnover from continuing operations decreased by S\$783 million or 10% to S\$7.0 billion in 2023, from S\$7.8 billion in 2022.

The Gas and Related Services segment's turnover of S\$5.5 billion was 17% or S\$1.1 billion lower than 2022. The decrease was attributed to lower gas sales revenue in Singapore and lower power prices in the UK.

Revenue from the Renewables segment increased by 40% to S\$703 million, compared to S\$503 million in 2022. The increase was attributable to acquisitions in India and China, higher operational capacity as well as contribution from the new energy storage system in Singapore.

The Integrated Urban Solutions segment recorded a turnover of S\$418 million, 6% lower than 2022 due to the cessation of a public waste collection contract in the Singapore waste management business.

The Decarbonisation Solutions segment comprises business activities from the Group's carbon management business, GoNetZero™, low-carbon feedstock (green hydrogen and ammonia), power imports as well as carbon capture, utilisation and storage businesses. In 2023, GoNetZero™ reported a turnover of S\$16 million.

The Other Businesses and Corporate segment reported a turnover of S\$448 million, 37% higher compared to 2022, from higher activities in the construction business.

Net Profit

Net profit from continuing operations before exceptional items increased 38% to S\$1 billion, achieved through better performance from the Gas and Related Services and Renewables segments.

Including the discontinued operation, net profit after exceptional items in 2023 was S\$942 million compared to S\$848 million in 2022.

In 2023, the Gas and Related Services segment delivered a net profit before exceptional items of S\$809 million, compared to S\$622 million in 2022. The better performance was driven by the cogeneration power plants in Singapore, which continued to capture value in periods of high power prices through the optimisation of generation assets and fuel sources. The better performance was offset by lower power prices in the UK. Given the escalating conflict in Myanmar since October 2023, the credit risk on the service concession receivables for Sembcorp Myingyan Power Company Limited (SMPC) was assessed to have increased. An expected credit loss provision of S\$18 million was made for SMPC in 2023 (2022: S\$81 million).

The Renewables segment recorded a net profit before exceptional items of S\$200 million, 42% higher compared to S\$141 million in 2022. This was mainly driven by contributions from the completed acquisition in India, full-year contribution from acquisitions in China, and higher margins achieved as a result of higher energy prices for the Singapore solar business.

Net profit before exceptional items from the Integrated Urban Solutions segment was S\$121 million compared to S\$150 million in 2022. The lower net profit was due to lower commercial and residential land sales in Vietnam and the absence of a one-time termination fee received from a customer in China in 2022. Excluding the one-off termination

fee, earnings from the water business would have been higher year-on-year.

Cash Flow and Liquidity

As at December 31, 2023, the Group's cash and cash equivalents in the cash flow statement stood at S\$732 million. Net cash from operating activities stood at S\$1.5 billion, compared to 2022 of S\$1.7 billion. 2022 amounts included cash flow from SEIL. Post disposal of SEIL, the consideration was received in the form of deferred payment note receipts, which is now recognised as cash from investing activities.

Net cash used in investing activities was S\$878 million, mainly for the acquisitions of renewables portfolios such as Vector Green in India, as well as Qinzhou Yuanneng Wind Power and Binyang County Santai Energy Technology in China totalling S\$502 million, and the purchase of property, plant and equipment of S\$826 million. The cash used in investing activities was offset by receipts of S\$355 million from the deferred payment note.

Net cash used in financing activities was mainly due to interest payments and net repayment of loans of S\$772 million, as well as dividend payments to shareholders of S\$231 million.

Financial Position

Group shareholders' funds increased to S\$4.6 billion as at December 31, 2023, from S\$4.0 billion as at December 31, 2022. The increase was mainly due to higher profit for the year offset by dividends to shareholders, loss on fair value changes and increased foreign currency translation loss mainly from the depreciation of the Indian Rupee and Chinese yuan against the Singapore dollar.

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The net reduction in total assets was mainly because of the disposal of SEIL's net assets, previously classified as assets and liabilities held for sale, net of increase in property, plant and equipment, including the effect of consolidation of the subsidiaries acquired during the year.

The lower cash balance resulted from the Group's proactive capital management, where excess cash was deployed to fund investments and repayment of borrowings.

Net Debt

Gross debt was S\$7.3 billion as at December 31, 2023 compared to S\$7.1 billion in 2022. Net debt was S\$6.5 billion as at December 31, 2023 compared to S\$5.8 billion in 2022. The S\$671 million increase in net debt was largely due to the consolidation of borrowings of the subsidiaries acquired, offset by repayments of borrowings during the year.

Shareholder Returns

In 2023, the return on equity of the Group's continuing operations

was 23.8% and earnings per share was 52.8 cents. Subject to approval by shareholders at the upcoming annual general meeting in April 2024, a final dividend of 8.0 cents per ordinary share has been proposed. Together with the interim dividend of 5.0 cents per ordinary share paid in August 2023, this brings the Group's total dividend for the financial year ended December 31, 2023, to 13.0 cents per ordinary share, an increase from 12.0 cents per ordinary share in 2022.

Five-year Financial Performance

	2023	2022 ¹	2021	2020 ²	2019
For the year (<i>S\$ million</i>)					
Turnover	7,042	7,825	7,795	5,447	9,618
Earnings before interest, tax, depreciation and amortisation (EBITDA) ³	1,789	1,308	1,288	1,184	1,535
Share of results: associates and joint ventures, net of tax	264	248	206	233	184
Adjusted EBITDA	2,053	1,556	1,494	1,417	1,719
Profit before tax	1,230	865	423	211	295
Net profit from continuing operations	1,020	704	279	157	247
Discontinued operation	(78)	144	–	(1,154) ⁴	–
Net profit	942	848	279	(997)	247
At year end (<i>S\$ million</i>)					
Property, plant and equipment, and investment properties	6,618	5,438	7,232	7,339	12,331
Other non-current assets	6,173	4,074	3,230	3,219	4,826
Net current (liabilities) / assets	(770) ⁵	1,687	1,028	877	83
Non-current liabilities	(7,149)	(6,983)	(7,572)	(7,959)	(9,361)
Net assets	4,872	4,216	3,918	3,476	7,879
Share capital and reserves	4,588	3,977	3,767	3,339	6,871
Non-controlling interests	284	239	151	137	1,008
Total equity	4,872	4,216	3,918	3,476	7,879
Per share					
Earnings (<i>cents</i>)	52.83	47.59	15.64	(56.81)	11.81
Net assets (<i>S\$</i>)	2.58	2.24	2.12	1.87	3.85
Dividends (<i>cents</i>)	13.0	12.0	5.0	4.0	5.0

¹ Following shareholders' approval of the sale of SEIL on November 8, 2022, the performance of SEIL for the period was reported under discontinued operation

² Following the completion of the distribution *in specie* of ordinary shares in the capital of Sembcorp Marine to Sembcorp Industries shareholders, the performance of the Marine business for the period from January 1, 2020, to September 11, 2020, was reported as a discontinued operation

³ EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments, and write-offs

⁴ Loss from discontinued operation included fair value loss of S\$970 million on distribution *in specie* of ordinary shares in the capital of Sembcorp Marine

⁵ The Group's net current liabilities position in 2023 was transitional, as approximately 85% of the total S\$1.3 billion borrowing due within the next 12 months is in various stages of being refinanced and 15% is under project finance amortised repayments. The Group has S\$1.9 billion of committed unutilised credit facilities available for drawdown with maturity beyond 2024

Value Added and Productivity Data

In 2023, the Group's total value added was S\$2.6 billion. This was absorbed by employees in wages, salaries and benefits of S\$509 million, by governments in income and other taxes of S\$187 million and by providers of capital in interest, dividends and distribution of S\$642 million, leaving a balance of S\$1.3 billion reinvested in business

Value added statement

 (*S\$ million*)

	2023 ¹	2022 ¹	2021	2020	2019
Value added from					
Turnover	7,042	7,825	7,795	5,447	9,618
Less: Bought-in materials and services	(4,886)	(6,100)	(6,115)	(4,075)	(7,458)
Gross value added	2,156	1,725	1,680	1,372	2,160
Investment, interest and other income	305	299	216	228	526
Share of results: associates and joint ventures, net of tax	264	248	206	233	184
Other non-operating expenses	(77)	(96)	(67)	(88)	(147)
	2,648	2,176	2,035	1,745	2,723

Distribution

To employees in wages, salaries and benefits	509	485	494	396	820
To government in income and other taxes	187	116	62	37	233
To provider of capital in:					
Interest on borrowings	410	309	423	461	586
Dividends to owners	232	124	107	2,615	71
Profit attributable to perpetual securities holders	–	–	–	17	36
	1,338	1,034	1,086	3,526	1,746

Retained in business

Depreciation and amortisation	454	372	457	444	682
Deferred tax expense / (credit)	14	36	63	(25)	(91)
Retained profits	788	580	172	(2,443)	140
Non-controlling interests	28	23	21	22	(30)
	1,284	1,011	713	(2,002)	701
Other non-operating expenses	26	131	236	221	276
	1,310	1,142	949	(1,781)	977

Total distribution

	2,648	2,176	2,035	1,745	2,723
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Productivity data²

	2023 ¹	2022 ¹	2021	2020	2019
Average staff strength	5,099	4,981	5,740	5,426	16,575
Employment costs (<i>S\$ million</i>)	509	485	494	396	820
Profit after tax per employee (<i>S\$'000</i>)	206	146	52	33	13
Value added (<i>S\$ million</i>)	2,156	1,725	1,680	1,372	2,160
Value added per employee (<i>S\$'000</i>)	423	347	293	253	130
Value added per dollar employment costs (<i>S\$'000</i>)	4.24	3.56	3.40	3.46	2.63
Value added per dollar investment in property, plant and equipment (<i>S\$</i>)	0.22	0.21	0.16	0.13	0.12
Value added per dollar sales (<i>S\$</i>)	0.31	0.22	0.22	0.25	0.22

¹ Excludes the loss on disposal of SEIL, which is reported under discontinued operation

² The figures reflect data for continuing operations only

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Treasury Management

Sembcorp Financial Services (SFS), the Group's wholly-owned treasury vehicle, manages the Group's financing and treasury activities in Singapore and oversees such activities in other markets with the respective business units. Funds borrowed by SFS are on-lent to businesses within the Group, where appropriate.

SFS and its overseas treasury units undertake active cash management to recycle surplus cash within the Group and manage debt through prudent review of its refinancing requirements. We have set up cash pooling structures in various countries, utilising surplus funds from businesses and lending to those with funding requirements. Such proactive cash management continues to be an efficient and cost-effective way of managing the Group's cash and meet funding requirements.

Facilities

As at December 31, 2023, the Group's total credit facilities, including its Multicurrency Debt Issuance Programmes and Euro Medium Term Note (EMTN) Programme, amounted to S\$17.0 billion (2022: S\$13.4 billion). This comprised borrowing facilities of S\$15.5 billion (2022: S\$12.0 billion) and trade-related facilities of S\$1.5 billion (2022: S\$1.4 billion), including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds.

Borrowings and Bond Issuance

The Group aims to closely align the structure and maturity profile of its debt with the commercial profile of its core assets, while focusing on maintaining adequate liquidity for its businesses. Banking relationships

remain important to ensure that funding is secured on competitive terms, as and when commercially viable and strategically attractive opportunities arise.

On March 15, 2023, SFS issued a S\$350 million green bond under the S\$3 billion Multicurrency Debt Issuance Programme. The net proceeds of the green bond will be used to finance or refinance, in whole or in parts, new or existing energy projects which fall in the

list of Eligible Green Projects under the Sembcorp Green Financing Framework.

On July 31, 2023, the company, jointly with SFS, established an additional S\$5 billion EMTN Programme. This is in addition to the existing S\$3 billion and S\$2.5 billion Multicurrency Debt Issuance Programmes. Under the EMTN Programme, the company, together with SFS and certain other subsidiaries of the company

(the Subsidiary Issuers), may from time to time issue notes and securities under the EMTN Programme subject to availability of funds from the market. The obligations of SFS and the Subsidiary Issuers under the EMTN Programme are fully guaranteed by the company.

As at December 31, 2023, the Group's gross borrowings amounted to S\$7.3 billion (2022: S\$7.1 billion). The Group remains committed

to ensuring a diversified and optimised funding base, while working towards achieving prudent financial ratios.

The overall debt portfolio in 2023 comprised 72% (2022: 66%) of fixed rate debt and 28% (2022: 34%) of floating rate debt. We will continue to actively monitor and manage the debt portfolio mix in the current high interest rate environment.

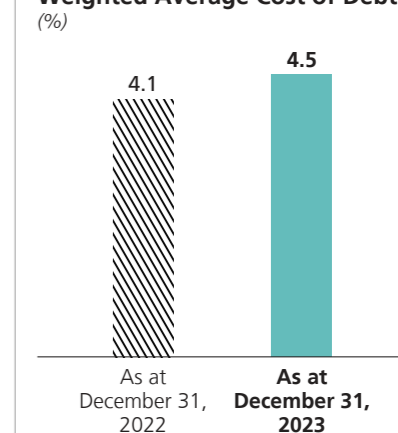
Financing and treasury highlights (\$ million)

	2023	2022
Source of funding		
Cash and cash equivalents	767	1,254
Borrowing facilities (including the Multicurrency Debt Issuance Programme)		
Committed borrowing facilities	9,662	9,496
Less: Amount drawn down	(7,205)	(7,070)
Unutilised committed borrowing facilities	2,457	2,426
Uncommitted borrowing facilities	5,850	2,536
Less: Amount drawn down	(49)	–
Unutilised uncommitted borrowing facilities	5,801	2,536
Total unutilised borrowing facilities	8,258	4,962
Trade-related facilities		
Facilities available	1,498	1,412
Less: Amount used	(550)	(500)
Unutilised trade-related facilities	948	912
Funding profile		
Maturity profile		
Due within one year	1,281	1,096
Due between one to five years	3,180	3,593
Due after five years	2,793	2,381
	7,254	7,070
Debt mix		
Fixed rate debt	5,234	4,699
Floating rate debt	2,020	2,371
	7,254	7,070

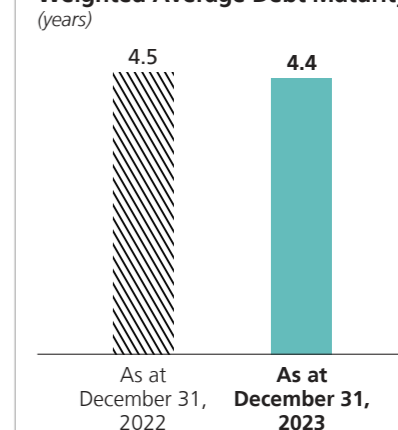
	2023	2022
Group debt financial ratios		
Interest cover ratio		
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,789	1,308
Adjusted EBITDA ¹	2,053	1,556
Finance costs	409	310
EBITDA / Finance costs	4.4	4.2
Adjusted EBITDA ¹ / Finance costs	5.0	5.0
Debt ratios		
Net debt / EBITDA	3.6	4.4
Net debt / Adjusted EBITDA	3.2	3.7

¹ Adjusted EBITDA = reported EBITDA + share of results of associates and JV, net of tax

Weighted Average Cost of Debt (%)



Weighted Average Debt Maturity (years)



Hedging Profile

As at December 31, 2023

