

SMALL/MID CAP HIGHLIGHTS

Mermaid Maritime (MMT SP)

Positioned For Growth With Orderbook Expansion And Higher Margins

MMT's subsea and offshore services market has traditionally been in Asia; however, it has successfully expanded into the Middle East, West Africa and the North Sea in the past few years. Profitability has grown materially over the past three years with management guiding for EBITDA margin expansion in 2024 and 2025. In 2H23 alone, the company doubled its orderbook to finish 2023 at US\$734m.

WHAT'S NEW

- Impressive post COVID-19 growth.** Mermaid Maritime (MMT) recorded 2023 revenue and net profit of US\$275.4m (+23.0% yoy) and US\$9.7m (2022: loss of US\$0.2m) respectively, driven by growth across all of its business segments: a) subsea inspection, repair & maintenance (IRM), b) cable laying & engineering, and c) transportation & installation (T&I) and decommissioning. In 2023, subsea IRM accounted for 56% of revenue with T&I and decommissioning at 29%, and cable laying and engineering 15%. Currently, MMT operates eight subsea vessels, 18 saturation/air diving systems and 14 remotely-operated vehicles.
- Improving margins due to higher utilisation.** MMT saw a 4.4ppt yoy increase in 2023 EBITDA margin to 13.8% which it attributed to higher vessel utilisation and better cost control. Over the 2019-23 period, MMT's revenue grew at a 27% CAGR with strong contribution from all business segments. During our recent meeting with management, it appeared very confident that EBITDA margin can continue to expand in 2024 helped by higher charter rates, continued high vessel utilisation rates and supported by a robust orderbook. In addition, the company noted that its low-margin contracts from 2021 and 2022 have been completed as at end-23, and all new contracts from 2024 onwards should experience higher dayrates.
- MMT's orderbook doubled in size in 2H23** from US\$337m to US\$734m (as at end-23) due to, among others, a significant contract from Chevron Thailand for decommissioning work in the Gulf of Thailand. MMT has said that this will likely underpin its revenues for the next few years. Apart from this, the company also won contracts in Southeast Asia, the Middle East, the North Sea, and the Western Sub-Saharan region.
- Solid balance sheet with support from major shareholder.** In Feb 24, MMT secured a US\$55m shareholder loan from its major shareholder Thoresen Thai Agencies at below market rates. As a result the company estimates that its present net debt to equity is 0.6x.
- Outlook.** Management has guided for stronger revenues and profitability in 2024 and 2025 on the back of higher dayrates as old contracts roll over and new contracts start, sustained high utilisation levels and continued strength in new order wins. Industry expectations for oil prices in excess of US\$80/bbl levels should underpin this growth.
- Key risks** to the stock appear to be low daily trading liquidity, a decline in the oil prices which could impact spending in the offshore oil and gas industry, and operational risks.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2019	2020	2021	2022	2023
Net turnover	105.9	83.8	111.6	223.9	275.4
EBITDA	(5.8)	(21.3)	1.4	22.1	38.9
Operating profit	(25.0)	(35.9)	(13.4)	3.4	13.9
Net profit (rep./act.)	(24.3)	(109.7)	(15.7)	(0.2)	9.6
Net profit (adj.)	(24.3)	(109.7)	(15.7)	(0.2)	9.6
EPS	(1.7)	(7.8)	(1.1)	(0.0)	0.7
PE (x)	n.a.	n.a.	n.a.	n.a.	13.9
P/B (x)	0.5	0.7	0.8	0.8	0.8
EV/EBITDA (x)	n.a.	n.a.	94.6	6.0	3.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(22.9)	(130.9)	(14.1)	(0.1)	3.5
Net debt/(cash) to equity (%)	11.7	11.3	27.3	39.5	42.6
Interest cover (x)	n.a.	n.a.	0.9	6.7	6.9
ROE (%)	(8.0)	(47.2)	(9.3)	(0.1)	5.8

Source: MMT, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	S\$0.137
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Mermaid Maritime provides drilling and sub-sea engineering services for the offshore oil and gas industry. It services clients in South East Asia, India, China, the North Sea, the Middle East and Africa.

STOCK DATA

GICS sector	Energy
Bloomberg ticker	MMT SP
Shares issued (m):	1413.329
Market cap (S\$ m):	193.6
Market cap (US\$ m):	143.4
3-mth avg t'over (US\$ m):	0.4

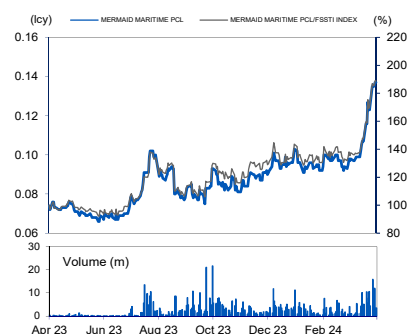
Price Performance (%)

52-week high/low	S\$0.142/S\$0.066			
1mth	3mth	6mth	1yr	YTD
47.3	38.4	65.1	90.3	44.2

Major Shareholders

	%
Thoresen Thai Agencies	58.22
Chalermchai Mahagitsiri	10.65
Soleado Hldgs	7.22
NAV/Share (US\$)	0.12
Net Cash/Share (US\$)	(0.051)

PRICE CHART

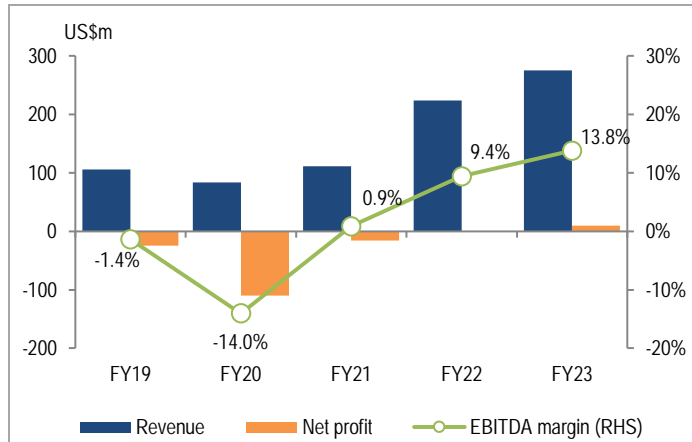


Source: Bloomberg

ANALYST(S)

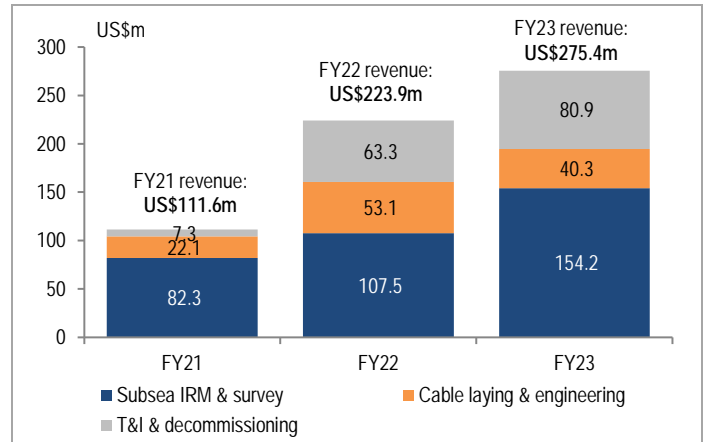
Singapore Research Team
 +65 6535 6868
 research@uobkayhian.com

HISTORICAL REVENUE, NET PROFIT AND GROSS MARGINS (\$m)



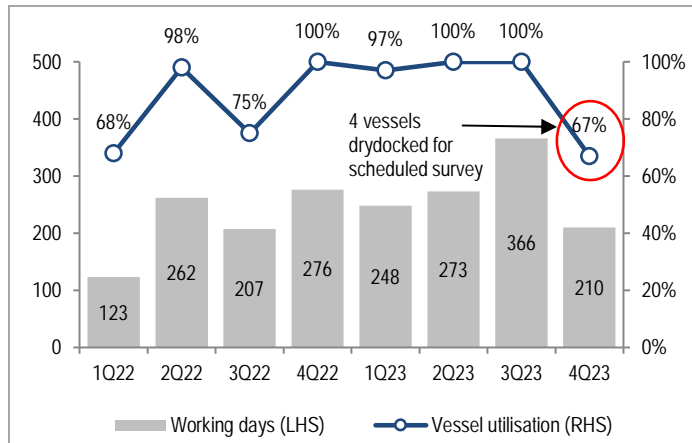
Source: MMT, UOB Kay Hian

REVENUE BREAKDOWN BY SERVICE INCOME CONTRIBUTION (2021-23)



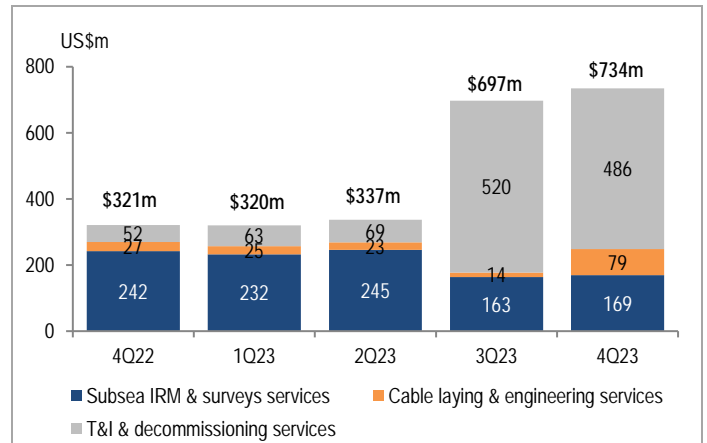
Source: MMT, UOB Kay Hian

UTILISATION OF SUBSEA IRM VESSELS



Source: MMT, UOB Kay Hian

TOTAL ORDERBOOK



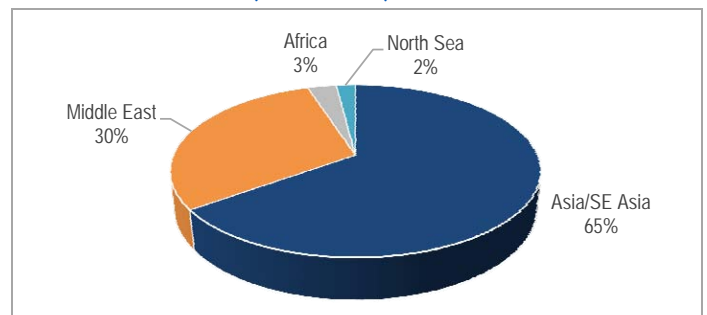
Source: MMT, UOB Kay Hian

MERMAID FLEET PROFILE

Name	Built	Purchased	Type
Mermaid Sapphire	2008	2009	ROV support vessel
Millennium 3	2011	2021	Accommodation & construction support barge
Mermaid Asiana	2010	2010	Dive support & light construction
Mermaid Endurer	2010	2010	Dive support & light construction
Mermaid Commander	1987	2005	Dive support vessel
Mermaid Challenger	2008	2008	Offshore support vessel
Mermaid Resilient	2007	2022	Derrick pipe lay barge
Van Gogh	2019	Chartered in	High-spec deepwater dive support

Source: MMT, UOB Kay Hian

ORDERBOOK BY REGION (AS AT END-23)



Source: MMT, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 11-Apr-24 (lcy)	Market Cap (US\$m)	PE		EV/EBITDA		P/B		ROE		P/FCF (x)
					2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (%)	2024 (%)	
Marco Polo Marine	MPM SP	SGD	0.066	183	11.0	7.3	4.6	4.6	1.5	1.3	14.7	15.2	16.7
Mermaid Maritime	MMT SP	SGD	0.137	143	14.9	n.a.	5.5	n.a.	0.8	n.a.	5.8	n.a.	23.2
Atlantic Nav	ATL SP	SGD	0.35	135	7.5	n.a.	5.1	n.a.	1.4	n.a.	19.9	n.a.	20.5
Baker Tech	BTL SP	SGD	0.57	85	13.9	n.a.	4.5	n.a.	0.5	n.a.	3.9	n.a.	4.4
Kim Heng	KHOM SP	SGD	0.094	49	47.0	n.a.	6.5	n.a.	1.2	n.a.	2.8	n.a.	n.a.
Asl Marine	ASL SP	SGD	0.069	34	12.3	n.a.	3.3	n.a.	0.6	n.a.	5.0	n.a.	0.9
Ch Offshore	CHO SP	SGD	0.049	26	n.a.	n.a.	n.a.	n.a.	0.6	n.a.	(19.5)	n.a.	n.a.
Beng Kuang	BKM SP	SGD	0.19	28	11.0	n.a.	4.3	n.a.	4.0	n.a.	43.7	n.a.	7.7
Average					16.8	7.3	4.8	4.6	1.3	1.3	9.5	15.2	12.2

Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (US\$m)	2020	2021	2022	2023
Net turnover	83.8	111.6	223.9	275.4
EBITDA	(21.3)	1.4	22.1	38.9
Deprec. & amort.	14.5	14.8	18.7	25.1
EBIT	(35.9)	(13.4)	3.4	13.9
Total other non-operating income	(68.1)	(0.4)	(1.0)	(0.9)
Associate contributions	(0.9)	0.5	2.9	3.9
Net interest income/(expense)	(2.2)	(1.6)	(3.3)	(5.6)
Pre-tax profit	(107.1)	(14.9)	1.9	11.2
Tax	(2.5)	(0.8)	(1.6)	(1.5)
Minorities	(0.1)	(0.1)	(0.5)	(0.1)
Net profit	(109.7)	(15.7)	(0.2)	9.6
Net profit (adj.)	(109.7)	(15.7)	(0.2)	9.6

CASH FLOW

Year to 31 Dec (US\$m)	2020	2021	2022	2023
Operating	(6.1)	(2.9)	28.4	10.0
Profit for the year	(107.1)	(14.9)	1.9	11.2
Tax	(2.5)	(0.8)	(1.6)	(1.5)
Deprec. & amort.	14.5	14.8	18.7	25.1
Associates	0.9	(0.5)	(2.9)	(3.9)
Working capital changes	5.0	2.4	10.6	(27.3)
Non-cash items	(0.0)	(0.8)	(0.1)	(0.0)
Other operating cashflows	83.0	(3.0)	1.7	6.4
Investing	22.3	(19.2)	(10.0)	(12.9)
Capex (growth)	(10.7)	(8.6)	(14.9)	(11.1)
Investment	0.0	0.0	0.0	0.0
Others	33.0	(10.6)	4.9	(1.8)
Financing	(1.0)	(7.6)	(17.9)	25.3
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	8.0	9.5	4.0	53.9
Loan repayment	(6.6)	(15.3)	(14.3)	(14.3)
Others/interest paid	(2.3)	(1.8)	(7.7)	(14.3)
Net cash inflow (outflow)	15.2	(29.6)	0.5	22.4
Beginning cash & cash equivalent	22.5	37.8	8.0	7.8
Changes due to forex impact	0.0	(0.1)	(0.7)	0.1
Ending cash & cash equivalent	37.8	8.0	7.8	30.3

BALANCE SHEET

Year to 31 Dec (US\$m)	2020	2021	2022	2023
Fixed assets	143.6	133.0	163.6	149.9
Other LT assets	33.8	38.8	54.0	60.8
Cash/ST investment	37.8	8.0	7.8	30.3
Other current assets	45.4	78.9	66.1	115.5
Total assets	260.5	258.6	291.5	356.6
ST debt	13.8	17.3	31.9	58.7
Other current liabilities	23.0	43.6	56.4	79.9
LT debt	44.1	34.6	39.4	44.1
Other LT liabilities	2.4	2.4	2.8	3.3
Shareholders' equity	177.6	161.0	160.7	170.3
Minority interest	(0.3)	(0.3)	0.2	0.3
Total liabilities & equity	260.5	258.6	291.5	356.6

KEY METRICS

Year to 31 Dec (%)	2020	2021	2022	2023
Profitability				
EBITDA margin	(25.5)	1.3	9.9	14.1
Pre-tax margin	(127.8)	(13.4)	0.9	4.1
Net margin	(130.9)	(14.1)	(0.1)	3.5
ROA	(34.6)	(6.1)	(0.1)	3.0
ROE	(47.2)	(9.3)	(0.1)	5.8
Growth				
Turnover	(20.9)	33.2	100.7	23.0
EBITDA	n.a.	n.a.	1,469.7	76.1
Pre-tax profit	n.a.	n.a.	n.a.	481.6
Net profit	n.a.	n.a.	n.a.	n.a.
Net profit (adj.)	n.a.	n.a.	n.a.	n.a.
EPS	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	22.2	20.1	24.5	28.8
Debt to equity	32.6	32.2	44.4	60.4
Net debt/(cash) to equity	11.3	27.3	39.5	42.6
Interest cover (x)	n.a.	0.9	6.7	6.9

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