

SMALL/MID CAP HIGHLIGHTS

Atlantic Navigation Holdings (ATL SP)

Unique And Well-Positioned In The Middle East's Offshore Marine Industry

ATL is a Middle East-focused offshore marine company which saw EBITDA margins recover strongly after COVID-19 on the back of higher charter rates and sustained high utilisation rates. Earnings growth in 2024 should be underpinned by full-year contributions from newly-acquired vessels as well as the completion of a newbuild vessel in 2Q24. The demand/supply dynamics in the Middle East's offshore marine industry appear favourable for the foreseeable future.

WHAT'S NEW

- **Middle East-focused with 20 vessels and growing.** Atlantic Navigation Holdings (ATL) is a Middle East-focused offshore marine company. In 2023, revenue and net profit rose to US\$91.0m (+40% yoy) and US\$18.1m (+62% yoy) respectively, driven by growth across both its business segments: a) marine logistics services (MLS) with its fleet of 20 vessels providing ship chartering, technical and chartering project management, and b) ship repair, fabrication and other marine services (SRM) which has a float and drydock repair and maintenance services with facilities at the Hamriyah Free Zone as well as Dubai Maritime City. See table overleaf for a list of its fleet of vessels.
- **Margins have recovered with room for some expansion.** 1Q24 EBITDA margins expanded further to 42.1% (2023: 37.4%) vs the 20-26% levels seen in 2019-21. The company attributed this to higher vessel charter rates as the Middle East's offshore marine demand/supply dynamics appear to be very favourable for the foreseeable future, as well as good cost control. At a recent call with the company, it appeared very confident that EBITDA margin can be maintained at >40% for 2024, helped by higher charter and utilisation rates.
- **Earnings growth in 2024 will likely be driven by recently-acquired vessels that will fully contribute for the year.** These include: a) an accommodation workboat acquired in 1Q24, b) a DP2 platform supply vessel acquired in Apr 23, and c) a maintenance utility vessel acquired in May 23. In addition, 2Q24 will see the completion of AOS Glory, a large 6,000bhp DP2 multi-purpose platform supply vessel.
- **Solid balance sheet with access to financing from Middle East banks.** As at end-1Q24, the company had net gearing of 40.7%, a slight increase from 38% at end-23. We note that ATL has managed to lower its gearing from 57% in 2018 to current levels which should allow it to add another 2-3 vessels for its medium-term growth. Given its presence in the Middle East, the company has not had issues in accessing financing for its acquisitions.
- **Outlook.** Management has guided for strong profit growth in 2024-25 on higher dayrates as old contracts roll over and new contracts start, and it has sustained high utilisation levels and contribution from new vessels. Industry expectations for oil prices in excess of US\$80/bbl levels should underpin this growth. Nearly 49% of ATL's 2023 revenue came from Qatar, making it a second derivative play on the world's fastest LNG exporting nation.
- **Key risks** to the stock appears to be its low daily trading liquidity, a decline in 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	76.5	64.4	43.8	64.9	91.0
EBITDA	19.8	13.9	8.5	25.1	34.0
Operating profit	10.2	5.1	(0.1)	15.1	23.0
Net profit (rep./act.)	2.4	(5.5)	(13.2)	11.2	18.1
Net profit (adj.)	2.4	(5.5)	(13.2)	11.2	18.1
EPS	0.5	(1.0)	(2.5)	2.1	3.5
PE (x)	58.0	n.a.	n.a.	12.4	7.7
P/B (x)	1.6	1.7	2.0	1.7	1.4
EV/EBITDA (x)	7.0	10.0	16.4	5.6	4.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	3.1	(8.5)	(30.2)	17.3	19.9
Net debt/(cash) to equity (%)	77.8	71.3	77.3	46.6	33.8
Interest cover (x)	2.9	2.9	2.1	6.8	7.0
ROE (%)	2.8	(6.5)	(17.7)	14.9	19.9

Source: Atlantic Navigation Holdings, Bloomberg, UOB Kay Hian

NOT RATED
(Maintained)

Share Price	S\$0.36
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

ATL offers a platform of services including vessel owning, operating, chartering of third-party vessels, maintenance workshop and steel fabrication works for the offshore industry. It primarily operates its fleet in the Middle East and Indian markets.

STOCK DATA

GICS sector	Energy
Bloomberg ticker	ATL SP
Shares issued (m):	523.5
Market cap (S\$ m):	188.5
Market cap (US\$ m):	139.4
3-mth avg t'over (US\$ m):	0.0

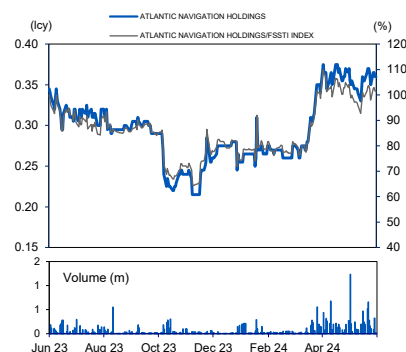
Price Performance (%)

52-week high/low	S\$0.395/S\$0.215			
1mth	3mth	6mth	1yr	YTD
(2.7)	30.9	41.2	12.5	30.9

Major Shareholders

	%
Saeed Investment P/L	50.22
Wong Siew Cheong	38.2
-	-
NAV/Share (US\$)	0.19
Net Cash/Share (US\$)	-0.065

PRICE CHART

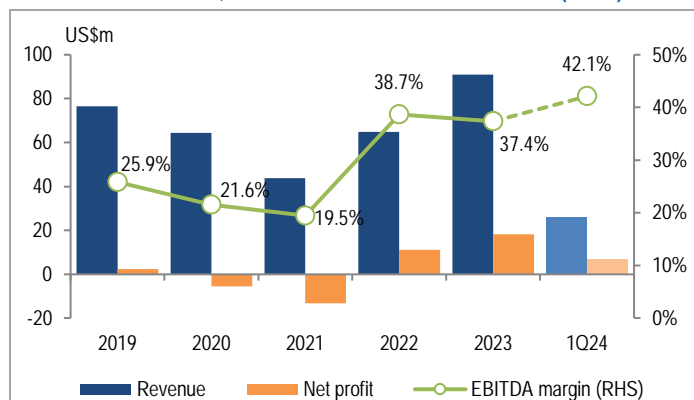


Source: Bloomberg

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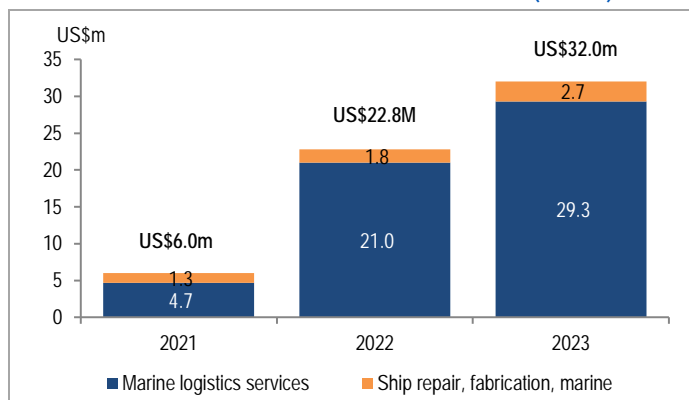
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HISTORICAL REVENUE, NET PROFIT AND EBITDA MARGINS (US\$m)



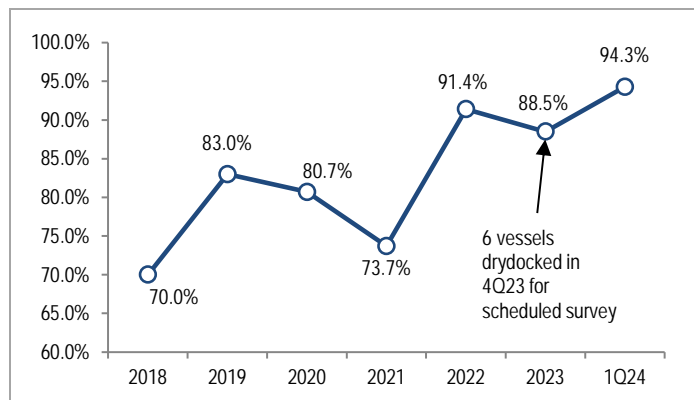
Source: ATL, UOB Kay Hian

GROSS PROFIT CONTRIBUTION BY BUSINESS SEGMENT (2021-23)



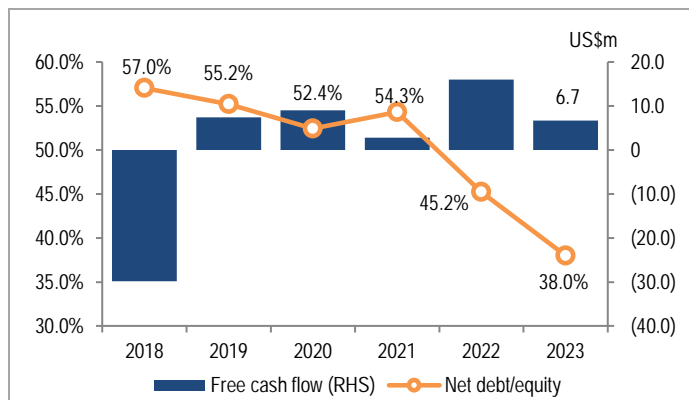
Source: ATL, UOB Kay Hian

UTILISATION OF MARINE LOGISTICS VESSELS



Source: ATL, UOB Kay Hian

NET DEBT/EQUITY VS FREE CASH FLOW



Source: ATL, UOB Kay Hian

ATLANTIC NAVIGATION FLEET PROFILE

Name	Built/re-purposed	Type
AOS Maintainer 1	2015	DP-1 jack-up accommodation barge
Delta 22	2013	Jack-up barge
Atlantic Capella (1)	2016	Accommodation workboat
AOS Neptune	2015	Platform supply vessel - DP2
Vega Egypt 1 (2)	2017	Platform supply vessel - DP2
AOS Victory	2014	Anchor handling tug supply vessel - DP2
AOS Valiant	2018	Maintenance utility vessel
AOS Valor	2018	Maintenance utility vessel
AOS Venture	2018	Maintenance utility vessel
AOS Vision	2018	Maintenance utility vessel
Team Clio (3)	2018	Maintenance utility vessel
AOS Eagle	2018	Work utility vessel
AOS Emerald	2018	Shallow draft AHTS
AOS Sapphire	2018	Shallow draft AHTS
AOS Handler	2010	Anchor handling tug supply vessel - DP1
AOS Hauler	2010	Anchor handling tug supply vessel - DP1
AOS Provider	2010	Anchor handling tug supply vessel - DP1
AOS Power	2012	Anchor handling tug
Discovery	2010	Dive support vessel
AOS Swift	2015	Crew boat

Note: (1) acquired Jan 24, (2) acquired Apr 23, (3) acquired May 23

Source: ATL, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 12-Jun-24 (lcy)	Market Cap (US\$m)	PE		EV/EBITDA		P/B		ROE		P/FCF 2023 (x)
					2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (%)	2024 (%)	
Marco Polo Marine	MPM SP	SGD	0.062	172	10.3	6.9	4.5	4.6	1.4	1.2	14.7	15.2	13.1
Mermaid Maritime	MMT SP	SGD	0.177	185	19.3	n.a.	6.9	n.a.	1.1	n.a.	5.8	n.a.	n.a.
Atlantic Nav	ATL SP	SGD	0.36	139	7.7	n.a.	5.2	n.a.	1.4	n.a.	19.9	n.a.	n.a.
Baker Tech	BTL SP	SGD	0.59	89	14.4	n.a.	4.0	n.a.	0.5	n.a.	3.8	n.a.	n.a.
Kim Heng	KHOM SP	SGD	0.087	45	39.5	n.a.	6.2	n.a.	1.1	n.a.	2.8	n.a.	n.a.
Asl Marine	ASL SP	SGD	0.06	34	10.7	n.a.	3.3	n.a.	0.5	n.a.	5.0	n.a.	n.a.
CH Offshore	CHO SP	SGD	0.05	26	n.a.	n.a.	n.a.	n.a.	0.7	n.a.	(19.5)	n.a.	n.a.
Beng Kuang	BKM SP	SGD	0.184	27	10.7	n.a.	4.0	n.a.	3.8	n.a.	43.7	n.a.	n.a.
Average					16.1	6.9	4.9	4.6	1.3	1.2	9.5	15.2	13.1

Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (US\$m)	2020	2021	2022	2023
Net turnover	64.4	43.8	64.9	91.0
EBITDA	13.9	8.5	25.1	34.0
Deprec. & amort.	8.7	8.6	10.0	11.0
EBIT	5.1	(0.1)	15.1	23.0
Total other non-operating income	(5.7)	(9.1)	(0.2)	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(4.9)	(4.1)	(3.7)	(4.8)
Pre-tax profit	(5.5)	(13.2)	11.2	18.2
Tax	0.0	0.0	(0.0)	(0.1)
Minorities	0.0	0.0	0.0	0.0
Net profit	(5.5)	(13.2)	11.2	18.1
Net profit (adj.)	(5.5)	(13.2)	11.2	18.1

CASH FLOW

Year to 31 Dec (US\$m)	2020	2021	2022	2023
Operating	10.3	2.5	18.5	30.4
Profit for the year	(5.5)	(13.2)	11.2	18.2
Tax	0.0	0.0	(0.0)	(0.1)
Deprec. & amort.	8.7	8.6	10.0	11.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	(1.3)	(2.4)	(3.4)	0.0
Non-cash items	(0.0)	1.1	0.2	(0.0)
Other operating cashflows	8.4	8.5	0.6	1.2
Investing	(1.4)	0.2	(2.6)	(23.7)
Capex (growth)	(1.4)	(1.7)	(3.6)	(23.8)
Investment	0.0	0.0	0.0	0.0
Others	0.0	2.0	1.0	0.0
Financing	(10.3)	(4.7)	(11.6)	(5.2)
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.2	7.4	9.0	20.1
Loan repayment	(11.0)	(12.1)	(20.6)	(21.4)
Others/interest paid	0.5	0.0	0.0	(3.9)
Net cash inflow (outflow)	(1.4)	(2.0)	4.4	1.5
Beginning cash & cash equivalent	1.4	0.0	(1.9)	2.4
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	0.0	(1.9)	2.4	3.9

BALANCE SHEET

Year to 31 Dec (US\$m)	2020	2021	2022	2023
Fixed assets	155.3	138.6	129.2	141.9
Other LT assets	0.6	0.2	0.1	0.1
Cash/ST investment	1.0	0.6	2.5	7.8
Other current assets	16.7	14.0	21.0	20.1
Total assets	173.5	153.4	152.7	170.0
ST debt	55.5	52.7	17.2	13.5
Other current liabilities	20.1	17.4	18.1	22.3
LT debt	3.3	1.2	23.4	28.1
Other LT liabilities	13.5	13.1	12.2	6.3
Shareholders' equity	81.1	69.0	81.8	99.8
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	173.5	153.4	152.7	170.0

KEY METRICS

Year to 31 Dec (%)	2020	2021	2022	2023
Profitability				
EBITDA margin	21.6	19.5	38.7	37.4
Pre-tax margin	(8.5)	(30.2)	17.3	20.0
Net margin	(8.5)	(30.2)	17.3	19.9
ROA	(3.0)	(8.1)	7.3	11.2
ROE	(6.5)	(17.7)	14.9	19.9
Growth				
Turnover	(15.8)	(32.0)	48.0	40.3
EBITDA	(29.8)	(38.6)	194.6	35.4
Pre-tax profit	n.a.	n.a.	n.a.	62.0
Net profit	n.a.	n.a.	n.a.	61.6
Net profit (adj.)	n.a.	n.a.	n.a.	61.6
EPS	n.a.	n.a.	n.a.	61.6
Leverage				
Debt to total capital	33.9	35.2	26.6	24.5
Debt to equity	72.5	78.2	49.6	41.7
Net debt/(cash) to equity	71.3	77.3	46.6	33.8
Interest cover (x)	2.9	2.1	6.8	7.0

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