

COMPANY RESULTS

Marco Polo Marine (MPM SP)

1QFY24: Turning Tides With Business Tailwinds; Raise Target Price By 6% To S\$0.07

MPM surpassed expectations with its 1QFY24 performance, which saw revenue and gross profit growing 22.8% yoy and 75.8% yoy respectively despite the traditionally quieter monsoon period. Gross margin expanded by 12.1ppt yoy, on the back of higher average charter and utilisation rates. We continue to like MPM for its prime position which is likely to benefit from the growing APAC offshore wind market. Maintain BUY with a 6% higher PE-based target price of S\$0.07 (S\$0.066 previously).

1QFY24 UPDATE

Year to 30 Sep (\$m)	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg
Revenue	29.1	23.7	22.8	34.4	(15.4)
Gross profit	11.6	6.6	75.8	13.8	(15.9)
Gross margin (%)	39.9	27.8	+12.1ppt	40.1	(0.2ppt)

Source: Marco Polo Marine, UOB Kay Hian

RESULTS

- Results beat expectations.** Marco Polo Marine (MPM) achieved 1QFY24 revenue of S\$29.1m (+22.8% yoy) and record-high 1QFY24 gross profit of S\$11.6m (+75.8% yoy), accounting for 20% and 22.1% of our forecasts respectively. This is above expectations as 1H is a traditionally quieter monsoon period for MPM, with 1Q forming 10-15% of full-year gross profit over the past two years (disclosed). Gross profit margin saw a marked yoy improvement of 12.1ppt to 39.9%, primarily from higher average charter and utilisation rates of offshore support vessels (OSVs).
- Surge in revenue from ship chartering.** The jump in revenue was anchored by the ship chartering segment, which saw an uptick in average vessel utilisation rates to 70% (+9ppt yoy). This was due to higher energy prices, increased offshore windfarm activity and continued tight supply of OSVs. For the shipyard segment, revenue was stable yoy as the fall in ship repair volume, due to Chinese shipyards resuming operations, was offset by growth in shipbuilding activities. This is evidenced by the robust 1QFY24 shipyard utilisation of 79% (+5ppt yoy).
- Favourable OSV market outlook with increased offshore activity.** The APAC offshore windfarm market continues to garner attention and attract investments in projects. According to Mordor Intelligence, the APAC OSV market is expected to record a CAGR of >7% from 2022 to 2027. According to Research Nester, the APAC region is estimated to be the second largest OSV market, with the global OSV market expected to surpass US\$27b by 2035. With its successful expansion into Taiwan and Japan, followed by its partnership in South Korea, MPM stands to benefit from servicing the growing APAC offshore wind market.

KEY FINANCIALS

Year to 30 Sep (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	86	127	146	159	173
EBITDA	31	40	50	53	43
Operating profit	22	28	37	39	43
Net profit (rep./act.)	21	23	29	31	36
Net profit (adj.)	14	25	29	31	36
EPS (S\$ cents)	0.4	0.7	0.8	0.8	0.9
PE (x)	14.1	8.2	7.1	6.6	5.8
P/B (x)	1.4	1.2	1.1	0.9	0.8
EV/EBITDA (x)	4.4	3.5	2.8	2.6	3.2
Dividend yield (%)	0.0	1.8	2.7	3.6	3.6
Net margin (%)	24.8	17.8	20.1	19.8	20.6
Net debt/(cash) to equity (%)	(35.8)	(35.3)	(35.3)	(42.8)	(54.4)
Interest cover (x)	241.9	n.a.	n.a.	n.a.	n.a.
ROE (%)	16.8	14.7	16.3	15.3	15.3
Consensus net profit	-	-	24	26	29
UOBKH/Consensus (x)	-	-	1.23	1.20	1.24

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.055
Target Price	S\$0.07
Upside	+27.4%
(Previous TP)	S\$0.066

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):	206.5
Market cap (US\$m):	153.2
3-mth avg daily t'over (US\$m):	0.3

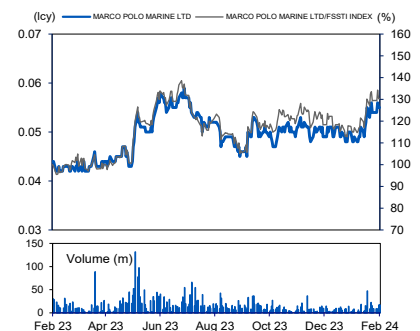
Price Performance (%)

52-week high/low	S\$0.059/S\$0.042			
1mth	3mth	6mth	1yr	YTD
10.0	10.0	5.8	27.9	7.8

Major Shareholders

	%
Lee Family	22.6
Apricot Capital	16.4
Penguin International	8.1
FY24 NAV/Share (S\$)	0.05
FY24 Net Cash/Share (S\$)	0.02

PRICE CHART



Source: Bloomberg

ANALYST(S)

Heidi Mo
+65 6590 6630
heidimo@uobkayhian.com

John Cheong
+65 6590 6623
johncheong@uobkayhian.com

STOCK IMPACT

- New dry dock to boost ship repair capacity; China's reopening to stabilise.** MPM's new 240m-long Dry Dock 4 is expected to be completed by 1QFY25 and will increase ship repair capacity by up to 25%. The group has also successfully secured several new build contracts for vessel construction to be delivered up till 2HFY24, ensuring sustained shipyard utilisation levels. The stabilisation of China's reopening will also allow MPM to capture growing demand for ship repairs and shipbuilding and achieve top-line growth. As of end-1QFY24, MPM's shipyard utilisation rate remained high at 79% (+5ppt yoy).
- Primed to benefit from growing renewable market upon new CSOV deployment.** MPM is building a new commissioning service operation vessel (CSOV) designed to provide charter services in Taiwan, Japan and South Korea. To recap, the CSOV was 34% completed as of 4QFY23. From MPM's recent Vestas Framework Agreement, we understand that the CSOV will be deployed over three years at an agreed utilisation rate once the vessel is fully constructed. This will provide medium-term revenue visibility for MPM's ship chartering segment. As a shortage of such vessels and increased construction of new projects continues to drive up both utilisation and charter rates, the CSOV's expected completion in 3QFY24 is timely for MPM's growth.
- Healthy net cash position provides buffer.** MPM has shown excellent cash management, with a strong net cash position of S\$61m as at end-FY23 (FY22: S\$54m). This provides a comfortable level of support for our valuation.

EARNINGS REVISION/RISK

- We raise FY24/FY25/FY26 earnings forecasts by 9%/7%/7% respectively**, after increasing our gross profit margin estimates by 2ppt/1.5ppt/1.5ppt on the back of higher charter rates and utilisation rates. Our gross profit estimates have increased by 4-6% over the same period.

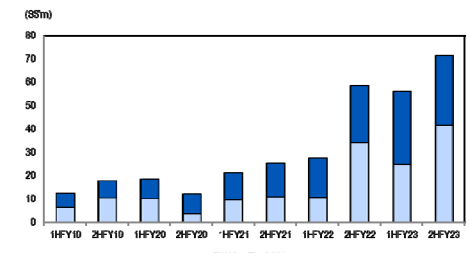
VALUATION/RECOMMENDATION

- Maintain BUY with a 6% higher target price of S\$0.07 (S\$0.066 previously).** We have changed our valuation methodology from P/B to PE, as MPM has demonstrated its ability to generate sustainable profits. The valuation peg of 9.0x FY24F PE is +2SD above its historical three-year PE range, on the back of higher charter rates and vessel utilisation rates. MPM currently trades at an attractive 7x FY24F PE (5x ex-cash).

SHARE PRICE CATALYST

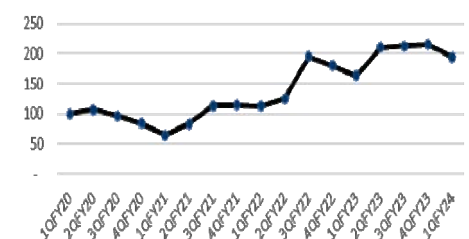
- Higher-than-expected ship charter rates and vessel utilisation.
- Award of new ship chartering contracts.
- Higher value of repair projects during the year.

SEGMENTAL CONTRIBUTION (1HFY19 – 2HFY23)



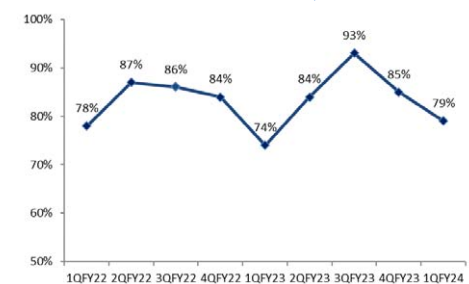
Source: Marco Polo Marine, UOB Kay Hian

AVERAGE DAILY CHARTER RATES INDEX (1QFY20 – 1QFY24)



Source: Marco Polo Marine, UOB Kay Hian

SHIPYARD UTILISATION RATES (1QFY22 – 1QFY24)



Source: Marco Polo Marine, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Net turnover	127.1	145.9	159.1	173.4
EBITDA	39.8	50.2	53.4	42.8
Deprec. & amort.	12.1	13.4	14.5	0.0
EBIT	27.8	36.9	38.8	42.8
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	41.3	46.3
Tax	(4.7)	(6.0)	(6.4)	(7.1)
Minorities	(3.2)	(3.5)	(3.5)	(3.5)
Net profit	22.6	29.4	31.5	35.7
Net profit (adj.)	25.2	29.4	31.5	35.7

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	60.1	63.8
Total assets	229.1	262.1	289.0	326.2
ST debt	2.5	0.0	0.0	0.0
Other current liabilities	33.5	40.4	43.1	47.6
LT debt	1.3	2.6	2.6	2.6
Other LT liabilities	7.9	25.6	24.0	28.5
Shareholders' equity	167.8	193.5	219.3	247.5
Minority interest	16.1	0.0	0.0	0.0
Total liabilities & equity	229.1	262.1	289.0	326.2

CASH FLOW

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Operating	28.1	56.6	38.6	54.8
Pre-tax profit	30.5	38.9	41.3	46.3
Tax	(1.0)	(5.0)	(5.9)	(6.3)
Deprec. & amort.	12.1	13.4	14.5	14.9
Working capital changes	(25.3)	11.3	(8.8)	2.4
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	27.6	42.9
Beginning cash & cash equivalent	53.5	63.1	73.9	101.5
Changes due to forex impact	(1.8)	0.0	0.0	0.0
Ending cash & cash equivalent	63.1	73.9	101.5	144.5

KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	31.3	34.4	33.6	24.7
Pre-tax margin	24.0	26.6	26.0	26.7
Net margin	17.8	20.1	19.8	20.6
ROA	10.8	12.0	11.4	11.6
ROE	14.7	16.3	15.3	15.3
Growth				
Turnover	47.7	14.8	9.0	9.0
EBITDA	27.6	26.1	6.3	(19.7)
Pre-tax profit	31.0	27.6	6.4	12.1
Net profit	5.8	30.2	7.1	13.4
Net profit (adj.)	81.9	16.7	7.1	13.4
EPS	71.5	16.7	7.1	13.4
Leverage				
Debt to total capital	2.0	1.3	1.2	1.0
Debt to equity	2.3	1.3	1.2	1.1
Net debt/(cash) to equity	(35.3)	(35.3)	(42.8)	(54.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W