

29 November 2021

Energy & Petrochemicals | Oil & Gas Services

Marco Polo Marine (MPM SP)

Buy (Maintained)

Towards a Greener Future; Keep BUY

Target Price (Return): SGD0.04 (+33%)
 Price (Market Cap): SGD0.03 (USD74.5m)
 ESG score: 3.00 (out of 4)
 Avg Daily Turnover (SGD/USD) 0.21m/0.15m

- Maintain BUY and DCF-based TP of SGD0.04, 33% upside.** Marco Polo Marine returned to the black in FY21 (Sep) with an after-tax profit of SGD3m (FY20: -SGD8.9m) – which is slightly ahead of our estimate. Going forward, the oil & gas services business will continue to be its bread and butter, but management intends to continue actively exploring opportunities in renewable energy (RE). We expect it to win contracts on that front in the near future.

- Strong revenue growth driven by both segments.** Revenue increased by almost 49% YoY to SGD46.1m. This was driven by growth from both the ship chartering and shipbuilding & repair segments, which reported an increase in turnover of 48% YoY and 51% YoY.

- Vessel charter rates to rise, improving margins.** We expect vessel charter rates to rise by 5-10% in 2022, which will likely improve MPM's revenue and margins. As such, we estimate its vessel chartering revenue to grow by another 20-30% YoY this year, and GPM to continue widening as well. For the shipbuilding division, MPM may secure a contract in 2HFY22, while its ship repair business should remain robust – which may bring its shipyard's utilisation rate to close to 100%.

- More opportunities in RE.** Management has been actively diversifying and expanding MPM's activities beyond the oil & gas industry. As of 1H21, 20% of its utilised vessels are working on offshore windfarm projects in Taiwan. We believe RE is a potential major growth driver – especially with the influx of investments coming into this space. We believe that MPM will expand its operations in Taiwan, and will likely look to double its chartering fleet in this space by end-2Q22, then have at least 50% of its fleet servicing the RE sector by 2Q23.

- Beneficiary of higher oil prices.** The WTI crude price has recovered to about USD78.00/bbl currently – as the world has been recovering from the pandemic, and oil & gas activities gradually pick up again. As such, MPM has also seen an uptick in ship charter utilisation rates and its shipyard operations. In addition, with the COVID-19 situation in Taiwan improving, this will likely speed up the progress of it winning RE projects. We also believe that the continued recovery will be positive for MPM across all its business segments. This, together with the catalyst of more RE contracts garnered, leads us to maintain our BUY recommendation.

- Incorporating ESG scores into our TP calculation.** Using our in-house proprietary methodology, we derived an ESG score of 3.0. As the ESG score is around the 3.0 median score for our Singapore coverage universe, we do not apply any discount or premium to our TP.

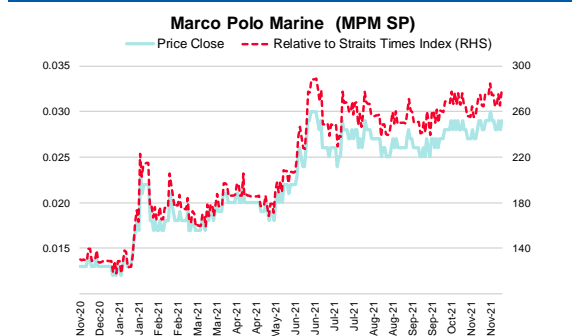
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	123.1	3.6	11.5	31.8	123.1
Relative	111.8	4.8	9.7	31.2	112.3
52-wk Price low/high (SGD)					0.01 – 0.03



Source: Bloomberg

Overall ESG Score: 3.00 (out of 4)

E: GOOD

Scrap from all non-renewable materials such as steel is collected, weighed and sold for recycling purposes wherever possible. In 2020, MPM recycled 50% (2019: 36% and 2018: 24%) of total steel used. It seeks to continue reducing the strain on the environment by regularly reviewing and strengthening recycling practices.

S: GOOD

MPM adopts fair employment practices, and treats all employees equally. It complies with local labour regulations across its geographic operations – including minimum wage laws, where such laws exist. In 2020, both male and female entry-level employees at the Batam shipyard operations were paid the local minimum wage amounting to IDR4.28m.

G: GOOD

MPM has aligned its governance policies and practices with the principles and guidelines set out in the Code of Corporate Governance issued by the Monetary Authority of Singapore on 6 Aug 2018, and has formalised its Enterprise Risk Management (ERM) process starting from FYE 30 Sep 2019.

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD1bn.

Forecasts and Valuation	Sep-19	Sep-20	Sep-21F	Sep-22F	Sep-23F
Total turnover (SGDm)	30	31	46	55	64
Recurring net profit (SGDm)	(4)	(9)	3	4	7
Recurring net profit growth (%)	(102.3)	138.4	-	49.4	83.4
Recurring P/E (x)	na	na	40.85	27.35	14.92
P/B (x)	0.9	1.0	0.9	0.9	0.8
P/CF (x)	60.01	na	48.14	27.35	14.92
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	(2.39)	na	1.02	0.41	(0.64)
Return on average equity (%)	(3.5)	(8.8)	13.8	3.2	5.6
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (SGD)	Sep-19	Sep-20	Sep-21F	Sep-22F	Sep-23F
Singapore	Recurring EPS	(0.00)	(0.00)	0.00	0.00	0.00
Energy & Petrochemicals	BVPS	0.03	0.03	0.03	0.03	0.04
Marco Polo Marine	Return on average equity (%)	(3.5)	(8.8)	13.8	3.2	5.6
MPM SP						
Buy						
	Valuation metrics	Sep-19	Sep-20	Sep-21F	Sep-22F	Sep-23F
	Recurring P/E (x)	na	na	40.85	27.35	14.92
	P/B (x)	0.9	1.0	0.9	0.9	0.8
	FCF Yield (%)	(3.2)	(13.3)	(0.1)	(0.3)	2.8
	EV/EBITDA (x)	(2.39)	na	1.02	0.41	(0.64)
	EV/EBIT (x)	(2.39)	na	1.02	0.41	(0.64)
	Income statement (SGDm)	Sep-19	Sep-20	Sep-21F	Sep-22F	Sep-23F
	Total turnover	30.2	30.8	46.1	54.7	64.1
	Gross profit	5.7	4.4	12.0	14.9	19.0
	EBITDA	1.7	(6.2)	2.5	3.8	7.0
	Operating profit	1.7	(6.2)	2.5	3.8	7.0
	Net interest	(0.0)	(0.0)	(0.1)	0.0	0.0
	Pre-tax profit	(3.7)	(9.0)	15.3	3.8	7.0
	Taxation	(0.2)	(0.2)	(0.5)	(0.1)	(0.2)
	Reported net profit	(3.9)	(9.2)	14.8	3.7	6.8
	Recurring net profit	(3.9)	(9.2)	2.5	3.7	6.8
	Cash flow (SGDm)	Sep-19	Sep-20	Sep-21F	Sep-22F	Sep-23F
	Cash flow from operations	1.5	(6.6)	2.1	3.7	6.8
	Capex	(4.3)	(7.0)	(2.2)	(4.0)	(4.0)
	Cash flow from investing activities	0.8	(4.4)	(2.2)	(4.0)	(4.0)
	Cash flow from financing activities	0.1	0.4	(0.3)	0.0	0.0
	Cash at beginning of period	17.9	13.6	13.6	20.3	21.4
	Net change in cash	2.4	(10.6)	(0.4)	(0.3)	2.8
	Ending balance cash	13.3	14.0	12.2	20.1	24.2
	Balance sheet (SGDm)	Sep-19	Sep-20	Sep-21F	Sep-22F	Sep-23F
	Total cash and equivalents	14	14	20	21	27
	Total investments	93	88	83	83	83
	Total assets	124	113	140	143	151
	Short-term debt	0	0	1	1	1
	Total long-term debt	0	0	3	3	3
	Total liabilities	15	14	25	24	26
	Total equity	109	100	115	119	125
	Total liabilities & equity	124	113	140	143	151
	Key metrics	Sep-19	Sep-20	Sep-21F	Sep-22F	Sep-23F
	Revenue growth (%)	13.6	2.2	49.5	18.7	17.2
	Recurrent EPS growth (%)	(101.1)	104.6	0.0	49.4	83.4
	Gross margin (%)	18.8	14.3	26.1	27.3	29.6
	Operating EBITDA margin (%)	5.7	(19.9)	5.5	7.0	10.9
	Net profit margin (%)	(12.8)	(29.9)	32.0	6.8	10.7
	Capex/sales (%)	14.1	22.6	4.8	7.3	6.2
	Interest cover (x)	191	(171)	19		

Source: Company data, RHB

Recommendation Chart

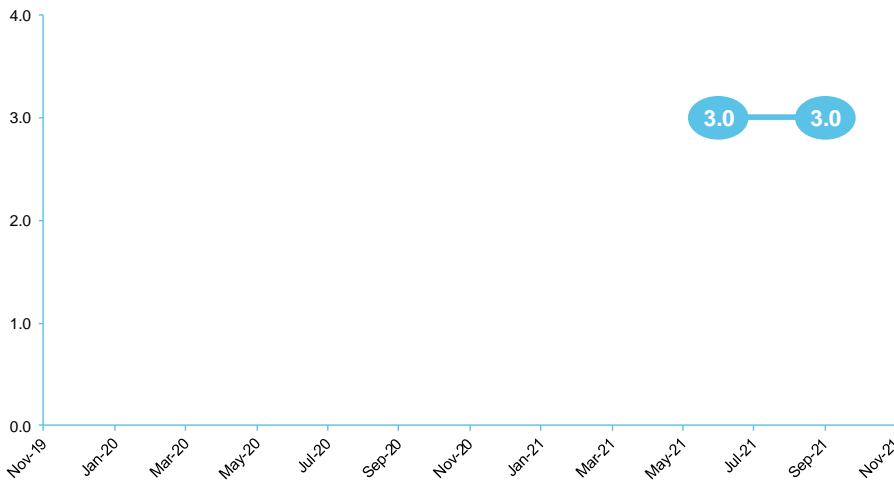


Date	Recommendation	Target Price	Price
2021-06-15	Buy	0.04	0.03
2020-01-29	Not Rated	na	0.02

Source: RHB, Bloomberg

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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