

SECTOR UPDATE

Offshore Marine – Singapore

Full Steam Ahead If You're In Singapore

Global shipping and offshore markets have slowed in 2025 amid geopolitical uncertainty, with newbuild orders down 54% yoy and some rig dayrates showing softness. While US energy companies revealed cautious guidance at their 2Q25 earnings announcements, we remain optimistic on STM and MPM while YZJSGD's recent rally affirms improving sentiment, with valuations remaining attractive. Sector view maintained at **OVERWEIGHT**.

WHAT'S NEW

- **Shifting sentiments.** Global geopolitical tensions and US trade policies have exerted complex and uncertain forces on the shipping and offshore marine sector in 2025. While some sectors have seen shifts in trade routes and contracts, overall newbuild investments appear to be slowing down, although the notable push towards greener vessels remains ever present.
- **Moderated pace.** Newbuild contracting has moderated significantly in 2025 compared with 2024, with total contracting down >50% yoy as at end-1H25 according to industry sources. The heightened economic and geopolitical uncertainties and weaker market conditions in some shipping sectors have been the main cause, and as a result newbuilding prices generally saw a slight decrease yoy with the slowdown particularly pronounced in the car carrier, LNG carrier, and tanker segments. Despite the overall slowdown, investment in alternative fuel-capable vessels continues, with 55% of orders being for such units. While Hanwha Philly saw the first LNG carrier ordered at a US yard since the 1970s, a significant portion of its construction will be in South Korea, thus bringing into question how realistic the US trade policy is at present.
- **Offshore rigs a mixed bag.** While leading-edge rig dayrates in the Asian region saw stability in 2Q25, industry data shows that the broader rig market has seen a general softening for high-specification jack-ups in Southeast Asia and ultra-deep floaters in the Gulf of Mexico in 3Q25. On a yoy basis, rig dayrates for jack-ups and drillships have risen 6-25%, though utilisation rates appear to have plateaued in recent months. On the negative side, semi-sub continue to languish with utilisation rates up marginally while dayrates have softened, down 1.1% yoy. Thus, it would appear that order flows for new rigs may still be more than 12 months away.

ACTION

- **Maintain sector view at OVERWEIGHT.** We like Seatrium (STM SP/BUY/Target: S\$2.96) as we believe that the company will benefit from stronger oil & gas production dynamics in 2025 as well as demand from the offshore renewables industry. We also like Marco Polo Marine (MPM SP/BUY/Target: S\$0.066) as its vessels are exposed to potential upside in charter rates from 4Q25 and beyond.
- **Market coming to its senses on YZJ.** The stock has rallied 26% (+178% annualised) since our last report on 5 May that highlighted our positive call on YZJ due to its valuation dislocation. Even after this strong performance, we note that the stock remains inexpensive, trading at 2025F PE and P/B of 6.8x and 1.3x respectively while delivering a yield of 4.1% and ROE of 25.0%.

PEER COMPARISON - SHIPYARDS

Company	Ticker	Rec	Price (1cy)	Upside to TP (%)	Market Cap (US\$m)	PE (x)	P/B (x)	EV/EBITDA (x)	ROE%	Yield (%)
			28 Jul	Target		2024	2025F	2024	2025F	2025F
Seatrium	STM SP	BUY	2.42	2.96	6,382	28.5	21.4	1.3	1.2	11.5
Yangzijiang Shipbldg	YZJSGD SP	BUY	2.56	3.29	7,847	7.2	6.8	1.6	1.3	3.7
Marco Polo Marine*	MPM SP	BUY	0.059	0.066	172	8.5	7.0	1.1	1.0	5.8
Average – Spore-listed						14.7	11.7	1.3	1.2	7.0
Hanwha Ocean Co	042660 KS	NR	97,600	91,721	(6.0)	21,587	38.0	5.3	4.5	28.1
Samsung Heavy Ind	010140 KS	NR	18,630	23,185	24.5	11,834	27.4	3.6	2.9	18.3
HD Korea Shipbldg	009540 KS	NR	353,500	397,974	12.6	18,059	11.5	1.9	1.7	5.5
Average – Sector						20.2	15.2	2.5	2.1	12.1

Note: * fiscal year ending 30 Sep; NR = Not Rated, based on Bloomberg consensus
Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

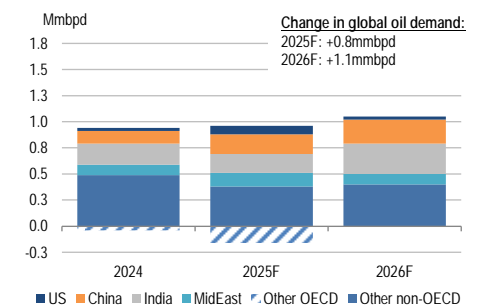
(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Price (\$)	Target
Keppel	KEP SP	BUY	8.20	9.25
Semb Industries	SCI SP	BUY	7.68	8.00
Seatrium	STM SP	BUY	2.42	2.96
Yangzijiang Shipb'g	YZJSGD SP	BUY	2.56	3.29
Marco Polo Marine	MPM SP	BUY	0.059	0.066

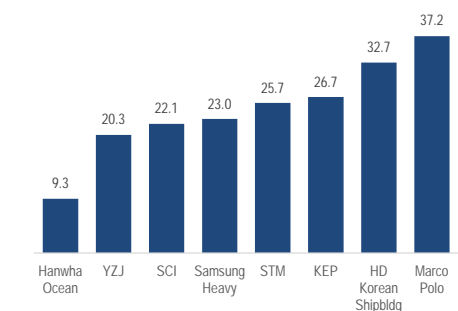
Source: Bloomberg, UOB Kay Hian

GLOBAL OIL DEMAND EXPECTED TO GROW IN 2025 AND 2026



Source: US Energy Information Administration (Jun 25)

THREE MONTH SHARE PRICE PERFORMANCE OF KEY ASIAN OFFSHORE MARINE STOCKS (% CHG)



Note: Share price performance from 28 Apr to 28 Jul 25
Source: Bloomberg

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• **Unexciting takeaways from the US energy sector's 2Q25 results season.** Overall, 2Q25 results from SLB, Halliburton and Baker Hughes reflect a cautious near-term environment for energy services, but with growth potential in strategic pockets. The sector remains in transition, balancing short-term headwinds with long-term digital and natural gas investment opportunities. Only Baker Hughes outperformed expectations while SLB and Halliburton saw yoy revenue and profit declines with softness attributed to pullbacks in drilling and completions, especially in North America and the Middle East. We note that two of the three oilfield majors warned of negative impact to their bottom lines from tariffs (see table on RHS). On a similar theme, the Dallas Fed survey for Jun 25 signalled deterioration in contracted oil & gas activity, lower profit margins in the oilfield services sector and negative momentum in price indices as rising input costs bite.

EARNINGS PREVIEW

• **Expect stronger profitability yoy.** In the table below, we present our 1H25 revenue and profit forecasts vs Bloomberg consensus.

UOB KAY HIAN ESTIMATES VS CONSENSUS

Company	Currency	Revenue		Profit		UOBKH vs consensus
		1H24	1H25F	1H24	1H25F	
KEP	S\$m	3,224	3,488	304 ¹	497	+2.9%
SCI	S\$m	3,208	3,306	540	578	In-line
STM	S\$m	4,015	4,408	115	145	-23.5%
YZJ	Rmbm	13,049	18,520	3,058	3,833	+4.9%

Note: ¹ Net profit of S\$504m excluding legacy assets

Source: UOB Kay Hian estimates, Bloomberg

SINGAPORE LARGE CAP INDUSTRIAL COMPANIES' REPORTING DATES AND KEY POINTS

Company	Reporting Date	Three key things to look for
Keppel Ltd	31 July	<ul style="list-style-type: none"> Potential sale of rigs within AssetCo Guidance on asset recycling for 2025 Updates on over S\$0.5b of real estate deals previewed in 1Q25 results
Seatrium	31 July	<ul style="list-style-type: none"> Margin achieved for 1H25 and thus better yoy earnings growth in 2025 Strength in the repairs & upgrades segment after the signing of multiple favoured-customer contracts Guidance on pipeline of projects in the offshore marine and renewables sectors
Yangzijiang Shipbuilding	6 August	<ul style="list-style-type: none"> New order win numbers, and guidance for the rest of 2025 Evidence that strong shipbuilding margins can be maintained Progress reports on capacity expansion
Sembcorp Industries	8 August	<ul style="list-style-type: none"> Update on organic and inorganic growth in its renewables segment Guidance for stability of earnings for conventional energy Continued growth in dividends

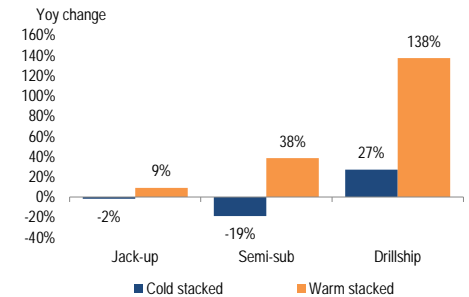
Source: UOB Kay Hian

STOCK RECOMMENDATIONS

• **Keppel Ltd (KEP SP):** We rate Keppel with a BUY recommendation with an SOTP-based target price of S\$9.25. In the near to medium term, earnings from its infrastructure segment will be underpinned by the fact that 66% of its contracted generation capacity in Singapore is locked in for three years or more. The company reported a 25% yoy increase in its 1Q25 net profit, driven by stable infrastructure earnings, stronger asset management, and improved real estate performance and thus we should expect more of the same for 2Q25 in our view. KEP currently trades at 2025F PE of 15.9x and P/B of 1.4x which we view as far from being egregious, especially considering the company's more stable earnings stream given the divestment of its offshore marine business.

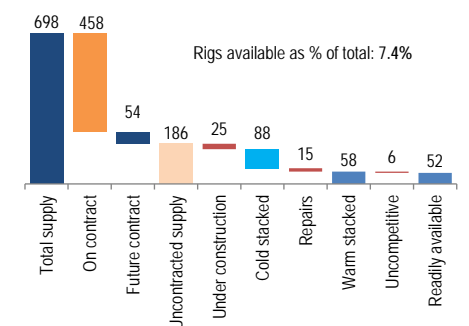
• **Sembcorp Industries (SCI SP):** We have a BUY rating on the company with a PE-based target price of S\$8.00 based on a target PE multiple of 13.6x (1.5SD above the company's 2018-24 average PE of 8.2x excluding 2020). SCI continues its disciplined pivot towards sustainable growth, supported by robust execution in renewables, energy infrastructure, and conventional assets. Key catalysts include value-accretive acquisitions in green energy, potential to increase gross renewables capacity targets, and capital recycling within its energy portfolio. Recent developments like the Senoko stake acquisition and India renewables projects enhance earnings visibility and regional positioning. After rallying nearly 20% in the past three months, SCI now trades at a 5% premium to its regional utilities peers

SIGNIFICANT INCREASE IN WARM STACKED RIGS IN RESPONSE TO LOWER OIL PRICES



Source: Esgian Rig Analytics

% OF RIGS UTILISED AND AVAILABLE GLOBALLY



Source: Esgian Rig Analytics

KEY GUIDANCE FROM OIL MAJORS AND OILFIELD SERVICES COMPANIES

	Guidance	Key comments
Oil majors		
TotalEnergies	Bearish	Global oil glut; weakening global economy
BP	Neutral/bearish	Higher production & downstream margins
Oilfield services		
SLB	Neutral/bearish	Margin squeeze from tariffs
Halliburton	Bearish	Negative impact from tariffs
Baker Hughes	Neutral	Gas services to outperform

Note: Only includes companies that have announced 2Q25 earnings

Source: Bassoe Analytics

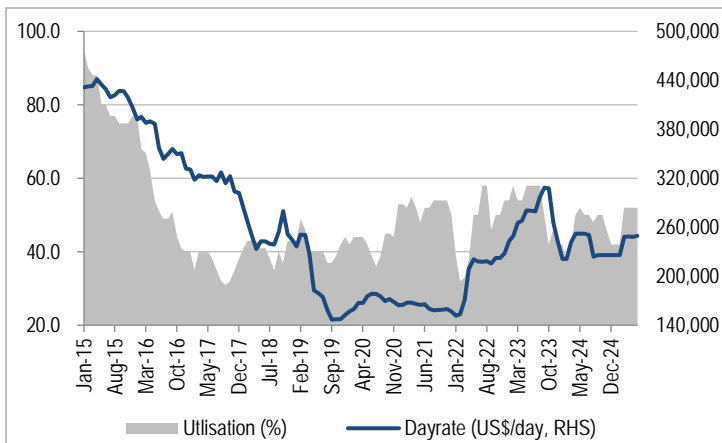
on EV/EBITDA; however, it remains at a 28% discount.

- **Seatrium (STM SP):** We have a BUY recommendation on the stock with a P/B-based target price of S\$2.96. Our target P/B multiple of 1.5x is 1.5SD above the company's five-year average. The company demonstrated strong operational momentum in 1Q25 with the delivery of ExxonMobil's FPSO, consistent repair projects, and robust execution of its S\$21.3b orderbook and thus we expect a strong 2Q25 report with profit margins to be closely watched by the market. A recent Floating Storage Regasification Unit win further enhances multi-year revenue visibility and strategic growth, and a potential conclusion of the MAS/CAD investigation in the near term should be a relief to the market.
- **Yangzijiang Shipbuilding (YZJSGD SP):** We have a BUY recommendation on the stock with a PE-based target price of S\$3.29 based on a target PE multiple of 9.0x (2SD above the company's five-year average). We believe that this premium is justified given its earnings visibility that extends into 2028 as well as its strong track record of safe and efficient shipbuilding for its international customer base. We note that YZJ remains inexpensive relative to its regional peers, trading at 2025F P/B of 1.3x and generating an ROE of 25.0% while its Korean peers trade at higher P/B levels albeit with much lower ROEs of 14.4-18.0%.

RISKS TO OUR THESIS

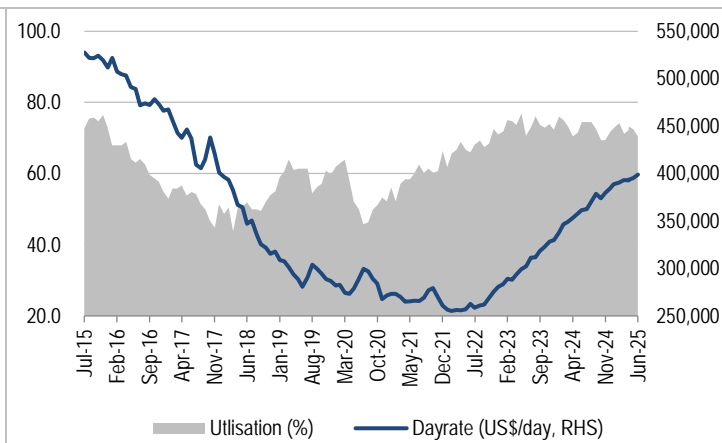
- Delays in project sanctioning due to supply chain issues; lack of financing for fossil fuel-related industries; global recession leading to lower capex; continued negative impact on sector sentiment due to trade and tariff proposals.

DAY RATE & UTILISATION: SEMISUB >7,500'



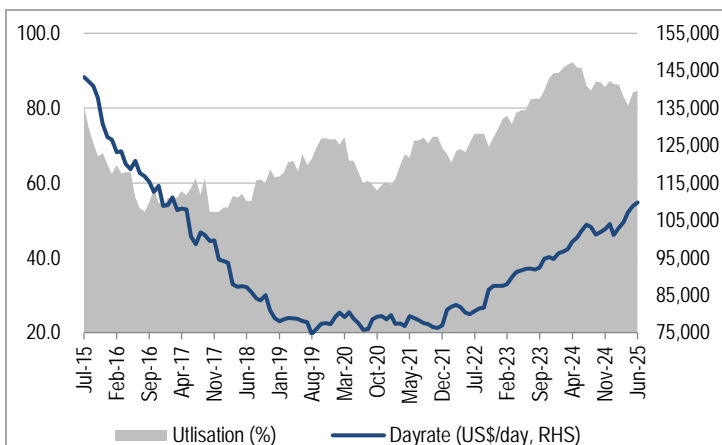
Source: Rigzone, Bloomberg

DAY RATE & UTILISATION: DRILLSHIP >7,500'



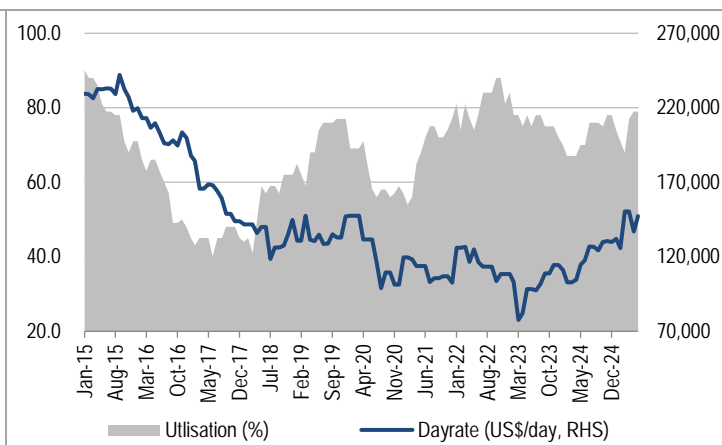
Source: Rigzone, Bloomberg

DAY RATE & UTILISATION: JACKUP 361-400' INDEPENDENT CANTILEVERED



Source: Rigzone, Bloomberg

DAY RATE & UTILISATION: JACKUP HARSH STANDARD



Source: Rigzone, Bloomberg

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