

COMPANY RESULTS

Marco Polo Marine (MPM SP)

1HFY24: Earnings In Line, Charting A Path To Growth

MPM registered 10% yoy and 31% yoy growth in 1HFY24 revenue and core PATMI respectively, both making up roughly 40% of our full-year estimates. This is in line with our expectations, given the monsoon season. Gross profit margin expanded by 5ppt yoy, driven by 17% yoy higher average charter rates for OSVs. MPM continues to benefit from strong demand from the Taiwan offshore wind and O&G markets. Maintain BUY with an unchanged PE-based target price of S\$0.086.

1H/2QFY24 UPDATE

Year to 30 Sep (\$m)	1HFY24	1HFY23	yoy % chg	2QFY24	yoy % chg	qoq % chg
Revenue	61.6	55.9	10.0	32.5	0.7	11.6
Gross profit	22.2	17.7	25.6	10.6	(4.3)	(8.4)
Gross margin (%)	36.1	31.6	+4.5ppt	32.7	(1.7ppt)	(7.2ppt)
PATMI	11.0	4.2	159.4			
Core PATMI*	11.1	8.5	30.6			

Source: Marco Polo Marine, UOB Kay Hian

*Excludes foreign exchange losses, reversal of impairment loss in receivables and one-off items

RESULTS

- Results in line with expectations.** Marco Polo Marine (MPM) reported 1HFY24 revenue of S\$62m (+10% yoy) and 1HFY24 core PATMI of S\$11.1m (+30.6% yoy), both making up around 40% of our forecasts. This is in line with expectations as 1H typically registers a weaker performance due to the monsoon season. Gross profit also rose 26% yoy from higher ship chartering revenue, while gross profit margin expanded 5ppt yoy to 36.1%, on the back of 17% yoy higher average charter rates of offshore support vessels (OSV).
- Ship chartering continues to drive growth, soaring 34.3% yoy to S\$32.9m in 1HFY24.** The segment was boosted by higher average charter rates for its OSV fleet, fuelled by increased demand for OSVs from both the offshore O&G and renewables sectors. Its third-party OSVs were also rechartered at higher rates for short-term offshore projects. This was offset by the dip in average vessel utilisation rate, from 66% in 1HFY23 to 60% in 1HFY24.
- Despite revenue dip, shipyard segment expected to stabilise.** Shipyard segmental revenue declined 8.6% yoy to S\$28.7m on lower ship repair volume from the resumption of Chinese shipyard operations. This was counteracted by growth in shipbuilding activities, with the shipyard operating at a higher average utilisation rate of 89% (1HFY23: 79%). Management expects ship repair volumes to recover as the impact of China shipyards' reopening stabilises. Additionally, the momentum in shipbuilding activities will likely continue. To recap, MPM's ship repair business has 50-70% repeat customers.

KEY FINANCIALS

Year to 30 Sep (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	86	127	146	160	171
EBITDA	31	40	50	54	42
Operating profit	22	28	37	40	42
Net profit (rep./act.)	21	23	29	32	35
Net profit (adj.)	14	25	29	32	35
EPS (\$ cents)	0.4	0.7	0.8	0.9	0.9
PE (x)	17.2	10.0	8.6	7.8	7.2
P/B (x)	1.7	1.5	1.3	1.1	1.0
EV/EBITDA (x)	5.9	4.6	3.6	3.4	4.3
Dividend yield (%)	0.0	1.5	2.2	3.0	3.0
Net margin (%)	24.8	17.8	20.1	20.3	20.7
Net debt/(cash) to equity (%)	(35.8)	(35.3)	(35.3)	(42.7)	(54.2)
Interest cover (x)	241.9	n.a.	n.a.	n.a.	n.a.
ROE (%)	16.8	14.7	16.3	15.6	15.1
Consensus net profit	-	-	28	32	37
UOBKH/Consensus (x)	-	-	1.06	1.00	0.97

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.067
Target Price	S\$0.086
Upside	+27.9%

COMPANY DESCRIPTION

Marco Polo Marine is an integrated marine logistics group that provides ship chartering of OSVs in regional waters, as well as ship building and maintenance at its shipyard in Batam, Indonesia.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	MPM SP
Shares issued (m):	3,753.6
Market cap (\$m):	251.5
Market cap (US\$m):	186.2
3-mth avg daily t'over (US\$m):	0.8

Price Performance (%)

52-week high/low S\$0.071/S\$0.045

1mth	3mth	6mth	1yr	YTD
1.5	19.6	28.8	28.8	31.4

Major Shareholders

	%
Lee Family	22.6
Apricot Capital	16.2
Penguin International	8.1
FY24 NAV/Share (\$)	0.05
FY24 Net Cash/Share (\$)	0.02

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **CSOV to be key contributor from FY25.** MPM's new CSOV is around 69% complete as of 31 Mar 24, and scheduled to begin operations in Oct 24. This CSOV will be deployed over three years at an agreed utilisation rate per annum under its Vestas Framework Agreement, with its first stop being Taiwan. According to 4C Offshore Market Intelligence, there are 14 CSOVs and 29 service operation vessels (SOV) in operation worldwide as of 8 Mar 24, with the majority contracted in Europe. In line with larger capacity turbines furthering offshore, such vessels with larger capacity are seeing increasing demand. We note that 53 CSOVs/SOVs are in the pipeline, of which few are ordered by companies serving the APAC region like MPM. As the cost of building such vessels rises, the limited supply points to better day rates and utilisation for MPM's CSOV moving forward.
- **Maiden deployment of new CTV in FY25 may unlock more opportunities.** Having successfully entered the Taiwan offshore wind market, MPM is also drawing on its expertise to serve the Korea market this year. In Mar 24, MPM announced its Asia-Pacific Crew Transfer Vessel (CTV) framework agreement with Siemens Gamesa for projects across Taiwan and Korea. Its maiden CTV charter in Korea will start in 4Q24, marking MPM's successful entry into a new market. We think that this partnership will further boost MPM's track record and potentially provide more opportunities to accelerate its growth.
- **New dry dock to contribute from 1HFY25.** MPM's new 240-metre-long Dry Dock 4 commenced construction in Sep 23, and is likely to be completed in 1HFY25. This is expected to increase ship repair capacity by up to 25%, allowing MPM to take on more ship repair activities. As of end-1HFY24, MPM's shipyard utilisation rate remained high at 89% (+10ppt yoy).
- **Healthy net cash position provides buffer.** MPM has shown excellent cash management, with a strong net cash position of S\$48.1m as at end-Mar 24 (FY23: S\$60.8m). This translates to S\$0.013/sh, or 20% of market cap and provides a comfortable level of support for our valuation.

EARNINGS REVISION/RISK

- **We maintain our forecasts.**

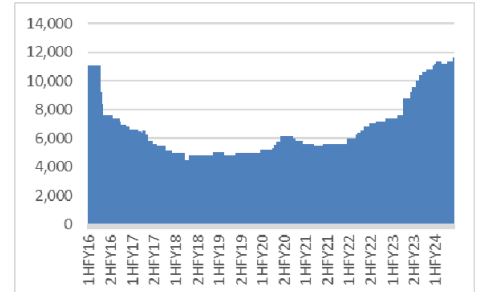
VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of S\$0.086**, pegged to 11x FY24F PE, based on +2SD above its historical three-year PE range. We apply this valuation peg on the back of higher charter rates and vessel utilisation rates. MPM trades at an attractive 9x FY24F PE.

SHARE PRICE CATALYST

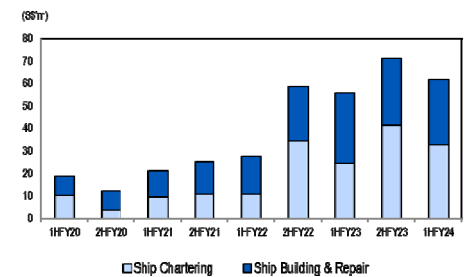
- Higher-than-expected ship charter rates and vessel utilisation.
- Award of new ship chartering contracts.
- Higher value of repair projects during the year.

OSV CHARTER RATES ARE INCREASING TO A NINE-YEAR HIGH (1HFY16 – PRESENT)



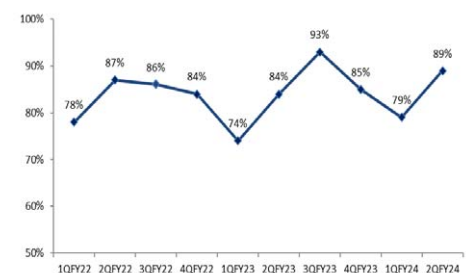
Source: Offshore Intelligence Network, UOB Kay Hian

SEGMENTAL CONTRIBUTION (1HFY20 – 1HFY24)



Source: Marco Polo Marine, UOB Kay Hian

SHIPYARD UTILISATION RATES (1QFY22 – 2QFY24)



Source: Marco Polo Marine, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Net turnover	127.1	145.9	159.7	170.6
EBITDA	39.8	50.2	54.4	42.4
Deprec. & amort.	12.1	13.4	14.5	0.0
EBIT	27.8	36.9	39.9	42.4
Associate contributions	0.2	0.0	0.0	0.0
Net interest income/(expense)	1.5	2.0	2.5	3.5
Pre-tax profit	30.5	38.9	42.4	45.9
Tax	(4.7)	(6.0)	(6.5)	(7.1)
Minorities	(3.2)	(3.5)	(3.5)	(3.5)
Net profit	22.6	29.4	32.4	35.3
Net profit (adj.)	25.2	29.4	32.4	35.3

BALANCE SHEET

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Fixed assets	92.8	122.3	115.6	108.6
Other LT assets	20.3	16.8	16.8	16.8
Cash/ST investment	63.1	70.9	96.5	137.1
Other current assets	53.0	52.2	60.3	62.8
Total assets	229.1	262.1	289.2	325.2
ST debt	2.5	0.0	0.0	0.0
Other current liabilities	33.5	40.4	43.4	46.9
LT debt	1.3	2.6	2.6	2.6
Other LT liabilities	7.9	25.6	23.1	27.7
Shareholders' equity	167.8	193.5	220.2	247.9
Minority interest	16.1	0.0	0.0	0.0
Total liabilities & equity	229.1	262.1	289.2	325.2

CASH FLOW

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Operating	28.1	56.6	39.7	54.4
Pre-tax profit	30.5	38.9	42.4	45.9
Tax	(1.0)	(5.0)	(5.9)	(6.5)
Deprec. & amort.	12.1	13.4	14.5	14.9
Working capital changes	(25.3)	11.3	(8.9)	2.6
Non-cash items	12.0	(2.0)	(2.5)	(2.5)
Investing	(22.8)	(40.9)	(5.4)	(4.4)
Capex (growth)	(13.4)	(42.9)	(7.9)	(7.9)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(9.5)	2.0	2.5	3.5
Financing	6.0	(5.0)	(5.7)	(7.5)
Dividend payments	0.0	(3.8)	(5.7)	(7.5)
Issue of shares	7.5	0.0	0.0	0.0
Loan repayment	0.1	(1.2)	0.0	0.0
Others/interest paid	(1.5)	0.0	0.0	0.0
Net cash inflow (outflow)	11.3	10.8	28.6	42.5
Beginning cash & cash equivalent	53.5	63.1	73.9	102.5
Changes due to forex impact	(1.8)	0.0	0.0	0.0
Ending cash & cash equivalent	63.1	73.9	102.5	145.1

KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	31.3	34.4	34.1	24.8
Pre-tax margin	24.0	26.6	26.5	26.9
Net margin	17.8	20.1	20.3	20.7
ROA	10.8	12.0	11.7	11.5
ROE	14.7	16.3	15.6	15.1
Growth				
Turnover	47.7	14.8	9.5	6.8
EBITDA	27.6	26.1	8.3	(22.1)
Pre-tax profit	31.0	27.6	9.1	8.2
Net profit	5.8	30.2	10.1	9.1
Net profit (adj.)	81.9	16.7	10.1	9.1
EPS	71.5	16.7	10.1	9.1
Leverage				
Debt to total capital	2.0	1.3	1.2	1.0
Debt to equity	2.3	1.3	1.2	1.0
Net debt/(cash) to equity	(35.3)	(35.3)	(42.7)	(54.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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